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**From Regional Deficit to Institutional
Overload? – Regional Policy in the
Czech Republic**

Irene McMaster

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European Policies Research Centre
University of Strathclyde
40 George Street
Glasgow G1 1QE

Tel: +44-141-548-3908
Fax: +44-141-548-4898

Author email:
irene.mcmaster@strath.ac.uk

<http://www.eprc.strath.ac.uk/eprc>

Preface

The following paper is based on the preliminary results of a Leverhulme-funded research project, “*The regional challenge of industrial restructuring: a Polish-Czech comparison*”, carried out by Irene McMaster and Martin Ferry in 2002-2003. The paper is written as a partner publication to Ferry, M. ‘Regional Policy in Poland: A Critical Overview’.

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Abstract

The aims of this paper are to explore the way in which institutional and programming structures involved in regional economic policy have evolved in the Czech Republic and to provide an early assessment of their achievements. It will identify the progress made and the remaining challenges. The analysis draws on the results of a yearlong study of the changing role of the region in the processes of regional economic restructuring in Poland and the Czech Republic. In addition to an extensive policy and literature review, interviews were conducted with relevant organisations and actors at the national and regional levels during 2003. The paper first outlines the course of the regional debate in the Czech Republic as a backdrop to an assessment of recent reforms at central and regional levels. These changes continue to be contested by different forces, and there is disagreement about issues such as the role and status of regional authorities, the relative position of newly established actors in the regional policy field and the funding of devolved functions. The analysis concludes that regionalism has been enhanced by the development of an institutional and programming framework where new horizontal and vertical relationships between central Ministries, regional units and other agencies and actors involved in regional development are forged. Yet, it must also be noted that this process is fragile and the emerging framework could be undermined by lack of public finances, constrained by the requirements of Structural Fund programming and implementation and lack of institutional co-ordination and co-operation.

From Regional Deficit to Institutional Overload? – Regional Policy in the Czech Republic

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1. INTRODUCTION

In the Czech Republic after 1989, market-based regional policy was slow to develop. The efforts of post-communist government focused on fundamental, large-scale national economic, political and social reform. What could loosely be termed 'regional policy' was largely developed and implemented at national level through sectoral policies. Whilst regional policy debates within EU Member States focused on issues such as the relative balance of equity and efficiency, the more fundamental issue in the Czech Republic was whether or not there should be regional policy. The institutional infrastructure for regional policy was lacking, and initiatives were hampered by disputes over ministerial responsibilities, the need to reform territorial administrative structures and lack of financial resources. In contrast, the latter half of the 1990s has seen the gradual development of an increasingly integrated and coherent approach to regional policy, as well as related institutional and programming arrangements. The Czech government has introduced a series of reforms which establish a new regional level of administration and place an increased emphasis on regional economic development.

Driving the process is a combination of regional pressures, national policy responses to spatially uneven development, and the EU accession process. Reforms have also taken place within the context of theoretical debates on the role of the 'region' in economic development. 'New regionalism' argues for more autonomy and institutional capacity at the regional level to encourage development and the implementation of political and economic initiatives within regions. Recent reforms in the Czech Republic have significantly advanced the position and relative status of regions and regional policy in the country. New institutional and policy frameworks are in operation, with regional-level institutions playing a more significant role. However, the process of creating new institutions and practices has been rapid and, so far, relatively short. Reforms have been implemented against a background of decades of centralised, sectoral policy-making and distrust of regional-level administrations. Current reforms have to work against this historical experience in order to build up regional-level functions and capacities.

These contrasting experiences raise a number of important questions related to the development and implementation of regional policy:

- How has the mix of national government requirements, regional concerns and the influence of the EU been managed and to what effect?
- To what extent are new regional policy approaches and institutions embedded and operational within clear-cut structures?
- Are regions in a position to take on a role as an active partner in regional policy?
- Do current regional policy approaches reflect regional interests and fit with new institutional structures?

These are particularly interesting issues given current debates within the regional policy field and also conditions within the country itself. The task of regionalisation and regional policy reform is made all the more challenging by both long-standing legacies of the Communist period and contemporary events. At the same time, new institutions and actors are also expected to

meet the demands of changed circumstances – the on-going effects of economic restructuring and EU enlargement.

The aims of this paper are to explore the way in which institutional and programming structures involved in regional economic policy have evolved, and to provide an early assessment of their achievements. It will identify the progress made and the remaining challenges. The analysis draws on the results of a yearlong study into the changing role of the region in the processes of regional economic restructuring in Poland and the Czech Republic. In addition to an extensive policy and literature review, interviews were conducted with relevant organisations and actors at the national and regional levels during 2003. The paper first outlines the course of the regional debate in the Czech Republic, as a backdrop to an assessment of recent reforms at central and regional levels. These changes continue to be contested by different forces, and there is disagreement about issues such as the role and status of regional authorities, the relative position of newly established actors in the regional policy field and the funding of devolved functions. The analysis concludes that regionalism has been enhanced by the development of an institutional and programming framework where new horizontal and vertical relationships between central Ministries, regional units and other agencies and actors involved in regional development are forged. Yet, it must also be noted that this process is fragile and the emerging framework could be undermined by lack of public finances, constrained by the requirements of Structural Fund programming and implementation and lack of institutional co-ordination and co-operation.

2. THE REGIONAL CONTEXT

Approaches to regional development and regionalisation can be examined in terms of the tension between two positions on the role of the state in the post-communist period. One viewpoint, which dominated the early 1990s, stressed the need for strong central government and sectorally based, market economic development policies. At this time, the demands of fundamental economic and political transformation dominated the agenda. Against the background of political flux and economic uncertainties of the post-communist period, there was a strong political commitment to the creation of a robust, centralised state, which was reinforced by negative connotations of regional-level administration and regional planning under the previous regime.¹

On the other hand, decentralisation was also seen as an integral part of the post-communist processes of democratisation and economic liberalisation. Dismantling the heavily centralised state socialist system would foster the participation of citizens in the political and economic life of the country. Similarly, support for regional economic development has the potential to engage local actors in development processes and promote economic and social cohesion. With this in mind, a clear commitment to decentralising government and to regionalising public administration was indicated in the Czech constitution. During the 1990s, support strengthened for both the development of a regional tier of government, with a level of political and financial autonomy in order to spur development within its own territory, and

¹ Blažek J (1999) 'Local and Regional Development and Policy in the Czech Republic in the 1990s' in V Hudak, H Huitfeldt and E Meegan (eds.) *Regional Policy Goes East: Essays on Trends and Lessons Learned for Regional Development Policy in Central and Eastern Europe*, Institute for East West Studies, Prague, Washington, 1999.

for policy to address regional development needs more directly. Exactly what form they should take was a matter of greater debate.

Various approaches and positions emerged, supported by political parties, interest groups and administrative elites. The debate was driven by both domestic and international factors: persistent regional disparities demanded attention; EU pre-accession aid; future Structural Funding; and the accession process. By the end of the decade, these drivers pointed to the necessity to act. A brief review of these factors and their impact on regional policy developments in the 1990s serves to establish the context for the most recent round of reforms.

2.1 Regional Disparities

The economic position of the Czech Republic during much of the 1990s was generally favourable, following an initial decline in economic production between 1989 and 1992. In 1997, GDP was around 63.2 percent of the EU average. However, during the late 1990s, growth rates fell and unemployment rose, particularly in regions dependent on heavy industry. Consequently, inter-regional disparities increased throughout the second half of the 1990s (see Table 2-1 and Table 2-2). For example, in 1995, regional GDP for the Moravia-Silesia region was 94 percent of the national average compared to 184 percent in Prague; by 2000, levels were at 84 and 214 percent respectively.

The capital city, Prague, dominates the economic geography of the Czech Republic, with a large share of the national population, the highest regional employment levels and the largest concentrations of tertiary employment, foreign direct investment, research and development and higher education. After accession in 2004, the Prague region will not qualify for Objective 1 Structural Funding, as GDP in the region is above the threshold of 75 percent of the EU average.² It has the highest economic performance, rapid growth, and produces nearly one quarter of the GDP of the Czech Republic (see Table 2-1 and Table 2-2). Border regions and regions with favourable natural environments have also benefited from increases in cross-border trade, especially in the west along the German and Austrian borders (eg South West region) and tourism.

² Ministersvo Místní Rozvoj ČR – Ministry for Regional Development (2002) *Draft Joint Regional Operational Programme* October 2002, p. 10

Table 2-1: Regional Gross Domestic Product per capita (in PPP)

NUTS 2	1995	2000	1995		2000	
	EUR	EUR	% of CR	% of EU	% of CR	% of EU
Prague	20 109	28 866	184	114	214	128
Central Bohemia	8 520	11 300	78	48	84	50
Southwest	10 401	12 537	95	59	93	56
Northwest	10 260	11 018	94	58	82	49
Northeast	9 533	11 577	87	54	86	52
Southeast	9 760	11 734	89	55	87	52
Central Moravia	9 317	10 826	85	53	80	48
Moravia-Silesia	10 345	11 291	94	59	84	50
Czech Republic	10 957	13 487	100	62	100	60

Source: Czech Statistical Office, Regional Accounts 2000, quoted in Draft Joint Regional Operational Programme.

