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The Chances of Bringing Zala County into Line with Others Concerning Development Assistance of Enterprises

Összefoglalás

Az elhúzódó gazdasági válság minden korábbinál erőteljesebben felszínre hozza a különböző térségek eltérő fejlettségéből és fejlődési dinamikájából keletkező feszültségeket. Ma még nyitott kérdés, hogy egy elmaradott megye fejlettebb régióhoz tartozása és relatíve kedvező regionális gazdasági környezete mennyiben segítheti a régiós, illetve az országos átlaghoz való felzárkózását. A tapasztalatok azt mutatják, hogy a történelmileg kialakult hátrányos helyzet felszámolásához az érintett megye számára az eddiginél érzékelhetőbbé kellene tenni a felzárkózást segítő „pozitív diszkriminációt”. Ehhez azonban nem elég a régió és a megyék szándéka. Arra is szükség lenne, hogy a régiók és a megyék a jelenleginél nagyobb mértékben rendelkezzenek saját fejlesztési forrásokkal, amit a területi egyenlőtlenségek mérséklésére fordíthatnának. A tanulmány Zala megye és a Nyugat-dunántúli Régió gazdasági teljesítményének és az országos átlaghoz viszonyított helyzetének összehasonlító elemzésén túl a megyei vállalkozások pályázati aktivitását vizsgálja az első és a második Nemzeti Fejlesztési Terv időszakában. Foglalkozik a vállalkozások forrásbevonási képességével, a pályázati munka hatékonyságával. Külön témaként elemzi a Magyar Fejlesztési Bank hitelprogramját, aminek keretében a vállalkozások ún. támogatott hitelekhez juthatnak. Ez a hitelkonstrukció jól segíti a vállalkozások megerősödését, ami fontos eleme a megyei teljesítőképesség növelésének. (Kulcsszavak: forrásbevonási képesség, támogatás, hitelprogram, fejlesztés, felzárkózás)

Developed Region – Underdeveloped County

The 1996 act of region development and land regularization made possible the formation of independent statistical-planning regions in Hungary. The level of development and dynamics of growth in Győr-Moson-Sopron, Vas, and Zala counties within the West Pannon Region differs significantly from region to region. The most apparent difference can be seen in the regions' economic efficiency, in which Zala County is at a disadvantage. On the basis of the 2007 per capita GDP – calculated on procurement prices – West Pannon is second among Hungarian regions with a figure close to the national average (98.1%). While the leading county in the region, Győr-Moson-Sopron, exceeds the national average (2,534 thousand Forints/capita) by more than 10 percent, Zala County is below even the regional average by 18 percent. The position of enterprises operating in Zala County has not improved considerably, as the 2009 statistical data for the 1-3 quarters indicate, and on this basis the economic potential of Zala County is declining both in absolute and relative value. This assessment is confirmed by the data issued by the Hungarian Central Statistical Office in the first quarter of 2009, which shows that economic organizations in Zala County produced only 15.6 percent of investments in the region. The inadequacy of this level of investment is borne out by nationwide comparison, since only the underdeveloped Nógrád County fell behind the 15.7 billion forints investment realized in Zala County. It is clear that the absence of necessary development results in the deterioration of businesses' competitive position and finally causes the decrease, or, in the 'best scenario,' the mere stagnation of GDP, leaving such areas further and further behind.

In addition, the 13.1 percent unemployment rate of Zala County, based on data provided by the Hungarian Central Statistical Office issued for October 2009, indicates

the unfavourable course of economic-societal processes. This rate considerably exceeds the national (10.4 percent) and the regional (9.6 percent) figures. Economic development and increased income-producing ability have crucial effect on the chance of underdeveloped counties catching up to national averages. For economic organisations, obtaining greater resources is an essential condition for growth and development, but the lack or inadequacy of their own resources puts a considerable limit on this.

Tenders of Zala County Enterprises for Subsidized Development Resources

Almost all enterprises planning developments or working on them have aimed at obtaining subsidised development resources recently. Amongst subsidized development resources, the non-refundable subsidies obtainable by EU or national tenders and credit constructions subsidized by the Government took prominent parts.

The research period covers the years from 2004 to 2009 and focuses on the resources obtainable by tenders within the first National Development Plan (NDP), the second National Development Plan (also known as the New Hungary Development Plan or NHDP), and on credit resources subsidized by the Government. After Hungary joined the European Union, an opportunity emerged for those submitting tenders to obtain the resources of structural funds within the National Development Plan (NDP). Through this, realizable developments became accessible with the support of regional and sectoral operative programmes. The establishment of the National Development Plan Regional Advisory Network (2006) helped tenders obtain resources, which, taking into account all the operative programmes for businesses, turned out as follows (*Table 1*).

