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Conference Paper

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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: Novosák, Jiří (2014) : Coherence of the EU cohesion policy and national regional policy: the case of the Czech Republic, 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:

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Coherence of the EU Cohesion Policy and National Regional Policy: the Case of the Czech Republic

Jiří Novosák

Abstract

The spatial coherence of the EU Convergence Objective programmes and the Czech regional policy in the programming period 2007-2013 is subject to analysis in this paper. The focus is on the disparity goal of the Czech regional policy at both the national and regional level. In this regard, we map the spatial pattern of the projects that were supported from the EU Convergence Objective programmes, identifying the position of the supported/lagging regions as defined in the relevant legislative and strategic documents of the Czech regional policy. Our findings show a rather ambivalent spatial coherence of the EU Convergence Objective programmes and the Czech regional policy in the programming period 2007-2013. Thus, there is generally not a better relative position of the supported/lagging regions in the spatial pattern of the projects that were supported from the EU Convergence Objective programmes. Consequently, the impact of the EU Convergence Objective programmes, as the main territorially based development policy in the Czech Republic, on the reduction of internal regional disparities is doubtful.

Keywords: regional policy, EU cohesion policy, coherence of regional policies, the Czech Republic

JEL codes: R12, R58, O18, O22

1. Introduction

Socioeconomic development has its important territorial dimension. It is spatially uneven process. Some territories are developing faster than the others. Consequently, the issue of territorial disparities arises. Not surprisingly, this issue is firmly embedded in the theories concerning with territorial development. There is a long history of the research on territorial disparities. For this paper, the changing perception of the question whether the disparity and efficiency goals of territorial development are complementary is crucial.

There is the idea of decreasing returns from capital in the Solow's neoclassical growth model (Solow, 1956). This mechanism ensures that socioeconomic development of particular territories converges in a long-term perspective. Interventions into key factors of production in lagging regions are recommended to speed up the convergence process (e.g. Boldrin and

Canova, 2001). In this way of thinking, the efficiency and disparity goals of territorial development are complementary (see e.g. Fratesi, 2008).

The theoretical shift in the research on territorial development towards increasing returns from capital and agglomeration externalities challenges the abovementioned convergence mechanism (e.g. Romer, 1990; Krugman, 1991). In this regard, the interventions into key factors of production in lagging regions do not have to be efficient. Consequently, the conflict between the disparity and efficiency goals of territorial development arises (Nijkamp, 2009), and the interventions in lagging regions are advocated by the argument of undue territorial disparities (e.g. de la Fuente and Vives, 1995).

Territorially based development policies may follow both the disparity and efficiency goals. However, the disparity goal tends to be emphasized in the scholar literature (e.g. Fothergill, 2005; Beugelsdijk and Eijffinger, 2005; de la Fuente and Vives, 1995; Martin, 2009; Dagiliene, 2006). Furthermore, the spatial level of supported territories is another important issue of territorially based development policies. These levels may differ for the policies formulated at the supranational level (e.g. the EU cohesion policy), at the national level of particular countries, and at the subnational level of particular administrative units in a country. This multi-level mishmash of territorially based development policies evokes the question on their spatial interplay. In this regard, a number of studies point at the missing coherence between the EU cohesion policy on the one hand and national regional policies on the other (see e.g. Fothergill, 2005; O'Leary, 2005; Hudson, 2007; Dagiliene, 2006; Kasza, 2009; Blažek and Macešková, 2010; Hájek et al., 2012). However, empirical research on the spatial flows of financial allocation to substantiate this idea is rather scarce (see e.g. Blažek and Macešková, 2010 and Hájek et al., 2012 for some notable exceptions).