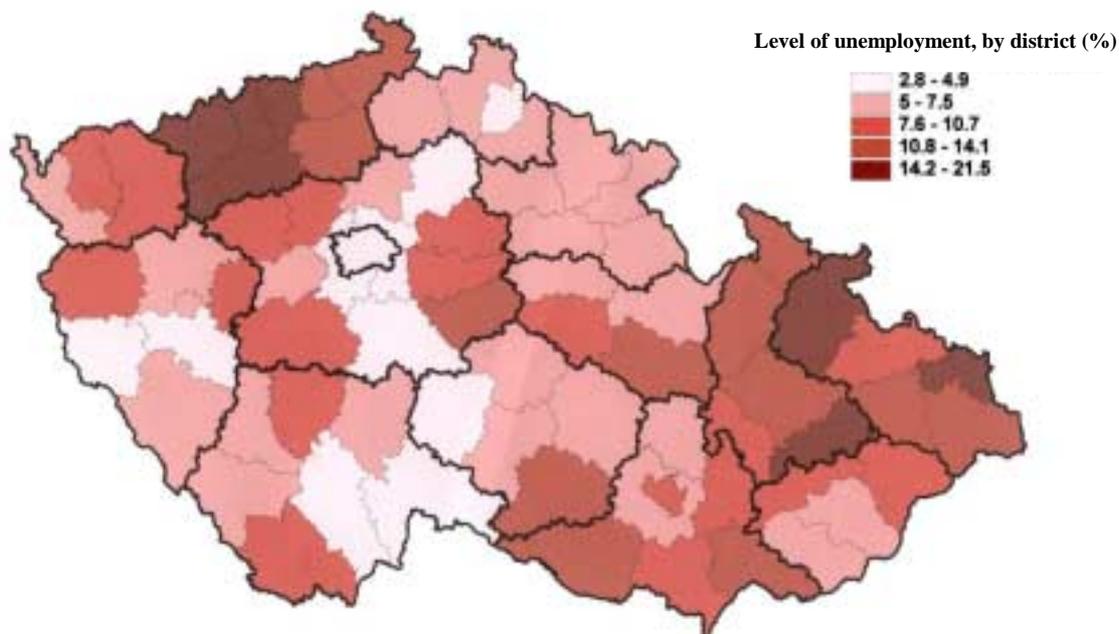
Table 2-2: Socio-economic indicators in the Czech Republic

Czech Republic	1997 Population (000)	Employment sector by			Unemployment Rate (%)	
		Agri.	Industry	Services	1993	1998
Regions						
Prague	1203	0.3	24.0	75.7	-	3.1
Central Bohemia	1106	6.2	40.0	53.9	-	4.9
Southwest	1181	8.4	42.6	49.0	-	4.4
Northwest	1131	4.2	44.4	51.4	-	9.6
Northeast	1492	6.0	46.3	47.7	-	5.3
Southeast	1662	8.3	41.3	50.4	-	5.0
Central Moravia	1244	7.1	47.1	45.8	-	6.1
Moravia-Silesia	1287	3.3	47.1	49.6	-	9.5
Total	10304	5.6	41.5	52.9	3.0	5.9

Source: Eurostat

Eastern regions of the country, mono-structural heavy industrial regions and some rural districts are amongst the poorest regions. In the first half of the 1990s, the rate of unemployment in Moravia in the east of the country was twice as high as in Bohemia in the west, with the worst affected region being North-Moravia. This pattern has changed to some degree as a result of the rapid worsening of the economic and social situation in the old-industrial region of North-Bohemia. Another distinctive feature of regional development in the country is a sharpening of intra-regional disparities at local level caused by the bankruptcies of industrial plants, eg at Kladno. These problems have been particularly pronounced in regions with large concentrations of heavy industry, eg in Moravia-Silesia, particularly around Ostrava, in the North East of the country. As Figure 2-1 illustrates, the North West and Moravia-Silesia regions both continue to have some of the highest levels of unemployment.

Figure 2-1: Unemployment levels by district, 31.12.200

Level of unemployment, by district (31.12.200)

Source: *Ministersvo Místní Rozvoj ČR – Ministry for Regional Development*

The relatively favourable economic position in the country throughout much of the early to mid 1990s, and limited levels of regional disparity, meant that popular and political pressure for regional reform and a coherent regional policy was limited. The case for a more active regional policy was strengthened by the subsequent economic downturn, delayed impacts of industrial restructuring and associated increases in unemployment. Related growth in regional disparities increased pressure on the government to provide support measures to regions, especially those hardest hit by the effects of economic restructuring.

2.2 Institutional Framework

Realisation of the need to address persistent disparities and to meet the requirements of EU programmes was accompanied by an awareness that the institutions involved in regional policy delivery at central and regional levels were either non-existent or poorly co-ordinated and lacking in the capacity to meet the challenge. For much of the decade, all central government ministries were organised along sectoral lines.³ SME support measures, which prioritised underdeveloped regions, were the most consistently applied regional policy measure. More generally, ad hoc programmes were used for regional crisis management, and sectoral programmes with regional goals

³ Poor horizontal and vertical co-ordination of different institutions involved in regional policy has been a particular problem, but significant improvements have been noted post-1999.

were introduced. Elements of regional policy competence lay with the Ministries of Trade and Industry, Labour and Social Affairs, Agriculture and Environment. A wider policy-planning role was allocated to the Ministry of the Economy and its deputy minister responsible for regional development. This fragmented, and largely centralised, sectoral approach to regional policy remained unchanged until 1996. The European Commission's 1997 Regular Report on Progress Towards Accession blankly stated: "*Currently, the Czech Republic has no regional policy.*"⁴ Similarly, Tomáš Kvapil, Minister for Regional Development, appointed in 1996, said that "*to date the regional policy has in fact been reduced only to the state regional economic policy which has primarily contained the issue of regionally differentiated support to small and medium sized businesses.*"⁵

An indication of a growing commitment to a more coordinated, coherent regional policy came in 1996 with agreement on the establishment of a dedicated Ministry for Regional Development (Ministerstvo pro místní rozvoj - MMR). Initially, the Ministry's remit and capacity was limited due to lack of resources and lack of any regional-level government. Ongoing political debate and disagreement about the requirement for self-governing regions even fuelled controversy over the name of the new ministry. The formally-given title translates as the 'Ministry for *Local* Development' as opposed to 'regional', which at the time proved to be politically too contentious.

At sub-national level, early reforms transferred powers away from existing Regional Councils. The Councils were established under Communist rule and were widely viewed as strongholds of state power at the sub-national level. As a result, they were one of the most discredited elements of the territorial administration.⁶ Almost immediately after 1989 the Councils were abolished altogether and over 6200 municipalities and 77 districts were established. The reforms "fulfilled local ambitions, made up for perceived injustices caused by the earlier forced amalgamations, enhanced local feelings, and activated, in many cases, local initiatives and civic participation".⁷ However, as they were not self-governing, the districts were still effectively part of the general state administration. Additionally, fragmentation and the small size of the local governments meant that they had several problems functioning properly as political, administrative and economic units, including

- difficulty in mobilising sufficient personal political, economic and organisational resources;
- inability to launch more ambitious developmental projects or provide sufficient services;
- weakness as partners in negotiations with state offices;
- unbalanced budgets and major debt problems in many cases.⁸

⁴ CEC (1997) *Regular Report from the Commission on the Czech Republic's Progress to Accession*. European Commission: Brussels

⁵ Speech by Tomáš Kvapil, Minister for Regional Development – 1996
<http://www.mpo.cz/gc/0879/page0041.htm>.