Table 1

Showing the tenders of enterprises by region utilizing the resources of NDP (National Development Plan), 2004-2006

Denomination	Tenders		Subsidy (million HUF)	
	Received	Supported	Requested	Awarded
By region				
Zala County	840	378	12 455	6 083
West Pannon Region	2 483	1 193	44 275	21 958
Country altogether	28 729	12 725	533 584	248 192
Average values by region				
Nationwide county average	1 436	636	26 679	12 410
Nationwide regional average	4 104	1 816	76 226	35 434

Source: <http://emir.nfu.hu/nd/kozvel> [23 November 2009]

The National Development Plan aimed at attaining the general economic and societal level of the European Union in the long run. As a short term target, it aimed at initiating a course of growth for the Hungarian economy to lessen the considerable distance it has begun to lag behind the EU average with the aid of the framework programmes of Economic Competitiveness Operational Programme (ECOP), Human Resources Development Operational Programme (HRDOP), Environmental Protection and Infrastructure Operational Programme (EPIOP), Agricultural and Rural Development Operational Programme (ARDOP), and Regional Development Operational Programme (RDOP).

Stable and long-lasting economic growth is the basis from which Hungary will attain the developmental level of the European Union, but it does not depend entirely on the operation of enterprises. It also involves creating a supportive environment that helps them function; strengthening the business sector is also necessary. To realise these goals locally, Zala County submitted 1,415 tenders within the operational programmes of the National Development Plan, 53.4 percent of which were successful and resulted in awarded subsidies of 14.6 billion forints. As a result of the subsidies, 6,594 jobs could be retained and 1,324 new jobs were created. Yet in spite of retaining numerous jobs and creating new ones, Zala County saw its unemployment rate increase by 1.6 percent, exceeding the average national increase within the period studied. Although nearly 60 percent of the tenders were submitted by businesses, their share of the subsidies awarded was only 40 percent altogether.

A relatively small proportion of the submitted tenders were submitted from Zala County, and it received an even less impressive share of the resources offered by the first National Development Plan.

The amount of subsidy awarded to the enterprises of the region fell about 15 percent behind the average of the seven regions (hereafter: nationwide regional average). The comparative result is even worse in the case of Zala County, since the amount of subsidy awarded fell 40 percent behind the nationwide average of the counties (hereafter: nationwide county average). The huge lag afflicting the country can be connected with the relative underdevelopment of its economy and businesses, which is also indicated by the course of its GDP per capita. Denoting it as a percentage of the nationwide average, from 2003 (92.1 percent) the GDP/capita index of the county shows a continuous decline (85.5 percent in 2005, 79.9 percent in 2007).

The New Hungary Development Plan (NHDP) has been offering the resources necessary to create adequate conditions for the long-lasting growth needed catch up to the EU since 2007. For this reason, a review and a comparison with the achievements and experiences of the first National Development Plan is well justified (*Table 2*).

Table 2

**The tenders of enterprises by regions
utilizing the resources of NHDP (New Hungary Development Plan), 2007-2009**

Denomination	Tenders		Subsidy (million HUF)	
	Received	Supported	Requested	Awarded
By regions				
Zala County	434	277	29 495	24 566
West Pannon Region	1 779	1 046	120 068	94 817
Country altogether	17 226	10 168	1 918 746	785 526
Average values by regions				
Nationwide county average	861	508	95 937	39 276
Nationwide regional average	2 461	1 453	274 107	112 218

Source: <http://emir.nfu.hu/nd/kozvel> [23 November 2009]

From the NHDP resources a little more than 3 percent of the subsidy awarded was given to enterprises operating in Zala County, which to some extent exceeds the share in subsidies awarded from NDP resources (2.4 percent). Presumably, the small number of

received tenders (2.9 percent of the national total within the period of NDP, and, in the period of NHDP, only 2.5 percent) is due to the intensity of subsidization. During the tendering period of NDP, the intensity of subsidization, concerning the West Pannon Region, was 5 percent lower (45 percent) than in all other regions in the country except Pest County, Budapest, and some small areas. It decreased further, to 30 percent, from 1 January 2007.

The economic position of Zala County lags behind both the West Pannon Region and the nationwide average in almost all economic indexes (including number of foreign enterprises, income producing ability of companies, GDP/capita, employment and unemployment etc.). There are developmental differences between counties within the region, due to economic connection systems, traditions, etc.: 'a relatively more homogeneous North-Transdanubian economic unit, and an also more homogeneous South-Transdanubian economic unit is becoming apparent' (*Grosz A.* 2007 171. p.). The low level of finance and local resources of domestic micro-, small-, and medium-size enterprises have influenced unfavourably and will continue to influence the requisition of subsidized development resources, and, specifically, the ability of companies to draw on subsidized resources.

