

## **Documentation: The European Commission's assessment of regional policy and cohesion, progress reports October 1999**

### **Bulgaria**

#### **3.5 Regional policy and cohesion**

The Union supports the strengthening of economic and social cohesion, mainly through the Structural Funds. Bulgaria will have to implement these instruments effectively whilst respecting the principles, objectives and procedures which will be in place at the time of its accession.

Starting from a low level of preparation, Bulgaria has registered some significant steps in preparing for the implementation of structural funds, in particular as regards the legal and institutional framework.

Bulgaria's regional GDP per capita in reference year 1995 equalled 28% of the EU average with variations between 25% in the Montana region and 34% in the Bourgas region.

A Law on Regional Development and a Law on the Administrative-Territorial Division of Bulgaria were adopted in early 1999.

The Law on Regional Development aims at establishing prerequisites for sustainable and balanced development of the different regions, reducing disparities in employment and income, carrying out regional and cross-border co-operation and European integration. It defines the National Development Plan and its relation with the regional development plan, and identifies regions to be covered by specific measures.

Following the law on the Administrative-Territorial Division of Bulgaria, 28 regions have been established. This law also defines the authority of regional administrations concerning the implementation of regional policy. In June 1999, the 28 Bulgarian regions were combined into 6 macro-regions in Bulgaria in line with regions designed in with accordance with EU methodology (NUTS II). Clarification will be needed between the political (NUTS III) level and the administrative (NUTS II) level in order to ensure smooth implementation.

Particular attention needs to be paid to budgetary provision, in particular as regards co-financing including multi-annual commitments. The Organic Budget Law needs to be amended in this regard.

Inter-ministerial co-ordination is ensured by the Central Co-ordination Unit in the Ministry of Regional Development and Public Works. The implementation capacity at national and regional level needs in general to be significantly reinforced.

Bulgaria only has limited experience in appraisal and evaluation procedures according to the structural funds regulations.

## **Conclusion**

While Bulgaria has taken significant steps in establishing a basis for its regional policy, major progress is still needed to allow Bulgaria's full participation in EU structural policy, in particular as regards its budgetary and administrative capacity.

### **4.2 Regional policy and cohesion**

Clear allocation of responsibilities for EU structural funds has been established between the relevant ministries, the co-ordinating ministry being the Ministry of Regional Development and Public Works (MRDPW).

The Central Co-ordination Unit in the Ministry of Regional Development and Public Works ensures the inter-ministerial co-ordination. Procedures for co-ordination have been established. The Council for Regional Development (at the Council of Ministers) evaluates the initiatives of the key Ministries and approves the Plans.

In the medium term, the administrative organisation of the 6 macro-regions at the NUTS II level needs to be made operational, a multi-annual programming capacity needs to be developed and financial control procedures need to be reinforced. Adequate structures need to be set up for the control of public procurement procedure.

## **Czech Republic**

### **3.5 Regional policy and cohesion**

The Union supports the strengthening of cohesion, mainly through the Structural Funds. The Czech Republic will have to implement these instruments effectively whilst respecting the principles, objectives and procedures which will be in place at the time of its accession.

After having set up many of the necessary institutional structures, the Czech Republic has made some progress in establishing the legislative and budgetary framework needed for future participation in the EU structural policy.

The regional GDP per capita ranged between 49% of the EU average in the region of Central Bohemia and 63% in the region of Southwest Bohemia, excluding the region of Prague with 120% of the EU average (1996 figures). The national GDP per capita accounted for around 65% in 1996.

The general rules for execution of regional policy ("Principles of Regional Policy") and the institutional framework, adopted in 1998, were followed by a government decree in October 1998 in which regions have been defined in line with EU methodology (NUTS II). However, completion of the legal framework for implementing an independent regional development policy with a Regional Development Act has been delayed. The Czech Republic will be divided into 14 regions (similar to NUTS III level) from year 2000 and 8 regions (similar to NUTS II level). Clarification is needed regarding the division of responsibilities between the political (NUTS II) level and the administrative (NUTS III) level in order to ensure a smooth implementation.

