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CONDITIONS FOR DEVELOPMENT OF REGIONS IN THE EUROPEAN UNION STATES

Region as a term in economic sciences fulfils three roles: of an object of research, object of exploration, and tool of action. Thus, an economic region can be defined as a spatially compact area which is part of a larger territory, internally coherent and constituting a complex of a unique economic profile. This paper discusses basic determinants of development of regions in European Union states. The key modern factors of regional development are addressed, namely, economic, social, technical, technological, and ecological factors. Per capital GNP in the richest and poorest regions of the European Union is presented on the basis of current statistics.

Регион, як термін в економічних науках, виконує три функції: як об'єкт дослідження, об'єкт спостереження і інструмент дії. Тому, економічний регіон може бути визначений як просторово компактна область, яка є частиною більшої території, внутрішньо узгоджений і утворюючий комплекс унікального економічного профілю. В цій статті розглядаються основні детермінанти розвитку регіонів в державах Євросоюзу. До ключових сучасних чинників регіонального розвитку відносимо економічні, соціальні, технічні, технологічні, і екологічні чинники. Дані по ВВП на одну особу в найбагатіших і найбідніших регіонах Євросоюзу представляються на підставі поточної статистики.

1.1 Introduction. States joining the European Union become involved in realisation of a major Community policy – policy of cohesion, with its chief objective of sustainable development of the entire Community. The European Union aims for increases of economic, social and territorial cohesion through actions to level down disproportions in development of particular regions. All projects under the regional policy are realised with resources from structural funds and the Cohesion Fund¹. Differences between regions became far deeper after the most recent enlargement of the European Union, therefore assistance to poorest regions became necessary.

Recognition of a region as a subject of a highly complex and active structure helps to define an economic region as a spatial and economic system which encompasses a part of economic space that is relatively separate from its environment. It is continuously inhabited, developed and used by a community, full of diverse business entities with multilateral links which constitute elements (units) of the system. Identification and qualification of these units as well as of the relations among them is of paramount importance to analysis and evaluation of a regional economic system. That system is a result of a region's development on the one hand and a major factor (or limitation) of this process on the other hand. External links with other systems of the same or higher rank are important to any region, e.g. a national economy, international market or global economy. These connections are largely determined by the degree of openness or closure of a region. In effect of globalisation and international integration processes, external links between regions are becoming strengthened. Technical and technological progress that reduces costs of transfer of production factors are beneficial influences.

Regions, separate areas of economic system in a given state, initiate relations with both closer and more distant environment. They become players in the competitive game as a result. Constant improvements of competitiveness are enforced by the market mechanism. There are many different regions, with each striving for continuing economic growth. There is a variety of dependences among entities in a regional economy which contribute to competitiveness of regions. Regions compete with one another by attracting entrepreneurial capital, among other ways.

1.2 Determinants of regional development

Development levels of individual regions vary dramatically as a result of many endo- and exogenous factors. These differences are classified in a variety of ways. Concepts of strong and weak and highly and poorly developed regions, as well as those with various rates of development are most common. A. Kukliński is of the opinion that interregional differences will never be resolved as spatial imbalances of human activity will always be present².

A number of changes worldwide have global consequences at present. In the circumstances, regional development is of particular significance to countries. It mobilises economic and social activity of all actors in its structures as it takes place in a given territorial area. Success of a region depends on a range of factors, such as: dynamics of transformations, degree of internal cohesion, levels of integration and commitment of social and economic structures. Increasing wealth of a country depends on development of its component parts. Progressive decentralisation enables creation of development policies at regional levels. This translates into considerable responsibility of a region for its own economy and that of an entire state³.

¹ A. Wolak-Tuzimek, *The EU Structural Funds as a source for financing enterprises' development*, [in:] A. Wolak-Tuzimek, K. Sieradzka (ed.), *Enterprises facing the challenges of the global economy*, Politechnika Radomska, Radom 2011, p.108

² Z. Przygodzki, *Region i klasyczne teorie jego rozwoju*, [in:] J. Chądzyński, A. Nowakowska, Z. Przygodzki (ed.), *Region i jego rozwój w warunkach globalizacji*, Wydawnictwo CeDeWu, Warszawa 2007, p. 45

³ Ibidem, p. 43

A range of factors affect development of a regional economy. Principal factors include socio-economic structure which influences dynamics and nature of a region's economy as well as formulation of strategic goals incorporated in strategy of a region's development. Socio-economic structures also determine forms and means of realisation of strategic objectives. Conditions of development spring from several key areas, including: law, organisation, economy, and society. Public authorities play an important role in this respect as they evaluate the quantity and quality of resources available to a region, instruments of managing development they employ, as well as methods of stimulating development. Regional authorities mobilise the population to act and participate for the entire society of a region. Information resources and innovation potential contribute to changes of regional structures as well.