The key issue for competitiveness is subsidizing the improvement of financial supply (*Table 3*). Within NDP the ECOP scheme played a key role, while within NHDP the same purpose is served by the Economic Development Operational Programme (EDOP), therefore it is practical to review subsidies rewarded through these Operative Programmes.

Concerning NDP, more than 60 percent of tenders submitted by enterprises operating in Zala County aimed at functioning capital, technological development, and improvement of competitiveness; however, only 40 percent of the subsidies awarded were spent on these targets. Although until 2009 the total amount of the subsidy awarded within the New Hungary Development Plan (NHDP) aiming at these developmental directions was more than twice the value of the subsidy originated from ECOP, comparatively it is only slightly higher than 20 percent of the total resources of all the operational programmes. The following facts did nothing to reduce differences between developmental levels within the region during the tendering period of NDP: while the subsidy allocated to the West Pannon Region amounted 65.8 percent of the nationwide regional average, the subsidy that fell to enterprises in Zala County was scarcely higher than 49 percent of the nationwide county average. This rate for the county changed only slightly between 2007 and 2009 in spite of the fact that the subsidy allocated to the region had already exceeded 75 percent of the nationwide regional average.

Until 2009 Zala County had very little share in the tender resources of ECOP and EDOP; its share did not exceed 2.5 percent. The small amount of tenders submitted can be attributed to the low level of subsidizing intensity. The number of tenders submitted concerning 'Technological Development of Micro-, Small-, and Middle-size Businesses' within EDOP increased, for example, since the amount of subsidy rose from 2008 to 2009, and this rise resulted in the increase of tendering activity (*Table 4*).

In Zala County, similarly to the West Pannon Region, the extent of the accessible subsidy was 30 percent in the 2008 programme. In 2009, due to a significant change in the tender conditions, namely, an adjustment according to the economic environment (e.g. acceptance of preserving the existing number of jobs, security funds), the obtainable subsidy rose to 50 percent of the tax-deductible costs of the project. As a consequence of the changes, the number of tenders in Zala County more than doubled, and on the regional level it grew by 2.5 times.

Table 3

**The tenders of enterprises by regions
for improving financial supply, 2004-2009**

Denomination	Tenders				Subsidy			
	ECOP		EDOP		ECOP		EDOP	
	Received pcs	Supported pcs	Received pcs	Supported pcs	Requested /Million HUF/	Awarded /Million HUF/	Requested /Million HUF/	Awarded /Million HUF/
By regions								
Zala County	531	186	341	232	6 785	2 468	7 826	5 720
West Pannon Region	1 186	641	1 452	979	21 678	9 402	37 304	25 003
Country altogether	19 815	7 875	10 442	6 821	252 957	100 058	369 706	228 819
From all OPs* Zala County	840	378	436	277	12 455	6 083	29 617	24 566
Average values by regions								
Nationwide county average	991	394	522	341	12 648	5 003	18 485	11 441
Nationwide region average	2 831	1 125	1 492	974	36 137	14 294	52 815	32 688

Source: <http://emir.nfu.hu/nd/kozvel> [26 November 2009]

OP* = Operational Programme

Table 4

Tenders for technological development of MSME* 2008-2009

Construction of Tender	Zala County pcs	Vas County pcs	Győr-Moson- Sopron County pcs	West Pannon Region pcs
EDOP-2008/2.1.1/A	39	29	58	126
EDOP-2009/2.1.1/A	88	75	138	301

Source: <http://emir.nfu.hu/nd/kozvel> [13 November 2009]

MSME* = Micro, small and medium-size enterprises

Utilization of Subsidized Loans by Enterprises in Zala County

There are also different loan schemes to obtain subsidized developmental resources for businesses. The crucial part of the subsidized credit resources is provided by The Hungarian Development Bank Co. Ltd. (hereafter: HDB) with the strategic aim of fostering the catching-up of regions, decreasing the differences between regions, and strengthening the operational ability and the competitiveness of small- and medium-size enterprises.