Staff resources at the Ministry for Regional Development remain inadequate and there is no comprehensive internal financial control system. Particular attention needs to be paid to budgetary issues, in particular as regards co-financing including multi-annual commitments and relevant procedures.

The Czech Republic has limited experience in appraisal and evaluation procedures.

## **Conclusion**

Although the Czech Republic has already completed many reforms as well as significantly raised its administrative capacity in this area, its ability to address the budgetary issues related to the structural funds remain questionable. Meeting the challenge of implementing a structural policy for nearly all its territory requires a reinforcement of the human resources and inter-ministerial competencies.

## **4.2 Regional policy and cohesion**

The Ministry of Regional Development was established on 1 November 1996 and is responsible for regional development, development of rural areas, renewal of villages, regional programmes in support of SMEs, housing policy, tourism, urban and spatial planning and building regulations. It employs some 340 people and has a section for European Integration. The ministry's main task is to define and implement regional development policy, and it is responsible for the co-ordination of future implementation of the structural funds and the pre-accession instruments. In co-ordinating the preparation for future implementation of the former, the ministry is assisted by one of the 20 European integration working groups established by the Ministry for Foreign Affairs. Working Committees have also been established for the preparation and implementation of SAPARD and ISPA with the other ministries involved,

notably transport, environment, agriculture, labour and social affairs, finance, and trade and industry.

Inter-ministerial co-ordination with regard to regional development policy will be performed by the National Programming and Monitoring Committee for Economic and Social Cohesion, which is chaired by the Minister for Regional Development. The Committee is to co-ordinate the preparation of basic programming documents necessary for the implementation of the EU structural funds. In addition, it will support the preparation and implementation of regional operational programmes and sector based operational programmes. The ministry is responsible for the co-ordination of the preparation of the National Development Plan.

The Centre for Regional Development is the ministry's agency responsible for co-ordinating all regional development activities, including the development of a national network of Regional Development Agencies at regional and local level. The centre is responsible for the implementation of cross-border co-operation programmes and the Euro Info Centre. Regional Development Agencies have been established in Northwest Bohemia, Central Moravia and the region of North Moravia and Silesia, and other Agencies are to be established in each region similar to NUTS 3 level.

Although the Ministry for Regional Development has demonstrated a capacity to establish administrative procedures and start on planning issues, its experience of budgetary management procedures remains limited. These procedures have still to be streamlined according to EU standards. Reinforcement and training of staff at both central and local level will be necessary if the Czech Republic is to make further progress, especially as regards budgetary issues, notably financial control.

## **Estonia**

### **Regional policy and cohesion**

The Union supports the strengthening of cohesion, mainly through the Structural Funds. Estonia will have to implement these instruments effectively whilst respecting the principles, objectives and procedures which will be in place at the time of its accession.

Starting from a level at which limited progress had been made, Estonia has during the last year continued to carry out reforms in the area of structural policies.

Estonia's regional GDP per capita (1996 reference year) corresponded to 34% of the EU average. Estonian regional development presents considerable imbalances between regions. Within Estonia the level ranged from 151% of the national average in the Tallinn region to 66% in the Kesk-Eesti region, giving a highest/lowest regional GDP ratio of 2.9. It is still to be decided whether the

whole territory of Estonia will be considered as one region (NUTS 2), in accordance with the EU methodology on classifying regions..

With regard to legal basis, Estonia has decided not to introduce a specific law on regional policy. It has, however, to amend existing legislation to be fully in line with the Community acquis. The Estonian Government adopted the Estonian Regional Development Strategy, which establishes the basic priorities for Estonia's regional policy with a view to accession and participation in EU Structural Funds. It also sets the guidelines to develop a national regional policy.

Estonian co-financing of EU structural programmes will originate mostly from the State Budget. The financial procedures linked to commitments and payments need to be strengthened. In particular, the State Budget Act needs to be amended to allow for co-financing and multi-annual programming of budgetary expenditure. Currently, public investments are planned through the Public Investment Programme mechanism. The participation of extra-budgetary funds is possible. The body channelling support from structural funds still needs to be identified. Clarification of inter-ministerial co-ordination between the Ministry of Finance and the Ministry of Interior is also needed.

