Institution building for regional development: A comparison of Bulgaria, the Czech Republic, Estonia, Hungary, Poland and Slovakia

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Introduction[1]

This article studies the efforts to create regional development policies in six Central and East European countries (CEEC): Bulgaria, the Czech Republic, Estonia, Hungary, Poland and Slovakia. Regional development (RD) has attracted increasing attention in the enlargement process of the EU because the main channel to support the economic catch-up process of the CEEC after their accession will be the structural policy of the EU which is focused on RD policy and regional actors. To the extent that the applicant countries are able to institutionalise a working RD policy framework they will be able to utilise EU assistance in order to accelerate their economic catch-up process.

The article assumes that this “institution building” is not only a matter of implanting the structural funds regulations and the attached Commission guidelines or of copying other countries’ institutions. Rather, institutionalisation requires that actors expected to contribute to the prosperity of regions participate within the new regulatory framework in a cooperative manner. To assess the prospects of cooperative participation and the change of behavioural patterns implied by it, it is necessary to analyse how RD policy has evolved and is embedded in the broader context of post-socialist societies and governments which all experience rapid change, but vary in their configuration of actors, resources and legacies. In a first step, the article compares the institutional arrangements built in the six CEEC. In a second step, it attempts to explain the interplay of country-specific legacies, actor constellations and the external impact of the EU on the emergence of nation-specific policy patterns.

The situation of regional policy in post-socialist countries is specific because a dual transition has been taking place: From a set of instruments suiting the planned economy of state socialism to a tool kit compatible with a market economy environment on the one hand, from a traditional, equalisation-oriented concept of regional policy to a modern concept of “endogenous” development on the other. This concept of RD relies on an indirect policy which “is to improve the local economic and social infrastructure, develop the

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area's own resources, and create a high-quality 'enabling environment' that stimulates economic activity and employment growth." (Keune 1998: 10; cf. also OECD-CCET 1995; 1996a; Bullmann/Heinze 1997).

A typical controversy reflecting the difficulties of this dual transition occurs between those who reject regional policy as a relic of state socialism hampering a necessary restructuring of the economy and those who demand regional policy in order to counteract the spatial disparities caused by marketisation. Other typical problems originate from the fact that a RD policy subject to conceptual change and clarification tends to overlap and conflict with related policy areas like labour market policy, small business development, enterprise restructuring and the attraction of foreign direct investment, all of them still being in formative phases.

In the pre-accession constellation progress in capacity-building is assessed by the European Commission in its opinions and progress reports on each applicant country. This study uses the background information provided by the Commission to complement its own empirical description of institution-building. Yet it does not consider compatibility with the acquis communautaire of the EU as the only indicator of progress in institutionalisation and analyses the evaluating and advising activity of the Commission as an important external factor for the institutionalisation of RD policy.

The basis of the article are country studies on Bulgaria, the Czech Republic, Estonia, Hungary, Poland and Slovakia which have been written by domestic experts in a project on the integration of CEEC into the European Union, jointly realised by the Bertelsmann Science Foundation and the Centre for Applied Policy Research at Munich University. The country experts were requested to analyse the emergence of the RD policy framework and to study two cases of regions, one as an example of successful capacity building, the other as a case of failure. The country studies are compiled in this paper. Due to organisational and financial reasons not all ten applicant countries could be included into the comparison. Furthermore, the article is confined to the evolution of the policy framework and considers statistical indicators on RD like regional GDP per capita or regional unemployment rates only in an illustrative fashion. The reason is that, while a number of studies have already compiled the available statistical data on regional capacities,[2] the quality of regional statistics in the CEEC is not yet sufficient to assess progress in RD over time and across countries.

After a brief overview on regional disparities emerging in the CEEC, the creation of new institutional arrangements is described in detail, looking at the evolution of regional policy concepts, the changes at the central government level and the constellation of actors at the regional level. Particular attention is paid to the pre-accession constellation and the impact of the European Commission on the emergence of a regional policy compatible with the Structural Funds of the EU. Explanations for the divergence of reform

[2] Cf.: OECD-CCET 1995; Gorzelak 1996; European Commission/DG XVI 1996; Mikloš et al. 1996.

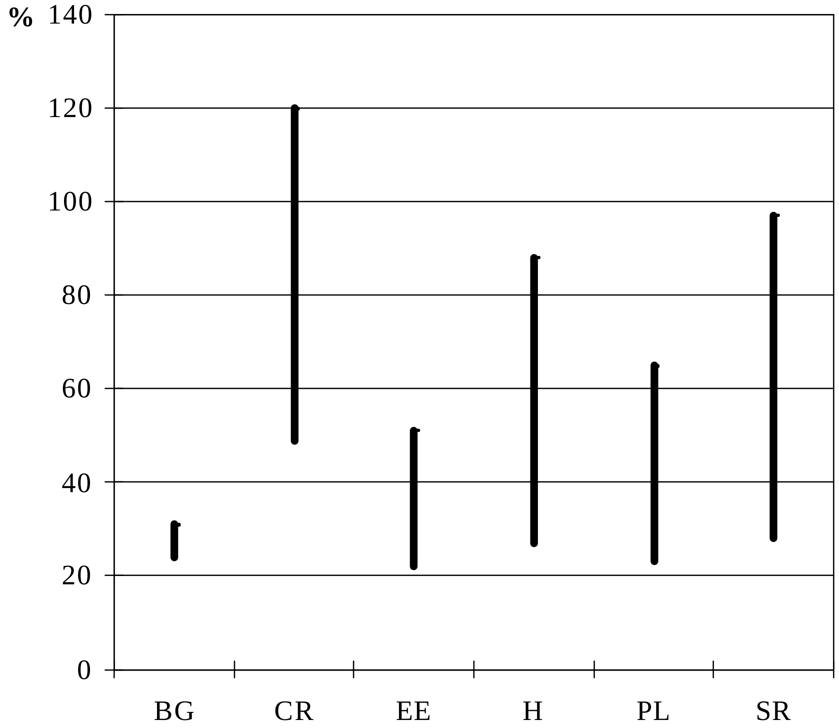
outcomes are elaborated, relating the EU context, legacies, actors and design concepts to the different national policy patterns.

1. Regional disparities

With markets re-established, the economies of Central and Eastern Europe are undergoing a grave structural change not only between agriculture, industry and services, but also between and within sectors, branches and companies. A cause and consequence of this process is the fundamental re-orientation of foreign trade from the former Soviet Union and its successor states to the EU's Internal Market. The emerging patterns of foreign trade and foreign direct investment in the CEEC exhibit specific spatial features. Foreign direct investment (FDI) inflows tend to concentrate on regions which are easily accessible from Western Europe. Companies with a huge share of EU exports (usually these are companies with modernised production facilities and foreign ownership) tend to settle in regions close to western markets or in the urban agglomerations. For example, in the case of Hungary, 80-90 per cent of the total FDI went to Budapest and the western regions, and in Bulgaria Sofia attracted approximately 70% of the inflows (European Commission 1999: 99). The eastern regions of the CEEC are neglected, which is indicated by a lower FDI per capita, lower per-capita incomes, a lower labour force productivity and higher unemployment rates. The east-west disparity within Central and Eastern Europe has widened.

With respect to the given economic development capacities, major differences exist between predominantly agrarian regions, monostructural "old" industrial regions and prospering western regions or urban agglomerations with a diversified industrial structure (European Commission/DG XVI 1996: 26-38). The following figure gives an impression on the disparities between the EU average and the CEEC as well as within the countries discussed in this article.

