Verejná politika ako nástroj znižovaní regionálnych disparít
Public Policy as a Tool to Decrease Regional Disparities

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Abstract

Scope of this article is content analysis of regional disparities in Hungary in regions at NUTS 2 and NUTS 3 level with main focus on social disparities, as well as evaluation of possible solutions of regional disparities by national regional policies and by Cohesion Policy of the European Union in Programming Period 2014-2020. General part of the article clarifies functioning of regional structure of Hungary and regional disparities as recognized by Cohesion Policy. Second part of this article is dedicated to differences among regions at NUTS 2 and NUTS 3 levels in Hungary based on analysis of unemployment rate and in consideration of their development. Presented contribution is part of solution of Project VEGA č.1/00302/18 „Smart cities as a possibility for implementation of the concept of sustainable urban development in the Slovak Republic".

Introduction

As well as there are economic, social and territorial differences between the Member States of the European Union, there are also differences in each Member State at regional level. These differences are also apparent in Hungary and Slovakia, as both countries have regions whose overall socio-economic level does not correspond to the national average. These differences are known as regional disparities which are defined as "unjustified regional differences in level of economic, social and ecological development of the regions". In case of Hungary, the largest disparities are apparent among the region with the capital city and eastern peripheral regions, and among the regions bordering with southern and eastern regions of Slovakia. We can observe significant economic, social and territorial disparities in these less developed regions. On one hand, territorial disparities cannot be eliminated because they are not the result of human activity. Regional policies can only mitigate these disparities. On the other hand, economic and social disparities can be eliminated. National regional policies and Cohesion Policy of the European Union can influence negative impacts of disparities on regions by their regulatory competencies.

The aim of this paper is to content analysis social disparities within unemployment rate indicator at NUTS 2 level in Hungary and at NUTS 3 level in comparison with Slovakian regions. Based on the standard deviation, level of this disparity is herein measured in particular regions in Slovakia and Hungary. This analysis aims to examine this level of unemployment rate as a social disparity, as unemployment is significant negative phenomenon that greatly accounts for the economic situation in the region. It is one of adverse effects requiring adequate attention in order to reduce its impact. Such disparities can be also reduced both by national regional policies as well as by regional policies of the European Union.

As this matter is very broad and multidisciplinary in nature, it is not possible to include it only in one public policy. Disparities between different regions of one country arise from various reasons and are often mutually connected. Therefore, key areas of disparities must be identified and, consequently, individual public policies must be implemented in order to prevent or decrease negative impacts, such as:

- **employment policies** (higher disparities in regional GDP may be related to disparities in unemployment rates in particular areas)
- **education policies** (higher disparities in education structure may be related to disparities in unemployment rates in particular areas)
- **security policies** (higher disparities in unemployment rate may be related to criminality rate in particular areas)
- **transport policies** (better transport infrastructure may be related to regional GDP)
- **healthcare policies** (easier access to healthcare may be related to regional GDP). (Pavlík, Hrůza, Godarová, Matějová 2014)

Priorities and general principles arisen of public policies are usually specified in particular tools created on their basis, mainly in program documents of strategies of regional development or regional development programs.

More than one third of the budget of the European Union is dedicated to Cohesion Policy aimed to eliminate economic, social and territorial inequalities in the European Union. Regional policy of the European Union efforts to engage regions to become more competitive, to strengthen their economic growth and to create new jobs. Based on Cohesion Policy, eligibility of regions for financial aid of the European Union is divided into three types of regions according indicator GDP per capita in purchasing power parity (PPP) to the EU-28's average. Based on that, this typology distinguishes between developed regions, transition regions and less developed regions. Except of the region with the capital city, all Hungarian regions at NUTS 2 level fall into the category of less developed regions (the same as in Slovakia) and

are eligible for aid from the European Union for their development, elimination of their economic and social disparities, and mitigation of effects of their territorial disparities.