⁶ Illner M (1999). *Territorial Government in the Czech Republic*, in: Kirchner, Emil (ed.). *Decentralization and transition in the Visegrad*. Houndmills, Basingtoke, Hampshire and London: Macmillan Press Ltd., New York: St. Martin's Press, Inc., p. 80-101

⁷ Illner M (2002) 'Thirteen Years of Reforming Subnational Governments in the Czech Republic' paper presented at Conference - Reforming Local Government: Closing the Gap Between democracy and Efficiency, 26-27 September 2002, University of Stuttgart. <http://www.uni-stuttgart.de/soz/avps/rlg/papers/CZ-Illner.pdf>, p. 3

⁸ Illner M (2002) *Op cit.*

Commitment to further and more meaningful decentralisation and regionalisation was indicated in the Czech 1992 constitution. However, a range of factors slowed progress towards the creation of a new regional level of self-government. First, regional reform is a conceptually, technically and politically complex issue and, to an extent, there was a lack of time, energy, enthusiasm and resources to devote to the matter during the initial transformation period. Second, there was no great political or public pressure for regional reform within the Republic. The government, led by Václav Klaus, favoured a strongly centralised approach to policy making. At the same time, it emphasised a neo-liberal policy approach and was strongly opposed to what it viewed as interventionist and redistributive policies. More generally, national bureaucracies did not support the reform because of fears they would have to give up some of their responsibilities and powers to the regions. Local politicians had similar concerns. Meanwhile, the public did not exert particular pressure on political leaders to pursue reform. The country lacks a strong tradition of regional self-government. Also, old relations, negative patterns of behaviour and stereotypes inherited from the communist time often persisted, eg: lack of trust in the public officials and local politicians; public unwillingness to get involved in public matters or hold public office; and suspicion of clientalism and corruption. As a result, with the exception of regional elites in the largest cities and advocates of Moravian regionalism, there was no great regional pressure for reform.

The issue of regional reform remained unresolved until 1997 when a law on the establishment of self-governing regions and statistical units was eventually adopted. The resulting 14 new, self-governing regions (*kraj*) came into force on 1 January 2001 (see *Figure 2-2*). The district level remained in place until the end of 2002 when their competences were either allocated to the local level or self-governing regions. The new *kraj* correspond to the NUTS III statistical level as opposed to the NUTS II level used as the basis for EU pre-accession and Structural Funds. Consequently, eight 'cohesion regions' have also been created. Only three NUTS II regions correlate exactly with the *kraj* boundaries (Prague, Central Bohemia and Moravia-Silesia), the remainder being made up of more than one *kraj* (see *Figure 2-3*).

Figure 2-2: Kraj (Nuts III Regions)



Source: Ministerstvo Místní Rozvoj ČR – Ministry of Regional Development

Figure 2-3: NUTS II Cohesion Regions in the Czech Republic.



Source: Ministerstvo Místní Rozvoj ČR - ČR – Ministry of Regional Development

2.3 Influence of the European Union

The influence of the EU, particularly the availability of vital resources to tackle regional problems, was a key driver for reform of institutional arrangements for regional policy. In particular, EU pre-accession aid (Phare, ISPA, SAPARD) and preparations for future Structural Funds have involved the development of a complex institutional framework to support EU regional support programmes. In turn, EU programmes have provided support to develop and strengthen ‘appropriate’ institutions for the development and delivery of programmes.

One of the early outcomes of EU influence on regional structures was the establishment of Regional Development Agencies in Ostrava and North Bohemia, which were supported by the Phare programme in the early 1990s. RDAs have gone on to support economic development and restructuring, offer advisory services for local and regional enterprise, and have participated in Phare programmes, forging links with national and international organisations. Prior to the establishment of cohesion and self-governing regions, RDAs were an important way to channel and co-ordinate development activities at the regional level. Most agencies were set up as capitalised companies, with municipalities, local enterprises and banks, municipal associations and trade unions as stakeholders.⁹ Nevertheless, these regional development initiatives were piecemeal. EU Funds tended to target particular regions (eg unemployment ‘black-spots’ or border regions), creating significant variations in the regional experience of dealing with EU funding. Levels of commitment by regional actors to the RDAs, the quality of the RDAs themselves and lack of central government support for regional development actions were also problematic, leaving RDAs as isolated actors in the field.¹⁰

The Phare programme has consistently included priorities with a strong regional dimension. Over an extended period, structurally disadvantaged regions such as North Moravia and North-West Bohemia, have received targeted support. However, the regions themselves had little involvement in the planning and implementation of the programmes. This was carried out by the European Commission and the central Czech government.¹¹ Regional-level institutions have been more substantially involved in Phare Cross-Border-Co-operation (CBC) programmes, launched in 1994. One of the key institutional requirements of the CBC programmes is the decentralisation of competencies and decision making to regional and local actors.¹² From a relatively early stage, regional and local actors were represented on steering committees that prepared programmes and approved financing proposals. To fulfil the CBC programmes’ requirements for regional involvement, cross-border Euroregions were established as voluntary associations of municipalities.

⁹ Author interview, Agentura Regionalni Rozvoje - Agency for Regional Development, Ostrava March 2003. see also and Sýkora L (1999) ‘Transition States of East Central Europe’ in Balchin P Sýkora L and Bull G *Regional Policy and Planning in Europe*, London, Routledge.

¹⁰ Brusis M (ed.) (1999) *Regional Policy-Making in Bulgaria, the Czech Republic, Estonia, Hungary, Poland and Slovakia CAP Working Paper*, Munich, December 1999, p.23

¹¹ Marek D and Baun M (2002) The EU as a Regional Actor: The Case of the Czech Republic, *Journal of Common Market Studies* Vol. 40. No. 5 pp. 895-919

¹² Marek and Baun (2002) op. cit. p. 906

In the late 1990s, the prospect of EU accession and future Structural Funds (see Table 2.3) meant that the need to meet Commission requirements for administering regional aid was pressing.

On accession, the new Member States will have to comply with certain requirements, listed in Chapter 21 of the *acquis* relating to regional policy and co-ordination of structural instruments. Among these are:

- *Programming capacity*: the creation of a structured programming framework, including National and Regional Development Plans, to select the projects that contribute most to achieving regional development objectives.
- *Administrative capacity*: the Candidate Countries have to clearly define the tasks and responsibilities of all the bodies and institutions involved in the preparation and implementation of Structural Funds and the Cohesion Fund to ensure effective Ministerial co-ordination.
- *Partnership/decentralisation*: regional development programmes should be prepared and funds administered in close co-operation between Member States and the European Commission, as well as with national, regional and socio-economic partners within the Member States.¹³

Various aspects of the Czech government's preparations for Structural Funds have received praise. For example, the approach to decentralisation used in elements of the Czech Phare CBC programme was recommended by the European Commission as a model for other Candidate Countries.¹⁴ Equally, elements of the country's preparations have also drawn criticism, including uncertainty over divisions of responsibility, financial arrangements and resource management.¹⁵

¹³ From European Commission web-site on Chapter 21 – Regional policy and co-ordination of structural instruments <http://europa.eu.int/comm/enlargement/negotiations/chapters/chap21/>

¹⁴ West Midlands Enterprise (2000) *Developing and Implementing a Programme: The Case of Phare CBC, Small Projects Fund. In Training of Trainers for the Implementation of Structural and Cohesion Funds* (Prague: National Training Fund) quoted in Marek and Baun (2002)

¹⁵ Marek and Baun (2002) op. cit.

Table 2-3: Allocations of Structural Operations for the Czech Republic in 2004 - 2006 by Support Areas

Support Areas	Allocations of Structural Operations for the Czech Republic (in million EUR, 1999 prices)			
	Total	2004	2005	2006
Cohesion Fund				
maximum	932.1	319.2	262.8	350.1
minimum	740.5	253.2	208.4	278.9
average	836.3	286.2	235.6	314.5
Structural Funds	1491.2	371.4	498.1	621.7
Objective 1	1286.4	307.0	431.1	548.3
Objective 2	63.3	21.1	21.1	21.1
Objective 3	52.2	17.4	17.4	17.4
Community Initiatives				
INTERREG	60.9	19.0	19.0	22.9
EQUAL	28.4	6.9	9.5	12.0
Total Structural Operations	2,327.5	657.6	733.7	936.2

Source: European Commission, January 2003

3. NEW REFORMS AND THEIR IMPACT

A series of actions aims to tackle the deficiencies outlined above and respond to internal and external pressures for increased regionalisation. These can be grouped into three basic themes: programming regional development (including emphasis on endogenous development); new institutional structures and capacities for regional development; and decentralisation/partnership. The following section will look at how these principles have been adopted and the impact they have had on regional policy implementation and delivery.