Figure 1: Regional differences in GDP per capita (% of EU average, Purchasing Power Standards) at NUTS-III level in 1996

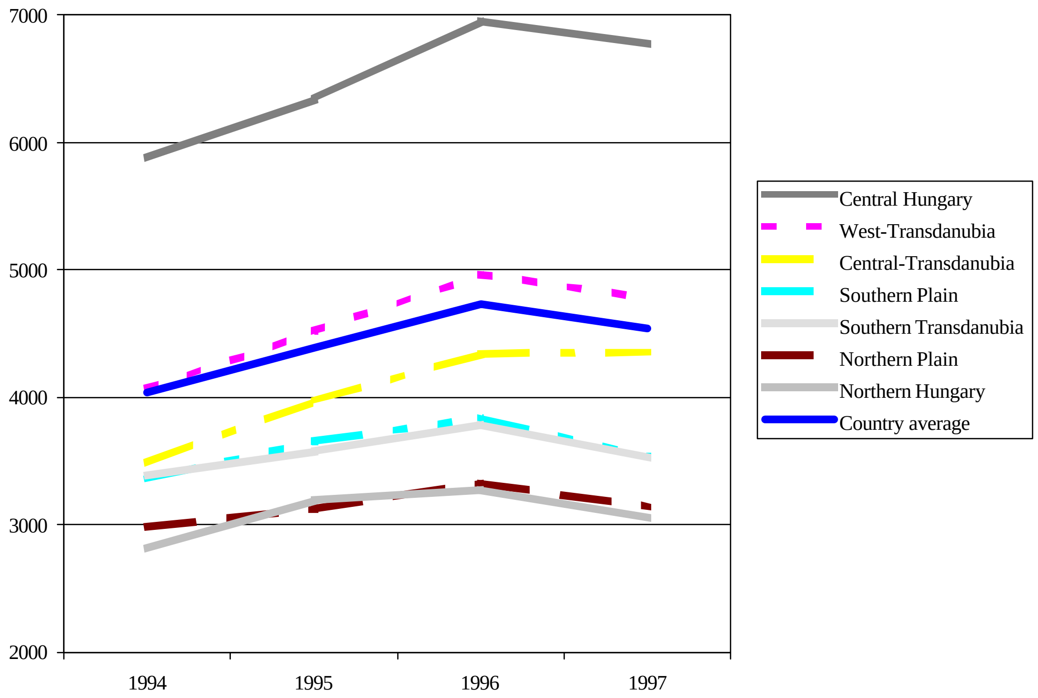


Source: Eurostat 1999, EU average = 100. The NUTS-III level (cf. Fn. no.13) are 5 groups of local self-governments (maakond) in Estonia, 20 counties (megye) in Hungary, 49 voivodships in Poland and counties (kraje) in Slovakia. Data for Bulgaria and the Czech Republic refer to the level of NUTS-2 (9 oblasti and 8 kraje). Data for Bulgaria are from 1995.

In terms of GDP per capita, the Czech Republic, Slovakia and Hungary exhibit the largest regional disparities. This may be explained by the fact that these countries have particularly large capitals and capital regions with high levels of GDP per capita, already exceeding the EU average in the region of Prague. In contrast, Poland with its poly-centric settlement structure shows less wide differences in incomes. Bulgaria is the only case where GDP per capita does not peak in the capital region of Sofia because the giant petrochemical complex of Neftochim located in the south-eastern oblast of Bourgas is responsible for very high output figures (Beggs/Pickles 1998: 123). Peripheral agricultural regions usually have the lowest GDP per capita.

In assessing the extent of regional disparities, one has to take into account that GDP per capita is only one indicator and that the economic differences between regions in the CEEC have increased over a relatively short period of time, departing from a high level of inter-regional homogeneity. For example, the ratio between the voivodship with the highest and the lowest GDP per capita in Poland increased from 2.5 in 1992 to 3.48 in 1995, from 3.07 in Hungary in 1992 to 3.15 in 1996 (Fazekas/Ozsvald 1998: 22; Gorzelak 1998: 66).[3] This ratios are considerably higher than comparable ratios in Greece or Portugal. Figure 2 indicates the considerable difference between Budapest (Central Hungary) and the other regions of Hungary.

Figure 2: Regional GDP p.c. in Hungary 1994-1997 (US-$)



Source: Hungarian Central Statistical Office, in: HVG (Hungarian economic weekly), 22 May 1999

3 Note that these relations are not comparable across countries because the number of units varies between 49 old voivodships and 19 megye which creates a distortion in favour of the country with fewer units. The ratio may differ from the table because it is probably calculated on the basis of nominal GDP per capita.

The gap between regions with high and low unemployment rates has increased in most countries because of labour market segmentation. As job destruction and job creation processes have not coincided regionally, unemployed persons have been highly likely to remain unemployed and unemployment has resembled a "stagnant pool", posing particular difficulties for labour market policy in mono-industrial or rural regions (OECD-CCET 1995). For example, in Bulgaria the difference between the oblast with the highest unemployment rate and the lowest unemployment rate (Sofia) nearly doubled between 1991 and 1998 (Kamenova 1999). Recent studies on Bulgaria and Hungary suggest that intra-regional differences in unemployment rates are much higher than inter-regional differences (Begg/Pickles 1998; Fazekas/Ozsvald 1998).

These widening regional disparities and the social conflicts linked to the economic restructuring of monostructural industrial regions have put regional problems on the political agenda in CEEC. The next section describes in more detail how the institutional arrangements for regional policy formulation and implementation have evolved in the different countries of this study.

2. Institution building

During state socialism all the CEEC had similar regional policies in that they implemented a centralist, artificially constructed model of economic development which was biased towards heavy industries and large-scale enterprises. Regional development was dominated by interests and priorities of sectoral development. The pre-determined international division of labour in the Council of Mutual Economic Assistance decided on the economic specialisation of a country and thus on the focus of major investments. Industries were intentionally placed in rural regions or around urban cores to "proletarise" their socio-economic structure. Heavy industry-based industrialisation had devastating ecological ramifications in rural areas selected for "development". State subsidies and modern infrastructure were withhold from other rural areas, depriving them of resources and prompting the outward migration of the agricultural labour force to the urban centres. In the economic structure, this model of economic development generated a "de-regionalisation" since pre-existing regionally integrated productions were replaced by supra-regional linkages among the units of centralised, vertically integrated state socialist enterprises (Krätke et al. 1997).

To the extent that state socialist regimes underwent a process of liberalisation and constitutionalisation in their last decade of existence, regional aspects and criteria gained functional autonomy within the state apparatus (Balchin et al. 1999).[4] Regional and physical planning regulations and units were re-introduced in several countries, serving as intellectual niches for experts who were given the leeway to raise awareness and sensitivity towards regional

[4] Since such a gradual re-establishing of regional concerns in the planning process took place in all the countries of this study, Hallet's distinction between countries which did not undertake efforts to reduce inter-regional disparities (e.g. Hungary) and those which tried to do so (e.g. Czechoslovakia) does not seem to be adequate (1997: 5).

distinctiveness and concerns. In Hungary, the government began to consider regional priorities in its economic planning decisions already in the early seventies. Early concepts and programmes aiming at supporting the catch-up process of backward areas and problem regions were adopted in Hungary (1985), Estonia (1989) and Czechoslovakia (1989). However, these initiatives exerted only a negligible impact on the economic state of particular regions due to insufficient financial resources and under the circumstances of economic transition.

In their economic policy-making the new and democratically elected governments did not attach greater importance to the institutionalisation of a regional policy framework. First, the agenda of economic reform was preoccupied by macro-economic stabilisation and adjustment measures, and the neoliberal reform concepts guiding most of the new governments tended to downplay regional disparities which were expected to disappear once barriers to internal and transnational factor mobility had been removed. Second, policy makers continued to perceive and associate regional policy with the disastrous practice of state interventionism they wanted to overcome. While this reluctance to engage in regional policy reforms can be found in statements of policy makers and advisors in all CEEC, a closer look at the policy field reveals national differences which appear interesting in a comparative perspective (see the annex for an overview).

2.1. Evolution of concepts

Governments in the Czech and Slovak Republics, Estonia and Hungary have undertaken the most visible efforts to lay new conceptual foundations for RD. The Czech and Estonian governments adopted regional policy concepts already in 1990. In the following year the Slovak government passed a resolution on the principles of regional economic policy, and the Hungarian government established an RD fund and regulated the distribution of state grants for RD in a decree. Hungary was the first country to adopt a Law on RD and Physical Planning (on 19 March 1996). Very recently, in Spring 1999, Bulgaria has adopted a law stipulating institutions and procedures of regional development. Laws are envisaged but not yet debated and passed by the parliaments of the Czech Republic and Slovakia. The Estonian and the Polish government have not undertaken steps to codify their institutional arrangements in a law.