Estonia has only limited experience in appraisal and evaluation procedures.

## **Conclusion**

Estonia needs to continue efforts to reduce regional disparities within the country. Although, Estonia has made some progress in adopting legislation, strengthening institutions, and making budgetary provisions, considerable work still needs to be done as regards the strengthening of the administrative capacity to manage EU structural funds upon accession. Co-ordination between ministries and the local, county and national levels of the administration needs to be strengthened and the allocation of responsibilities clarified. Furthermore, Estonia's capacity to address the budgetary issues related to the structural fund needs to be closely monitored. Estonia has started to address the short-term priority identified in the Accession Partnership for this area.

## **4.2 Regional policy and cohesion**

The responsibility relating to the management of local government, regional development and the corresponding draft legislation lies with the Ministry of Internal Affairs. The Ministry supervises county governments on general administration issues and concerning regional development issues. There are currently 5 officials working in the Local Government and Regional Development Department. The Ministry of Finance is responsible for the preparation of the National Development Plan.

The Estonian Regional Development Agency (7) whose main responsibility is to offer technical support to regional development programmes, as well as to

support business in Estonia, operates under the responsibility of the Ministry of Internal Affairs. During 1998-1999 the Estonian Regional Development Agency hired 3 employees: a programme co-ordinator, an international projects co-ordinator and a loan manager. Regional development programmes are implemented by regional development agencies. Up to now, the Agency has had difficulties in coordinating the regional policies of the different relevant ministries.

Inter-ministerial co-ordination in the area of regional development is performed by the State Regional Policy Council, which comprises representatives from all ministries concerned as well as from county governments and local self-governments. The Council is chaired by a ministry without portfolio. The Council acts primarily as a consultative body. An inter-ministerial working group supervises the implementation of regional programmes.

The Central Co-ordination and Programming Unit was established in November 1998 in the Ministry of Finance. The Ministry of Finance is also responsible for preparing the National Development Plan.

Notwithstanding the existence of these bodies, real inter-ministerial co-ordination remains very weak. Furthermore, Estonia still needs to identify the body channelling support from EU structural funds.

## **Hungary**

### **Regional policy and cohesion**

The Union supports the strengthening of cohesion, mainly through the Structural Funds. Hungary will have to implement these instruments effectively whilst respecting the principles, objectives and procedures which will be in place at the time of its accession.

Despite being in an advanced state of preparation for the implementation of structural funds, Hungary has done little as regards concrete implementation of regional policy objectives.

In 1996, average GDP per capita in Hungary was 47% of the EU average. Regional GDP per capita ranged from 70% of the EU average in Middle Hungary to 33% of the EU average in North Hungary.

The Law on Regional Development and Physical Planning. It specifies the objectives, tasks, institutional structure and financial instruments of regional policy based on the cooperation of counties within regional development councils.

Seven statistical planning regions similar to Nuts 2 were introduced in 1998. The 7 regions will be led by Regional Development Councils. As their

establishment is not regulated by binding law, only 5 Regional Development Councils have been established so far. The Regional Development Councils are responsible for the preparation of regional development programmes and for the evaluation of the county development plans. At regional level Hungary is divided into 20 counties similar to regions defined according to EU-methodology (NUTS III) which are led by directly elected County Development Councils. The Councils adopt the county development programmes providing the general framework for regional support measures. The Councils at regional and County level are not yet fully operational.

In the field of budgetary and financial capacity, Hungary needs to review its system. The overall financial responsibility, measures in the case of irregularities and the independence of control bodies within ministries needs to be clarified. A mechanism focused on coordination of financial resources from different sectoral budget lines needs to be introduced. Certain budgetary provisions, in particular as regards co-financing including multi-annual commitments, needs to be put into place.

The appropriate human and financial resources are still lacking and inter-ministerial coordination is weak leading to delays in the establishment of the Development Plans.