3.1 Programming - change in structure and content

In recent years, increased emphasis on regional policy and the influence of EU funds has generated new policy frameworks. Responsibility for the elaboration and implementation of national regional development programmes, including the management of current EU regional assistance programmes and future Structural Funds, has been allocated to one central government ministry: the Ministry for Regional Development (MMR). Amongst its competencies, the Ministry is responsible for the development of *The Strategy for Regional Development of the Czech Republic* and the *National Development Plan*. The Strategy for Regional Development, adopted by the government in July 2000, outlines the direction and priorities of the State's regional development policy and provides a more integrated policy approach than the sectoral strategies of the past. It contains an analysis of regional development across the Czech Republic, an evaluation of previous sectoral measures implemented and sets out a general strategy for future development, specifying priorities and measures for support and regions to receive targeted state support.¹⁶

¹⁶ Ministersvo Místní Rozvoj ČR (2002) op. cit.p. 39

The Ministry for Regional Development also prepared the National Development Plan, produced in accordance with EU guidelines and serving as a basis for negotiating the Czech Republic's financial support from EU funds after accession. The Plan's overarching objective is "sustainable development based on competitiveness", with the aims of: achieving economic growth which is faster than the EU average; improving the competitive position of the Czech Republic within the European Union; and accelerating qualitative changes in the economy. The NDP has five operational programmes: industry and enterprise; infrastructure; human resources development; rural development and multi-functional agriculture; and a joint regional operational programme.¹⁷

Development of a Joint Regional Operational Programme (JROP) was also led by the MMR, in consultation with regional authorities.¹⁸ The JROP aims to integrate development priorities of the Northwest, Southwest, Central Bohemia, Northeast, Southeast, Central Moravia and Moravia-Silesia regions. The Prague region is not included as it will be ineligible for Objective 1 funding post-enlargement. The content is based on regional operational programmes, which were originally planned as programmes to be implemented in their own right. The joint programme will cover the period 2004-2006. A single programme covering this relatively short, initial programming period has the benefit of simplifying the administration of the funds and placing less pressure on new, regional administrations.¹⁹ The specific goals of the programme are to:

- increase the prosperity of the regions by developing small-scale enterprises and crafts, by increasing the volume of direct investments into the regions and by creating new job opportunities;
- improve the general quality of regional and local transport and telecommunications infrastructure whilst respecting environmental protection;
- improve the living conditions of inhabitants and integrate socially excluded groups into the community and into the labour market;
- improve the quality of all components of the environment in municipalities and regions;
- improve the living conditions of the rural population and develop the rural parts of regions;
- increase the share of tourism in creating economic prosperity in the regions, increase the volume of direct investments in tourism development and create new job opportunities.

The NDP and the JROP represent a departure from previous approaches to regional development in the country. In comparison to targeted, sector-specific interventions in specific regions and localities, characteristic of Czech regional policy for much of the 1990s, they take a more coherent and integrated approach. They are also multi-annual programming documents aligned with the European Union's budgetary cycle. They therefore, contribute to the new perception of regional development policy from a strategic, long or medium-term reform perspective, rather than as a series of individual, annual initiatives. They are also novel in their coverage, aims and objectives. There

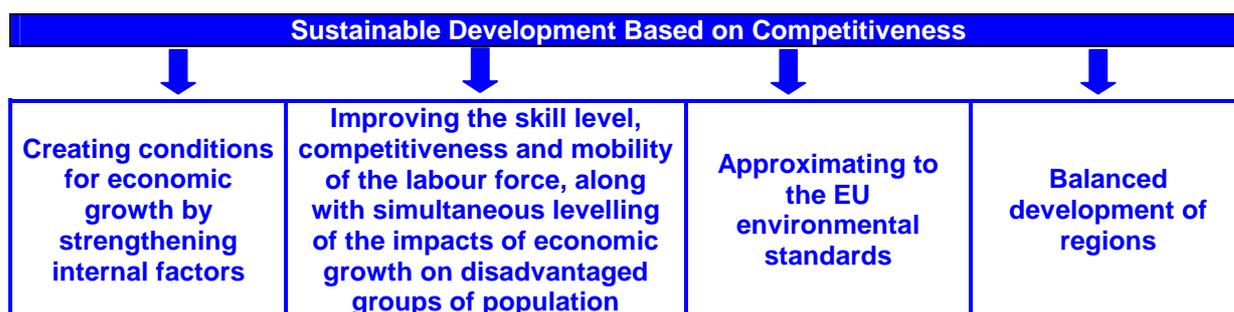
¹⁷ Ministersvo Místní Rozvoj ČR (2003) National Development Plan, Czech Republic February 2003.

¹⁸ Author Interview - Ministersvo Místní Rozvoj ČR – ČR, Prague January 2003

¹⁹ Author Interview - Ministersvo Místní Rozvoj ČR, Prague January 2003 and Charles University, Prague January 2003

has been a parallel shift in the priorities and objectives of regional policy, as outlined in these documents, towards a more modern, pro-development agenda. There is more emphasis on the development of endogenous regional potential than before. For instance, the Joint Regional Operational Programme cites the government's regional policy aim of "promoting growth based on activating the insufficiently used potential and on support of the economic development of regions."²⁰ Related, the National Development Plan has "creating conditions for economic growth by strengthening internal factors" as a key objective (see below).

Figure 3-1: The System of Specific Objectives of the National Development Plan²¹



At the same time, the programme's policy objectives encompass both efficiency and equity, reflecting the tension of reconciling these objectives. Regional policy is expected to help secure transformation processes by "assisting the development of a market economy in every region" or "optimal economic growth in all regions", but also to ensure "reliable living conditions in all regions in terms of employment, basic services and a clean environment".²² Equally, regional policy is intended to both reduce general regional disparities and to focus on particular regional problems - assisting areas of industrial restructuring, conversion of state-owned farms, support for border areas.

3.2 New institutional structures and capacities

The National Level

Renewed focus on the central arrangements for regional policy was marked by the establishment of the MMR. The Ministry now has overall responsibility for regional policy and the co-ordination of government ministries in regional policy matters. The role set out for it includes management of the Government's financial resources for regional development, co-ordination of the activities of other Ministries and central organisations in the implementation of national regional policy, and support and supervision to regions, cities and municipalities, particularly on integration into EU regional structures.²³ Interdepartmental management and monitoring committees have

²⁰ Ministersvo Místní Rozvoj ČR (2002) op. cit .p. 64

²¹ Ministersvo Místní Rozvoj ČR (2002) op. cit.p. 154

²² Bachtler J and Downes R (1999) Benchmarking Regional Policy in Europe: Patterns, Trends and Issues, Report to international conference 'Benchmarking Regional Policy in Europe', Forest Hills Hotel, Loch Ard, 9-12 September 2001.

²³ The Ministry of Finance ensures the overall co-ordination of the EC assistance in the Czech Republic by means of the National Aid Coordinator. The issues related to co-ordination of the EC assistance are stipulated in Government Resolution No.275/2000 dated 15th March 2000 concerning the document titled "Co-ordination of the use of EC assistance (PHARE, ISPA, SAPARD) funds in the Czech

also been established, mainly in relation to EU programmes. For instance, the MMR chairs a National Programming Committee for Economic and Social Cohesion and the Management and Monitoring Committee for Economic and Social Cohesion. Members of the Managing and Coordination Committee include sectoral ministries also responsible for the preparation of the use of Structural Funds and the Cohesion Fund. Clearly, a shift toward a more coherent and co-ordinated approach to regional policy implementation is intended, but the extent of this process is unclear.

One of the primary roles set out for the MMR was to co-ordinate the activities of other Ministries and central organisations in the implementation of regional policy. An early intention was even to transfer many of the sectoral area regeneration programmes and policies to the MMR. A strong supporter of this approach was Josef Lux, Minister for Agriculture (1996), who shifted responsibility for the restructuring of rural areas and agriculture to the MMR, with the intention of setting an example for other ministries to follow. However, early efforts by the MMR to take on a co-ordinating role were hampered by two main problems. First, lack of resources undermined its statutory coordinating role.²⁴ The European Commission's Regular Report, 1999, highlighted the "inadequate" staff resources at the Ministry.²⁵ Second, sectoral ministries have remained resistant to the idea of their activities being co-ordinated by the MMR. Consequently, there are a number of "implicit"²⁶ regional policy instruments still very firmly under the direction of the sectoral ministries (see Table 3-1) which are less than willing to 'give away' areas of responsibility. In the last year, disagreements and debates between ministries are still ongoing over issues such as the number of Sectoral Operational Programmes (SOPs). Policy responsibility has even been transferred away from the MMR. In January 2003 the Ministry for Trade and Industry took over regional SME incentives, which were previously administered by the MMR. As a result of these pressures, the strong role of sectoral ministries relative to the MMR persists and, to an extent, regional policy competencies remain divided between ministries.

Republic". The Ministry for Regional Development is responsible for the overall preparation and coordination in the area of economic and social cohesion in accordance with Government Resolution No.158/1998. This was a temporary regulation, which was replaced by Act No. 248/2000 Sb on Support to Regional Development. The Act on the Support to Regional Development, which has been valid since 1st January, 2000, has determined that the Ministry for Regional Development shall ensure international cooperation in the area of regional development and cooperation with European communities in the area of economic and social cohesion, including coordination of the content of assistance instruments and related drafting of programming documents implementation of programmes, and evaluation of their fulfillment.

²⁴ Blažek, J. (1999) op.cit.

²⁵ CEC (1999) *European Commission Regular Report on the Czech Republic's Progress to Accession*, European Commission, Brussels.