According current Programming Period of Cohesion Policy, regions at NUTS 3 level can benefit from aid provided within Objective 2 - European Territorial Cooperation. This cooperation involves cross-border cooperation, transnational cooperation and interregional cooperation, through which the regions can cooperate in various projects (environmental protection, increase of accessibility to regions, building infrastructure, etc.), programs and exchanges of experience. The European Union has dedicated 8,948 billion euros to this objective in the current Programming Period of the European Regional Development Fund, allocated for different categories of cooperation. Regional disparities are being decreased by various projects funded by the European Union which help to alleviate the disadvantages emerging from the boarders, to overcome consequences of national peripheries and to improve living standards of population in regions. Besides analysis of regional disparities of Hungary with focus on analysis of social disparities (especially from prospective of unemployment rate) of regions at NUTS 2 and NUTS 3 levels.

1. Regional Disparities and Regional Policy in Hungary

This chapter provides by explanation of regional classification of NUTS and identification of individual regions falling into these levels. Following hypothesis have been defined for purposes of this paper:

Hypothesis 1: There is indirect dependency between development of national economy during economic crisis and unemployment rate on NUTS 3 level in Hungary and Slovakia.

Hypothesis 2: There is indirect dependency between development of national economy during economic crisis and unemployment rate on NUTS 2 level in Hungary and Slovakia.

Furthermore, this chapter identifies regional differences that affect development of particular regions. In addition, it points to the settlement structure within Hungary, which is considerably unbalanced and is concentrated in central areas.

1.1 Regional Structure of Hungary

As in other Member States of the European Union, territorial classification of Hungary is based on nomenclature of territorial units for statistics – NUTS according Regulation (EC)

No. 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS). **Territorial level NUTS 1 in Hungary** is represented by three statistical large regions (Statisztikai nagyrégiók) **-** Dunántúl "Transdanubia" (industrial area in West), Észak és Alföld (Alfold and Northern Area) and Közép-Magyarország (Central Hungary – most visited area of the country) (Melecký 2008).

Region Közép-Magyarország (Central Hungary) includes capital city Budapest and Pest County, and belongs to the most developed regions in Hungary. Population density of Central Hungary is the highest in the country, as almost 31% of population, i.e. 2,925 millions of people has lived here in 2016 (Eurostat 2017). This area has also the lowest unemployment rate in Hungary. Economic situation of this region is influenced mainly by its central location and domination of the capital city with its agglomeration. This area generates high percentage of contribution to GDP of Hungary (45%) and represents almost 40% of all economic activities of the country (Hungarian Central Statistical Office 2014). In 2015, decentralization of this region was initiated, as Budapest area is much more developed than Pest County (its GDP is 2,5 times higher than in Pest County). The proposal was unanimously adopted by regional representatives and by 187 municipalities. Based on approval of the European Union and Eurostat, new territorial borders are in effect from 2018 when Budapest and Pest County have become separate NUTS 2 territorial units. Starting from 2021, each of them will become eligible to apply for aid from development funds of the European Union independently. This is not a single case within the European Union, as other capital cities such as Prague, Vienna, Berlin and others are also individual territorial units at NUTS 2 level (Origo 2016). As Pest County became separate region of NUTS 2 category, number of Hungarian regions at that level increased from 7 to 8. However, this region at NUTS 2 level has not been taken into account by elaboration of this paper, as it is new region, and there is not enough sufficient statistic data for the analysis (Módosítás 2016).

Region Észak és Alföld is located in the north-eastern part of the country. City Debrecen is the center of the region as well as it is the most developed city of the region. Eastern Hungary belongs to the lowest developed parts of the country, considering overall development, development of transport infrastructure, population density and regional economy. There are substantial economic, social and territorial disparities arisen of its location and geography (Térport 2017).