This paper integrates the abovementioned considerations and research gaps in the following research design. First, we choose the Czech Republic as our case study. We regard this choice as suitable because there is the interplay between the EU cohesion policy and national regional policy formulated at both the national and regional level in the Czech Republic (the Czech regional policy hereafter). Second, our focus is on the disparity goal of these policies understood as the support to lagging territories. The list and spatial level of these territories are different for the EU cohesion policy and the Czech regional policy. Third, we respect the fact that the EU Convergence Goal programmes have become the dominant territorially based development policy in the Czech Republic in the programming period 2007-2013 and the importance of other policies of this kind has been marginalized (see e.g. Jetmar, 2007). Thus, the EU Convergence Goal programmes are a decisive financial instrument for the Czech

regional policy as well. Fourth, we map the spatial pattern of projects supported from the EU cohesion policy in order to recognize the position of lagging territories defined in the Czech regional policy at both the national and regional level. In this way, the spatial coherence of the EU cohesion policy and the Czech regional policy is evaluated.

Altogether, the goal of this paper is to evaluate the spatial coherence of the EU Convergence Objective programmes and the Czech regional policy in the programming period 2007-2013. The paper is structured as follows. The second chapter provides theoretical background of the research. The third chapter introduces the methodology. The fourth chapter summarizes main empirical findings. The last chapter concludes.

2. EU cohesion policy and Czech regional policy

There was a limited interest in regional policy in the Czech Republic before the year 1989 and in the early 1990s (see e.g. Churski, 2005; Ezcurra, Pascual and Rapún, 2007). Marek and Baun (2002), Boldrin (2002) explain this fact by a low political importance of regional policy in this time, by the political unwillingness for territorial de-concentration of power, and by low territorial disparities as the legacy of communism. However, this situation changed at the turn of the century. Two causes are generally mentioned in this regard. First, regional disparities in the Czech Republic increased in this time. Second, the Czech Republic initiated the negotiation process on its EU accession. Consequently, the crucial legislative and strategic documents related to regional policy were signed by responsible Czech authorities at the turn of the century (see e.g. Hájek and Novosák, 2010; Petrakos, Psycharis and Kallioras, 2005; Baláž, 2007).

In the relevant legislative and strategic documents of the Czech Republic, regional policy is understood as conceptual interventions of national and regional authorities that contribute to harmonious and balanced development of regions, support their economic and social development, and reduce regional disparities (e.g. Hájek, 2012). In this regard, the Act No 248/2000 Coll., about the support of regional development, defines the requirement to formulate strategic documents at the national and regional level, including the list of supported – lagging – territories. It is noteworthy that there are various spatial levels at which these territories are defined (see table 1). At the national level, the supported territories include counties (LAU 1 level) and administrative districts of municipalities with extended power. At the regional level, the supported territories include administrative districts of municipalities with extended power, administrative districts of municipalities with responsible authorities and municipalities (LAU 2 level).

After the EU accession in 2004, the EU cohesion policy has become the dominant territorially based development policy in the Czech Republic (see e.g. Jetmar, 2007), marginalizing the role of other territorially based development policies in the programming period 2007-2013 (see e.g. Jetmar, 2007). Marek and Baun (2008) point at the third position of the Czech Republic in the absolute financial allocation from the EU cohesion policy in the programming period 2007-2013 and at the first position of the Czech Republic in the relative financial allocation per 1 inhabitant between all the EU countries. The Convergence Objective programmes are the main source of financing. In this regard, all the Czech NUTS 2 regions are eligible to draw funds from the Convergence Objective programmes, except the NUTS 2 region Prague. Thus, the supported territories are defined on different spatial levels in the relevant documents of the Convergence Objective programmes on the one hand and of the Czech regional policy on the other. Table 1 summarizes the multi-level character of territorially based development policies in the Czech Republic, including the spatial level relevant for decision-making process concerning the Convergence Objective programmes.