Adopting a law is, of course, not an indispensable prerequisite of a working and effective regional policy process but it indicates an advanced stage of conceptual elaboration since through a law governments bind themselves more than by decreeing rules. Another indicator of conceptual deliberation are pronouncements made by governments and experts on contents and objectives of regional policy. The available (and accessible) statements about what regional policy is and what it should achieve allow some tentative interpretations of changes and continuities.

In *Czechoslovakia*, the Czech government prepared a bill on regional policy in spring 1992 which stated that “the basic goal of the regional policy on the level of the republic is support of economically problematic territorial units and regulation of spatial arrangement of socio-economic activities in individual regions" (quoted in Kára 1994: 77). The language and underlying assumptions of this and other early concepts in Czechoslovakia were shaped by the inherited state socialist notions of interventionism. According to an OECD study, Czech and also Slovak policy approaches of that time appeared to be "firmly rooted in the socialist planning traditions of the past" (1996b: 22, 103; cf. also the assessment of Kára 1994). While the early Czech bill was not put into effect until the elections of June 1992, the new government led by Václav Klaus adopted principles of regional economic policy in December 1992 which abandoned the state socialist language and were largely confined to labour market policy programmes in regions with high unemployment rates. In 1993 and 1994 the government launched small-scale programmes to support small and medium-size enterprises in regions with high unemployment.

The OECD study gives a detailed and critical description of the Czech approach to regional policy, pointing to the prevailing notion of regional policy as a technocratic endeavour which applied technical standards and indicators to identify a best way to remedy an isolated regional problem (e.g. mass lay-offs due to the closing of a local enterprise) by means of financial transfers (1996b: 156-160). The change of government in 1992 did not lead to a fundamental revision of this approach which, in the view of the OECD experts, neglected the complexity and interrelatedness of regional problems, and the use of regional policy as a tool to enhance growth. Policy makers did not conceive RD as the result of an integrated strategy relying on the creation of appropriate institutions.

While the Klaus government refrained from issuing major conceptual documents on regional policy, the transitional government of Josef Tošovsky in March 1998 passed a resolution which aimed at aligning Czech regional policy with principles of EU structural policy. According to this resolution the main objectives of regional policy were to support a balanced and harmonious development of regions, to decrease differences in development between regions and to activate the economic and social potentials of regions. Since June 1998 the social democratic minority government has proceeded on the basis of this concept and has treated regional policy as a priority.

In *Slovakia* a major document of regional policy formulation was adopted by the government of Vladimír Me iar in 1997. The government used a notion of regional policy which emphasised the participation of local, regional and central government and the linkage between regional policy and spatial planning. Its concept defined regional policy as the "targeted influence of the government (at central, regional and local levels) upon the dynamism and the development structure of regions and also the changes under the conditions and structure of the space arrangement of the national economy"[5] This definition reflected a departure from the older state socialist language, but its vagueness also indicated a lack of conceptual clarity and operationalisation. The emphasis

5 State Regional Policy Concept of Slovakia, adopted by the Slovak Government in 1997, quoted in: Ni anský/Širak 1999.

on the regions' involvement served to promote the new territorial-administrative division of the country which had been introduced by the government against strong criticism of opposition parties and municipalities. It was not combined with a substantial decentralisation of power, as the bill of a regional development law presented by the government in October 1996 left decisive powers with the central government (Krivý 1998: 62).

Polish regional policy conveys the impression of high institutional fragmentation at the central level combined with a dense institutional sphere at the local and regional level. In its progress report of October 1999, the European Commission noted that "Poland's regional policy strategy is still at a conceptual stage".[6] Apart from occasional proposals of the Central Planning Office which had few political consequences, none of the numerous Polish governments has issued a basic conceptual document on regional policy. Resources were allocated to declining industrial regions in a reactive manner, responding to looming crises or the mobilisation of political protest. Political debates appear to be sharply polarised between advocates of streamlining economic and regional policy towards an efficiently performing national economy and those who argue for a regional policy guided by considerations of social and economic equality among regions (Gorzelak 1998; Ners 1996). According to the Central Planning Office, "in practice, state regional policy has been shaped by the pressure exerted by the regions most affected by the social consequences of restructuring. Since the trade unions have been the primary agents for this pressure, its intensity was closely related to the strength of the regional structures of the trade unions. This, in turn, accounts for the fact that the 'old industrial regions' have dominated the 'rural regions with low incomes'".[7]

Although much less is known about the conceptual evolution of regional policy in *Bulgaria* since 1990, a definition given by Zweta Kamenova (1999) suggests that its focus is still more on corrective, equality-oriented state intervention than on the creation of enabling conditions and the participation of regions: "Regional policy consists of budgetary and financial instruments to control and reduce regional differentiation. It is an indirect involvement in the processes of market development aimed at balancing the socio-economic development of regions" (Kamenova 1999). The main policy objectives stipulated in the new Bulgarian law on RD are the creation of prerequisites for sustainable development of regions, the reduction of interregional differences in the field of employment and incomes, interregional and crossborder cooperation, and European integration.

Hungary and Estonia appear to be those countries which have produced the most elaborate concepts of RD. In *Hungary* the main documents of regional policy and the main stages of its conceptual evolution are the parliamentary resolution of 1985, the decree on state grants for RD in 1991, the parliamentary resolution on the main tasks of RD in 1993, the law on RD in 1996 and the

6 http://europa.eu.int/comm/enlargement/report_10_99/intro/index.htm

7 Polish Central Office of Planning (1993) quoted in Gorzelak 1998: 162-163.

national RD concept of March 1998. During this period the focus of RD activities has shifted from equalisation to restructuring and from crisis management to the support of innovation (Horváth 1999). Old state socialist industries and also infrastructure development in rural areas lost importance as sectors targeted by RD, and since the adoption of the law the improvement of manufacturing, business services and innovation has become most important. The 1996 law has transfered basic principles of EU structural policy like decentralisation, partnership and programming into Hungarian regional policy making.

The first *Estonian* concept of regional policy was formulated in 1990, based upon the "concept of an economically autonomous Estonia", one of the key documents of the independence movement (Janikson/Kliimask 1999). In 1994 the Estonian government approved a regional policy concept which defined regional policy as "a determined activity of the public government aimed at creating premises for development for all the regions of the state and the balancing of social-economic development proceeding from the interests of the regions and the state as a whole."[8] This formulation demonstrates a comprehensive development notion including all the Estonian regions and the conviction that the interests of regions, albeit deviating from the state interests, must be taken into account. On the basis of the concept the government set up an RD fund, an RD agency and eight different RD programmes with a diversified set of objectives and procedures.

2.2. Central government institutions

By its cross-sectoral relevance, regional policy making poses particular difficulties of coordination with other policy fields. Apart from its interrelation with general economic policy, regional policy has implications for, and is influenced by, business development, labour market, industrial, environmental, research and education policies, and in particular by the privatisation and restructuring policies of CEE governments. It is closely related to territorial (physical) planning, and belongs to the policy fields economic interest organisations (business associations, trade unions, chambers of commerce) can influence and shape with their activities. The manifold interdependencies raise the question of how do governments try to solve these coordination problems. Across Central and Eastern Europe the period between 1990 and 1999 was characterised by frequent and seemingly erratric institutional changes. The following overview is confined to tracing major changes in the policy set-up.

At the central government level, most of the countries have vested responsibilities for regional policy making in ministries. Only in Poland and, until recently, in Slovakia, agencies have been responsible to prepare concepts and decisions for the Council of Ministers. In *Poland* the Central Office of Planning has been dealing with this task until its dissolution in 1996. The government led by Jerzy Buzek replaced it with a "Government Centre for

[8] Concept of regional policy adopted by the Estonian Government on 13 December 1994, quoted in: Janikson/Kliimask 1999.