Region Dunántúl (Transdanubia). The borders of Transdanubia are the Danube River (north and east), the Drava and Mura rivers (south), and the foothills of the Alps roughly along the border between Hungary and Austria (west). The territory of the region is 38,000

km², and it comprises almost half of the whole territory of Hungary. The terrain is very varied with gentle hills, valleys, basins, mountains and plains. The main geographical formations are the Transdanubian Mountains, the southern half of the Little Alföld, the Alpokalja, the Transdanubian Hills, and the Mezőföld (part of the Great Alföld). The main rivers are the Danube, Drava, Rába, Zala, and Kapos. In the middle of Transdanubia lies the biggest freshwater lake of Central Europe, the Lake Balaton. After 1989 were new industrial cities built at Tatabánya, Dunaújváros, Ajka and Komló, and new industries and factories were established, for example Hungary's only atomic power plant at Paks. In Pécs uranium was mined and big industrial suburbs were built. One of the most famous plant of Socialist Hungary, the Ikarus Bus was established in Székesfehérvár. After the fall of Socialism, northern Transdanubia was more successful at adapting to the new economic situation than other parts of Hungary (except Budapest) and most of the foreign investment came here to help the radical economic renewal. In the 1990s Székesfehérvár was counted as probably the economically most successful Hungarian town. Esztergom, Győr and Szentgotthárd became centers of the automobile industry with the establishment of the Suzuki, Audi and Opel factories. On the other hand, some rural regions remained impoverished, especially in Southern Transdanubia and along the River Drave (OECD 2001).

Territorial units for statistics NUTS 2 in Hungary are represented by planning and statistical regions (Tervezési-statisztikai régiók). They are not administrative districts of the country sui generis. NUTS 2 regions were created by purpose of regulation, as required from Hungary in process of joining the European Union. Regions NUTS 2 were created as a connection of 14 areas with relatively same or similar economic, social and environmental characteristics. These 8 regions at NUTS 2 level differ from each other by their area, population, population density and by economic performance and social structure (OECD Territorial Reviews Hungary 2001). Funds of the European Union are distributed between these NUTS 2 regions (Központi statisztikai hivatal 2008).

Table 1: Datasheet of NUTS 2 Regions in Hungary in 2014

NUTS 2	Area (in thousands of sq. km)	Population	Population density (in sq. km)	GDP per capita v. PPP, Index EU28=100
Közép Magyarország/Central Hungary	6 919	2 925 500	423	107
Közép-Dunántúl/Central	11 237	1 104 841	98	61

Transdanubia			
Nyugat Dunántúl/Western Transdanubia	11 209	998 187	89	71
Dél-Dunántúl/Southern Transdanubia	14 169	952 982	67	45
Észak Magyarország/Nothern Hungary	13 428	1 209 142	90	42
Észak-Alföld/Northern Great Plain/	17 749	1 502 409	85	43
Dél-Alföld/Southern Great Plain	18 339	1 325 527	72	47

Source: Own research, Eurostat 2017

Territorial units for statistics NUTS 3 are represented by counties (megyék) as base self-government units in administrative classification of the country. The capital city Budapest also belongs to NUTS 3 regions. Currently there are 20 territorial units for statistics at this level. (Központi statisztikai hivatal 2008). Classification of NUTS 1, NUTS 2 and NUTS 3 is summarized as follows:

Table 2: New NUTS Classification in Hungary from 1.1.2018

NUTS 1		NUTS 2		NUTS 3	
Statistical large regions (Országrész)	Code	Region	Code	Counties (Megye)	Code
Közep-Magyarozság (Central Hungary)	HU1	Budapest	HHU 11	Capital city Budapest	HU110
		Pest	HHU 12	Pest	HU120
Dunántúl (Transdanubia)	HU2	Közep-Dunántúl (Central Transdanubia)	HU21	Fejér	HU211
				Komárom-Esztergom	HU212
				Veszprém	HU213
		Nyugat-Dunántúl (Western Transdanubia)	HHU 22	Gyor-Moson-Sopron	HU221
				Vas	HU222
				Zala	HU223

