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## **THE DEVELOPMENT PROSPECTS OF RURAL AREAS IN THE LEAST-DEVELOPED REGIONS OF HUNGARY**

*PERSPEKTYW ROZWOJU OBSZARÓW WIEJSKICH  
W NAJMNIEJ ROZWINIĘTYCH REGIONACH WĘGIER*

**Key words: regional policy, economic and social development, regions lagging behind**

*Słowa kluczowe: polityka regionalna, rozwój gospodarczy i społeczny, regiony opóźnione*

**Abstract.** The actuality of our topic is established and justified by the fact that the cohesion policy of the European Union is criticized very much nowadays. In our opinion, the criticism primarily focuses on the low efficiency of the use of EU funds and the increasing gap between the regions. It was mentioned even at the 2010 Open Days events in Brussels that the distribution system of funds in the Union is not perfect, but the current principles, system and the eligibility criteria have to be maintained. The strengthening of the Community and its cohesion policy is one of the priority tasks for the Hungarian EU presidency as they will get more importance due to the future enlargements.

### **Introduction**

In order to achieve the strategic objectives of the EUROPE 2020, it is inevitable that there should be cohesion among the regions. We cannot have a competitive Union on the global market unless we manage to reduce the current significant discrepancies among the regions. Cohesion policy is such a policy that contributes to the improvement of the competitiveness of the territories taking into consideration the development needs and potentials of the given territory as well as the strategic objectives of the Union. Therefore it can be a greatly efficient instrument in the realization of the objectives of the EUROPE 2020. The total budget for cohesion policy for the current programming period is more than EUR 347 billion, which is equal to the 35% of the Community's budget. The Hungarian EU presidency will also seek to maintain this frame to promote further developments of the EU and its cohesion policy. Most of these sources are targeted to the poorest regions, but we should see clearly whether these regions lagging behind are able to absorb such funds in great amounts or not. Our aim is to discover whether the resources available in these poor regions are suitable for attracting funds and investments to improve their competitiveness and avoid their break off.

### **Materials and methods**

There is an Act in effect in Hungary classifying the beneficial territories of the country which entered into effect in 2007. The Governmental Regulation No. 311/2007 (XI.17.) laid down a rank for the 174 small regions, based on the article "e" of the 6 § of the Act No. 21, year 1996, considering complex economic and infrastructural indicators for those territories. The regulation defined the least-developed 33 small regions as well, comprising 10% of the population, and it laid down the necessity of complex development programs for the improvement of the conditions in those areas. In our study we intend to examine how the European Union funds have been used in the small regions mentioned above. It is important to notice that the preparation of the development programs for the least-developed small regions started in the first half of 2008. By February 2009, all the 33 small regions submitted their project proposals, out of which, the National Development Agency has approved more than 1000.

They were allowed to follow their own planning methodology and considering their own conditions. The only requirement was to meet the basic quality criteria and to compete with the proposals of more developed territories. This separated channel of supports can primarily applied

efficiently in certain forms of funds in the regional operation programs, the Operation Programs of Social Reform and Social Infrastructure, especially in development related to the local governments. In the present period, nearly HUF 100 billion is available from those operation programs only for the 33 small regions mentioned above. There is additional HUF 27 billion in the regional operation programs and HUF 13 billion in the other operation programs available, meaning the start of nearly 500 projects. The approval of additional 500 projects is underway. Due to the economic development projects, industrial plants can be created in the least-developed territories. As a result of location developments, the income-generating capacity of the regions may also improve.

Some the fundamental shortages of those areas are the low-educated human resources and the difficulty of job creation. In several settlements the population is very low, which has negative correlation with the capital attractiveness.

In this study we focused on the small-regions of Hungary which could not break out from their current stagnating position despite the various subsidies and funds. The development of the EU integration made it increasingly necessary to launch such policies and tools that intend to achieve territorial equalities while moderating the territorial differences within the Community. The first Objective was defined by the Council Act 2081/1993 EC on the „facilitation of the catching up of economically underdeveloped regions”. At that time the priority was not aiding the regions lagging behind, but helping them to catch up. In general, it can be stated that the efforts of the EU’s cohesion policy, from the very beginning, has been focusing on the reduction of inequalities, adjusting to the fast changes and the problem of aging population [Csire-Jakobi 2009].