Strategic Studies" which shares responsibilities for regional policy with the Ministry of Economics and the Ministry of Labour. In *Slovakia* a "Centre for Strategic Studies" and an "Office for the Strategy of the Development of the Society, Science and Technology of the Slovak Republic" have been preparing regional policy decisions from 1991 until 1995, and from 1995 until 1998 respectively.[9] The Dzurinda government considered the latter office an inefficient and bureaucratic relic of the Me iar and communist times, and thus in December 1998 decided to dissolve it. Since regionalisation and regional concerns have been one of the priorities of the new Slovak government, currently there are plans to institutionalise RD competencies on a ministerial level at the Ministry of Construction and Public Works.

The fact that the other countries of this study have entrusted ministries with RD competencies does not automatically imply that they have opted for a strong institutionalisation of, or for strong coordination and clear roles in, regional policy making. Among the other countries, only the *Czech Republic* has a separate Ministry of Regional Development with a responsibility for spatial planning, too. RD issues received this high profile only after the change of government in 1996, whereas during the Klaus government they were handled by a Department of the Ministry of Economics. (Initially, during the time of the common state the Slovak Ministry of Economics was also responsible for RD.)

Estonia applies a very particular model in which a Minister without Portfolio is responsible for coordinating regional policy while departments in the Ministry of Internal Affairs and the Ministry of Finance provide expertise and planning information (Janikson/Kliimask 1999). The Minister without Portfolio is responsible to coordinate with other ministries and presides a Regional Policy Council which involves representatives of local and county governments.[10] The creation of a separate ministerial task reflects the political importance the then national-liberal government of Mart Laar assigned to RD issues. The national-liberal political-ideological camp in Estonia viewed regional and in particular rural development as an instrument to support Estonian national identity rooted in the predominantly ethnic Estonian countryside. In contrast, the first democratically elected and moderate left-wing government of Edgar Savisaar had downscaled RD tasks by assigning them to the Ministry of Economics. When the national liberals took over the government in 1992, the State Chancellery and, from 1993 onward, a minister without portfolio exercised RD competencies.

In *Bulgaria* and Hungary line ministries with broader portfolios have been responsible for RD. In *Hungary* the government of Viktor Orbán took away RD issues from the Ministry of Environmental Protection which had been

9 The Centre for Strategic Studies was created to coordinate the activities of the district administration's departments of RD and the use of Phare assistance and other foreign aid for RD. The role of this agency was restricted since it did not receive the respective technical and budgetary competencies from the Ministry of Interior.

10 Members of the Estonian Regional Policy Council are, apart from the subnational governments, the Ministries of Economics, Home Affairs, Agriculture, and Environment (competency for spatial and physical planning).

responsible since the political transition in 1990 and placed them at a new Ministry of Agriculture and Rural Development established in 1998. The main reason for this change was political bargaining between the Alliance of Young Democrats (Hungarian Civic Party) and its smaller coalition partner, the Independent Smallholders' Party, which has claimed to represent its constituency by a strong Ministry of Agriculture. Hungary and also Slovakia resemble the Estonian coordination model in so far as in both countries a state secretary (deputy prime minister) is charged with intra-governmental coordination tasks. As these roles are attached to the prime minister's office they are also created to ensure prime ministerial influence in sectoral decisions and policy coherence on the background of heterogenous coalition governments (particularly in Slovakia).

To ensure policy coordination, all the countries of this study have established consultative (and partly co-deciding) *councils* at the government level. With the exception of Hungary these councils consist only of ministries and representatives of the territorial administration. In Hungary a broad range of social and economic actors are participating in the National Council of Regional Development.[11] The extent of external participation and the construction of coordinating bodies of course does, of course, not reveal whether and to what extent policy coordination occurs in reality. Insufficient coordination within governments and between the central government and other actors of regional policy has been continuously criticised by the European Commission in its progress reports. However, the chosen institutional arrangement can (and should) be read as an indication of how governments perceive the relevance of regional policy and how seriously do they take it.

Apart from Poland and Slovakia, all countries have set up *specified funds for RD programmes.* While the Hungarian fund has been existing since 1991, Bulgaria's fund was created in 1998. The volume of these funds is considerably lower than in the EU, ranging between 0.02 per cent of the GDP in the Czech Republic (1997), 0.1 per cent in Estonia (1997) and appr. 0.2 per cent in Hungary (Hrich/Larischová 1999; Janikson/Kliimask 1999; Horváth 1999).[12] Slovakia and Poland lack a specific fund, but they administer, as well as the other countries of this study, various regionally differentiated sectoral programmes. According to an estimate of Slovak experts, the Slovak government's direct financial support to problem regions amounted to appr. 0.02 per cent of the GDP in 1997 (Ni anský/Širak 1999). From 1991 until 1993 the Polish government spent 0.05 per cent of GDP on projects in regions endangered by structural unemployment and from 1996 to 1997 it spent less than 0.01 per cent of GDP in a "contract for the Katowice voivodship" (Gorzelak 1998: 163). Decisions on the distribution of RD fund resources are usually made by the governments, parliaments are, as a rule, only involved through the general procedure of approving the state budget. Hungary appears

[11] These are, according to the 1996 law: Business associations, trade unions, economic chambers, the interest association of local self-governments, the Hungarian Academy of Science, the Hungarian Development Bank and the Foundation for Business Development.

[12] No data are available for Bulgaria.

to be an exception because its law on regional development has given the parliament numerous rights to determine principles and rules of the distribution of resources as well as eligibility criteria. In Hungary, and to some extent also in Estonia, regional-level bodies may decide on the selection of projects to be financed from the RD fund. The distribution of expenditure reflects policy priorities and their change over time. When the priority objective of Hungarian regional policy became the support of business services and innovation after 1996, comparatively less resources were spent on rural and declining industrial areas. Since the creation of the Estonian RD fund, considerable shares of the resources have been spent on programmes targeted at rural development, ranging from nearly 80 per cent in 1994 to appr. 30 per cent in 1998. In contrast, the share of resources earmarked for declining industrial areas and large manufacturing enterprises was decreased and amounted to only nine per cent of RD expenditure in 1998 (Janikson/Kliimask 1999).

Poland and Estonia have created *RD agencies* in 1993 and 1997. The main function of the Polish agency is to implement the Phare-STRUDER programme which aims at supporting business and infrastructure development projects in Polish problem regions (Gorzelak 1998; Ners 1996). While the Polish agency appears to be an isolated actor due to the sectorally fragmented regional policy process at the central government level, the Estonian agency seems to function as a nodal institution in the Estonian policy arrangement. The agency is managing the Estonian RD fund and a business support network, and its board is composed of key ministries, local and county governments and business associations, thus providing a forum for policy coordination and deliberation. The other countries have not yet established RD agencies on the national level, but the Slovak and the Bulgarian government plan to establish agencies, too. Publicly owned *development banks* and their local branches can be considered as functional equivalents in the Czech Republic, Slovakia and Hungary since they are carrying out similar management and consulting tasks. Bulgaria also intends to establish a development bank. The Polish and the Estonian RD Agencies perform development bank functions in that they secure and grant loans, and provide consulting and other business services (Gorzelak 1998; Janikson/Kliimask 1999).

2.3. Regional institutions and actors

Divergent institutional arrangements have evolved on the regional level, too. However, in all countries they are still in a provisional state because the regional level of territorial administration is in a process of fundamental restructuring. Bulgaria, the Czech Republic, Slovakia and Poland have recently redivided their territories and envisage their new regional self-governments to take important roles in regional policy making. Yet the new Polish voivodships have been created only at the beginning of 1999, and kraj-level self-governments in the Czech and Slovak Republics still have to be constituted. The Czech Republic, Hungary and Slovakia currently have 13, 12 and 5 RD agencies operating on a regional level. Most of these agencies are organised as joint stock or limited liability companies, some have the legal form of a foundation. Neither Estonia nor Bulgaria have networks of regional RD agencies.