		Dél-Dunántúl (Southern Transdanubia)	HHU 23	Baranya	HU231
				Somogy	HU232
				Tolna	HU233
Ézsak es Alföld (Great Plain and North)	HU3	Ézsak-Magyarozság (Northern Hungary)	HHU 31	Borsod-Abaúj-Zemplén	HU311
				Heves	HU312
				Nograd	HU313
		Ézsak- Alföld (Northern Great Plain)	HHU 32	Hajdú-Bihar	HU321
				Jász-Nagykun-Szolnok	HU322
				Szabolcs-Szatmár-Bereg	HU323
		Dél-Alföld (Southern Great Plain)	HU33	Bács-Kiskun	HU331
				Békés	HU332
				Csongrád	HU333

Source: Own research in 2018

Local administrative unit in nomenclature of territorial units for statistics includes LAU 1 and LAU 2 units. Local units LAU 1 are represented by statistical sub-regions (kirtérségek). There are 168 sub-regions in total, and each county is comprised of these sub-regions. Units LAU 2 are represented by municipalities, out of which there is 252 cities and 2 893 villages (Központi statisztikai hivatal 2008). As of the above mentioned description of territorial units for statistics, it is apparent that scales of large areas, such as NUTS 1 or NUTS 2 are too general for analysis and evaluation of regional disparities. On one hand, LAU 1 level (168 sub-regions) can be considered as the most appropriate level for evaluation of regional disparities. On the other hand, relevant statistics data which are comparable with level of the European Union are mainly available for NUTS 2 or NUTS 3 level. Therefore, further elaboration of this matter will focus on base characteristics of the regions at NUTS 2 and NUTS 3 levels.

1.2   Regional Disparities according Cohesion Policy

More than one third of the budget of the European Union is dedicated to Cohesion Policy which focuses on elimination of economic, social and territorial disparities in the European Union. Regional Policy of the European Union is investment policy which supports creation of new jobs, competitiveness, economic growth, improved quality of life and sustainable development (Eurostat 2016). In the Programming Period 2014 - 2020, Cohesion Policy has continued in its aim to maximize its influence to development and employment. The amount of 351 billion euros is being invested to the regions of the European Union within this period. Investments are targeting all regions, however certain political reforms were adopted in order to adjust extent of aid provided to respective region according following classification:

● **less developed regions** (GDP < 75 % of the EU-27 average) – all NUTS 2 regions in Hungary, except of the region with capital city

● **transition regions** (GDP 75 % – 90 % of the EU-27 average) – nowadays no region of Hungary falls into this category. Western Danubian Region is closest to this category

● **more developed regions** (GDP > 90 % of the EU-27 average) – region with capital city

2. RESULTS and DISCUSSION - Regions of Hungary from point of view of social disparities according unemployment rate indicator

Following part of this article is dedicated to problems of unemployment within category of social disparities in Hungary at NUTS 2 and NUTS 3 levels. Level of social disparities according unemployment rate indicator was measured with standard deviation. At NUTS 2 level, regions of Hungary at this level were measured and compared. At NUTS 3 level, regions in Hungary and in Slovakia at NUTS 3 level were measured and compared according unemployment rate in period of 2000-2015. Based on that, it was possible to identify the intensity of social disparities within unemployment rate indicator at NUTS 2 and NUTS 3 levels.

2.1   Regional Disparities according Unemployment Rate at NUTS 2 Level

Unemployment rate at NUTS 2 level is one of the main indicators to measure regional disparities in the European Union. According presented available data on development of unemployment rate at NUTS 2 level in the relevant period, it was observed that regional disparities have been decreasing before Hungary joined the European Union. After Hungary

joined the European Union, regional disparities have been increasing (Skokan 2008). The main cause of the increase in the unemployment rate was, above all, the introduction of a government measure to increase the retirement rate for women from the age of 55 to the age of 62, thereby automatically increasing the share of unemployed women. Graduates who were unable to apply to the labor market were also added to this figure. Another factor contributing to these figures was also the low level of domestic consumption and the decrease of exports.