According to the national legislation in effect, it is not an easy task to classify the 174 small regions into different categories, since it is an ever-changing system. The population and the territory of a small region may change from one year to another [Botka 2009]. Until 31 December 2006, 168 small regions had existed, which number increased to 174 later, as mentioned above.

The classification of the small regions lagging behind is a topic closely related to our research, so it is useful to overview the criteria of classification. The Parliamentary Act No. 2007/67 is a fundamental document related to the spatial development funds, the principles of decentralization and the conditions of classification. Based on the abovementioned act, during the distribution of the spatial development funds, a complex indicator has to be considered, reflecting the economic and infrastructural underdevelopment of the settlements and regions. This complex indicator includes the following elements:

- economic indicators,
- infrastructural indicators,
- social indicators,
- employment indicators.

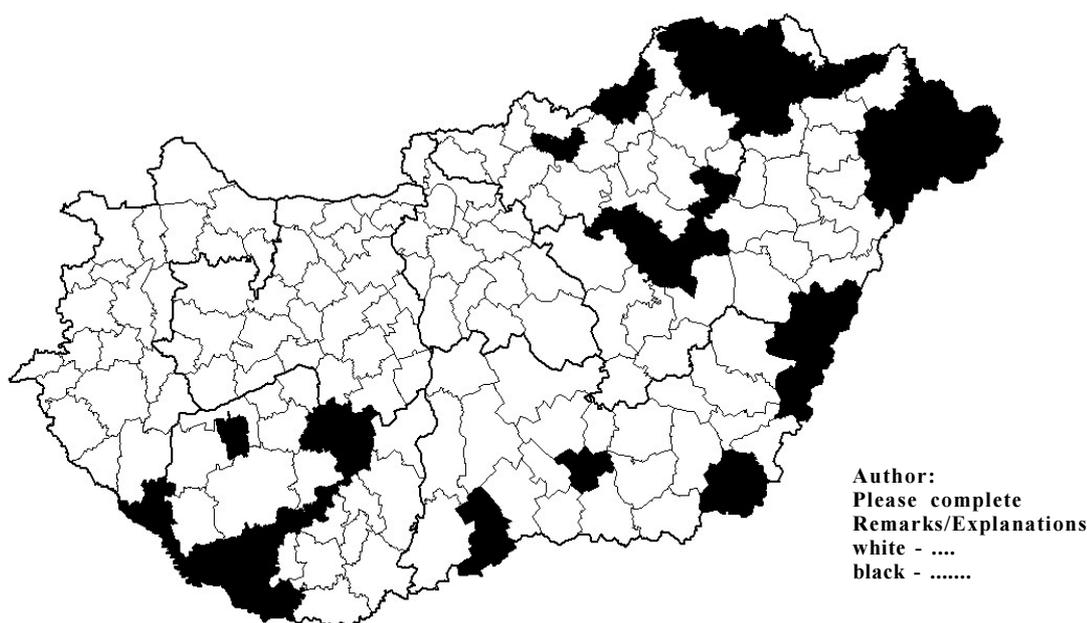
### **The small regions are divided into groups according to this complex index**

The Governmental regulation No. 2007/311 classifies the small regions based on their level of development, applying the conditions defined in the Parliamentary Act No. 67/2007. According to the regulation, there are 33 small regions in Hungary, which are multi-handicapped and where complex development programs have to be applied because of their poor social and economic performance. This specialized development program is unique in the European Union and was among the 40 best practices and good examples in the past 3 years. The location of these small regions is displayed on the figure below with black color. It is clear that the poorest territories of the country can be found near the borders, and usually they are not linked to the major transportation infrastructure, e.g. motorways, major roads.

The aim of our research was to collect and analyze the data for the abovementioned regions after our EU accession. Therefore our research focused on the period 2004-2009. It has to be stated that the underdeveloped small regions belong to 12 counties out of 19 in Hungary and they account for about 10% of the national population.