The institutional network of RD at the regional level overlaps with regional activities and institutions of business development, tripartite interest representation and labour market policy. Whereas all countries of this study have local agencies supporting small and medium-size business, only the Estonian business promotion centres are subordinated to the national RD Agency. In Slovakia the regional socio-economic councils, tripartite bodies of interest mediation, act as coordinating institutions of RD (Ni anský/Širak 1999). In its law on regional development Hungary has opted for an even stronger institutionalisation of civil society participation, since the above-mentioned national council of RD is based on county development councils representing organised economic and social actors of the county and on a second intermediate level of development councils operating at the level of NUTS-II compatible macroregions.[13] Since 1998 the county development councils have been entitled to decide on the allocation of more than 70 per cent of the RD expenditure (Horváth 1999). Some of the regional and county development councils still have to be established.

Hungary’s very elaborate and full-fledged institutional arrangement of RD assigns only a weak position to the general assemblies of counties (Horváth 1999; Pálné Kovács 1997). County representatives fear that the new institutional arrangement of NUTS-II regions on the one hand, sub-county level areas on the other will reduce the role of the counties in territorial administration. In summer 1999 the Orbán government modified the RD law of 1996 in order to attain a stronger representation of government in the regional development councils at the level of the six macroregions. It intended to strengthen the rights of the county-level state administration and to replace the representatives of the regional economic chambers by representatives of the Ministry of Agriculture and Rural Development.[14]

In Poland an extensive network of 66 local and regional development agencies emerged until 1996, indicating an active approach of local and regional actors relying on their own resources. According to a survey, most agencies were founded by the vojvods or the local self-governments and more than half of the initial capital was provided by regional and local actors (Gorzelak 1998: 98). A closer look at RD activities on the local level in Poland indicates that institutional arrangements vary across voivodships and that their quality has relevance for progress in RD. In a study on RD initiatives in South-Eastern

[13] In Hungary and in other CEEC such regions are created to correspond to the „Nomenclature des Unités Territoriales Statistiques“ (NUTS) applied in the EU. The territories of EU member states are divided into five statistical units, and NUTS-II units are, for example, the Regierungsbezirke in Germany. The NUTS classification is not stipulated in European Community law, but it is used in the regulation on the structural funds and by the Statistical Office of the European Communities (Eurostat).

[14] HVG (Hungarian economic weekly) 5 June 1999. The government argued that Hungary’s economic chambers would be transformed into organisations with voluntary membership, thus losing their importance and public status.

Poland, Jerzy Hausner and his colleagues distinguished between atomistic and hierarchic, bipolar and network-like relations of voivodship administrations, RD agencies and other actors (1997: 200). The network-like relations found in Kraków were most conducive for regional economic prosperity. Hausner et al. concluded that ”there exists an observable correlation between the degree of advancement of restructuring processes at the province level and the development of the relevant institutional structures. This regularity holds regardless of how advanced a given entity is in terms of progress of the restructuring processes.” (1997: 204).

The countries of this study have been regionalising competencies and resources to a different extent (von Breska/Brusis 1999). Bulgaria and Estonia lack directly elected regional self-governments, their regional administrative bodies are integral parts of the state administration. The Czech Republic and Slovakia have not yet established the elected regional self-governments envisaged by their constitutions. In both countries the district offices have special departments of RD which carry out consulting, analytical and planning tasks (Balchin et al. 1999). The extent of fiscal decentralisation is indicated by the following table:

Table 1: Share of subnational government (%)

	in total public expenditure		**in total tax revenue**	
	1990	1997	1990	1997
Bulgaria	18.9	15.7	22.4	11.8
Czech Republic		21.3		12.3
Estonia	34.8	22.4	26.5	14.2
Hungary	20.6	23.7	7.6	8.9
Latvia		25.8		15.8
Lithuania	30.4	22.6	14.4	16.2
Poland		22	21.3	9.6
Romania	15.4	13.3	12.8	9.2

Source: Worldbank (1999): World Development Report 1999/2000, 216-217. No figures were available for Slovakia and Slovenia.

These figures cast doubt as to whether the re-creation of local self-government and the decentralisation of competencies in Central and Eastern Europe have been accompanied by a shift of financial resources to local and regional government. According to the table, the share of subnational government in total public expenditure has risen only in Hungary and subnational government has increased its share of the total tax revenue only in Hungary and Lithuania. This corresponds to the assessment that Hungary has been the frontrunner in decentralisation (Baldersheim et al. 1996; Illner 1997). Compared to West European countries, expenditure levels range between that of Portugal and France (11.6 and 18.6 per cent of total public expenditure in 1997) on the one side, Sweden and Denmark (36.2 and 54.5 per cent) on the other). However, the data have to be interpreted carefully since neither the World Development Report nor the IMF Government Finance Statistics which was used as a basis by the Worldbank define exactly what comprises subnational government in the respective countries. For example, the share of Estonian subnational government in public expenditure has decreased probably due to the fact that county government budgets were considered as subnational government only until 1993 (Kungla 1999: 34). The 1997 figures also do not reflect the recent re-creation of regional bodies of state administration and self-government in Bulgaria, the Czech Republic and Poland.

3. The impact of the European Union

In 1998 and 1999 the CEEC have undertaken particularly many institutional reforms with respect to regional policy and administration because they have had to prepare themselves and to align with the regulations and practices of the EU cohesion policy. This section describes how the EU has acted to support this alignment and discusses its implications.

The cohesion policy of the EU has been interpreted as a distinctive feature of "regulated capitalism" since it aims at reducing economic disparities between regions across Europe based on solidarity among richer and poorer member states, and at establishing partnership relations between national governments, local and regional bodies, economic and social actors and supranational institutions (Hooghe 1998).[15] The EU structural funds policy relies on the member states' regional assistance schemes because it is based upon national co-financing and applied in regions agreed between member states and the Commission. At the same time, the structural funds policy links the member states' regional policy to the objective of reducing regional disparities within Europe as a whole. This institutionalised ambivalence is, on the one hand, a source of permanent conflict between the Commission and those richer member states operating their own state aid and subsidy programmes which tend to skew or hamper the impact of EU policies. It induces, on the other hand, poorer member states to spend a high amount of resources on regional assistance purposes in order to fulfill the co-financing requirements.[16]

The fact that poorer countries of the EU assist their lagging regions with budgetary resources may be questioned on the grounds of developmental economics since these resources could facilitate the country's catch-up process more if they were used to remove bottlenecks in its growth poles (Eser 1998;

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15 Core elements of the cohesion policy in the EU are the four structural funds, the Cohesion Fund and the loans of the European Investment Bank (cf. the overview in Europäische Kommission 1999a: 6; Marks 1996). Following Hooghe, the term cohesion policy refers to the general policy field while subpolicies are denoted with specific terms like e.g. structural funds policy.

16 Despite this incentive and lower national cofinancing shares, poorer member states lack budgetary resources to ensure a national cofinancing. As a consequence, Spain and Ireland could only use 40% of the available commitments while in Belgium and Germany 60-70% of the available structural funds resources were spent (Europäische Kommission 1996: 69).

Hallet 1997). This has provided one motive for the EU to decouple the Cohesion Fund, which is confined to the poorer member states only, from the member states' regional policies. The Cohesion Fund is administered only by the national governments and finances infrastructure projects with national relevance. In contrast, the structural funds are linked to RD objectives, and a transfer of the structural funds regulations to the applicant countries would have the doubtful effect of prioritising regional at the expense of national development.

Therefore in March 1997 a Commission expert proposed to restrict the participation of prospective new member states to the Cohesion Fund (Hallet 1997: 27, 29). This would also have relieved the burden of implementation from the weakly developed regional administration of the CEEC. Despite these considerations the European Commission in its Agenda 2000 reinforced the principle according to which accession candidates were to adopt the entire acquis communautaire until the moment of their accession, including all rights and obligations. One reason was probably that the Commission wanted to avoid negotiating temporary exemptions with the accession countries or re-negotiating the general framework of structural policy and re-shifting competencies to central governments. Excluding new member states from the structural funds would have implied one of these problematic consequences.