Table 3: Unemployment rate in NUTS 2 regions in Hungary

Region	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Közep-Magyarozsag	55,3	44,3	54	44	44,5	55,1	55,1	44,7	44,6	66,6	88,9	88,8	99,5	88,7	66,2	55,3	33,8	22,7
Közep Dunántúl	44,9	44,3	55	44,6	55,6	66,3	66	65	55,8	99,3	110,3	99,3	99,9	88,7	55,6	44,4	33,0	22,2
Nyugat Dunántúl	44,2	44,2	44	44,6	44,6	55,9	55,7	55	44,9	88,6	99,2	77,4	77,5	77,7	44,6	3 3,8	2,7	22,4
Del Dunántúl	77,8	77,8	77,9	77,9	77,3	88,8	99	110	110,3	111	112,1	112,7	112,1	99,3	77,8	88,1	66,2	66,3
Ézsak-Magyarozszá	110,2	88,5	88,9	99,7	99,7	110,6	111	112,3	113,4	115,2	116	116,7	116,1	112,6	110,4	88,7	66,3	55,8
Ézsak-Alföld	99,2	77,8	77,8	66,8	77,2	99	111	110,8	112	114,2	114,5	114,5	113,9	114,2	111,8	110,9	99,3	77,4
Del- Alföld	66,4	55,7	55,8	55,9	66,1	77,2	77,5	77,4	77,8	110	111,2	110,9	110,3	111	99	77,9	5 5,6	44,1
HUNGARY	66,3	55,6	55,6	55,8	66,1	77,2	77,5	77,4	77,8	110	111,2	111	111	110,2	77,7	66,8	55,1	44,2

Source: Own research according Eurostat 2017

In general, differences can be better observed at lower NUTS level than at higher level, and it was also confirmed for Hungary. It can be seen that join of the European Union and access to funds of the European Union have not caused immediate effect to the country. Current unemployment rate in the region with the capital city is 2,7%, and it brings this region to third place in ranking of the regions with the lowest unemployment rates in the country. The lowest unemployment rate at 2,2% is in region Közep Dunántúl (Central Transdanubia). The

region Nyugat – Dunántúl (Western Transdanubia) is the region with the second lowest unemployment rate of 2,4%. This is mainly given by investments of automotive companies (Opel, Audi, and Mercedes) in locations within these two regions. On the other hand, the highest unemployment rate in the country (7,4%), is in region Ézsak - Alföld (The Northern Great Plain) and in the region Ézsak-Magyarozszág (Northern Hungary) which directly border with regions of the Eastern Slovakia (these are also regions with the highest unemployment rates in Slovakia). Therefore, cross-border cooperation of these regions means an opportunity to adapt to changing circumstances in these regions and to react on changes in areas of regional needs. Mutual cooperation of the regions with the same problems can highly contribute to overcome economic and social disparities, as well as to maximize effects of synergies in attracting new investors, for example by building of transport infrastructure between bordering regions and by creation of stimulating environment for the investors on both sides of the borders.

Social disparities within unemployment rate indicator at NUTS 2 level in Hungary can be measured through standard deviation as follows:

Table 4: Standard deviation of unemployment rate indicator of NUTS 2 regions in Hungary

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
Regions NUTS 2 standard deviation	1,85	1,91	11,69	1 1,83	2,30	2,92	3,28	2,83	2,47
Regions NUTS 2 dispersion	3,43	3,65	2,84	3,34	5,27	8,50	10,77	8,04	6,11
	2011	**2012**	**2013**	**2014**	**2015**				
Regions NUTS 2 standard deviation	3,09	2,70	22,20	2,44	2,40				
Regions NUTS 2 dispersion	9,54	7,30	4,84	5,96	5,72				

Source: Own research according EUROSTAT

Until 2004, standard deviation was on the lowest level; therefore disparities in unemployment rate among NUTS 2 regions were also the lowest before Hungary joined the European Union in 2004. From 2005 on, standard deviation has been increasing, i.e. dispersion of values around middle value is higher. It means that disparities within unemployment rate among NUTS 2 regions have been increasing as well. The highest disparities in terms of unemployment rate have appeared among NUTS 2 regions during

economic crisis in period 2007 – 2009. In period between 2010 and 2015, including, the standard deviation shows variable tendency, i.e. it increases or decreases from one year to another. This variable tendency of unemployment rate in the regions is mainly caused by private investments to particular regions in respective years. These investors have been offering new jobs to local population. It has led to decrease of the unemployment rate in the affected region. In the same time, the difference of unemployment rate comparing to other regions has increased. Example may be given in comparison of year 2013 (companies Audi and Daimler opened their factories in Hungary), year 2014 (new factory of company LEGO) and 2015 (company Michelin left Hungarian job market; company Samsung closed its factory).