²⁶ Author Interview, Charles University, Prague, January 2003

Table 3-1: Sectoral Ministries and 'Regional Policy'

Ministry	Regional Policy Competence
The Ministry of Trade and Industry	Czech Invest – Business and Investment Development Agency ²⁷
The Ministry of Labour and Social Affairs	Pursues active employment policies targeted on districts with high levels of unemployment and maintains regional 'employment agencies'.
The Ministry of Agriculture	Developed a programme for Rural Revitalisation that addresses the development of infrastructure in villages, revitalisation of the built environment and public areas in villages; also provides support to farmers in poor agricultural regions or environmentally protected areas.
The Ministry of the Environment	Distributes resources from the Environment Fund to the most polluted regions.
Ministry of Finance	Distributes funds to sub-national governments
The Ministry of Defence	The revitalisation of former Soviet military training bases.
The Ministry of Transport	Support for public transport in rural areas.

Structures for the delivery of regional policy have undergone a process of change, reflecting changes in ministerial competencies and approaches to regional policy. In some areas, efforts are increasingly co-ordinated and delivered through a dedicated system. For instance, the Centre for Regional Development (Centrum pro regionalni rozvoj – CRR ČR) which is responsible to the MMR, was established as the main implementing agency for Phare regional development programmes. CRR is also supposed to play a wider role offering objective and methodological support for the actions of regional development agencies.²⁸ However, the recurring problems of lack of co-operation, co-ordination and clarity over responsibilities are again in evidence. The support and co-ordination role intended for the CRR has so far lacked substance in certain areas.²⁹ For instance, annual general meetings with Regional Development Agencies, established with the intention of developing a positive exchange between organisations, are more commonly viewed by participants as an opportunity for the CRR to set parameters for work and agendas.³⁰ In addition to implementation structures headed by the MMR, various other central government ministries operating some form of 'regional policy' each has its own policy implementation structures and institutions. The resulting plethora of organisations can leave the intended final beneficiaries uncertain over the most suitable points of contact.³¹ Related, and a consequence of mutual interplay of the needs of national policies, as well as EU programmes, is the existence of different assisted regions and different support programmes. The North-West Bohemia Region is supported by at least five programmes, each with different priorities, incentives, financial

²⁷ The new, unified entity whose mission is to support businessmen and women in the Czech Republic was created by merging the Agency for Business Development (ARP) and the Agency for Development of Industry in the Czech Republic (CzechIndustry) with the Czech Agency for Foreign Investment (CzechInvest), January 2 2004, <http://www.czechinvest.org/>

²⁸ Author Interview, Centre for Regional Development of the Czech Republic, January 2003

²⁹ Author Interview, Centre for Regional Development of the Czech Republic, January 2003

³⁰ Author Interview, Ministersvo Místní Rozvoj ČR, Prague, January 2003

³¹ Author Interview, Svaz Průmyslu a Dopravy, ČR (Association of Industry and Transport), Prague January 2003

resources, project selection criteria and time-schedules for assistance. This apparently wide array of assistance is a marked change from the situation in the early 1990s, when the country lacked any notable regional policy. However, the proliferation of support also led to criticisms that there are too many small grants coming from too many sources, each with their own complex procedures, aims, and processes for potential beneficiaries (and for those managing the schemes) to grapple with.³²

Regional level

Recent reforms have introduced major changes to the level of participation and involvement of the regions in the development and delivery of policy. Until 2001, regional participation was extremely limited. More recently, the establishment of new regional levels of administration and the adoption of an Act on Support to the Regions (June 2000) has paved the way for regions to take on new regional economic development responsibilities. The Act provides a comprehensive legal basis for regional development and takes steps to incorporate basic principles of EU regional policy, eg programming, partnership and concentration. Regional policy is described as “a planning activity on the part of the state and regional and local bodies with the aim of contributing to balanced and harmonious development in the individual regions of the Czech Republic, reducing unjustified differences between the levels of development of different regions and improving regional economic structure”.³³

Responsibilities allocated to the kraj include: co-ordination of the development of the region; development, implementation and production of regional development programmes; co-operation with central state administrative authorities and co-ordinating the interests of municipalities in regional development matters whose significance extends beyond a single municipality. They take part in decision-making on the allocation of public funding to support regional development, for instance funding some regional development agencies. In addition to their role in state support of their own territories, the kraj have the right to provide targeted support to municipalities within their area. They are also responsible for the development and implementation of a Strategy for the Development of the Region. This document is prepared by the kraj’s Department for Regional Development, in line with the national Strategy for Regional Development, and sets out development priorities for the territory. The kraj are also to an extent involved in the development of the draft Regional Operational Programmes (ROPs) as part of their preparations for future Structural Funding. For the 2004-2006 period, the Joint Operational Programme will be used, but the kraj are hopeful that ROPs will be used in the subsequent programming periods.

Through these new institutional and programming frameworks, regions have emerged to play a more active role in steering economic development on their

³² Author Interviews, Svaz Prumyslu a Dopravy (Association of Industry and Transport), January 2003 and Charles University Prague, January 2003. Several of the national schemes on offer are criticised as too generalised and should be more focussed and targeted. For instance, SME support could focus on specific types of enterprise, eg those involved in the knowledge economy. In the past, small amounts of assistance have tended to be awarded to a number of projects in a number of municipalities at the expense of more targeted assistance in a single region. Even the National Strategy for Regional Development has been criticised as being so generalised that it covers everything and amounts to little more than a list of problems followed by a ‘wish list’ rather than a practical strategy document.

³² Author’s Interviews, Svaz Prumyslu a Doprava (Association of Industry and Transport), January 2003

³³ Ministersvo Místní Rozvoj, (2001) op cit. p.86

own territories as part of a more integrated approach to regional policy-making in the country. Generally speaking, the reform measures outlined so far have also moved the Czech Republic closer to meeting EU requirements. However, additional measures were taken to meet specific requirements for the implementation of Structural Funds. As noted earlier, the Act on Support to the Regions made provision for eight cohesion regions, corresponding to the NUTS II level, and related institutions for the coordination and implementation of EU funding for economic and social cohesion.³⁴ Regional Councils were established to fulfil the role of a regional managing authority.³⁵ The Councils are made up of ten representatives from each regional parliament within the particular NUTS II region. In practice, this means that the Councils generally vary in size from ten to 30 people. However, in NUTS II regions corresponding to kraj boundaries, the regional parliament performs this function. Regional Development Committees, whose members include, representatives of municipalities, administrative authorities, entrepreneurs, labour unions, and Non Government Organisations (NGOs) fulfil regional monitoring functions.³⁶

Other regional actors are also affected by the reforms, shifts in competence and provisions for EU funds. Regional branches of the Centre for Regional Development are now in operation. The CRR is currently responsible for project implementation of the majority of EU-funded projects at the regional level. In the future, CRR branches will act as the Structural Fund implementation agencies at the regional level. They are expected to work closely with partners in the region. However, the independence of the CRR branches from municipalities, RDAs, kraj and associated local political pressures is seen as crucial by the national government.

The precise role of RDAs is not covered by the Act on Support to the Regions. However, their role and status has evolved, to varying extents, from lone actors in the field to operating within complex frameworks alongside a wide range of actors - coordination committees, national government and the Centre for Regional Development and local and regional authorities and with organisations representing both business and NGO sectors. A number of RDAs have also gained extensive experience of involvement with EU programmes. In designated Structural Fund pilot regions and Euroregions, local RDAs have acted as regional executive units for the programmes.³⁷ Based on this experience, RDAs were seen as likely to benefit from EU cohesion policy by acting as regional implementation agencies for Structural Fund programmes.³⁸ However, it is now envisaged that the future role of the RDAs in relation to the Structural Funds is to be 'project developers'/'service

³⁴ Ministersvo Místní Rozvoj (2001) op cit.

³⁵ They are expected to have a role in the appraisal and selection of projects, the production and implementation of future programmes co-financed by EU funds, decisions on funding for individual measures and implementing monitoring and review measures. The Regional Councils fulfil the role delegated to them by the MMR. They have to comply with the regulations and decrees set down by the MMR. The Ministry can also monitor and over-ride the decisions of the Regional Councils and therefore the influence of the state is still strong. The work of the Councils will be supported by permanent secretariats, which are currently being established.

³⁶ The foci of their activities are monitoring the implementation of the programmes, the application of national criteria and principles during the process of approval of support projects, and the monitoring of compliance with EU procedures and directives. Regional Councils are responsible for establishing the Committees and appoint its members

³⁷ Author Interview, Ministersvo Místní Rozvoj, February 2003

³⁸ Blažek J (1999) op. cit.

centre' for beneficiaries', eg working with municipalities to develop their project applications.³⁹

In general, the reforms have generated a number of positive outcomes. A wide range of responsibilities is set out for the new regional administrations. According to the National Strategy for Regional Development, the kraj are "the basic building blocks for the formulation and implementation of regional development measures in the Czech Republic".⁴⁰ The regional level is taking a more active role in regional development, through regional development programming. New organisational networks are active in the regional development field. Experience of EU structural-type funding is being developed at the regional level. However, these new institutional arrangements have several weaknesses.