Based upon this general political choice and on the political commitment to support the accession process, the Commission has channeled increasing resources to build up RD capacities in the CEEC. The Phare programme was used to support regional policies of the CEEC already before the Agenda 2000 and the accession preparation. In 1993, for example, the Hungarian government used Phare assistance to elaborate and explore a legal-institutional arrangement of EU-compatible regional policy-making which laid the foundation for the 1996 law on RD Hungary (Fazekas/Ozsvald 1998: 44-45). The Czech and Slovak Governments established Regional Development Agencies with the help of Phare. According to the Commission's annual report on the Phare programme in 1997, Phare successfully contributed to lend political salience to RD (Europäische Kommission 1999b: 43). In 1996, 78.66 bn Euro, (i.e., 6.4% of the Phare budget of that year) was spent on the so-called integrated regional measures (Europäische Kommission 1998).

In the framework of the pre-accession assistance since 1997 a larger share of Phare resources has been earmarked for the legal-administrative preparation of the cohesion policy. The EU has created a pre-accession structural instrument (ISPA) to support the CEEC in fulfilling EU regulations on infrastructure, in particular transport and environmental standards.[17] ISPA is modeled according to the Cohesion Fund and thus involves the national governments only. A second new instrument, the "Special Action for a Pre-Accession Aid for Agriculture and Rural Development" (SAPARD) is to support, among other objectives, rural development programmes in the CEEC, thereby pre-empting

[17] EC regulation No. 1267/1999 on the pre-accession structural instrument, OJ L161 of 26 June 1999, 73-86.

the procedures of the European Fund for Agricultural Guarantee and Guidance.[18]

Apart from the growing financial resources devoted to RD capacity-building in the applicant countries, the Commission has paid increasing attention to the state of legal-institutional reforms and evaluated them in its 1997 opinions on the applications for membership and in the progress reports of 1998 and 1999.[19] In its 1997 avis the Commission came to the general assessment that in Hungary, the Czech Republic, Estonia and Poland the administrative capacities to implement structural and cohesion policy were sufficient in a mid-term perspective, while in Bulgaria and Slovakia significant reforms were necessary (13:68; 1997/20:107). The progress reports of November 1998 and October 1999 maintained this assessment for Bulgaria and Slovakia but the 1999 report stated a need of significant reforms also for Estonia and Poland. According to the Commission's evaluation of October 1999, the Czech Republic and Hungary were best prepared to implement the structural policy. The Commission mainly criticised the following deficiencies:

– restricted or lacking financial resources for RD purposes;
– unclear national capacity for the co-financing of structural funds;
– lack of inter-ministerial coordination;
– weak budgetary, monitoring and control procedures.

While these weaknesses were noted in all the countries of this study, the Commission gave more far-reaching advice in the case of certain individual countries, reflecting upon their perceived adjustment problems. For example, the 1997 avis and the 1999 progress report called upon Slovakia and Estonia to reduce their regional disparities (1997/20:107; 11:64; 1999). In Bulgaria, the Czech Republic and Slovakia, the Commission found RD policy disintegrated according to sectoral policies (13:68; 14:72; 1997/20:106). The 1998 progress report suggested that the Bulgarian Regional Development Council should receive more than a consultative role in inter-ministerial co-ordination. In Slovakia, the Commission observed a too centralised decision-making in regional policy (1997/20:107). According to the 1999 progress report Slovakia "must pay attention" (...) "to partnership with regional and local partners [and] social partners" (1999). The progress reports on the other countries did not

[18] EC regulation No. 1268/1999 on the pre-accession agricultural assistance, OJ L161 of 26 June 1999, 87-91. These instruments will increase the EU's financial support for the accession candidates considerably: While the current Phare budget amounts to 1 bn Euro per year, 1.5 bn Euro will be available from 2000 onward (Europäische Kommission 1997). The pre-accession structural assistance has a volume of 1 bn Euro annually, agricultural assistance amounts to 0.5 bn Euro p.a.

[19] Cf. Europäische Kommission: Stellungnahmen zu den Anträgen der Beitrittsländer, in: Bulletin der EU, Beilage 6-15/97, Luxemburg 1997; Regelmäßige Berichte der Kommission über die Fortschritte der Beitrittsländer, KOM(1998) 700-712 endg.; http://europa.eu.int/ comm/enlargement/report_10_99/intro/index.htm. The following references contain the year of publication, number and page of the respective document. The 1997 avis on Slovakia is referred according to an earlier version, the 1997 avis on Bulgaria is referred according to the English version.

mention these partners and the role they were to assume, although only Hungary has clarified and codified their participation.

As a precondition to administer structural assistance envisaged for objective-1 areas (areas with less than 75% of the average EU GDP p.c.), the Commission expects the applicant countries to establish macro regions matching the level of NUTS-II. In the current member states NUTS-II regions have an average size of 15700 km² and of 1.8 million inhabitants. Whereas in Poland the 16 new voivodships have been classified as NUTS-II regions, the other countries have to create statistical regions which are partly not linked to any historical regions. Since 1998 Bulgaria, the Czech Republic, Hungary and Slovakia have set up 6, 8, 7 and 4 statistical regions compatible with NUTS-II. These new territorial-administrative units may gain importance as bodies of public administration due to the programming and implementation mechanisms of the structural funds policy.

The Commission's evaluation reports on regional policy and cohesion reveal that a model of co-operative and solidarity-oriented economic policy is being promoted. In contrast with the relationship between the current member states and the Commission, the pre-accession constellation places the Commission in a much stronger position to attain compliance with this model. According to the old regulations on the structural funds only the member states decided whether regional administrations, social and economic actors ("partners") were allowed to participate in negotiations on the Community Support Framework and in the committees supervising the implementation of Operational Programmes. Although the new regulation has extended the participation of partners to all phases of the policy implementation and has made the involvement of partners obligatory, the member states still decide which partners to involve. In contrast, the pre-accession constellation enables the Commission to establish a conditionality for the introduction of partnership relations with economic interest associations, democratically elected regional self-governments or disparity-reducing policies.

4. Patterns of institutionalisation

The EU and the pre-accession constellation, the legacies of state socialism and of early institutional choices during the transition, the challenges of economic restructuring, and the domestic actor constellation are the determining factors in the institutionalisation of RD policy. This section tries to explain the observable cross-national variance as a result of the interplay of these factors. It starts from the assumption that institutionalising a modern regional policy in the CEEC implies a dual transition.[20] Instruments, procedures and operational logics of regional policy need to be adapted to a market economy where actors decide autonomously according to their cost-benefit expectations. The main objective and rationale of regional policy need to be changed from an

[20] See Hesse (1993) who conceived a dual transition when he viewed public sector reform in the CEEC as shifting from transformation to modernisation.

equalisation between regions with different levels of development or wealth to the support of endogenous capacities, i.e. the 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. Postsocialist governments not only have to manage the first transition, in other words: to overcome the institutional and mental legacies of state socialist regional planning - but also to undertake steps to achieve the policy change Western governments have embarked upon.

1. Although the degree of conceptual elaboration of regional policy diverges across countries, following Gyula Horváth (1999) one may tentatively distinguish three *sequences* in the evolution of post-socialist regional policy concepts: a period when traditional, state socialist notions of "equalisation" and "harmonious development" continue to prevail in RD concepts; a second period characterised by a focus on the management of emerging labour market and economic crises; and a third period which is oriented towards the alignment with EU/Western concepts of endogenous development, regionalised regional policy and the creation of a high-quality enabling environment. These periods vary in their length across countries and may overlap. In Bulgaria, the Czech Republic and Slovakia, state socialist thinking has thrown a longer shadow on RD concepts than in the other countries of this study. For example, the bill of the RD law discussed in the Czech Republic in 1992 envisaged to "regulate the spatial arrangement of socio-economic activities in individual regions". Crisis management has not been so relevant for regional policy in Estonia since only a small share of the total RD budget was spent to support declining industrial areas and large manufacturing enterprises. In contrast, crisis management continues to dominate regional policy approaches especially in Poland and coincides with EU alignment in most other countries.