2.2   Regional Disparities according Unemployment Rate at NUTS 3 Level

This part of the article is dedicated to comparison of unemployment rate indicator between particular regions at NUTS 3 level in Hungary and in Slovakia. It deals with percentage rate of unemployment rate between years 2000 – 2015 at NUTS 3 level in Hungary and in Slovakia. Percentage rate of social disparity (unemployment rate) is measured according standard deviation at that level. Based on achieved results, it is possible to identify differences in unemployment rate between Hungarian and Slovak regions in last ten years.

Dispersion of unemployment rate at NUTS 3 level has been increasing from 2013 from initial 25,3%, then 36,4% in 2014. Dispersion of unemployment rate at NUTS 3 level in 2015 was 37,2% in Hungary, while in Slovakia it was 31,0% and in the Czech Republic it was 33,4%. It means that dispersion of regional (NUTS 3) unemployment rate shows the highest differences, and increase of differences in unemployment rate among regions continues since economic crisis from 2009. On the other hand, there is opposite trend in Slovakia, which reports continuous decrease of dispersion of unemployment rate among the regions. Dispersion of unemployment rate in Slovakia has been decreasing from 33,4% in 2011, to 33,0% in 2012, 30,9% in 2013, 30,1% in 2014, until slight increase to 31,0% in 2015 and to 33,2% in 2016.

We can also observe high increase of dispersion of unemployment rate during economic crisis between 2008 – 2009 both in Hungary and in Slovakia. There was higher dispersion of unemployment rate in Slovakia than in Hungary. It means that economic crisis has impacted Slovakian regions more than those in Hungary. High increase of dispersion of unemployment rate in regions at NUTS 3 level in Hungary (higher than during economic crisis) is apparent again in 2017 with 50,6% in Hungary and 41,9% in Slovakia. This effect of increase of dispersion of unemployment rate at NUTS 3 level in both Hungary and Slovakia, despite the

74

economic growth of both countries, is mainly caused by increasing rate of moving of population to cities and suburbs, as well as by negative demographic development. It leads to depopulation of impacted regional areas and to increase of unemployment rate in these areas. Youth unemployment and long-term unemployment also becomes an issue which is subject of special attention of European Social Fund. In long-term period, difference among regions is increasing (diverging) within this indicator in both. Highest increase of differences among regions within this indicator is observable mainly in Hungary.

Table 5: Dispersion of regional unemployment rate in Hungary at NUTS 3 level

TIME ▶	2000	2001	2002	2003	2004
GEO ▼					
Hungary	34.8	35.2	36.0	37.2	33.1
Slovakia	29.4	29.3	30.9	35.4	37.2

TIME ▶	2005	2006	2007	2008	2009
GEO ▼					
Hungary	29.9	35.5	44.9	48.9	36.1
Slovakia	42.3	43.4	46.1	50.5	37.6

TIME ▶	2010	2011	2012	2013	2014
GEO ▼					
Hungary	28.3	30.2	26.7	25.3	36.2
Slovakia	29.4	33.4	33.0	30.9	30.1

TIME ▶	2015	2016	2017
GEO ▼			
Hungary	37.2	46.5	50.6
Slovakia	31.0	33.2	41.9

Source: Eurostat 2017

Graph 1: Dispersion of regional unemployment rate in Hungary at NUTS 3 level
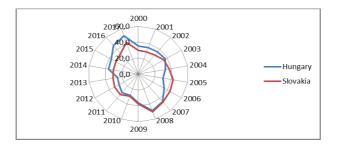
Source: Eurostat 2017