## **Results**

In our research, we considered important to highlight the tendencies in the number of registered enterprises which could show the economic activity in the least-developed areas. Overall, it can be stated that their number increased in all the small regions by 2009, which did not result in the increase of the economic potentials. Good examples for this are the small regions with accumulated handicaps in the Nyírség (Csenger, Baktalórántháza, Fehérgyarmat, Mátészalka, Nyírbátor and



**Figure 1. The least-developed small regions of Hungary, where complex development programs are necessary**  
*Rysunek 1. Najmniej rozwinięte małe regiony na Węgrzech, gdzie kompleksowe programy rozwoju są konieczne*  
 Source: own editing, based on data from CSO 2010  
 Źródło: opracowanie własne na podstawie danych z CSO 2010

Vásárosnamény), since the number of registered enterprises in these territories increased 4-5 times compare to the data of 2004, while only 15% of these enterprises do real operation on average.

The lowest increase could be observed in Ózd small region, where the increase was about 7%, however, it was still in the last place regarding the number of enterprises per capita. Bodrogköz small region was in the last place regarding the number of registered enterprises per capita in 2004, despite that it was able to achieve increase by 2009. Despite this increase, it was still among the last four small regions regarding this data in 2009, although it had the highest amount of funds per capita. Thus, it can be stated that the supports contributed to the catching up of Bodrogköz in relation with the number of enterprises, but the pace of it does not reach that of the others. Consequently, the majority of funds received were spent on other issues, not on investments and businesses.

It might be more important to see how many companies operate out of the registered ones. The source of our information, the Central Statistical Office, has collected such data at the level of small regions since 2008, thus only 2 years of data can be analyzed in this issue. The rate of operating businesses among the registered ones shows various picture, since 11.01% in Csenger and 51.52% in Ózd can be both found among the rates. In our opinion, in short terms the funds are not able to improve the situation of a region, since that low rate refers to the existing accumulated handicaps. However, this low rate of operating enterprises can be explained with the lack of solvent demand.

In accordance with the economic and social changes, we need to mention also the data on domestic migration. Positive migration balance was not characteristics to the least-developed regions even in 2004 and the negative migration continued until 2009 as well. Overall, there was negative migration numbers in all the examined small regions, but there are extreme data in some of them. For example, the number of people moving from the Baktalórántháza small region was almost 9 times higher in 2009 than in 2004. The increase in the number of migrants in 2009 from 2004 was more than 3 times higher in Bodrogköz. These data also establish the abovementioned correlations, namely that the lack of solvent demand has significant influence on the rate of migration.

Continuing the analysis of the economic activity of the most underdeveloped territories, we examined the number of taxpayers as well, since some conclusions can be drawn on the employment situation. We needed this for our analysis, because the CSO does not collect data on employ-

ment at the level of small regions. Based on the data we can state that there was increase in the number of taxpayers per 1000 inhabitants in 40% of the small regions. This change was due to the registration of the agricultural producers. The number of taxpayers increased the most significantly (approx. 20%) in Szerencs small region compare to the data of 2004. The number of taxpayers also increased in Bodrogköz by 10% which received the highest funds per capita, despite the fact that the number of migrants was 3 times higher in 2009 than in 2004. The increase was also nearly 12% both in Edelény and Abaúj-Hegyköz. However, there was a decrease in Nyírbátor small region of 25%, adding that the increase in the number of people moving away from that place was almost 7 times higher in 2009 compared to 2004. As opposed to the abovementioned, we need to highlight Sarkad small region which faces accumulated handicaps, where the number of taxpayers fell by 30%, the rate of migration is increasingly high and the fund per capita was the least by 2009. All these are elements of a tendency which requires immediate actions.