A region develops as a result of changes which result from attempts at achievement of proposed objectives. The latter have a universal nature as they¹:

- satisfy basic needs of a population,
- facilitate use of available resources and opportunities for creating economic development and enterprise culture,
- foster sustainable development and efficient functioning of all entities and institutions.

Scale and rate of a region's development are heavily dependent not only on internal factors. They are also affected by external conditions, understood as threats and opportunities present in the environment. These conditions include:

- real determinants, e.g. general standard of a country's economic development, structure of a national economy, its status in the global economy, demographic structure of the population, educational standards, conditions of the natural environment, natural resources and methods of their utilisation, etc.;

- formal determinants, e.g. legal system, national strategy and policy of development (financial, industrial, agricultural, land development, healthcare, regional, foreign policies). These policies shape socio-economic processes at the national level. It also comprises impact of national authorities on smaller territorial units.

The more diverse structure of a region and extent of its integration, the better its adaptation capabilities.

The market mechanism is the essential instrument of allocation of goods and economic resources in the market economy. The autonomous operation of this mechanism makes it the source of high economic effectiveness. It happens to generate adverse consequences for a region, however. Uneven development in time and space is among the gravest of such jeopardies. Intervention of public authorities becomes necessary as a result.

Key contemporary factors of regional development can be assigned to 4 groups²:

1. *economic*, e.g. scale and functioning of a regional market in goods and services, transformations in a regional job market, dynamics of regional demand and shifts of its structure, changes of income gained by inhabitants, enterprises and local authorities, influx of domestic and foreign direct investments, boost of enterprise culture and innovation, macroeconomic situation in a country, situation in foreign (European and global) markets, external support including funds from the European Union;

2. *social factors*, e.g. changes of demographic structure, rate and nature of urbanisation, agglomeration and metropolisation processes, development and improvement of social infrastructure, changes of living standards and lifestyles, educational standards, activity of government and society, social participation, efficient functioning of local authorities;

3. *technical and technological factors*, e.g. growth of fixed assets and changes in their structure, increased share of high-technology production, expansion of research and development activities, diversification of manufacturing, improvement of technical competitiveness, creation and launching of manufacturing innovation, development and improvement of technical infrastructure, preparation of areas for investment;

4. *environmental factors*, e.g. natural resources, rational management of environment resources, implementation of environment-friendly technologies, production of healthy food, education on ecological culture, introduction of new instruments to protect the environment, etc.

Regional development is a cause and effect process. It can be compared to an endless sequence of succeeding phenomena (causes and effects). They are referred to as factors of regional development as they initiate, enable or facilitate development. They may also become barriers when they prevent development. In the course of regional development, not only a region and its environment but also the factors and barriers which affect the transformations change.

1.3 Disproportions in development of the European Union regions. The European Union has introduced special administrative divisions for purposes of its regional policy. These divisions were necessary as statistical systems of individual states did not provide for comparability of their collected data. A unified Nomenclature of Units for Territorial Statistics was introduced for this reason. The nomenclature was legally regulated by the ruling of the European Parliament and the Council of 26 May 2003⁴. The first letters of the English name make up the abbreviation NUTS after which the European Union regions are called. A ruling of the European Parliament and the Council of January 2011, effective as at 1 January 2012, is applicable at present⁵

¹ A. Potoczek, J. Stępień, *Podstawy strategii rozwoju lokalnego i regionalnego*, Wydawnictwo Uczelniane Wyższej Szkoły Gospodarki w Bydgoszczy, Bydgoszcz 2008, p. 45.

² Ibidem, p. 45.

³ W. Kosiedowski *Zarządzanie rozwojem regionalnym i lokalnym*, [in:] Z. Strzelecki (ed.), *Gospodarka regionalna i lokalna*, PWN, Warszawa 2008, p. 234-235.