The experience in appraisal and evaluation procedures according to the structural funds regulations is limited.

## **Conclusion**

Hungary has advanced in its preparations for the implementation of structural funds support with a legal basis in place and many important procedures now established. Ineffective inter-ministerial coordination caused stagnation in the preparatory process, notably concerning project preparation and implementation. Improvements have been made, but the result of these remains to be assessed.

## **4.2 Regional policy and cohesion**

The law (1996) on Regional development and Physical Planning in Hungary provides the legal basis for regional development policy-making. The law foresees seven development regions in two ways. First of all, it is stipulated that Regional Development Councils shall be (re)established according to the new regulations with an identified residence (still lacking). The Regional Development Councils shall also set up their agencies responsible for the implementation of spatial development programmes. Beyond this, the amendment provides a solid financial base for the above by stipulating that the operational costs of the implementing agencies shall be born by the central state budget. The Government is going to be authorised by Law to adopt rules on establishing the regulatory framework in terms of the organisational and the operational basis of programme-monitoring.

Although the law provides for the setting up of new bodies, no adequate financial resources were, however, made available to these new organisations in order to have the envisaged system really functioning. The institutional set up for regional development is still very weak and there is lack of permanent staff in development councils. The target is to employ by the end of 1999 8-10 persons assisting the Regional Development Councils. This situation results in a rather limited administrative capacity.

## **Poland**

### **3.5 Regional policy and cohesion**

The Union supports the strengthening of cohesion, mainly through the Structural Funds. Poland will have to implement these instruments effectively whilst respecting the principles, objectives and procedures which will be in place at the time of its accession.

Starting from a low level of preparation, Poland has achieved major progress during the last year in strengthening the legal framework and in establishing institutional and budgetary structures to manage structural actions.

The regional GDP per capita ranged between 25% of the EU average in the region of Lubelskie and 55% in the region of Mazowieckie (Warsaw). National GDP per capita accounted for 37% of the EU average in 1998.

The territorial State Administration Reform, which entered into force on 1 January 1999 (see Political criteria), has defined 16 new regions in Poland, which could correspond to political level regions designated in accordance with EU methodology (NUTS II), and, once operational, this should have a significant positive effect on the development of a genuine regional policy approach in Poland. The definition of administrative level regions designated in accordance with EU methodology (NUTS –III) units is an urgent priority in the light of the State Administration Reform (see statistics). Clarification will be needed between the political (NUTS II) level and the administrative (NUTS III) level in order to ensure a smooth implementation of regional policy.

Although some institutional measures have been put in place, Poland's regional policy strategy is still at a conceptual stage. A co-ordinating body has still not been officially designated. The new Law on Public Finance now regulates the principles of budgetary commitment and expenditure control and as such will facilitate multi-annual programming, however budgetary provisions for regional interventions have not yet been identified. Progress is also required on monitoring and control procedures.

There are insufficient resources and experience to set up and manage a comprehensive framework addressing all the structural instruments. The administrative capacity of the newly established regions remains to be assessed.

Poland has only limited experience in appraisal and evaluation procedures.

### **Conclusion**

Poland has achieved some progress in developing the capacity to participate in EU structural policy. However, many problems remain and efforts need to be accelerated if Poland is to be ready for participation by the date of accession. Institutional structures and ministerial responsibilities need to be strengthened and clarified to ensure effective co-ordination and implementation. Furthermore the impact of the reforms of the state administrative structure on this process will have to be closely monitored.

### **4.2 Regional policy and cohesion**

The territorial state administration reform in Poland became effective in January 1999, when a new three-tier administrative division of the country came into operation, introducing new levels of self-government and significantly reducing the central government administrative presence at the sub-national levels (see political criteria)

The Government has decided to decentralise public financing by giving Voivodships and Poviats part of the revenue from the central budget (50% is likely to be administrated at local and regional level). The remainder of the finance will come from local revenue sources, (a share of income and corporate tax revenues). Given the dependency of revenues on income and corporate taxes, it is worth noting that the lowest income taxes per capita situated in eastern border regions such as Podlaskie (Bialystok), Lubelskie (Lublin) and Podkarpackie (Rzeszow), are approximately 40% of identical resources per capita available to the wealthiest regions of Mazowieckie (Warsaw) and Slaskie (Katowice).

