



**ESPON Open Seminar
Prague 3-4 June 2009**

**Introductory speech - Minister Rostislav Vondruška, Ministry for Regional
Development, Czech Republic**

Ladies and gentlemen,

Dear Mr Ahner, Dear Mr Bonturi, Dear Mr Carbonaro,

I have the honour to begin the specialist part of this seminar on Territorial Development Opportunities in the Global Economic Recession and also to begin the first bloc on the programme, a political panel discussion on Global Economic Crisis and Diversity of Impacts on European Regions with the participation of leading representatives of the European institutions.

Herewith I would like to express my pleasure to host all of you who are participating at the ESPON seminar. As a representative of Ministry for Regional Development which is responsible for the territorial and regional development at the national level, I would like to declare our strong will and interest to cooperate in tasks concerning the global economic recession, especially in terms of problem solving potentials.

I strongly believe that our ESPON seminar will successfully lead to definition of possible potentials and through this, the ESPON seminar shall manifest its purpose and aim.

If we look at the economic and social crisis from a more positive perspective, (although it may be very unpleasant from the point of view of local and regional development), there is really an option to seek out for new challenging opportunities.

In this respect, the mapping of specific territorial potentials within regions, followed by taking advantage of related newly-found investment opportunities should be of the highest importance.



At the present time, when the whole world is affected by the economic crisis, it is more than ever important that the diverse potential of the regions is assessed and made appropriate use of. In our country we use for these activities a set of territorial planning instruments, and in particular territorial analytical data, which serve to provide up-to-date information about a region. Another part of the territorial analytical data is an analysis of sustainable territorial development and the definition of problems to be resolved in the territorial planning documentation. You can see how this instrument works on the poster which we have prepared.

(Basic information on the regional structure of the country and on its regional policies is given on the panels located in the rooms where the seminar is taking place.)

It could be also better implementation of hitherto neglected approaches for arranging public services or securing suitable conditions for business. First of all it is essential to introduce in a greater extent the implementation of public-private partnerships which right now represent a very effective instrument for combining financial resources with exceptional synergy. Inter alia we could mention long-term arranging and greater operational efficiency of public works paid for and provided by private bodies.

Now that the principle of partnership has been mentioned, overall the need applies to strengthen it at a qualitatively higher level with view to creating networks at all possible levels, from the European to the local. It is precisely on the basis of a variety of links and cooperation with the involvement of all relevant partners that towns and regions have a much greater chance of handling these sudden crisis issues, be they of an economic, social or environmental nature.

One very important tool for public bodies is the preparation and implementation of territorial development strategies. In the context of the Czech Republic we know them as a system of national Regional Development Strategy – Regional Development Programmes – Municipal Development Programmes. We have National Strategic Plans for using European Structural Funds and the European Agricultural Fund for Rural Development. The current issue of town districts in decline is dealt with in selected larger towns with the help of Integrated Urban Development Plans. One of their advantages is the possibility of using all the available operational programmes of the Structural Funds, in line with the needs of the given territory.

I am aware of the need to develop The Territorial Cohesion as third component of the EU Cohesion Policy. The Green Book on Territorial Cohesion opened the discussion on this issue. In the Czech Republic as well we have a number of good results of how a strategic territorial approach helps regions with problems, where we can deal with the economic issue at the same time as the social, including housing, environmental and cultural issues. And the Czech Republic wants people to be granted freedom to choose where they will live in the certainty that they will have a comparable standard of living guaranteed to them.

I am convinced that research within ESPON is already contributing to the strategic territorial approach. I see its value in a deepened knowledge of the territory, in a precision and comparable data in the context of the whole of Europe and in capturing the territorial dynamics and such complex characteristics like diversity or attractiveness. Such a knowledge is extremely important especially in difficult times such as the present time of recession.

Eventually, to comment more on actual situation, let me outline the impacts of the global economic crisis coming up in the Czech Republic that seems to have analogous effects to those in the entire European region.

The present economic crisis, for the moment characterised in the Czech Republic by its broad impact on most areas of the economy, is not leading for the moment to any dramatic deepening of regional disparities at the level of larger territorial units known as cohesion regions (NUTS 2) and Czech regions (NUTS 3). As an example, the negative crisis impact on the unemployment rate appears to be comparable in all regions.