Table 6: Standard deviation of unemployment rate indicator at NUTS 3 level in Hungary and in Slovakia in period 2006 – 2015

Period / GEO	Regions NUTS 3 Slovakia	Regions NUTS 3 Hungary
2006 - 2015	7,15 %	7,28 %

Source: Own research

Standard deviation between regions at NUTS 3 level in Hungary and in Slovakia in period 2006 – 2015 is very similar. Therefore, differences in unemployment rate among regions in Hungary and in Slovakia have been almost identical in the observed period. Slight differences in unemployment rate among regions are more apparent in Slovakia by 0,13%. Highest differences in unemployment rate among regions in Hungary and Slovakia appear mainly after 2004 when Hungary and Slovakia joined the European Union, especially in 2005 and 2006. Furthermore, Slovakian regions have reported even higher differences in unemployment rate indicator than Hungarian regions. This evolution has changed from 2014, and Slovakian regions report lower differences in unemployment rate than Hungarian regions. Both hypothesis have been confirmed, i.e. if national economy decreases, it will lead to increase of unemployment rate, and regional disparities increase in both countries, too.

One of the factors contributing to the large differences in the unemployment rate between the different levels of NUTS 2 and NUTS 3 in Hungary is the unbalanced settlement structure. Population is concentrated mainly in the central areas where most investors and jobs are also concentrated. In Slovakia, according to Eurostat, there is a development of both urban and rural areas. Hungary is experiencing urban development and declining rural areas (Eurostat 2014). This phenomenon of migrating into big cities is typical for recent years, and has not remained unnoticed at the EU level, from point of view of Cohesion Policy. In view of the growing number of people living in cities and the fact that cities are often the source of many of today's economic, social and environmental challenges, 11 thematic objectives have been put in place to support the growth of cities and urban peripheral areas, with around 10 billion euros from the European Regional Development Fund.

These objectives include areas such as urban mobility, the regeneration of deprived communities, the improvement of research and innovation capacities, or the fight against climate change. In 2016, the Amsterdam pact on the establishment of an operational framework for urban agendas was signed and 4 thematic partner projects on environment, migration, housing and urban poverty were adopted (Eurostat 2016).

Currently, individual businesses realize the advantage of the least developed regions in Hungary, mainly as of cheaper labor factor, and because of government investment

incentives, based on which they decide to invest in these regions. For example, this option was used by Deloitte, which decided to invest in Debrecen. They try to exploit the potential of the region, for example in the sphere of spa services, wellness, tourism, agriculture, etc. Despite the possibilities of assistance and certain advantages for companies that decide to invest in less attractive regions in Hungary, large companies often concentrate spatially on catchment areas within the capital city or within industrial parks to be connected to the main transport corridor (TEN-T) such as Sony, Mercedes, and others.

One possible form of solution, mitigation or elimination of social disparities in Hungary is sufficient use of the EU structural funds, mainly by their proper allocation (investment) to areas and sectors that would help to reduce them, for example in the Program area of cross-border cooperation between Hungary and Slovakia. In Hungary, almost 95% of public investment is co-financed from the EU funds, indicating low national contribution to regional development and eliminating disparities in terms of financing from national sources.

In the case of Hungary and Slovakia, it will be very important to monitor the process of approving the EU budget for the programming period 2021-2027, particularly in the area of cohesion policy financial allocations. It is already foreseen that the financial resources will be allocated less for the new programming period due to departure of the United Kingdom from the EU. We can therefore expect that pressure on national regional policies in Hungary and Slovakia and their functional involvement in development of the region will be more important.