In September 1998, the Council of Ministers' Committee for Regional Policy and Sustained Development was established. The Committee's tasks include dealing with drafts of normative acts and programmes, analyses, reports and other government documents concerning the regional and spatial policy of the state, as well as compatibility of the socio-economic development of the country with the principles of sustainable development.

On 1 December 1998, a Department of Regional Development was established at the Ministry of Economy. At present, the Department's staff consists of 21 persons. At the end of 1998, departments to co-ordinate the regional policy and to prepare pre-accession and structural funds were established.

The new regional administrations in Poland are not yet sufficiently prepared to implement the EU structural instruments. The regional policy responsibilities and inter-ministerial co-ordination rules, budgetary mechanisms, control and monitoring functions remain to be defined.

## **Slovak Republic**

### **3.5 Regional policy and cohesion**

The Union supports the strengthening of cohesion, mainly through the Structural Funds. Slovakia will have to implement these instruments effectively whilst respecting the principles, objectives and procedures that must be in place at the time of its accession. Slovakia is still at an early stage of preparation for the implementation of structural funds and no real progress either in legislation or institutional framework have been made. The national GDP per capita in 1997 amounted to 47% of the EU average with regional GDP per capita varying from 105% of the EU average in Bratislava to 36% in Eastern Slovakia (in purchasing power parity terms). The regional development law as well as the national regional development agency and fund foreseen in the "Plan on State Regional Policy" of 1997 have still not been adopted. At present, Slovakia is divided into 8 regions designed in accordance to EU-methodology (similar to NUTS 3), which are grouped into 4 macro regions (corresponding to NUTS 2). In December 1998 the Slovak Government adopted a resolution on the restructuring of the Office for the Strategy of Development of Society, Science and Technology, currently responsible for regional policy. The competences in this field are to be shifted to the Ministry of Construction and Public Works. However, the relevant Competence Law has not been amended accordingly yet. A ministerial council under the chairmanship of a Deputy Prime Minister, has been established with responsibility for the co-ordination of regional development. In its preparation for structural funds Slovakia must pay particular attention to the legal framework, co-ordination amongst ministries and decision making in the lead-ministry, to a clear separation of administrative and political functions, to the management capacity and partnership with regional and local partners, social partners, SMEs and the business community. The Slovak Republic has only limited experience in appraisal and evaluation procedures

### **Conclusion**

No concrete progress has been made in adopting legislation and setting up appropriate structures, despite the fact that this constituted one of the short term priorities under the Accession Partnership. Slovakia needs urgently to make major efforts in preparing for structural funds implementation.

### **4.2 Regional policy and cohesion:**

Under the present territorial-administrative organisation, Slovakia has a three-tier administrative structure, constituted of regions, districts and municipalities. The regions and districts constitute integral parts of the state administration. As regards administrative organisation and mode of operation, Slovakia's regions (8) and districts (79) are similar. They are headed by a principal appointed by the Government. Regions and district follow the

guidelines of the Ministry of the Interior while their budgets are made up exclusively of state transfers. Slovakia's 2850 municipalities enjoy the right of self-government. A ministerial council under the chairmanship of a Deputy Prime Minister, has been established with responsibility for the co-ordination of regional development. However, no other actions foreseen in a 1997 plan have been undertaken. The amendment to the Competence Law regarding the transfer of competence from the above mentioned Office of Strategy to the Ministry of Construction and Public Works has not been adopted yet. The National Agency for Regional Development, as co-ordinating body for the integrated network of regional development agencies, is not yet operational. Little progress has been made to create an appropriate institutional, administrative and budgetary framework to implement the acquis in the field of regional policy. The Slovak Republic still has to decide on an independent co-ordination structure with the capacity to implement, and monitor regional policy.