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DEVELOPMENT OF INDUSTRIAL PARKS IN UKRAINE USING EXPERIENCE OF THEIR FUNCTIONING IN HUNGARY

Abstract: Creation of favourable environment for investment is a basis of economic development of any country in the world because it allows developing infrastructure, opening new and modernize existing companies, introducing innovative technologies, creating jobs and improving competitiveness of economy. The significant experience of industrial parks in many countries, including Hungary where there are 210 such parks, proved the high efficiency of this organizational and economic mechanism.

Negative trends in the Ukrainian economy during the last years require finding effective mechanisms to stimulate the economy and investment activities and ensure modernization of the industrial complex. With the aim of economic breakthrough and transformation of Ukraine into a reliable and profitable investment partner, it is important to introduce an effective mechanism of functioning of industrial parks. In the articles, pre-conditions of creation, steps to be done and economic effects of the industrial parks' activity have been opened up. It is concluded that Hungarian experience is applicable in Lviv region of Ukraine in particular.

Keywords: industrial parks, development, business, business infrastructure, investments.

JEL Classification: D20, L10, O14, O52

Introduction

Industrial parks in both developed and developing countries form an integral part of their economic system. They represent a tool for boosting industrial production, attracting investments, increasing the population employment level, and levelling the economic development of regions. In general, the idea of industrial parks is quite perspective and economically beneficial both for enterprises and the state.

The purpose of the article

This research presents the analysis of economic development and takes into consideration the results of studies on the structural changes of the industry in general, considering industrial parks.

Research results

1. Experience of Hungary

Encouraging investments is crucial to strengthening the economy and growing its potential through creation of new jobs. Higher levels of investments will also permit the corporate sector to get adapted to global economic trends and, therefore, contribute to the development of the export potential and improvement of the foreign economic balance.

Further development of technology-intensive measures and development of production industries and strategic services with a high level of added value in Hungary is crucial to overcoming its economic underdevelopment. These changes need massive investments.

Industrial parks have existed in Hungary for over ten years and have become an integral component of the country's economic processes. There are 210 industrial parks in Hungary, hosting some 4,200 companies, which employ over 200,000 people. These companies account for 30% of industrial output, making their economic and infrastructural stability and expansion a cornerstone of the development of Hungarian industry (Kecskes 2015, p. 25).

The regional business structure plays an important part in raising, placing, and introducing foreign investments. A network of industrial parks developed and consolidated in Hungary is conducive to that purpose. Their objective is to provide a modern infrastructure, services, and professional training for operations of industrial companies. At present, industrial parks account for 30% of national industrial output in Hungary and almost 40% of industrial exports. Importance of industrial parks is growing as they play an important part both in the growth of industrial output and creation of jobs, as well as in the use of modern technology and production methods. For this reason, per worker productivity in the industrial park is 1.9 times higher than the industry average.

The launch and further accelerated growth is crucial to the levelling of regional development. The role and opportunities of economically underdeveloped regions should be strengthened by granting subsidies and stimulating investments in advance. This process may be substantially improved by developing a business infrastructure associated with industrial parks and logistics centres.

Industrial parks in Hungary may be classified according to several criteria. Parks established at an early, transitional phase are usually organized to accommodate international companies, which are mainly located in the country's western regions through direct access to western export markets. In the east of the country, industrial parks accommodate primarily small and medium-sized companies with lower output, which are suppliers to national companies (Tibor 2010, p. 93).

Development of relations with suppliers and stimulation of involvement of large foreign companies in the regions may ease the tension caused by a double structure of the Hungarian economy. Enhancement of the role of businesses playing a role of the first-level suppliers may help eliminate or minimize a gap between transnational companies and small and their medium-sized counterparts in terms of competitiveness, technology, and quality. Development of cooperation between businesses is another important factor for boosting competitiveness (Wandel 2009, p. 45).

According to Hungary's development strategy, objectives in this area include:

- improving international competitiveness by stimulating investments that provide products and services with a high added value level by boosting suppliers' operations;

- developing a business infrastructure to improve the appeal of proposed land tractions for businesses and boost logistics potential.

In general, a standard of services offered by industrial parks is still low. Basic utility services are provided in all the parks, but only half of parks may offer the so called "additional infrastructure" for new businesses.

Hungary's strategic position in the heart of the continent - as well as its role as a major transport hub in the Central East European region - makes it increasingly important as a regional distribution centre. Thanks to Hungary's relatively developed transport infrastructure and an established background in logistics (11 large logistical regions), companies based close to main international transport corridors may benefit from outstanding efficiency and added value (Kiss 2013, p. 15).

As Hungary's location is good for logistics development, most industrial parks created have a logistics profile. These logistics centres play an important part in stimulating production and innovations.

Creation of regional logistics centres, services of which will increase competitiveness of local businesses, is an important priority in the logistics development concept. Establishment of regional logistics centres goes hand in hand with industrial parks as they offer high quality services for joint enterprises in the park. This field still expects large investments (Kiss 2012, p. 131).