⁴ Regulation EC No. 1059/2003 of the European Parliament and of the Council.

⁵ Regulation EU No. 31/2011 of the European Parliament and of the Council.

NUTS constitutes a hierarchy comprising three basic 'levels'. Each member state of the European Union is split into a definite number of first-level regions (NUTS 1), in turns divided into second-level units (NUTS 2) and then into NUTS 3. There are NUTS 4 and NUTS 5 level units as well.

The following table illustrates examples of NUTS levels in Europe and their corresponding territorial units.

Table 1. Examples of NUTS in the European Union.

Name	Comments	An UE example
NUTS 1	Largest unit of the division	German lander (77)
NUTS 2	More poorly developed regions of lower populations	Italian Regioni (21)
NUTS 3	Areas of declining industry	French departaments (1031)
NUTS 4	Only specified in some countries	British county (1074)
NUTS 5	Basic units	German Gemeinden (98 433)

Source: J. Zombirt, *Mechanizmy rynku wewnętrznego Unii Europejskiej, Difin, Warszawa 2009, p. 324.*

These are the principles for determining the NUTS regions in the Member States.²

Principle 1: The NUTS regulation defines the following minimum and maximum population thresholds for the size of the NUTS regions.

Table 1. Population size in NUTS units.

Level	Minimum	Maximum
NUTS 1	3 000 000	7 000 000
NUTS 2	800 000	3 000 000
NUTS 3	150 000	800 000

Source: Eurostat regional yearbook 2011, Luxembourg 2011, p. 16.

Principle 2: NUTS favours administrative divisions (normative criterion).

For practical reasons, the NUTS classification is based on the administrative divisions applied in the Member States. That generally comprises two main regional levels; an additional third level is created by aggregating administrative units.

Principle 3: NUTS favours general geographical units. General geographical units are normally more suitable for any given indicator than geographical units specific to certain fields of activity.

Regions have also been defined and agreed with the EFTA and candidate countries; these regions are called 'statistical regions' and follow exactly the same rules as the NUTS regions in the European Union, except that there is no legal basis. It should be noted that some Member States have a relatively small population and are therefore not divided into more than one NUTS 2 region. Thus, for these countries, the NUTS 2 value is identical to the national value. Following the latest revision of the NUTS classification in 2006, this now applies to six Member States: Estonia, Cyprus, Latvia, Lithuania, Luxembourg and Malta. It also applies to the statistical regions at level 2 in the EFTA countries Iceland and Liechtenstein and in the candidate countries Montenegro and the former Yugoslav Republic of Macedonia. In each of these cases, the whole country consists of one single level 2 NUTS region or statistical region.

Disproportions in development of particular regions can be expressed by analysing per capita GNP. In the entire period under discussion, that is, 2007-2009, the richest regions included Inner London, Luxembourg and Bruxelles-Cap/Brussels Hfdst whereas the poorest regions were situated in Bulgaria and Romania: Severozapaden, Nord-Est, Severen Tsentralen.

Figures in the following tables are expressed in units of the notional currency PPS. Purchasing Power Parity (PPP) means the number of units of a national currency that correspond to a single unit of the average notional currency of the countries being compared (1 PPS). One PPS refers to the same quantity (volume) of goods and services that can be acquired in each country under comparison regardless of price levels.

In 2009, per capita GNP fell steeply in effect of the financial crisis that considerably lowered economic standards of highly developed countries. The rate dropped by 6.3%, 8.8%, 4.5% in the richest regions, respectively. It also declined in less developed regions yet its levels were comparable to or even higher than those noted in 2007.

Table 2. Richest regions of the European Union.

No.	Region	State	Per capita GNP (measured in PPS)		
			2007	2008	2009
1.	Inner London	Great Britain	83 200	85 800	78 000
2.	Luxembourg	Luxembourg	68 500	70 000	62 500
3.	Bruxelles-Cap. / Brussels Hfdst.	Belgium	55 000	54 100	52 500
4.	Hamburg	Germany	47 800	47 100	44 100
5.	Bratislavský Kraj	Slovakia	39 900	41 800	41 800
6.	Ile de France	France	42 000	42 000	41 500
7.	Praha	Czech Rep.	42 800	43 200	41 200
8.	Stockholm	Sweden	41 000	41 900	40 400
9.	Groningen	Holland	41 100	49 700	40 000
10.	Wien	Austria	40 600	40 900	37 900

¹ D. Strahl (ed.), *Metody oceny rozwoju regionalnego*, Wydawnictwo Akademii Ekonomicznej im. Oskara Langego we Wrocławiu, Wrocław 2006, p. 39.

