

The regional policy of the Czech Republic

Last decade brought dynamic and radical changes to Europe and its understanding of regional policy. On the one hand, the European union aims at widening of integration, on the other hand, the deepening of the integration is the issue number one in connection with the process of the EMU forming. The member countries as well as accession countries can feel that the integration can be jeopardise if economic and social disparities are not addressed as a problem and economic and social cohesion recognised as a political priority number one. In this perspective the Czech government started to place emphasis on the identification of regional problems and the best way of addressing them.

Regional policy is generally understood as state intervention into economic and social development in different parts of the state's territory. An actual profile of regional policy tends to be strongly dependent on the role of the state in its historical development, on the affluence of the society, on the severity of regional disparities and on the nature of ruling political will.

Regional policy in the Czech Republic until the year 1990 can be associated only with massive redistribution and reallocation of resources. No systematic regional policy was articulated and numerous problems in the sphere of regional development could be found in this period, such as an emergence of new peripheral zones.

It is clear that the change of the system at the end of 1980s meant absolute disbelief in planning of any form. National as well as regional plans no longer applied. The central government, however maintained its power (partly because of the abolition of regional governments at the beginning of 1990s) and its the attitude towards the regional policy matters remained largely unchanged. State interventions were considered the best solution for the transformation of the country into the market economy. The character of the regional Policy Act from 1991 was mainly declarative, though it did indicate principal problems to be tackled. Through this act regional policy was declared by the Czech government to be an integrated part of its economic policy. The main objective was defined as the creation of the preconditions for a minimal standard of working and living conditions for citizens in all regions of the Czech Republic.

No substantial regional inequalities could be traced at the beginning of the 1990s. Nevertheless some aspects of the transformation process presaged the severe problems that were to become associated mainly with the growth of unemployment. These were: a substantial decline of heavy industry; a reduction of agricultural sector employees; the very low inter-regional mobility of the work force or severe environmental problems.

The ministry responsible for the regional industrial policy placed special emphasis on the level of unemployment, being aware of the importance attached to this indicator in most European countries. The suspiciously low level of unemployment (around 4%) at the beginning of 1990s, however, raised the question of reliability of this indicator in the as yet not well established market economy. One could assume the undeniable existence of latent unemployment, especially in the state-owned heavy industry companies.

According to the subsequent Act on Principles of Government Regional Economic Policy from the year 1992, regional policy was defined as an activity of the state aimed at supporting the effective functioning of the market economy taking into account the regional economic differences. The policy was clearly oriented toward the support of small and medium sized

enterprises and the improvement of the infrastructure and can be thus regarded as regional industrial policy. The role of the state remained essential even though it did not include proper co-ordination of the relevant ministries on regional issues. Partnership with regional or municipal level was similarly not a declared aim.

In 1996, newly formed Ministry for Regional Development was awarded a co-ordinating role in securing regional policy of the state.

And it was only in April 1998 when the general rules governing the implementation of regional policy were set in the new Principles of regional policy. This document does not come with concrete solutions of regional problems, rather it replaces temporarily missing legislation. Compared to the government principles of 1992, a broader approach is proposed. The regional policy is understood as a conceptual activity of the state and regional authorities with the aim to: 1) contribute to the balanced and harmonious development of the regions in the Czech Republic, 2) reduce the differences in the levels of development between the regions and 3) improve the regional economic and social structure.

The effort to achieve a balanced development cannot be understood as an effort to secure completely equal development in all regions, instead the aim is to give equal chances to all regions and make full use of their democratic, natural, economic and any other potential.

The regional policy of the Czech Republic was designed to respect the basic principles of the structural policy of the EU and the overall aim of economic and social cohesion. In this respect, allocation mechanism as a part of the institutional framework, have to be set up to enable the future use of structural funds.

From the viewpoint of the institutional framework it will be necessary to implement the regional development policy in the Czech Republic both at the national and regional levels. However, regions or so called higher territorial administrative units does not yet exist and their role is substituted by the centre on the one hand and by district and local authorities on the other hand. The regions will be equipped with functions and economic tools enabling them to take over the responsibility for their territorial development and implementation of the regional policy. This is going to be a subject of a successive Act on Regional Development Support which is currently under preparation. It takes into account the criticism of the European Commission (on the application of the Czech Republic for the EU membership) that there is no regional policy in the Czech Republic and there is nor co-ordination mechanism at the national level neither legislative, administrative and budgetary framework of integrated regional policy.

The Act on Regional Development Support will define objectives, measures, rules and conditions for the implementation of regional development support policy and for the functioning of bodies at the central as well as regional and local levels. According to the principle of the concentration the support will be directed towards all kind of problem regions.

Already The Principles of the Government Regional Policy define two types of problem regions – structurally afflicted regions and lagging regions (economically weak regions). Structurally afflicted areas were defined as regions with high concentration of traditional industry and high level of urbanisation and unemployment. Lagging regions were characterised as regions with low standard of living, high share of employment in the primary sector, low population density and generally also above the average level of unemployment. These regions comprise mostly rural areas with lower level of urbanisation and economic development and with rather preserved environment.