Development of competitiveness of products and services is one of the main objectives for the establishment and operation of industrial parks in Hungary, which, in turn, will:

- boost international competitiveness, accelerate industry restructuring, stimulate investments with a high level of added value, minimize an environmental impact and stimulate sustainable development;

- transform the country into a regional services centre in Eastern and Central Europe;
- strengthen the central role and importance of Hungary as a place for concentration of business and bolster its participation in global networks;
- improve cooperation between companies, deepen integration of companies owned by foreigners in Hungary's economy, and support cooperation between suppliers for strengthening competitiveness of companies.

Development of competitiveness of products and services as a result of implementation of Hungarian governmental programmes provides direct support to certain firms (and groups of companies in case of clusters) mainly operating in technology-intensive production industries or sector of strategic services closely related to production. The Hungarian government plans to spend HUF 150 billion to set up and improve industrial parks in 2016 - 2018. The programme could play an important part in establishing sustainable economic growth and creating jobs ((newspaper article) Available from: http://bbj.hu/economy/lazar-hungarian-government-plans-to-spend-huf-150-bln-on-industrial-parks-by-2018_115326).

Such governmental programs are mainly designed to support the following areas of activities:

1. Creation of industrial facilities meeting modern technological standards and ensuring production of high quality products that may sell in the market. Support of expansion of assets, areas of activities and output of existing companies and development of services with a high level of added value. Infrastructure development within the premises of firms may also receive support as a component of allowed costs of large investments. Support is provided in the areas of equipment modernization and introduction of environmentally friendly and less polluting technology and methods to stimulate sustainable development and minimize the harmful environmental impact.

2. Investments associated with foundation of corporate centres in Hungary (services) at the Eastern/Central European or Euro Regional level. As regards high-tech production, large companies operating in several countries control activities of subsystems associated with their objectives in the area of services (for instance, information and technology, distribution, commercial, financial, maintenance and consumer services, control, education) through such centres. Companies intending to expand their activities in Hungary in regional subordination centres may also qualify for support.

3. Support of a group of typical medium-sized businesses, products of which are directly used in products of companies manufacturing end products (first level suppliers). Changes aimed at improving quality, competitiveness, and economy of products, enabling such companies to

become long-term suppliers, are supported. Support will also be provided to creation of supply clusters that will include business enterprises and non-profit organizations organized along the supply chain. Support will be provided to integrated production systems involving large companies, research and development units, dynamically developing innovative suppliers, and local economic development institutions.

All of these measures aim at reducing the double nature of Hungary's economy. They are expected to facilitate integration of large-scale companies owned by foreigners into Hungary's industrial infrastructure.

Local businesses will be in a better position and will be able to use potential markets as activities of suppliers and cooperative links between companies expand. Foundation in Hungary of regional corporate centres (providing services) will help accelerate the process of transforming most of the country into a regional business hub. This measure will make it possible to support the level of foreign capital investments and economic development, boost employment in poorly developed regions, and expand the production base. The share of products and services with a high level of added value and demand for qualified labour will increase, and professionals will receive higher income, which will slow down the brain drain (Zilahy 2008, p. 422).

Another no less important goal of industrial parks is business infrastructure development aimed at:

- providing comprehensive high quality services to support the dynamic nature of industrial development;
- developing logistics centres as a component of the business infrastructure and stimulating creation and use of corporate networks using high quality logistics services.

Therefore, support of creation of logistics facilities (in particular those providing the logistics infrastructure for networks of supply and industry clusters) will enable the provision of comprehensive and quality logistics services, primarily at regional airports, ports, industrial parks and other centres, depending on the needs of businesses. Thus, quality of infrastructural services in industrial parks will improve and make them attractive for business development.

Creation of business incubators, innovation centres, and technology transfer centres will help businesses improve and support their competitiveness. Logistics centres will stimulate the activity of suppliers and provision of distribution services to small and medium-sized businesses by encouraging efficient competition. Furthermore, internal cohesion of regions needs to be strengthened, which will contribute to a more active procurement of high-tech foreign capital resulting in creation of new jobs, and the number of jobs with high salaries will grow.

2. Concept of development of industrial parks in Lviv Region (Ukraine).

At the current phase of development of the industrial sector of Lviv Region, new approaches to solution of problems associated with formation and accelerated growth of competitiveness need to be developed and implemented. We need to profit from global experience of economically developed systems based on innovations and creation of a favourable investment climate, which, in its turn, will accelerate the regional economic development and raise social standards. Growth of a scientific and technical potential in the industrial area as one of the main economic components may be achieved only in case new management mechanisms are introduced in combination with efficient use of regional competitive advantages.

Several industrial priorities have been identified so far:

- rebuilding the Lviv Region industry based on innovative development;
- developing leading industrial high-tech businesses, boosting industrial and scientific cooperation.