² Eurostat regional yearbook 2011, Luxembourg 2011, p. 16.

Source: The author's own compilation based on: Eurostat Newsrelease Regional GDP per inhabitant in 2007, No. 10/25/2010, February 2010, Regional GDP per inhabitant in 2008, No. 28/2011, February 2011, Regional GDP per inhabitant in 2009, No. 38/2012, March 2012.

Table 3. Poorest EU regions.

No.	Region	State	Per capita GNP (measured in PPS)		
			2007	2008	2009
1.	Severozapaden	Bulgaria	6 400	7 100	6 400
2.	Nord-Est	Romania	6 600	7 200	6 900
3.	Severen tsentralen	Bulgaria	6 600	7 500	6 900
4.	Yuzhen tsentralen	Bulgaria	6 800	7 600	7 200
5.	Yugoiztochen	Bulgaria	7 600	9 000	8 500
6.	Sud-Vest Oltenia	Romania	8 100	9 100	8 400
7.	Severoiztochen	Bulgaria	7 992	9 400	8 400
8.	Sud-Est	Romania	8 400	9 700	8 900
9.	Sud-Muntenia	Romania	8 500	9 800	9 500
10.	Podkarpackie	Poland	9 100	9 700	9 800

Source: The author's own compilation based on: Eurostat Newsrelease Regional GDP per inhabitant in 2007, No. 10/25/2010, February 2010, Regional GDP per inhabitant in 2008, No. 28/2011, February 2011, Regional GDP per inhabitant in 2009, No. 38/2012, March 2012.

In 2009 the leading regions in the ranking of regional GDP per capita were Inner London in the United Kingdom (332% of the average), the Grand Duchy of Luxembourg (266%), Bruxelles/Brussels in Belgium (223%), Hamburg in Germany (188%) and Bratislavsky kraj in Slovakia (178%). Among the 39 regions exceeding the 125% level, eight were in Germany, five in the Netherlands, four each in Italy and Austria, three each in Belgium, Spain and the United Kingdom, two in Finland, one each in the Czech Republic, Denmark, Ireland, France, Slovakia and Sweden, as well as the Grand Duchy of Luxembourg. While the lowest regions in the ranking were all in Bulgaria and Romania, with the lowest figures recorded in Severozapaden in Bulgaria (27% of the average), followed by Severen tsentralen in Bulgaria and Nord-Est in Romania (both 29%) and Yuzhen tsentralen in Bulgaria (31%). Among the 65 regions below the 75% level, fifteen were in Poland, seven each in the Czech Republic and Romania, six in Hungary, five in Bulgaria, four each in Greece, France (all overseas departments) and Italy, three each in Portugal and Slovakia, two in the United Kingdom, one each in Spain and Slovenia, as well as Estonia, Latvia and Lithuania.

1.4 Conclusion

Economics authors define a region as the highest-level unit of territorial division. It has its government and decision powers. There are lower-level, local units as well.

Current determinants affect growing dynamics and effectiveness and improved satisfaction of needs of regional communities. Economic growth in itself is not a means to solving of developmental problems. It often gives rise to tensions and problems, such as: rising disproportions in living standards, emergence of depressed areas, destruction of the natural environment.

Development opportunities of European Union regions increase if they run effective regional development policies whose implementation is greatly facilitated by regions' long-term development strategies. Regional development is a process taking place in a given territory and causing positive changes. In economic terms, regional development is determined by economic growth, the starting point for improvement of living standards and lifestyles of a region's inhabitants.

The adverse trends in the global economy since 2008 were caused by the collapse of the US financial instruments market. This affected economies of the European Union states. As a result, most national budgets were burdened with spending targeted at stimulating economies deprived of private resources. This in turn reduced per capita GNP in regions of the EU countries.

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¹ Eurostat Newsrelease, Regional GDP per inhabitant in 2009, No 38/2012, March 2012.