Table 1: Multi-level character of territorially based development policies in the Czech Republic

Spatial level	Role
Czech Republic (NUTS 1 level)	Decisions on the thematic Convergence Objective programmes Formulation of the Czech regional policy – national level
Cohesion regions (NUTS 2 level)	Decisions on of the regional Convergence Objective programmes Supported territories in the Convergence Objective programmes
Regions (NUTS 3 level)	Decisions on of the regional Convergence Objective programmes Formulation of the Czech regional policy – regional level
Counties (LAU 1 level)	Supported territories in the Czech regional policy – national level
Administrative districts of municipalities with extended power	Supported territories in the Czech regional policy – national level Supported territories in the Czech regional policy – regional level
Administrative districts of municipalities with responsible authority	Supported territories in the Czech regional policy – regional level
Municipalities (LAU 2 level)	Supported territories in the Czech regional policy – regional level

3. Methodology

The following methodological approach was applied to meet the goal of this article. First, we compiled the database of more than 46 thousand projects that were supported from the Convergence Objective programmes in the programming period 2007-2013. In this regard, the official databases of the Centre for Regional Development (the CRD hereafter) and of the

Czech Ministry for Regional Development (the MRD hereafter) were the sources information. The database consists of all the projects listed in the database in January 2014.

Table 2: Analyzed attributes

Attribute	Values	Source
Category of regions – national level (seat of recipients)	<ul style="list-style-type: none"> - Economically weak regions - Structurally affected regions - Non-supported regions - Prague 	Derived from the ID number of a support recipient as given in the CRD database. In the Business Register of the Czech Statistical Office found the seat of this recipient at the municipality level. The municipality categorized in one of the regions according to the Czech Government Resolution No. 829/2006 and No. 141/2010.
Category of regions – national level (location of project realization)	<ul style="list-style-type: none"> - Economically weak regions - Structurally affected regions - Non-supported regions - Prague 	Derived from the location of project realization at the municipality level as given in the CRD database. The municipality categorized in one of the regions according to the Czech Government Resolution No. 829/2006 and No. 141/2010.
Category of regions – regional level (seat of recipients)	<ul style="list-style-type: none"> - Lagging regions - Non-lagging regions 	Derived from the ID number of a support recipient as given in the CRD database. In the Business Register of the Czech Statistical Office found the seat of this recipient at the municipality level. The municipality categorized in one of the regions according to the relevant strategic document of particular regions.
Category of regions – regional level (location of project realization)	<ul style="list-style-type: none"> - Lagging regions - Non-lagging regions 	Derived from the location of project realization at the municipality level as given in the CRD database. The municipality categorized in one of the regions according to the relevant strategic document of particular regions.
Thematic area of the project	<ul style="list-style-type: none"> - Transport infrastructure - Environment - Infrastructure of public services - Innovations, research and development - Enterprise - Human resources 	Derived from a short description of each project as given in the CRD database.
Financial allocation from EU structural funds (seat of recipients)	CZK	The total financial allocation derived from the CRD and MRD databases.
Financial allocation from EU structural funds (location of project realization)	CZK	The total financial allocation derived from the CRD and MRD databases. Subsequently, evenly distributed between the locations of project realization on the municipality level. If a municipality of project realization corresponded to the seat of support recipient fourfold weigh given to this municipality.

Second, we defined attributes of the projects which were added to the database for further analysis. Table 2 provides their review, including possible values and data sources. Third, the database was filled in with data, creating the data matrix for further analysis. Fourth, we analyzed the data matrix, using methods of descriptive statistics. Thus, we calculated two dependant variables:

- the total number of projects per 100,000 inhabitants,
- and the total financial allocation per 1 inhabitant,

for each category of regions as defined in table 2. Subsequently, we compared the calculated figures, revealing the position of supported/lagging regions of the Czech regional policy at both the national and regional level. Thus, the coherence of the EU cohesion policy and the Czech regional policy was evaluated. Note that a special attention was given to the regional Convergence Objective programmes in the evaluation of the Czech regional policy at the regional level because the decision-making process concerning these programmes is embedded just at this spatial level.

4. Empirical results

Our empirical results are based on a sample of 46,305 projects realized at 71,747 places of location. The total financial allocation for these projects is 594 billion CZK.