Industrial parks are created to set up mechanisms for efficiently meeting demand of investors for sites prepared for accommodating innovation, industry, logistics, and related services facilities, improving living standards of the population, eliminating disproportions in the levels of local development of Lviv Region by improving the investment and innovative climate, employing the working population of territorial communities across the region and creating conditions for expanding competitive industrial facilities and related services based on industrial parks (Gamaliy 2016, p. 36).

The main goals of industrial parks include:

- ensuring growth of revenues to local budgets, primarily, as a result of creating additional jobs and raising average salaries (individual income tax);
- ensuring the balance, proportion and comprehensive character of socio-economic development of territorial communities across Lviv Region;
- boosting active diversity of territorial communities in Lviv Region in terms of industrial opportunities;
- supporting modernization and restructuring of enterprises involved in all types of activities so as to increase their profitability and competitiveness;
- ensuring stable conditions for investment activities throughout the infrastructure development and industrial park arrangement period;
- creating conditions for improving the welfare and buying capacity of Lviv Region population;

- creating good conditions for development of small and medium-sized businesses meeting the needs of operation of industrial parks in Lviv Region.

The following principles shall be implemented in creation of industrial parks in Lviv Region:

- reasonable use of the scientific and industrial potential of Lviv Region, its land, natural, and labour resources;

- stimulation of creation of new jobs;

- priority development of activities stipulated by the goals of industrial park creation;

- social partnership across the professional areas of employees (employee representatives), employers (employer representatives), and local self-government;

- distribution of powers and responsibilities among all the participants in the process of creation of industrial parks;

- public and private partnerships in the development of industrial park infrastructure;

- environmentalization of industrial and economic operations and reasonable use of natural resources.

Lviv Region is located in the far west of Ukraine and borders Poland: this helps raise foreign investments and set up permanent cooperation with European companies. Without a doubt, this is one of the biggest advantages for future operation of industrial parks.

Investments in international transport mains and formation of transport corridors are also investments in industrial parks. Transport infrastructure improvement will make it possible to create parks, with logistics as their key activity. These investments may be one of the region's key strategic priorities (Markevych 2014, p. 138).

Transportation is one of the most important economic sectors in the area (employing a considerable part of workforce). Regional development opportunities depend on higher and better cross-border traffic and goods transportation opportunities.

Regional industry is characterized by diversity and has a multibranch pattern. The main share is represented by production of foods, machine engineering, chemical and petrochemical industry, production of non-metal mineral products, pulp and paper production, and publishing business. These main sectors may define areas of operation of Lviv Region industrial parks in the future.

In order to improve the ultimate result, the managing company may receive the following useful forms of support during the entire term (or part thereof) of an agreement for creation and operation of an industrial park.

Financial incentives:

- investments of funds of the local budget and/or property, public property and/or non-property rights, in the authorized capital of the Managing Company or in the investment projects of the Managing Company aimed at the development of the industrial park;

- provision of guarantees in line with applicable laws.

Information and consulting incentives:

- providing information and consulting services, including those aimed at filling the industrial park with businesses (units) and services of relevant business entities for placing orders for supplies of goods, performance of works, and provision of public services;

- providing information about the development of industrial parks, regional and municipal support provided during the development of industrial parks, and the like by disseminating it in the media and otherwise distributing it in line with applicable laws.

Organizational and administrative incentives:

- including investment projects of industrial park development in the regional socio-economic development programmes, relevant regional and inter-branch programmes;

- contributing to the creation of a simplified procedure for approval of permits necessary to implement investment projects in the area of creation of industrial parks.

The anticipated results of implementing a concept of development of industrial parks include:

- creating good conditions for accommodation of new companies and creation of new jobs in Lviv Region;

- additional investment resources in the regional economy;

- higher revenues to budgets and dedicated public funds from taxes and mandatory payments;

- technical refit, growth of production volumes of competitive goods;

- efficient use of Lviv Region's innovative potential.

Moreover, based on foreign experience and existing results of operation of the existing industrial parks, around 6,000 new jobs are anticipated provided at least 3 industrial parks are organized in the region in the next five years.

Conclusion

The following conclusions may be made based on this study:

1. Hungarian experience in implementation of innovative approaches to economic development is quite useful for Ukraine. Hungary has already set up many industrial parks, including research and technology ones, and continues implementing a policy to bring them in line with the EU level standards and using the European Union principles for the financial support of innovative development policies.

2. Industrial parks represent a tool of the governmental policy for enhancing the innovative component in the regional economy. Industrial parks contribute to the development of competitive products and infrastructure.

3. Industrial parks are a time-proven and international experience-based mechanism of economy industrialization, generating investments, higher employment, balanced regional development, support of local manufacturers, and promotion of small and medium-sized businesses.

4. In order to attract businesses to industrial parks, the government shall use a wide range of supporting tools. First and foremost, support of industrial parks by the government consists in engineering preparation of a land plot, supply of gas, electricity, heat, and water, operation of water discharge systems, installation of transport traffic (roads, access to ports, airports, railways), related infrastructure development (administrative buildings, warehouse facilities etc.).

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