

# **Central and Eastern Europe on the Way into the European Union:**

## **Regional Policy-Making in Bulgaria, the Czech Republic, Estonia, Hungary, Poland and Slovakia**

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### **Executive Summary**

Regional development has attracted increasing attention in the enlargement process of the EU because the main channel to support the economic convergence of the Central and East European Countries after their accession will be the structural policy of the EU which is focused on regional development and regional actors. To the extent that the applicant countries are able to institutionalise a working regional development policy framework, they will be able to optimise the available EU assistance in order to accelerate their economic catch-up process. This study maps the development of regional policy institutions, regional disparities and exemplary initiatives of capacity building in regions of six applicant countries: Bulgaria, the Czech Republic, Estonia, Hungary, Poland, and Slovakia. The study consists of detailed case studies on the six countries written by domestic experts on regional policy and EU integration, an introduction comparing national policy patterns, and a documentation of the assessments made by the European Commission on regional policy and cohesion in the latest progress report on the applicant countries, published in October 1999.

The country studies start by analysing how institutional arrangements for regional policy-making emerged in the context of a post-socialist society and of historic legacies left by the state socialist system of the past. This context is specific because governments and those political and economic actors participating in regional development are confronted with a dual transition. First, instruments, procedures and operational logics of regional policy need to be adapted from a state socialist economic environment to a market economy where actors decide autonomously according to their cost-benefit expectations. Second, the main objective and rationale of regional policy need to be changed from an equalisation between regions with different levels of development or wealth to the support of “endogenous” capacities, i.e. the regions’ given endowment of economic, social and human capital. The second transition has been at the centre of recent debates on regional policy in the OECD countries, characterising and guiding the change in the policy approaches of Western governments. The postsocialist countries were not only faced with the first transition, in other words: to overcome the institutional and mental legacies of state socialist regional planning - but they are also under pressure to achieve the policy change Western governments have embarked upon.

The six country studies describe how policy concepts, legal foundations and institutional arrangements on the central and regional level have changed since the outset of economic and political transition. Although the national paths of institution building vary considerably, most countries have undergone phases when regional policy was focused on managing regional labour market and economic crises which were caused by the closure or labour-shedding of large-scale state socialist enterprises dominating regional economies. Since 1998, in some countries even earlier, governments have begun to adapt their institutional framework to the requirements of accession to the EU and of adopting the structural policy acquis of the EU.

The country studies also give overviews on regional policy expenditure, programmes and instruments, depicting the differing national policy mixes and the relevance regional development has attained in each country. With respect to the share of regional development expenditure relative to the GDP, the diversification of regional development programmes and the status of regional policy in the government, Estonia and Hungary have institutionalised

regional policy earlier and to a greater extent than the other countries of this study. The introduction tries to explain this difference with the issue linkages regional policy advocates have been able to use in both countries, but which were not available in the political constellation of the other countries.

All studies provide data on the extent of regional economic disparities in their respective country, measured in the divergence of GDP per capita, unemployment rates, investment inflows, density of firms and entrepreneurs and other indicators or composed indices. The Czech and the Polish country studies contain illustrative chapters analysing the regional development efforts undertaken by regional actors in Northern Moravia/Silesia, Southern Moravia, Wielkopolska and Upper Silesia. In the Estonian and Hungarian studies the impact of regional development programmes is evaluated in detail, thus indicating the need for, and extent of, policy learning. All the studies are policy-oriented in the sense that they go beyond a mere analysis and propose policy reforms in order to improve the institutional, legal and financial basis as well as the inter-organisational coordination required for effective and efficient regional development policies.

In addition, the studies give detailed accounts of each country's reform measures aimed at adopting elements of a regional development policy that facilitates the management of the Structural Funds of the EU. As a consequence of the accession preparation requirements, all applicant countries will have to establish a participation of regional authorities and economic actors in the formulation and implementation of regional development policy. Regions compatible with the territorial classification system of the EU (NUTS) need to be created, and expenditure on regional development will grow, covering also activities beyond business development or labour market policy. In this respect, the country studies highlight a work which is still very much in a state of flux.

The different progress made by the countries in establishing and "europeanising" their regional development policies suggests that general political stability is an important precondition of successful institution building. If cooperative relations among economic, social and political actors are a generally accepted objective of economic policy, concepts of "modern", coordination-intensive regional policy are less difficult to implement. As long as it does not lead to polarised political constellations and debates, regional problem awareness and activity can not only support institution building but is also a necessary prerequisite to achieve a real decentralisation of regional policy making. Finally, in order to build working regional development institutions, reformers perhaps mostly need plausible, convincing concepts that are linked with more general political objectives and principles, attractive foreign models and a committed coalition of political actors.

The study is part of a project on the integration of Central and East European countries into the European Union, which is jointly managed by the Bertelsmann Foundation and Bertelsmann Group for Policy Research at the Center for Applied Policy Research. The country studies were compiled by the following partner institutes and their authors:

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