First, the establishment of kraj, after a prolonged period of inaction, and the varying requirements of EU and national regional development programmes has caused a level of ambiguity, confusion and rivalry amongst the principal actors involved in regional development policy. Prior to the establishment of planning and self-governing regions, efforts were made to co-ordinate activities at the regional level through Regional Development Agencies. The Social Democratic Government (1997) also founded an office of the Ministry for Regional Development in two regions – Moravia-Silesia and North-West Bohemia - to undertake a similar regional co-ordination role. Subsequently, responsibilities allocated to the kraj and cohesion regions have overlapped with the activities of existing organisations. A number of examples highlight this problem.

- The role of the regional office of the MMR has been overtaken by the kraj's office for regional development.
- The Centre for Regional Development, based in Prague, was initially supposed to act almost as developer and manager of regional networks of institutions involved in EU programmes. In practice, this now conflicts with kraj representatives' perception of their role.⁴¹
- The RDAs anticipated continuing their role as implementing agency for pre-accession aid and, in the future, Structural Fund programmes. Instead, central government took the decision to set up a new regional office of the Centre for Regional Development – a decision viewed by many as an attempt to establish another arm of the central state in the regions.

Second, at the outset, transfer of competencies to the kraj has been slow and has met with resistance from central state authorities. While, the kraj have an involvement in regional policy, it should be stressed that there are strong variations in the role and involvement of the kraj according to the requirements of specific policy instruments. For instance, the kraj have very little control over regional support for SMEs, which is largely directed by the state via the Ministry for Trade and Industry. In other cases, regions can influence regional policy within the region, but there is limited opportunity to

³⁹ Author's Interview, Centre for Regional Development of the Czech Republic, CRR ČR, Prague January 2003.

⁴⁰ Ministersvo Místní Rozvoj, MMR ČR, (2001) *Strategy for Regional Development of the Czech Republic*

⁴¹ Author Interview Ministersvo Místní Rozvoj MMR, January 2003, and Moravia-Silesia Kraj Department for Regional Development, Ostrava March 2003

influence policy at the national level.⁴² Uncertainties over competencies have persisted in the lead up to the implementation of Structural Funds. In particular, the dual system of NUTS III and NUTS II regions has led to problems between regional actors. The establishment of formal structures at both NUTS levels has “not necessarily led to a ‘happy marriage’.”⁴³ In some NUTS II regions made up of more than one kraj, consensus has proved difficult to achieve. For instance, resource allocation and even the location of regional secretariats have proved to be highly divisive issues between kraj representatives aiming to protect their regions interests. So, ironically, cohesion within a number of the cohesion regions has been difficult to achieve. Additionally, the kraj’s regional development function is, to an extent, undermined by the fact that EU programmes and funding relates to NUTS II, not NUTS III regions. Questions can be raised about how the non-governmental and non-administrative cohesion regions will relate to, and interact with, the kraj when they become the focus of regional policy and the utilisation of European Structural Funds.⁴⁴

Third, the impact of regionalisation and regional mobilisation is variable across regions, particularly in terms of the relative strength of institutions and frameworks across regions. This means that some regions, eg those with support from the Phare programme, are in a better position than NDAs. Some RDAs have already established themselves as key actors in regional development. However, the activities of some have been undermined by lack of resources, the lack of experience and qualification of the staff, and perceived lack of ‘prestige’ among other local and regional actors. For example, the position of the RDA based in Ostrava, in Moravia-Silesia, is strengthened by the backing it receives from the self-governing authority of the large city dominating the whole region, and by the role it has played in aspects of the Phare programme. On the other hand, the position of the RDA in Most, North Bohemia, is much weaker, partly because of the competition from several cities of approximately equal size and its limited involvement in the administration of Phare projects.⁴⁵ One RDA, Jizni Hradec, has even been forced into liquidation.⁴⁶

Fourthly and finally, institutional weaknesses and complexities have contributed to lack of co-ordination in regional development activities. A common complaint from actors in the regions is that there is now no shortage of ideas and initiatives, but what is missing is co-ordinated action between regional organisations, such as the Regional Development Department of the kraj, RDA, municipalities and local business associations. In many respects the former problem of a lack of institutions at the regional level has been replaced by a condition of institutional overload. At least on paper, there are supposed to be numerous organisations delivering a wide variety of services and meeting a wide range of requirements. However, many of these are newly formed and are trying to operate in a fluid institutional environment. Functions are still being clarified, resource allocations are uncertain or seen as insufficient, there remains a high level uncertainty on the ground about their respective responsibilities,⁴⁷ and their positions within institutional frameworks are still being established. All of this contributes to institutional

⁴² Author Interview, Ministersvo Místní Rozvoj MMR, January 2003

⁴³ Author Interview, Charles University, January 2003

⁴⁴ Illner, M. (2002) op. cit. p. 3

⁴⁵ Blažek, J. (1999) op. cit.

⁴⁶ Author Interview, Centre for Regional Development, Prague, February 2003

⁴⁷ Twinning Report (2002) Review of Preparedness of the Regions, Report No. No. 47

'weakness' and persistent uncertainties. Moreover, there is a danger that in certain regions, rather than stimulating the emergence of new pro-development networks, the creation of new regional units of self-government has complicated the operation of networks that were already in operation. As noted above, some regions (eg those such as Moravia-Silesia which are dominated by heavy industry) have been the subject of initiatives designed to develop regional capacity from the early 1990s. Existing networks of RDAs, Chambers of Commerce, trade unions etc. may find it difficult to adjust to the new institutional system, with the self-governing units as prominent but still unsettled actors on the regional stage.

3.3 Decentralisation/partnership

The recent reforms stress a new, multi-level, partnership-driven approach to regional development policy. This is in keeping with the 'partnership' principle, referred to in the EU *acquis*, which stipulates that regional development programmes be prepared and funds administered in close cooperation between Commission, national and subnational levels, as well as other regional actors.

As we have seen, the majority of regional-level strategies and programmes which feed into the National Development Plan are prepared in regional self-government offices. This has involved consultation between national and regional partners from government, business, societal and academic circles over the measures and priorities set. According to the National Development Plan itself, "Since the beginning of preparation of the NDP the Ministry for Regional Development has pursued the widest possible consultation process and the involvement of the maximum possible number of partners."⁴⁸ Recent reforms have thus added value by bringing together previously disconnected, isolated institutions and actors (RDAs, business associations, civil society etc.) for the programming consultation and steering process.

At the regional level, according to official documentation, recent reforms have added value to regional policy as they encourage dialogue and partnerships with regional interests. Particularly due to the influence of the EU and the 'partnership principle', NGO and public participation is, to an extent, being incorporated into regional development planning and policy. For example, after a national campaign for increased NGO recognition, it became a requirement for one local NGO representative to be a full member (or at least an observer) on Regional Monitoring and Management Committees (the predecessor to Regional Councils and Regional Development Committees) responsible for developing ROPs. NGO representatives were also represented on ROP work groups and in public hearings.⁴⁹ The Regional Development Committees, established to fulfil a regional monitoring role for future Structural Funds, draw together members from municipalities, business, and NGOs. The kraj had the opportunity to participate in consultation with the national government in the content of the National Development Plan. A number of public conferences and meetings were organised by the Ministry for Regional Development to meet the requirements of the 'partnership principle'. As already noted, inputs from regional interests

⁴⁸ Ministersvo Místní Rozvoj ČR (2002) op. cit. p. 13

⁴⁹ Pelcl P Farkas I Handerek P *Public Participation in Regional Development in Central Europe* http://www.ecp.wroc.pl.podrecznik/roz3_en.html

into development strategies are driven to a great extent by formal programming requirements, such as the EU partnership principle. However, regional organisations have come together in a number of cases to develop their own actions, such as the Ostrava Investment Forum organised by an NGO - Union for the Development of the Moravia-Silesia Region.