At the same time pilot projects of the EU were started. The first one, financed from the programme Phare CBC, for the structurally afflicted region of North West Bohemia (NUTS II region) led to the preparation of the Regional Operational Programme. The first version was submitted to the Ministry for Regional Development a month ago. Other two programmes for the agriculture area centred on Jeseník and the growth-pole area centred on Olomouc are financed from the National Phare Programme 1998. The aim of this project is to provide investment support for micro-regional projects, which may include expert advice or other assistance for specific measures.

The preparation of other documents and programmes listed in the Principles is dependant on the yet not established regions. The Constitutional Act on the Formation of the Regions was approved by both Chambers of the Parliament by the end of the year 1997, but will come into force on 1st January 2000. This document finally fulfilled the Article 99 of the Constitution which states that "The Czech Republic is composed of municipalities which are the basic territorial administrative units and regions which are higher territorial administrative units". The proposed division of the country into 14 regions aims to accomplish the natural regionalisation of the republic based upon the existence of significant urban centres and their links to peripheries. Just to remind you of the administrative structure, there are over 6200 municipalities and 77 districts at the moment in the Czech Republic.

Couple of weeks ago the Government finally approved the document on the reform of the state administration. As a result, the elections into the new regional bodies are likely to take place at the end of the year 2000 and subsequently the new regions are expected to be in place from the 1st January 2001. This virtually means one-year delay in comparison to what was proposed few years ago. Still, wide parliamentary as well public discussions are led on the division of powers delegated from the centre to the region and executed independently by the region and powers which will be delegated from the centre to regional bodies. Should there be two separate bodies or just one comprising both self- and state administration? The latter is gaining points at the moment. As for the other two levels, in the long term perspective districts are likely to be abolished and number of municipalities reduced.

Moving to regional level, Regional Co-ordination Committees (composed of the representatives of the regions and state administration) were formed last year to manage the preparation of regional development strategies and work closely with Regional Development Agencies. RDAs now operate on the territory of almost all regions. It could be suggested that these regional committees act as informal non-elected governments on the sub-national levels.

Regional Development Strategies are perceived to be materials with a long-term perspective, which will form together with sectoral analysis of the economy the National Development Strategy of the Czech Republic. This strategy of the Czech Republic will be transformed by the end of the year into the National Development Plan, which will become a background document for the transfer of resources from structural and pre-structural funds of the EU.

Talking about the regions and its powers and documents at regional level, we also have to take into account the Eurostat system of statistical classification of the territory NUTS. NUTS II level is clearly the most essential for the allocation of the Objective 1 assistance from the structural funds. Following the consultations with Eurostat, the Czech Statistical Office together with other relevant ministry partners agreed at the end of the last year that there will be 8 NUTS II statistical units created by the grouping of the 14 future regions. It was also suggested that 14 Regional Co-ordination Committees will be integrated into 8 Regional Management and Monitoring Committees responsible for the development of the NUTS II regions. Regional Management and Monitoring Committees work on the preparation of the

Regional Operational Programmes. The first part, so called consultation documents are due to be submit to the Ministry for Regional Development now (by the end of May).

The Czech Republic is also aware of the fact that new aspects and innovative measures of regional policy cannot be underestimated. I have on my mind chiefly the promotion of inter-regional links and networks, the encouragement of the interchange of trade and investment, ideas and technology. The programme Phare CBC, which is being implemented at the Czech-German and Czech-Austrian borders since 1994, can be regarded as a first step to achieve this goal. In the year 1998 the creation of a Small Projects Fund proved to be a way to increase decentralisation, to strengthen regional powers and to involve as much as possible the local and regional actors. Within the 1999 programme Regional Fund will be established in each border regions to finance small infrastructure measures and two other funds will be devoted to socio-economic development, i.e. support for small and medium enterprises and for human resources development.

For this programming period (2000-2006) emphasis is placed on further strengthening of decentralisation, application of fund mechanisms and integration of the programme into the context of the regional policy of the Government. Moreover, closer co-ordination between CBC and INTERREG is achieved.

As a last point I would like to draw your attention to the results of the assessment of the Czech Republic at the screening negotiations, which took place in Brussels at the end of April. European Commission appreciated the effort of the Czech Republic to put in place the principles of partnership and programming and the progress made in establishment of co-ordination structures for the future use of structural fund.

On the other hand the European Commission advises to concentrate more closely on the legislation framework, relations among NUTS III (regions), NUTS II and central levels and to solve the position, legal status and responsibilities of regional development agencies and their relations to Ministry for Regional Development. Moreover, the problem of financial management, monitoring and the overall transparency of these procedures was revealed. The issue of human resources needs to be also awarded more attention (especially the absorption capacity for the implementation of structural funds).

The Czech Republic has also ambition to build up the competitiveness of regions by strengthening the role of local entrepreneurs, transfer of innovations and technology and subsequently, through its sub-national level, gain its position in the Europe of regions.