2. With respect to the diverging evolution of concepts and institutional arrangements for regional policy-making, one may distinguish between an *"independent" and an "EU-driven" institutionalisation*. In Estonia and Hungary political actors had implemented a policy change before an incentive structure was provided by the accession preparation. Actors advocating a modern concept of regional policy had to mobilise support and to build reform coalitions mainly with their own arguments and political resources. In both countries qualitatively new RD concepts and policy set-ups were created earlier than in the other countries. The Estonian and Hungarian governments spent a higher share of their GDP on RD, managed complex and diversified RD programmes, and ensured a continuous representation of RD interests on the ministerial level. Estonia increased the salience and status of regional policy by assigning the support system for business development to its RD agency. Hungary's county and regional RD councils received a stronger status with respect to RD issues than the elected bodies of territorial administration. Since 1998 Hungarian county developmental councils may decide on 70 per cent of the RD expenditure. Contrary to the other countries, revenues and expenditures of subnational government in Hungary has increased from 1990 to 1997.

This earlier and stronger institutionalisation may be explained by the fact that reform proponents and concepts in Estonia and Hungary enjoyed a stronger political legitimacy in the sense that they faced a more adaptive environment and succeeded in linking their objectives to dominating beliefs on economic policy and the country's transition in general. *Hungary*'s transition was characterised by the early transfer and adaptation of Western institutional models and a strong political influence of social science knowledge. All major political parties adopted a positive general attitude towards RD and decentralisation. The partnership idea embodied in the RD councils was not only "Western" and EU-compatible but fitted into the tradition of gradualist, negotiated change and into the economic policy of a reformsocialist-liberal government committed to a broadly based "socio-economic agreement".

Modern regional policy concepts in *Estonia* could rely on a similarly high receptiveness towards Western models and on the general political salience regional policy had for the project of Estonian nation-building. With state socialist urbanisation perceived as a forced russification by many Estonians, the intellectual proponents of a competing, modern concept of RD could interpret rural development programmes as a support of predominantly ethnic Estonian areas. The salience of rural development was reflected in the distribution of RD expenditure. The issue linkage between rural development and the Estonian nation-building project allowed to reconcile regional policy with a markedly neoliberal macro-economic policy.

Contrary to Estonia and Hungary, governments in Bulgaria, the Czech Republic, Poland and Slovakia implemented major institutional reforms of their regional policy after they had decided to prepare for EU membership. The accession preparation implied the need to adopt the entire acquis communautaire and thus to introduce administrative and financial capacities, co-financing and programming procedures, and partnership relations. Actors promoting a modern concept of regional policy in these countries lacked the organisational and political power, but also the opportunity structure to attain a "dual transition" in RD policy without the incentive imposed by the pre-accession constellation. The following points attempt to explain why independent institution building failed in these countries.

3. *Poland* differs from the other countries of this study in that its regional policy is characterised by institutional fragmentation on the central level and a dense, highly active network of RD agencies at the local level. The legacy of a Solidarno movement which tried to build a civil society from below and against a state perceived as opposed to the citizens appears to have facilitated a particular culture of self-reliance at the local level. As problem awareness and organising capacities have been comparatively strong, local trade union organisations and other local interest groups have been able to articulate claims and place them on the political agenda. However, their demands did not induce policy-makers to create modern regional policy concepts or a consistent institutional framework. Instead, Solidarno -related and post-communist governments reacted with stopgap measures and compensatory responses. Not a determined regional policy strategy, but the access to external aid through the Phare-STRUDER programme prompted the Solidarno -based coalition

government to found a Polish Agency on Regional Development in 1993. RD competencies were not assigned to a particular ministry which led to a conflict between the Ministries of Labour and of Economics, both claiming responsibilities for the policy field.

Crisis management activities prevailed because fragmented parliamentary power relations and frequent changes of government, fragile governing coalitions and tensions between the government and the president caused a general political instability which has delayed more complex policy reforms. The demands of local interest groups led to a more polarised political debate in which regional policy advocacy was perceived as opposed to structural change and economic modernisation. Proponents of regional policy had to distance their concepts of an “efficient” regional policy from an equality-oriented, “regressive” regional policy (Gorzelak 1996; 1997a; 1997b; 1999).

Attempts to build institutions for RD policy were linked to the controversies between supporters and opponents of a more regionalist model of government and public administration. While the parties emerging from the Solidarno movement supported a more comprehensive decentralisation, the post-communist parties (SLD and PSL) were reluctant to transfer state powers to voivodships. During their period of government from 1993 until 1997 they did not undertake steps to create directly elected voivodship self-government with a strong political legitimacy. In this context of fundamental disagreement on regional-level institutions, inter-regional redistribution became a highly political issue. Regionalist actors articulating interests of Wielkopolska or Pomerania against the centre tended to perceive transfers focused on Galician or Upper Silesian crisis regions as a discrimination of their region, not as a policy for the benefit of the whole country.

In contrast, the other countries of this study lacked a similarly strong mobilised civil society during the political transition. Their governments were less forced to respond to regional demands or political pressure and had more leeway to formulate consistent RD concepts and build institutions independent of crisis management concerns. In these countries most of the RD agencies (banks) at the regional level have emerged in a top-down process of institution building and are more integrated into a policy formulated at the central level.

4. The Czech Republic, Slovakia and Bulgaria are building their regional policy framework lately and as part of their preparation for EU membership, although both countries are characterised by comparatively large inter-regional differences in GDP per capita and the Czech government discussed a bill of a RD law already in 1992. In order to explain this pattern of delayed institution building, one has to refer to the constellation of political actors. In the Czech Republic, the Klaus government had the political power to implement a neoliberal economic policy from their electoral victory in 1992 until 1996. Redistributive policies altering the primary, market-based allocation of production factors contradicted this system of economic policy beliefs. Neither was it compatible with the notion of a partnership between public and private actors or central and local authorities. Rather, the government’s concept aimed at avoiding the creation of intermediate levels between the state and the

citizens and at rejecting a redistribution among regions (but also among branches or sectors) which would place burdens on the better-performing units.

During the hegemony of this economic policy concept regional policy did not become differentiated as a policy domain legitimised by its functional utility. Economic experts and politicians interested in establishing RD policy failed to abandon the language and notions of state socialist planning. Neither were they able to link their policy proposals to a nation-building project rooted in rural communities like in Estonia. Rather, RD was treated as an effect or objective of other policies aiming at labour market problems, small- and medium-size business development or of the implicit structural policy pursued by not closing down insolvent firms.

Contrary to the Czech Republic, governments in Slovakia were not committed to a neoliberal economic policy and Slovakia's inherited industrial base was less capable of adjusting to Western markets, thus demanding policies to support structural change and to prevent the regional concentration of structural unemployment. However, between 1994 and 1998 the Me iar government failed to adopt a legislative framework and to integrate stronger administrative/ operative capacities for RD in a ministry. It did not create a specific RD fund and maintained a separation of RD and territorial planning competencies. An explanation for this may be found in the political polarisation between the Me iar government on the one side, the opposion parties and civil society organisations like the municipal interest associations on the other.

Somewhat similar to the regionalist controversy in Poland, this polarisation affected the debates on the territorial-administrative division of the country and on regional policy. The opposition considered decentralisation as a strategy to create a counterveiling power against the centralisation attempts of the government in most spheres of society and politics. Decentralisation and the government's policy in Slovakia's regions became linked to the ethnic cleavage emerging between the ethnic Hungarian parties and the other parties of Slovakia since the radical party of the ethnic Hungarians (Spolu itie) demanded a territorial autonomy for the ethnic Hungarian settlement areas along the southern border of Slovakia.

Bulgaria belongs to the countries with a late and EU-driven institution building because the country inherited a strongly centralist tradition of state administration and government where direct central control over oblast governors featured as an important instrument to ensure policy implementation. During the state socialist system sectoral interests and priorities prevailed against regional concerns. As the opposition parties failed to attain a political change until the elections in April 1997, the incumbent Bulgarian Socialist Party had few reasons to modernise RD policy and to establish an institutional framework which assigned new roles to regional political and economic actors.