These types of activity can be interpreted as contributing to what 'new regionalist' theorists term 'institutional thickness', understood as the number of organisations sharing the same goal of regional economic development and interacting for its achievement.⁵⁰ However, beyond these cases, meaningful partnerships and frameworks of co-operation are still relatively weak. While the partnership principle is applied in its most formal sense, according to the 2002 EC Progress Report: "increased efforts are needed to develop the appropriate channels of communication to enable local authorities, social and economic partners (including bodies representing employment, environment and equal opportunities at national, regional and local levels) to be directly and more visibly involved in formal consultation processes".⁵¹

In practice, boosting the role of the region and regional-level institutions as a partner of the centre in steering regional development has proved difficult. It must be borne in mind that the process of creating new institutional arrangements has been extremely rapid. These new regional units are still attempting to build up their capacities and have yet to become embedded. Given its historical context, redefining the region as a unit of political representation, economic power and cultural significance will take time. Further, obstacles to regions advancing their position persist. A major constraint is the low level of public interest, involvement and even awareness of the regional level. Voter turnout in the first regional elections was particularly low, 33.6 percent compared to 74 percent in the 1998 national elections.⁵² The Czech Republic does not have a history of strong, cohesive regions. At the sub-national level, municipalities have a longer tradition, and in their current form, have had over a decade to foster closer links with citizens, while the regional tier is just embarking on this process. As new administrative areas with limited historical roots, most regions are not anchored in the popular mind, and a feeling of regional identity has yet to develop.⁵³ Meanwhile, lack of experience, both on the part of the kraj and the electorate,⁵⁴ have contributed to an impression expressed by a number of central authorities that the regions have "just sat there and waited to be told what to do".⁵⁵ To an extent the regional administrative boundaries set by national government have also hampered the capacity of regional government to build ties with social and economic actors in the region. The delineation of the regions is generally based on geographic and political criteria. Previous territorial breakdowns were not generally followed, with the exception of

⁵⁰ Amin A. (1999) An Institutional Perspective on Regional Economic Development, *International Journal of Urban and Regional Research*, 23 (2) pp. 365-378 and Lorentzen A. (2001) *Institution Building in Regional Development, Business Development and Innovation in Poland After 1989*, Regional Studies Association Conference, Gdańsk, September 2001.

⁵¹ CEC (2002) *European Commission Regular Report on the Czech Republic's Progress to Accession*, European Commission, Brussels, p. 103.

⁵² Marek and Baun (2002) op. cit.

⁵³ Pelcl P Farkas I Handerek P Public Participation in Regional Development in Central Europe http://www.ecp.wroc.pl.podrecznik/roz3_en.html

⁵⁴ Author Interview, Moravia-Silesia, Kraj Department of Regional Development, Ostrava March 2003

⁵⁵ Author Interview, Ministersvo Místní Rozvoj ČR, January 2003, 29.01.03, JJ

Prague and Central Bohemia. For instance, current regional boundaries cut across the historical line separating Moravia and Bohemia.

Another obstacle is the continued centralisation of public finances. The kraj were quickly awarded a range of competencies, including education, social welfare, land planning. However, they were not allocated the financial resources to meet these responsibilities. Kraj are dependent on funding allocated to them by central government, though this process is under review. In contrast, tax reform means that municipalities can raise and disburse funds putting them in a stronger financial position especially in terms of co-financing initiatives.⁵⁶ According to regional officials, financial constraints can render programmes, like the Strategy for the Development of the Region, useless. Without the resources to act on the proposals the Strategy acts as little more than a 'wish list'.⁵⁷ Looking to the future, a key source of concern relates to the financial resources and co-financing responsibilities of the kraj. A problem identified in a recent 'Review of the Readiness of the Region for Structural Funding' was that the "regions were not clear on their own budget, which is fixed yearly by the budget act, as to how much co-financing for Structural Funds they would be allocated".⁵⁸ The late decision of the government to adopt a Joint Regional Operational Programme (JROP) for future Structural Funding, as opposed to eight single Regional OPs, has only added confusion over the issue. In particular, concerns are being raised over the limited financial resources and responsibilities of the kraj and how it will affect the regions' ability to provide match funding to EU Funds. The newly published JROP sets out a financial framework, which details the proposed distribution of funds to the regions and levels of funding from public sources (see Table 3-2 and Table 3-3). As Table 3-3 demonstrates, co-financing is expected to come from State, regional and municipal sources. However, concern remains over the extent to which regions will be able to meet these targets especially as in comparison with the kraj, municipalities and cities have more economic strength to provide match funding and steer economic development. The issue of regional government finance is currently under debate in the Czech parliament. It is hoped by the regions, that the outcome will improve the financial position of the kraj.

Table 3-2: JROP - Proposed percentage and actual distribution of funds to the individual Cohesion Regions, 2004-2006 (in EUR mil.)

Cohesion Region	% share of the region	SF funding	CR public sources	Public funds SF+ CR
Central Bohemia	12,8	70,1	24,2	94,3
Southwest	12,4	68,0	23,4	91,4
Northwest	16,6	90,9	31,3	122,2
Northeast	13,1	71,8	24,7	96,5
Southeast	14,5	79,5	27,4	106,9
Central Moravia	14,3	78,4	27,0	105,4
Moravia-Silesia	16,3	89,3	30,8	120,1
JROP total	100	548	188,8	736,8

⁵⁶ Author Interview, Charles University January 2003 and Moravia-Silesia, Kraj Department of Regional Development, Ostrava March 2003

⁵⁷ Author Interview, Charles University January 2003 and Moravia-Silesia, Kraj Department of Regional Development, Ostrava March 2003

⁵⁸ Twinning Report (2002) op. cit.

Source: *Ministersvo Místní Rozvoj ČR (2002) Draft Joint Regional Operational Programme of the Czech Republic MMR: Praha*

Table 3-3: JROP - Proposed State, Regional and Municipal Co-financing Commitments by Priority 2004-2006 (in EUR mil.)⁵⁹

Priority of the JROP	CR public sources total 2004-2006	Out of that:			
		State budget	Budgets of Regions	Budgets of municipalities	Other (state funds)
Priority 1	34,3	16,0	11,0	7,3	-
Priority 2	50,6	3,0	5,6	20,0	22,0
Priority 3	34,1	8,0	12,5	13,6	-
Priority 4	23,4	1,2	-	11,2	11,0
Priority 5	25,3	10,0	5,3	10,0	-
Priority 6	18,3	6,0	7,5	4,8	-
Technical assistance	2,8	2,8	-	-	-
TOTAL JROP	188,8	47,0	41,9	66,9	33,0

Source: *Ministersvo Místní Rozvoj ČR (2002) Draft Joint Regional Operational Programme of the Czech Republic MMR: Praha*

More generally, the value of regional input into national-level regional policy is reduced by the fact that the eight Regional Operational Programmes, originating from regions with diverse socio-economic profiles and requirements, are subsequently integrated into one, common document. Initially, regional representatives had unanimously refused the model of a single JROP, fearing re-centralisation to the state and that a highly decentralised system for the development, management and implementation of the proposed ROPs had been agreed. Ultimately, pressure from the European Commission to reduce the number of proposed OPs resulted in the hurried development of a JROP.⁶⁰ This document is supposed to be representative of all the ROPs, and consultation procedures with the regions were undertaken.⁶¹ Yet the contribution of the consultations can be questioned. For some participants the object of the 'consultation' exercise seemed to be merely to convince the regions to accept the JROP.⁶² Others

⁵⁹ "In the case of public sources, the starting point is that they will be provided for the JROP from the state budget (exclusively the budget chapter of the MRD) as well as from the sources of municipalities and regions, and partly also from two state funds – the State Fund of Transport Infrastructure (co-financing of the measure 2.1) and the State Environmental Fund of the CR (co-financing of the measures 4.1, 4.2 and 4.3).

⁶⁰ "On 23 January 2002 the Czech government adopted resolution no. 102 to finish the preparation of programming documents and to determine the managing and paying authorities for using Structural Funds and the Cohesion Fund of the European Union. In this government resolution the Ministry for Regional Development was appointed as the JROP managing authority; the Ministry of Finance was entrusted with the function of the JROP paying authority. At the same time it was decided to delegate the competences related to implementation of projects to the Regions (kraj) (or the regional councils) and to ensure their share in managing the whole programme" *Ministersvo Místní Rozvoj (2002) op. cit., p. 7*

⁶¹ Author interview, Ministersvo Místní Rozvoj January 2003

⁶² Author interview, Agency for Regional Development, Ostrava, March 2003

felt that there was a complete lack of communication on the subject.⁶³ Regional self-governments hope and believe that their increasing knowledge and experience of dealing with EU funds will mean that by the time the next programming period comes around there will be separate ROPs.

In this situation, the role of regional self-governments in developing more detailed, 'region-specific' programmes and specifying detailed criteria for the selection of appropriate regional development projects will be boosted. However, doubts persist over the extent to which national government and the European Commission will encourage further regionalisation. Recent events have led to the impression that "while promoting the norms of regional self-governance and decentralisation, the EU also emphasises the speedy completion of accession preparations and the efficient use of EU resources, thus creating incentives for centralisation and strengthening national government authorities *vis-à-vis* regional actors and interests".⁶⁴

The EU policy model and, in particular, the use of the pre-accession instruments have promoted decentralisation and the increased allocation of responsibilities to sub-national actors. The European Commission has encouraged the country to prepare for regional programming, but then has been criticised for not following through with the allocation of responsibilities, leading to what has been described as a 'strange duality' of institutions. Further, frustration and disillusionment have been engendered as actors gain knowledge but not experience, and show commitment but are not rewarded with responsibility ('learning to swim without water').⁶⁵ As a result, suspicion remains that Prague and the Commission might decide to maintain the centralised system with an integrated JROP because it has worked thus far – this would dilute the specific priorities of individual regions and undermine the political importance of the regional self-government units.