According to data provided by HDB, the most sought-after programme among all loan schemes is the New Hungary Business Development Loan Scheme (hereafter: Loan Scheme), which has an outstanding role in providing enterprises with complementary resources for tenders invited for developmental or investment purposes within NHDP on very favourable terms (e.g. interest, duration, own resources). The analysis of this programme covers the period of 1 May 2005 – 30 September 2009. The aim of the analysis is to assess the borrower's ability to obtain resources. (Loan contracting can be carried out within the programme until 31 December 2013). In the analysed period, the number and amount of the accepted applications within the Loan Scheme are characterized by a growing tendency nationwide: since the outbreak of the crisis, granting of credit has been increasing dynamically; the increase in credit granted during the first 10 months in 2009 exceeds 150 percent of credit granted in the same period of the previous year. (http://www.mfb.hu/monitor/2009_10/index.html).

The number of loan applications approved, their value, and their proportion of the total is shown in *Table 5*.

Table 5

**The course of approved loan applications
within the Loan Scheme, 01. 05. 2005 – 30. 09. 2009**

Denomination	Approved loan applications			
	pcs	%	Million HUF	%
Country	3 981	100,0	232 428	100
West Pannon Region	526	13.2	31 356	13.5
Zala County	187	4.7	10 985	4.7
Proportion of Zala County / West Pannon Region	-	35.6	-	35

Source: MDB database on the basis of 30. 09. 2009 data

Figure 1 shows the comparison of the number and value of loan applications, which are indicated above, county by county.

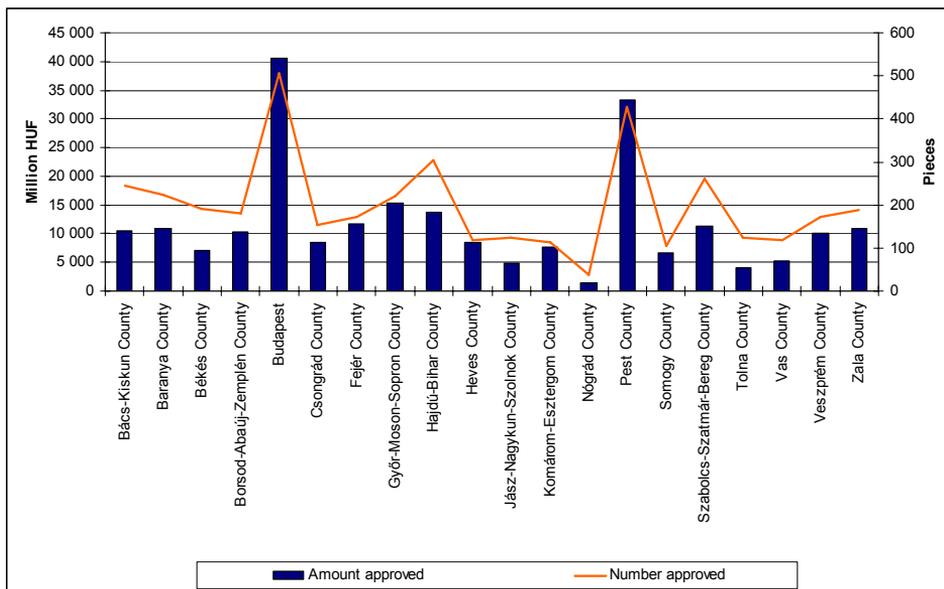
Within the West Pannon Region, enterprises in Zala County submitted 35 percent of the approved tenders, and their share in the amount of credit approved is similar. This data shows a much better resource-obtaining ability in comparison with the amount awarded by NDP and NHDP tenders. Consequently, companies in the county had a more intense demand for these favourable credit constructions. This is also indicated by the fact that Zala County is seventh or eighth nationally in terms of credit utilization, excluding the outstanding figures of Budapest and Pest County.

In the analysis of the Loan Scheme it is worth examining the distribution of loan amounts for approved loans (*Figure 2*).

Loans with a credit utilization between 5 and 15 million forints are dominant, at more than 30 percent. From this it can be concluded that a significant part of loan users are micro-, small-, and medium-size businesses. The increase in loan disbursement in 2009 is due to the credit granted to the SMB sector (small- and medium-size companies), which provides about two thirds of the jobs nationwide (http://www.mfb.hu/monitor/2009_10/index.html). Although it is questionable whether there are explanations other than the opportunity to obtain resources on favourable conditions for the demand regarding this Loan Scheme. To find the answer it is worth studying the objectives of loan utilization, too, with the aid of *Figure 3*.