5. The pre-accession constellation leads to an institutional homogenisation in RD policies since the adoption of the EU cohesion policy entails setting up cooperative and decentralised implementation structures in all applicant countries. This homogenisation will probably be more comprehensive than in

the relationship between the EU and its current member states because integration coincides with the (re-)building of institutions in the context of transition and the applicant countries are in a much weaker bargaining position than EU members vis-à-vis the Commission. Common elements of RD policy will be the participation of regional authorities and economic actors, programme-based instead of project-oriented RD planning and financing, budgetary, monitoring and control procedures aligned with EU regulations and practices, NUTS-II compatible regions, a broader scope of RD activities going beyond business development or labour market policy and a growing expenditure on RD. The Commission has taken into account the critique against a prioritisation of regional at the expense of national development, when it focused the Pre-Accession Structural Instrument (ISPA) on big infrastructure projects with national relevance. But after accession the lion's share of structural assistance will be spent in lagging regions.

Conclusion and policy implications

An underlying assumption of this article has been that the variance of institutional arrangements of regional policy-making is neither a random nor just a temporary phenomenon. Rather, the article has tried to classify and, in a second step, to explain the cross-national differences. Explanations have to rely on an interplay of factors ranging from state socialist legacies, the pre-accession constellation, the political salience of regional "crises" to the domestic actors shaping policies. Given this interplay, the still insufficient empirical knowledge and the problem of overdetermination (Crawford/Lijphart 1995), explaining is more like reading and interpreting a map than singling out robust cause-effect relations.

Which lessons can be drawn for the design of working RD policy frameworks implying the cooperative participation of political and economic actors? The first lesson seems to be that, in order to build institutional capacities for RD, general political stability is required. The polarised political constellations that emerged in Slovakia and Poland affected the decisions on spending priorities and the role to be played by regions. The frequent change of governments characterising Polish politics until 1993 hampered more complex policy reforms. A second lesson is that if cooperative relations among economic, social and political actors are a generally accepted objective of economic policy, concepts of "modern" regional policy are less difficult to implement. Since the Klaus government rejected the idea of negotiating basic economic policy decisions with trade unions and other political actors, such partnerships did not become a suitable instrument for RD in the Czech Republic.

A third lesson consists in the fact that plausible, convincing concepts are very important instruments in order to build RD institutions. Actors advocating regional policy reform need to free themselves from those planners and politicians still conceiving RD in the state socialist tradition. Instead they need to couple their ideas with Western or EU models and with important interests, objectives or beliefs of domestic governments. Reform proponents failed to attain such an issue linkage in Bulgaria, Slovakia and the Czech Republic. A fourth lesson is that regional problem awareness and activity can support institution building and is a necessary precondition to achieve a decentralisation of regional policy making. With respect to this decentralisation, Poland and Hungary seem to be far beyond the other countries of this study. A mobilisation of regional demands – as in the Polish case - may, however, induce political polarisation and favour crisis management at the expense of institution building.

It is difficult to assess on the basis of the available data whether a bottom-up model of institution building like in Poland or the Hungarian model of elaborate rules for a bargaining between corporate actors provides a better framework for socio-economic progress. The independent institutionalisation of RD policy in countries like Hungary and Estonia has laid a better basis for RD policy-making than the failed or incomplete attempts in the other countries of this study, but an EU-driven institution building may enable the other countries to quickly catch up with the early institution builders. The adoption of institutions and procedures to implement the EU cohesion policy may be a necessary but will certainly not be a sufficient precondition to achieve balanced and sustained economic growth, as demonstrated by the different degrees of convergence attained by poorer EU member states in the last decade. In this respect, the capacities that have been built still have to be assessed on the basis of more comprehensive performance indicators.

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Annex:

Regional development policy - Overview on the state of reforms

	Bulgaria	Czech Republic	Estonia	Hungary	Poland	Slovak Republic
Regional development law	adopted in 1999	envisaged		adopted on 19 March 1996		envisaged
Responsible Ministry	Ministry of RD and Public Works (205 employees), with spatial planning competencies	Ministry of RD (340), with spatial planning competencies	Ministry of Internal Affairs (5 in Dpt. of Local Government and RD); Ministry of Finance prepares National Development Plan	Ministry of Agriculture and Rural Development, with spatial planning competencies	No Ministry, responsibilities shared by Government Centre for Strategic Studies Ministry of Economics and Ministry of Labour; spatial planning only on the local level	RD competencies envisaged to be shifted to Ministry of Construction and Public Works
Predecessor institutions		- October 1996 Ministry of Economics	1992-93 Dpt. of local governments and RD in the State Chancellery; 1989-92 Dpt. of RD in Ministry of Economic Affairs	1990-98 Ministry of Environmental Protection and Regional Policy	-1996 policies prepared by the Central Office of Planning	1995-98 policies prepared by the Office for the Strategy of the Development of the Society, Science and Technology of the SR; 1991-95 Centre for Strategic Studies; -1991 Ministry of Economic Strategy
Inter-ministerial coordination	Central Co-ordination Unit at the Ministry of RD; new law envisages RD council at the Council of Ministers; inter-ministerial council of RD est. in 1993; interministerial council on development of infrastructure est. in 1998	National Programming and Monitoring Committee for Economic and Social Cohesion, chaired by the Ministry of RD	Minister without Portfolio to coordinate RP since 1994; Regional Policy Council of ministries, local and county governments est. in 1995, chaired by Minister without Portfolio		Council of Ministers' Committee on Regional Policy and Sustained Development est. in Sep 1998	Interministerial Council since 1999; 1991-95 Centre for Strategic Studies 1995-98 Office for the Strategy of the Development of the Society, Science and Technology of the SR

	Bulgaria	Czech Republic	Estonia	Hungary	Poland	Slovak Republic
Specified fund for RD	RD fund since 1998	RD fund since 1993	RD fund since 1995	RD fund since 1991	no specific RD fund, various regionally differentiated sectoral programmes	no specific RD fund; various regionally differentiated sectoral programmes
Conceptual evolution	Law on RD adopted in 1999; national plan of RD envisaged	First concept prepared in 1990; draft regional policy act in 1992; government principles of regional economic policy in December 1992; Government Resolution of 8 April 1998 (23/3/98, 202/98) to outline principles of regional policy and to establish RD strategy by June-1999 infrastructure and business development programme for high unemployment districts adopted in 1994	First concept prepared in 1990; regional policy concept approved by government in 1994; 8 regional programmes formulated in 1995; strategy for regional policy adopted by government, national RD plan envisaged	Parliamentary Resolution on regional policy in 1985; decree on state grants for RD in 1991; Parliamentary Resolution on main tasks of RD in 1993; Law on RD in 1996; National RD concept in March 1998;	Principles of spatial policies in 1994	Government Resolution of July 1991 (390/91) on principles of regionial economic policy; concept on State Regional Policy approved in November 1997; RD strategy envisaged
RD Agency		Centre for RD since 1999, -1999 programmes managed by Czech-Moravian Guarantee and Development Bank est. in March 1992	National RD Agency (16 empl.) since May 1997	National RD Council, National RD Centre (12 empl.) is secretariat of NRDC; until 1996: State Institute of Development	Polish Agency for RD est. in 1993 within the Phare STRUDER programme	National Agency for RD envisaged
Regional level	28 new regional governors, 28 regional councils representing municipalities envisaged	13 regional RD Agencies, 14 new kraje	15 business promotion centres in counties, coordinated by the RD Agency	19 county development councils and development agencies; 7 regional development councils envisaged	16 new voivodships, numerous regional RD agencies (66 in 1996), 10 regional planning units of the Government Centre for Strategic Studies	8 new kraje; 5 regional RD agencies; regional socio-economic councils since 1991; numerous Regional Consulting and Information centres

	Bulgaria	Czech Republic	Estonia	Hungary	Poland	Slovak Republic
RD expenditure in % of GDP		expenditure of the programme „region“ in 1997: 0.02	RD Fund expenditure in 1997: 0.1	RD Fund expenditure in 1998: 0.2		direct government support to regions in 1996/97: 0.02