4.1 National level

First, let us look at the general spatial pattern of the analyzed projects at the national level, considering the position of structurally affected and economically weak regions – supported regions in the terminology of the Czech regional policy at the national level. Table 3 shows the results. In our opinion, the following findings are especially noteworthy:

- Although the NUTS 2 region Prague is not eligible to draw funds from the Convergence Objective programmes there is the very high financial allocation per 1 inhabitant for economic entities with their seat just in this region.
- There is a lower financial allocation per 1 inhabitant in economically weak regions. The financial allocation per 1 inhabitant in structurally affected regions is higher but this category of regions lags behind in the relative number of supported projects from the Convergence Objective programmes.
- The results based on the seat of recipients are similar as the results based on the location of project realization. However, the position of economically weak regions seems to be improved in the latter type of evaluation.

Altogether, the preference of economically weak regions and structurally affected regions as defined in the Czech regional policy is not obvious in the implementation process of the Convergence Objective programmes.

Table 3: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – Czech Republic; evaluation based on the seat of recipient and location of project realization

Category of regions	Seat of recipients		Location of project realization	
	Number of projects	Financial allocation	Number of projects	Financial allocation
Economically weak regions	459	24,506	781	46,874
Structurally affected regions	372	39,764	612	57,283
Non-supported regions	469	41,963	789	62,377
Prague	382	199,387	----	----

Source: authors' calculations based on the CRD and MRD data

Tables 4-9 show the position of economically weak regions and structurally affected regions in particular thematic areas. Let us have a closer look at economically weak regions first. In this regard, a relatively high number of projects are realized in economically weak regions in several thematic areas. However, these projects are less financially demanding compared with the remaining two categories of regions. Economically weak regions show the best position in the thematic area environment (table 5). On the contrary, this category of regions lags behind especially in the financial allocation on the thematic areas infrastructure of public services (table 6), innovations, research and development (table 7), and human resources (table 9).

Table 4: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – transport infrastructure; evaluation based on the seat of recipient and location of project realization

Category of regions	Seat of recipients		Location of project realization	
	Number of projects	Financial allocation	Number of projects	Financial allocation
Economically weak regions	6	751	32	16,908
Structurally affected regions	7	5,254	18	20,485
Non-supported regions	15	5,156	32	19,409
Prague	21	120,947	----	----

Source: authors' calculations based on the CRD and MRD data

There is relatively lower number of projects realized in structurally affected regions practically in all the thematic areas of our interest. However, these projects generally have

higher financial allocation compared with the remaining two categories of regions. Thematically, the lagging position of structurally affected regions in the thematic areas innovations, research and development (table 7) and environment (table 5) is noteworthy.

Table 5: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – environment; evaluation based on the seat of recipient and location of project realization

Category of regions	Seat of recipients		Location of project realization	
	Number of projects	Financial allocation	Number of projects	Financial allocation
Economically weak regions	114	8,211	124	8,855
Structurally affected regions	50	6,288	50	6,420
Non-supported regions	97	7,706	97	7,708
Prague	33	2,655	----	----

Source: authors' calculations based on the CRD and MRD data

Table 6: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – infrastructure of public services; evaluation based on the seat of recipient and location of project realization

Category of regions	Seat of recipients		Location of project realization	
	Number of projects	Financial allocation	Number of projects	Financial allocation
Economically weak regions	73	4,640	108	5,732
Structurally affected regions	48	9,005	60	8,704
Non-supported regions	76	7,218	96	7,667
Prague	12	10,725	----	----

Source: authors' calculations based on the CRD and MRD data

Table 7: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – innovations, research and development; evaluation based on the seat of recipient and location of project realization

Category of regions	Seat of recipients		Location of project realization	
	Number of projects	Financial allocation	Number of projects	Financial allocation
Economically weak regions	69	4,485	93	5,757
Structurally affected regions	55	7,359	70	7,611
Non-supported regions	56	10,877	76	13,937
Prague	52	16,585	----	----