We also considered it important to examine the EU funds which could contribute to the development of agriculture and the rural areas. In Hungary, such funds could be received through the Agricultural and Rural Development Operational Program (AVOP) within the 1<sup>st</sup> National Development Plan between 2004 and 2006. This operational program was only one of the five operational programs that could serve the development of the country in that period. It was followed by the New Hungary Development Plan with higher number of operational programs in the current programming period along with the New Hungary Rural Development Program focusing on the agricultural and rural development. EU funds that could contribute to the agricultural and rural development can be received through the European Agricultural and Rural Development Fund since 2007. At the moment, there are no data available for LAU 2 territorial units concerning the amount of funds obtained within the New Hungary Rural Development Program, therefore we have carried out analyses on the funds received between 2004-2006.

**Table 1. Ranks according to AVOP funds received 2004-2007**  
*Tabela 1. Ranking regionów pod względem wielkości funduszy otrzymanych w ramach PROW 2004-2007*

Rank/ Pozycja	AVOP support [mln EUR]/ dotacja PROW [mln EUR]	AVOP support per capita [EUR]/ dotacja PROW na osobę [mln EUR]
Rank	AVOP support (m EUR)	AVOP support per capita (EUR)
1 <sup>st</sup>	Nyírbátor (6.9)	Berettyóújfalu (326)
2 <sup>nd</sup>	Berettyóújfalu (5.1)	Nyírbátor (151)
3 <sup>rd</sup>	Mezőkovácsháza (4.9)	Abaúj-Hegyköz (149)
...		
31 <sup>st</sup>	Barcs (0.57)	Barcs (23)
32 <sup>nd</sup>	Ózd (0.37)	Ózd (5.3)
33 <sup>rd</sup>	Lengyeltót (0.01)	Lengyeltót (1.65)

Source: own study based on TEIR data

*Źródło: opracowanie własne na podstawie danych TEIR*

of agricultural funds shows various picture in the small regions, since the whole amount of support ranges from 0.01 million EUR to almost 7 million and the highest fund per capita was almost 200 times higher than the amount at the last rank. It reflects that even within this group of small regions that were classified based on the abovementioned complex indicator, the differences are quite significant. It is a great challenge for the policy-makers and decision-makers to elaborate homogeneous strategies for these territories.

## Conclusions

The Hungarian Government aims at defining special catching-up programs for these territories, since quite large share of the population is concerned including quite high number of Roma population. All these small regions are in the rural areas, near the borders, out of the major infrastructural networks. They are interested primarily in agricultural activities, since most of them are

The small regions receiving the highest amount of funds were the small region of Nyírbátor with EUR 7 million, Berettyóújfalu with more than EUR 5 million and nearly the same amount was obtained by Mezőkovácsháza. The reason for this could be the high golden crown value of the arable lands in these regions (exceeding the national value – 19.6) as well as the fact that Nyírbátor small region produced a significant increase in the number of registered agricultural enterprises in the given period.

The reason for the last three ranks is that in some of these territories the heavy industry has had long traditions and there are not many agricultural lands of good quality available. There is similar rank concerning the funds per capita with slight differences. Regarding the efficient utilization

located on the Great Plain. Similarly to the case of other rural areas, agricultural farming cannot produce enough income to live on and the case is even worse, when the low education level of the population is in question.

Most of the researches aim at measuring the competitiveness of the territorial units, trying to find out the decisive factors in improving the competitiveness, while our researches try to focus on the factors that have negative influence on competitiveness. In the case of these regions lagging behind we consider it more important to discover the factors of handicap, so that we could see which economic and social indicators have negative impact on the catching up. In most cases the regions in question fight for survival and not for improving their competitiveness. This study is only a part of our comprehensive research about these underdeveloped regions but we hope that at the end of our research we can list up useful and applicable proposals for their economic and social development.

Our research topic is not only important for Hungary, but for the EU as well, since the objective of the latest economic development strategy of the Union, i.e. EUROPE 2020 is to lift up several millions of people from poverty. Due to the multi-disadvantaged situation of these areas, it has to be a priority for the Hungarian government to continue to enable them to find their own development paths based on their strengths. We believe that possible ways of development can be agricultural farming, tourism and sectors based on renewable energy production.

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### ***Streszczenie***

Summary will be prepared in our publishing company.

***p. Maciejczak***

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