Conclusion

According NUTS classification of territorial units, Hungary is divided into 3 statistical large regions at NUTS 1 level: Dunántúl (Western Transdanubia), Közep-Magyarország (Central Hungary) and Ézsak és Alföld (Great Plain and North), 8 planning and statistical regions at NUTS 2 level and 20 counties at NUTS 3 level. Northern and South Alföld and Northern Hungary belong to the poorest and the least developed regions in Hungary based on unemployment rate and indicator GDP per capita v. PPP to EU-28's average. These regions, especially Northern Hungary, are facing high unemployment, underdeveloped infrastructure, structural problems and lowest GDP per capita within whole Hungary. These regions border with regions of Eastern Slovakia, therefore these regions on both side of border have opportunities for further development by national regional polices and Cohesion Policy of the European Union, for instance by investment aid, access to funds, cross-border, supranational or national cooperation, and other available forms, in order to increase attractiveness of these underdeveloped regions for their citizens, to increase their living standards, and to decrease emigration from these regions.

Hungary still belongs to those Member States of European Union which report unemployment rate above the average. Unemployment rate indicator is one of key indicators to observe social disparities (differences) at level of NUTS 2 regions. Until Hungary joined the European Union, the disparities have been decreasing. After Hungary joined the European Union, unemployment rate has increased, and so the regional differences among regions have. The lowest unemployment rate within NUTS 2 regions in Hungary is in metropolitan region with the capital city and in industrial Western Transdanubia with high concentration of industrial corporations. In contrary to it, the highest unemployment rate is in the Northern Great Plain region (Ézsak – Alföld) with unemployment rate 7,4% and in Northern Hungary region (Ézsak -Magyarország) with 5,8% and (Del Dunántúl 6,3%).

In current Programming Period by cohesion policy, (primarily) regions NUTS 2 and NUTS 3 are eligible for aid in Objective 2 – European Territorial Cooperation. All regions in Hungary, except of the region with the capital city, fall into category of less developed regions. Therefore, their GDP per capita is lower than EU-27's 75% of average GDP v. PPP per capita for years 2007 – 2009. Aid is available also within Objective 1 – investments in area of growth and jobs. Aid is available from structural funds of European Regional Development Fund and European Social Fund (Objective 2 is available only for ERDF).

We can observe substantial economic, social and territorial disparities in these less developed regions, which have negative impact on development of the regions. Result of particular cooperation and synergies available within referred framework may lead to decrease of economic and social disparities in underdeveloped regions and to mitigate negatives of territorial disparities. Amount of 15,3 billion euros has been allocated for achievement of objectives and solution of development needs have been allocated for Slovakian regions in programming period 2014 – 2020 for Cohesion Policy, out of which 1,53 billion euros have been allocated for Objective 2 – European Territorial Cooperation. Amount of 21,9 billion euros has been allocated for Hungary within Cohesion Policy in this programming period, out of which 361 million euros is dedicated to European Territorial Cooperation. IT means that Hungary disposes with higher amount of allocated financial contributions for Cohesion Policy than Slovakia does. On the other hand, it is important to mention that Slovakia has allocated more than four times higher amount for Objective 2 – European Territorial Cooperation than the amount that has been allocated by Hungary.

At first place, regional disparities need to be identified and measures, in order to explore their extent and to address appropriate solutions for particular region with that respect. As can be seen, regional disparities are not only the matter of one Member States, as the regions of bordering Member State may face the same problems arisen of the same disparities.

Therefore, solutions available by Cohesion Policy and by European Territorial Cooperation as its part are much more efficient than solutions provided by national regional policies. Solutions on level of the European Union are able to better connect regions across the Member States with similar problems and similar disparities. This effort will help to build synergies in more efficient development and in sharing of advantages given by access to funds of the European Union as of Cohesion Policy. If this activity is transferred from national level to the regions which consider their own development as their highest priorities, the regions may maximize the use of tools available to the regions. On the other hand, there are still some differences, e.g. those given by historical circumstances, which cannot be overcame by one project in one programming period. We are talking about solutions of complex problems, as disadvantaged regions usually contain economic, social and also territorial disparities. Even though it is very important to pay attention to this matter not only on the European Union level, but also on level of the Member States, as growth and development of the regions highly contributes also to growth and development of the Member States and also of the whole European Union.

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