Source: authors' calculations based on the CRD and MRD data

Table 8: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – enterprise; evaluation based on the seat of recipient and location of project realization

Category of regions	Seat of recipients		Location of project realization	
	Number of projects	Financial allocation	Number of projects	Financial allocation
Economically weak regions	56	2,910	83	4,074
Structurally affected regions	49	4,002	68	4,926
Non-supported regions	61	4,522	88	5,069
Prague	53	12,464	----	----

Source: authors' calculations based on the CRD and MRD data

Table 9: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – human resources; evaluation based on the seat of recipient and location of project realization

Category of regions	Seat of recipients		Location of project realization	
	Number of projects	Financial allocation	Number of projects	Financial allocation
Economically weak regions	108	2,407	226	2,952
Structurally affected regions	110	3,491	235	4,258
Non-supported regions	128	3,786	274	5,118
Prague	82	15,285	----	----

Source: authors' calculations based on the CRD and MRD data

4.2 Regional level

The analysis of the coherence of the EU Convergence Objective programmes and Czech regional policy at the regional level is based on the case studies of three NUTS 3 regions, in particular the Pardubický region, the South-Bohemia region and the Moravia-Silesia region. All the three regions define lagging regions in their strategic documents. It is noteworthy that different spatial levels are used in this regard – the level of administrative districts of municipalities with extended power in the case of Pardubický region (RRA, 2006), the level of administrative units of municipalities with responsible authority in the case of the South-Bohemia region (SBR, 2007), and the level of municipalities in the case of the Moravia-Silesia region (ARR, 2010).

Tables 10, 11 and 12 show the results of our analysis. In this regard, lagging regions are disadvantaged in both the number of projects, except the Pardubický region, and especially in the relative financial allocation. The huge differences of the relative financial allocation in the cases of the South-Bohemia region and Moravia-Silesia region are striking. The position of lagging regions is improved if we evaluate only the projects supported from the regional

Convergence goal programmes (see tables 13, 14 and 15). These findings support the idea on the strengthening position of lagging regions in the financial instruments whose decision-making process is implemented on the spatial level closer to these regions.

Table 10: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – Pardubický region; evaluation based on the seat of recipient and location of project realization

Category of regions	Seat of recipients		Location of project realization	
	Number of projects	Financial allocation	Number of projects	Financial allocation
Lagging regions	484	32,711	889	48,498
Non-lagging regions	476	40,856	803	50,848

Source: authors' calculations based on the CRD and MRD data

Table 11: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – South-Bohemia region; evaluation based on the seat of recipient and location of project realization

Category of regions	Seat of recipients		Location of project realization	
	Number of projects	Financial allocation	Number of projects	Financial allocation
Lagging regions	412	20,598	693	37,274
Non-lagging regions	488	38,302	812	81,476

Source: authors' calculations based on the CRD and MRD data

Table 12: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – Moravia-Silesia region; evaluation based on the seat of recipient and location of project realization

Category of regions	Seat of recipients		Location of project realization	
	Number of projects	Financial allocation	Number of projects	Financial allocation
Lagging regions	366	18,854	654	36,513
Non-lagging regions	454	44,707	696	60,596

Source: authors' calculations based on the CRD and MRD data

Table 13: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – Regional Operational Programme North-East and Pardubický region; evaluation based on the seat of recipient and location of project realization

Category of regions	Seat of recipients		Location of project realization	
	Number of projects	Financial allocation	Number of projects	Financial allocation
Lagging regions	33	11,903	95	10,601
Non-lagging regions	35	7,282	138	13,072

Source: authors' calculations based on the CRD and MRD data

Table 14: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – Regional Operational Programme South-West and South-Bohemia region; evaluation based on the seat of recipient and location of project realization