4. CONCLUSION

From the position a few years ago, when the institutional arrangements for regional development in the Czech Republic were non-existent or ad hoc, the institutional infrastructure for regional development is now developing at an accelerated rate in order to meet the demands of national and EU regional policies. The level of progress is such that the European Commission at its regular meeting (16 July 2003), praised the country's preparations for the management of Structural Funds, post 2004.⁶⁶ The reform process is characterised by a series of significant advances involving: the development of new institutional frameworks supporting a more coherent, co-ordinated policy approach; increased decentralisation and regionalisation of structures and responsibilities; and new approaches to the development and implementation of policy.

A wide range of new legislation, policy concepts and institutions has emerged. The establishment of 14 kraj and eight cohesion regions has added a new level of institutions and linkages to the networks involved in regional policy.

⁶³ Author interviews, Ministersvo Místní Rozvoj ČR, January 2003 and Agency for Regional Development, Ostrava, March 2003

⁶⁴ Marek and Baun 2002 op. cit. p. 896

⁶⁵ Bachtler J, Downes R, McMaster I, Raines P, Taylor S (2002) The Transfer of EU Regional Policy to the Countries of Central and Eastern Europe: Can One Size Fit All? Report to the UK Economic and Social Research Council

⁶⁶ <http://europa.eu.int/comm/enlargement/docs/newsletter/weekly220703.htm#A>

The Act on Support to the Regions (June 2000) paved the way for the new regions to take responsibility for their own territorial development and the regional level implementation of the regional policy. Accompanying reform, there is recognition of the multi-sectoral, multi-organisational and multi-level nature of regional policy development and delivery. According to Prof. Jaromir Cisar, Minister for Regional Development 1999:

“The government of the Czech Republic is aware that an efficient regional policy cannot be understood as a single-resort matter. Therefore, the representatives of this policy try to maintain a broad dialogue with all the organisations and subjects influencing the development of each region. It does not concern only the dialogue between state administration and self-government bodies, but also the open approach to the all the other activities, the objectives of which comply with the governments efforts to create conditions for a harmonious development of the whole Czech Republic.”⁶⁷

There are a number of positive examples of the development of new co-operative networks and partnerships. For example, the MMR prepared consultation processes and public involvement in the preparation of programming documents and a series of working seminars, “which were given not only for partners involved in the preparation of the programming documents, but especially for other relevant economic and social partners, non state not for profit organisations and for the wider public”.⁶⁸ At the regional level, Regional Development Committees are made up of representatives selected from a wide range of organisations with a role in economic development, and organisations within regions have come together to establish Regional Development Agencies. The influence of the EU can be closely linked to the more coherent and co-operative approaches to regional policy which are now being adopted. The Strategy for Regional Development, regional development plans and in particular the National Development Plan are all aiming towards a more solid practical basis for integrated regional development processes, linked to EU programmes. Programming and partnership requirements are also strongly linked to the EU funds.

Without doubt, the profile of regional policy has increased, regional policy strategies and instruments have become more refined and the institutional infrastructure for policy development and delivery has developed. Yet, the innate complexity of regional policy, limited experience of market-oriented regional policy and the ‘newness’ of regional policy approaches and institutions mean that there are still considerable weaknesses and problems in the system.

Regional policy encompasses a wide range of actions, eg promotion of business investment, physical infrastructure development, skills development, environmental actions, etc. It can be interpreted or practised as micro-economic initiatives (eg investment incentives) or macro economic actions (eg stabilisers) or approaches to governance (eg policy co-ordination, devolution) and it can involve every level of government.⁶⁹ Consequently, the boundaries of ‘regional development policy’ as a distinct and separate area of policy can

⁶⁷ Prof. Ing. Jaromir Cisar, CSc. Minister for Regional Development April 22 1999, 11:35 http://www.mmr.cz/index_en.html

⁶⁸ <http://www.mmr.cz>

⁶⁹ Bachtler J (2001) *Where Is Regional Policy Going? Changing Concepts of Regional Policy*, EPRC Discussion Paper, University of Strathclyde, October 2001. p. 19

be difficult to define.⁷⁰ Increasingly the issues of potential overlap between regional policy and sectoral policies and inter-ministerial co-ordination and co-operation have to be taken into account. One of the primary roles set out for the MMR was to co-ordinate the activities of other ministries and central organisations in the implementation of national regional policy. Yet, the extent to which it was able to fulfil this role can be called into question. Relations between the national and sub-national levels of governance have proved problematic, eg over the development of a Joint Regional Operational Programme. Even partnership and co-ordination within regions has been difficult to achieve. The numerous committees, authorities and agencies involved at each level of governance and the large number of sectoral ministries whose activities can be linked to regional development policy testifies to the particular complexity of fulfilling this role.

In particular, the limited and late development of the role of regional governments has restricted and confused the role of regional level institutions in the development and implementation of regional policy. The transfer of competencies to the kraj has been slow and has met with resistance from central state authorities. The kraj are still commonly viewed as weak, both institutionally and financially. Uncertainties over competencies are particularly pronounced in the lead-up to the implementation of Structural Funds. A key source of concern relates to the financial resources and responsibilities of the kraj. A problem identified in a recent 'Review of the Preparedness of the Regions for Structural Funding' was that the "regions were not clear on their own budget, which is fixed yearly by the Budget Act, as to how much co-financing for Structural Funds they would be allocated."⁷¹ The late decision of the government to adopt a JROP, as opposed to eight single ROPs, has only added to the confusion.

Uncertainties have been heightened by the rapidly changing and complex institutional structures involved in regional policy and involved in EU programmes in particular. Involvement in national and EU pre-accession aid programmes led to a proliferation of institutions for their delivery. Meanwhile, institutional reform and preparation for the implementation of Structural Funds have added an additional layer of complexity. For instance, the establishment of formal structures at both the NUTS II and NUTS III levels has been problematic. In some NUTS II regions, made up of more than one kraj, consensus is difficult to achieve. Allegiances and alliances are still linked to the kraj, while the majority of the NUTS II regions are viewed as 'empty envelopes', with no real meaning or identity. Further, without Structural Funds, their role to date is extremely limited. Related organisations have experienced similar difficulties as a result of ongoing institutional change and shifting responsibilities. Perceived incompatibilities in activities and overlapping roles have been particular problems. For example, the CRR was initially supposed to act almost as developers and managers of regional networks of institutions involved in EU programmes. In practice, this conflicted with kraj representatives' perception of their role.⁷² The establishment of CRR regional branches was viewed by some as an infringement on the role of RDAs and an attempt to establish another arm of the central state in the regions. Solid, clear-cut institutional frameworks are not yet in place. The relative position of institutions within networks and their areas of competence

⁷⁰ Bachtler J (2001) op. cit. p. 19

⁷¹ Twining Report (2002) op cit.

⁷² Author interview, Charles University Prague January 2003.

are still being established. Change for some institutions has implied new roles, responsibilities and relations. At the same time, in some cases, reforms undermined or complicated the operation of existing pre-development networks. From the point of view of end beneficiaries, complexities arising from institutional overlap are compounded by the existence of an array of different assisted regions and support programmes. As already mentioned, the wide array of assistance is a marked change from the situation in the early 1990s. The type of situation outlined has also been criticised. For example, the existence of too many small grants coming from too many sources each with their own complex procedures and processes for potential beneficiaries (and for those managing the schemes) to grapple with.⁷³

Recent reforms have placed a new emphasis on regional policy and regional involvement in the country. New, more integrated institutional frameworks are in place at national and regional levels. Yet, strong elements of long-standing, centralised approaches to the policy process remain, coupled with uncertainties over the new institutional arrangements. The outcome is a high level of fragmentation, lack of communication and co-ordination. As a result, the extent to which new, robust institutional networks are now in place and the level of involvement of the regional level must be called into question. Nevertheless, many of the problems identified are symptoms of the fact that many of the structures involved in the development and delivery of regional policy are new, and the networks they operate within are not well established. Looking to the future, it will be interesting to see whether the regions can rapidly develop experience and so justify a more powerful role steering economic development. In the short term, a centralised approach to activities such as the management of Structural Funds is probably the sensible option – given the relative inexperience of the regions. If regions were given greater responsibility for the development and implementation of programmes and serious problems arose, it could easily discredit regional institutions and undermine the progress made to date. Equally, there is a danger of the power of the central state becoming embedded further. Regional-level institutions could be left with little opportunity to develop their capacity, and any enthusiasm for the process at the regional level could be lost.

⁷³ Author interview, Centre for Regional Development of the Czech Republic, January 2003 and Svaz Průmyslu a Dopravy, Prague, January 2003.

**Annex 1:
Institutional
Overview (2003)**