However at the level of smaller territorial units (particularly at district and microregional level), a significant reduction or even termination of output on the part of a major employer sometimes leads to a one-off doubling in the rate of unemployment. At the present time these are smaller regions or towns linked in particularly with consumer goods manufacturing (glass-making, porcelain, wood-processing), or the automotive sector (component manufacturing). As the crisis deepens we assume that at the regional level the number of regions and towns with increased negative impacts on the business sector, labour market, living standards and so on will grow.

A relatively new feature will be a growth in unemployment linked to foreign workers in places where they are concentrated in greater than average numbers (e.g. in the regions of Pardubice and Plzeň). The negative impacts of this situation will be even greater than for

Czech citizens (foreign workers will as a rule be outside the social support network with minimal opportunities to escape from their unfavourable situation and will often seek a way out in illegal activities or further migration).

In addition to the often discussed reduction on the income side of the state budget resulting from negative growth in the economy, an even more serious phenomenon is the fall in tax revenues of towns and regions . Local authorities in the final analysis will probably limit their developmental investments and in extreme cases there might be the lack of the means to co-finance projects supported from EU Funds. With respect to setting the budget redistribution of tax income the situation of rural villages and smaller towns, which make up the basis of the Czech settlements network, will be much more complicated, especially where agriculture is a marginal part of local economy. After all, larger towns will have more ways how to react to situations as they arise, for example by increasing property taxes, through increased local fees or through easier access to loans, thereby replacing the income shortfall to a certain extent.

I look forward to hearing the information generated by this seminar and wish the seminar a great success.

Questions and answers

Where is the crisis expected to hit the most?

Since the financial crisis reached the Czech Republic through two channels - *via* the financial markets (e.g., reduced willingness of banks to lend, resulting in increasing price of sources, etc.) and, *via* the real economy, it is apparent that the crisis has and will have consequences for the two aforementioned channels. It is rather difficult and risky to make deep prognoses concerning the most serious effects of the worldwide crisis. It is however obvious that the consequences will affect (and already influence) primarily the following areas:

- the labour market - increasing rate of unemployment (although our situation is relatively rather favourable among the EU countries: unemployment rises, retail markets fall and so does consumer demand, etc.)
- the decrease experienced by the automotive industry, mechanical engineering, metallurgy, transport services, the recycling sector, suppliers serving the automotive industry, etc. (the industry recently experienced minor improvement,

apparently due to the "scrap charges", but its potential effect could be only temporary).

Will the disparities between European regions deepen?

Obviously, disparity will deepen on one side among regions currently and in the future seriously hit by the financial crisis and on the other side among regions affected secondary by the former. The most serious differences will be apparent in the labour market.

Will some regions and/or parts of Europe pull through more easily?

Most probably they will. A number of factors can affect the situation. Like, e.g., the extent of openness of the given economy (e.g., the Czech Republic is a relatively open economy, dependent on its business partners - net export is the wheel horse of the Czech economy), or the rate of economic revival in a given region, financial confidence, or the ability of the labour market to react to increasing unemployment, etc.

Will particular regions and/or part of Europe get over the crisis easier than others? Can metropolitan urban regions be expected to overcome the negative impacts easier than less urbanised areas with more specialised economy?

It is clear that more sectors concentrate in metropolitan areas - the financial sector, the sector of services and others; one can thus observe certain diversification of the economy accompanied by "extensive" risk spread. It also follows that if a crisis affects a more specialised economy, less urbanised areas may encounter more serious consequences than metropolitan areas and *vice versa*.

What opportunities for the European regions can be identified?

A positive feature accompanying the crisis may be a low rate of inflation. On a positive side of the crisis it can be found a low inflation (stability of real value of money). Other opportunities may involve restructuring, accent put on some other sector currently or previously not afflicted by the crisis. From this it is possible to derive a liberation of capacities for other sectors (progressive), which were not afflicted by the crisis, support of which could have a healing effect. There is also a large space for eco-innovation, high quality products, regional specialties, cultural heritage restoration and environmental activities.