Figure 1

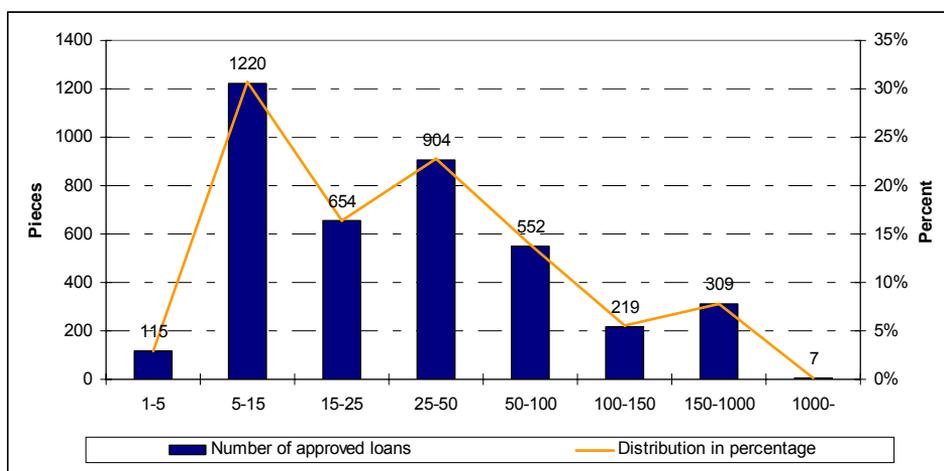
The course of approved Loan Scheme applications by counties, 01. 05. 2005 – 30. 09. 2009



Source: BDB database based on 30. 09. 2009 data

Figure 2

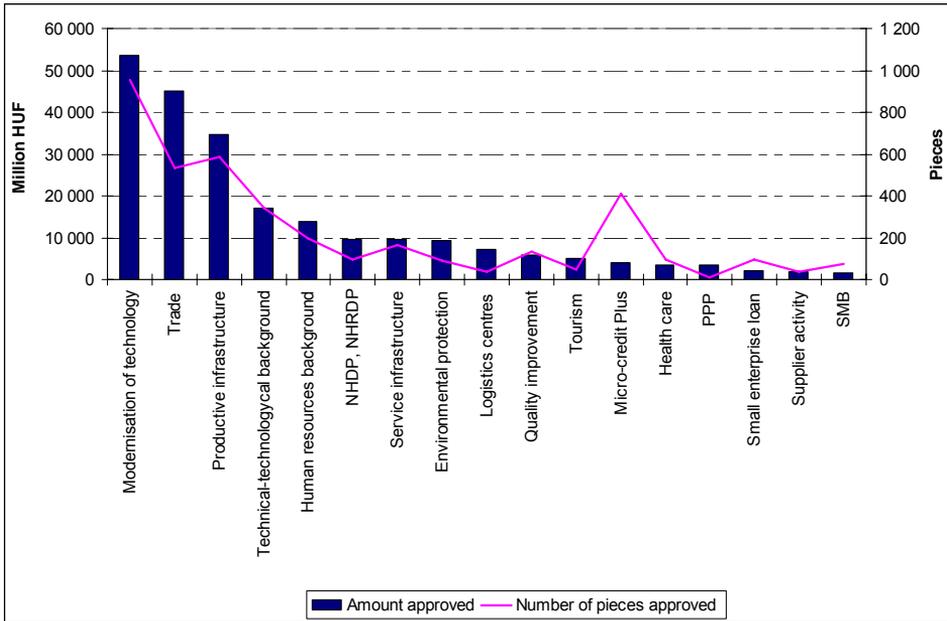
The distribution of loan applications according to the amount of loans approved within the Loan Scheme, 01. 05. 2005 – 30. 09. 2009



Source: MDB database based on 30. 09. 2009 data

Figure 3

**Approved credit applications within the Loan Scheme
according to the objectives of the loans, 01. 05. 2005 – 30. 09. 2009**



Source: MDP database based on 30. 09. 2009 data

The figures above show that the Loan Scheme primarily determined the target of developing competitiveness through the development of infrastructure and technology. Accordingly, nearly 60 percent of resources were aimed at technological modernisation, while 30 percent of them were allocated to productive infrastructure development. The proportion of utilization also indicates that enterprises consider establishing the necessary conditions for preserving their competitiveness a high priority.

Final thoughts

The relatively disadvantaged position of Zala County, which evolved historically, and the continually recurring lack of resources for its companies do not facilitate the easy acquisition of domestic and European Union subsidies or for catching-up with other counties. The lack of existing local resources needed for tenders, the lack of adequate capital resources, and the decreasing competitiveness that follows from these perpetuate the county's economic decline. The effect of the economic crisis made the 'indigence' of the county more pronounced, comparing to the West Pannon Region, which is regarded as a developed part of the country. The current extent of economic decline in the county has not been experienced for a long time, and the increasing unemployment deepens the conflict between the developed region and the county, which is reduced to worse and worse poverty.

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