Category of regions	Seat of recipients		Location of project realization	
	Number of projects	Financial allocation	Number of projects	Financial allocation
Lagging regions	59	6,248	88	8,232
Non-lagging regions	67	14,243	83	14,239

Source: authors' calculations based on the CRD and MRD data

Table 15: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – Regional Operational Programme Moravia-Silesia and Moravia-Silesia region; evaluation based on the seat of recipient and location of project realization

Category of regions	Seat of recipients		Location of project realization	
	Number of projects	Financial allocation	Number of projects	Financial allocation
Lagging regions	59	4,933	117	9,226
Non-lagging regions	61	13,169	98	13,272

Source: authors' calculations based on the CRD and MRD data

5. Conclusion

The goal of this paper was to evaluate the spatial coherence of the EU Convergence Objective programmes and the Czech regional policy at both the national and regional level in the programming period 2007-2013. We based our results on the evaluation of the spatial pattern of the projects that were supported from the EU Convergence Objective programmes, identifying the position of the supported/lagging regions. The main findings of the evaluation may be summarized as follows.

First, there is the high financial allocation of the EU Convergence Objective programmes in the NUTS 2 region Prague if considering the evaluation based on the seat of recipients. The concentration of central public authorities and firm headquarters just in Prague may be perceived as a relevant explanation. It is noteworthy that this NUTS 2 region is by far the richest region in the Czech Republic if measured by the GDP per capita variable. Consequently, such a situation evokes the thinking on the strengthening role of regional authorities in the implementation process of the EU Convergence Objective programmes if the disparity of the Czech regional policy is considered. However, the opposite seems to be true in the preparing of the design of the cohesion policy for the programming period 2014-

2020 in the Czech Republic because the EU Convergence Objective programmes will be replaced by the thematic EU Convergence Objective programmes.

Second, the spatial coherence of the EU Convergence Objective programmes and the Czech regional policy seems to be unclear at both the national and regional level in the programming period 2007-2013. There is generally not a better relative position of the supported/lagging regions in the spatial pattern of the projects that were supported from the EU Convergence Objective programmes (see the similar conclusions in Blažek and Macešková, 2010; or in Hájek et al., 2012). Consequently, the impact of the EU Convergence Objective programmes, as the main territorially based development policy in the Czech Republic, on the reduction of internal regional disparities is doubtful. These doubts are further strengthening through the lagging position of the supported/lagging regions in more progressive thematic areas – innovations, research and development and human resources.

Third, the findings on the spatial coherence of the EU Convergence Objective programmes and the Czech regional policy evoke the idea on a wider implementation of territorially integrated approaches directed at the supported/lagging regions into the design of the EU Convergence Objective programmes. Table 16 shows the position of this category of regions in the evaluation of the projects which were supported from the Leader strategies of the Local Action Groups in the Moravia-Silesia region. The better position of the lagging regions defined in the relevant strategic document (ARR, 2010) is striking. However, this way of thinking is once again ambivalent in the preparing of the design of the cohesion policy for the programming period 2014-2020 in the Czech Republic. In this regard, the role of Local Action Groups should be reinforced in the total financial allocation. Nevertheless, this financial allocation should be distributed across the whole territory of the Czech Republic, not fully respecting the disparity goal of Czech regional policy.

Table 16: Number of projects per 100,000 inhabitants and financial allocation per 1 inhabitant in CZK according to the category of regions – the Leader strategies of the Local Action Groups in the Moravia-Silesia region

Category of regions	Location of project realization	
	Number of projects	Financial allocation
Lagging regions	88	349
Non-lagging regions	40	235

Source: authors' calculations based on the Moravia-Silesia Region data

Acknowledgement

The authors are thankful to the Operational Programme Education for Competitiveness co-funded by the European Social Fund (ESF) and national budget of the Czech Republic for the grant No. CZ.1.07.2.3.00/20.0147 – “Human Resources Development in the Field of Measurement and Management of Companies, Clusters and Regions Performance”, which provided financial support for this research.

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