

REGIONAL POLICY IN THE CZECH REPUBLIC

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Main trends and problems of regional development in the Czech Republic

Since 1990, the development of the individual regions has shown differing dynamics due to the transformation of the Czech economy into a standard market economy and depending on different starting conditions. Problems have arisen especially in areas with an above-average proportion of uncompetitive and ineffective productions, which were attenuated with impacts on the loss of economic dynamics, on the standard of living and on the employment rate within the region.

The level of economic development of the individual regions and their problems can be assessed in terms of selected indices characterizing especially the labour market, the employment rate, the standard of living, the state of the infrastructure etc.

In the sphere of the labour market, most sectors of the national economy have experienced a drop both in the production and in the employment rate due to economic changes; jobs have been reduced in connection with over employment and the attenuation of ineffective productions. The drop of the employment rate in industry has concentrated primarily in coal-mining, metallurgy, engineering and also in consumption industries (especially the textile industry) with adverse impacts felt in regions with the concentration of these productions. The highest decrease in the employment rate has been marked in regions of North-West Bohemia, Northern Moravia and the Kladno region. The drop in the employment rate was projected markedly in agriculture, especially as a consequence of the implemented transformation and privatisation but also due to the restriction of agricultural production as a consequence of balancing of the supply with the demand of the population. A number of released workers from industries and also from agriculture have gradually found new jobs in the tertiary sector, which was significantly under dimensioned before 1990.

Gradually implemented transformation changes have had direct impact on the unemployment rate. Although it did not exceed 3.5% in the period prior to

1996 and thus it has shown very high levels in comparison with other countries, this level is exceeded significantly in some districts of the Czech Republic.

The problem of high unemployment is concentrated primarily in a larger number of districts in Northern Bohemia and it still persists in some regions of Northern Moravia. Regional differences have increased again lately – after a certain improvement in the 1994–1995 period; this is ... in the evaluation of the unemployment level; see the following overview for the ten “best and worst” districts in the Czech Republic.

Table 1.

Unemployment rates of the less favoured and the most favoured ten districts, 1992–1997, %

District category	1992	1993	1994	1995	1996	1997
	December					
Average unemployment rate in the ten “worst” districts (in %)	5.34	7.36	6.37	6.24	7.28	10.24
Average unemployment rate in the ten “best” districts, including Prague (in %)	0.87	1.20	1.02	0.92	1.16	2.09
Difference between the averages of the ten “best and worst” districts	4.47	6.16	5.35	5.32	6.12	8.15

In the course of 1997, there was a further gradual increase in the unemployment rate due to deepening problems in the decisive industries and in agriculture. As at 31 December 1997, it reached 12.4% in the Most district, 12.1% in the Chomutov district, it exceeded 10% in the districts of Louny, Teplice and Karviná and it exceeded 9% in the districts of Kladno, Děčín, Znojmo, Jeseník and Přerov, with a tendency of further gradual growth.

The problems of unemployment have concentrated in selected micro regions in some districts (the hinterland areas of authorized local authorities); these included e.g. the micro regions of Frýdlant and Nové Město pod Smrkem (district Liberec), Vranov nad Dyjí and Hrušovany (Znojmo), Moravská Třebová (Svitavy) or Vítkov (Opava).

In the sphere of the standard of living, average wages are an important indicator for evaluation. The highest level of average wages is reached in the capital, Prague, and in its immediate surroundings. A high level is maintained in some districts with the dominance of coal mining and heavy industries (Ostrava, Most, Karviná, Sokolov), districts with significant engineering productions (Mladá Boleslav, Plzeň) and others. The lowest relations are reached in districts with a stronger representation of agriculture, consumption industries and other productions with a lower wage level (Bruntál, Znojmo, Svitavy, Blansko, Vyškov, Chrudim, Semily, Šumperk, Náchod, Pelhřimov etc.).

Comparatively high regional differences are also reached in the level of income from taxation for local budgets calculated per head (see the attached map), which was significantly the best in the capital, Prague, where it reaches more than double values in comparison with the average for the Czech Republic. Big cities follow at a considerable distance, in the following sequence: Brno, Plzeň, Ostrava, and then the districts of Hradec Králové, Mělník, Mladá Boleslav, České Budějovice, Mělník and others. On the contrary, the lowest income from taxation is reached in districts which form the background to big cities (Brno-country, Plzeň-north, Plzeň-south) and, further, in the districts of Jeseník, Třebíč, Nový Jičín, Blansko, Bruntál, which reach less than 65% of the average for the Czech Republic (for instance, the district of Brno-country reaches only 45% and the district of Jeseník reaches only 55% of the average level of the Czech Republic).

Regional differences have been influenced especially by the following factors since 1990:

a) A significant drop in the production and employment in heavy industries (coal-mining, metallurgy, heavy engineering, chemical industry etc.) which have dominated and still remain as the main industries in the economic structure of Northern Moravia and North-West Bohemia. Some micro regions experience a negative impact of the decline of the textile industry and electrical engineering, with serious impacts on their employment rate (Frydlant region, some regions in Eastern Bohemia, Rožnov p. R. and others).

In the coal-mining industry, there has been a gradual decrease in the mining of both black coal (a drop from 20 million tons to around 17 million tons, i.e. to around 85% in the 1991–1995 period) and brown coal, including lignite (a drop from 72.5 million tons to 55 million tons, i.e. a decrease to around 75% in comparison with 1991). As a consequence of this, there has been a significant drop in the number of workers from 128,000 to 70,000 workers, i.e. a drop of about 45%, which has been reflected with a higher intensity in the Ostrava-Karviná District (a drop from 77,000 workers to 32,000 workers, i.e. a decrease of about 60%), whereas the number of workers in the North-Bohemian Brown Coal District has dropped by 7,000 workers, i.e. by about 25%. The gradual decreasing in the volume of mining and in the numbers of workers will still continue in the following years. The extent will depend on the adoption of aims stated in the draft power policy of the Czech Republic, which concerns a further restructuring of the coal-mining industry, an updating of the attenuation of coal-mining, the assessment of territorial environmental limits for coal-mining etc.

The metallurgy of iron, secured by enterprises located especially in Northern Moravia (Vítkovice, Třinecké železárny, Nová Huť, Válcovny plechu Frýdek-Místek, Železárny a drátovny Bohumín), in Northern Bohemia (Válcovny trub

– DIOSS Chomutov, Železářny Chomutov) and in Kladno (Poldi Steel), experienced a drop of about 30% in the production (a drop in the production of pig iron from 10 million tons in 1989 to 7 million tons in 1992) accompanied by reductions in the number of workers. However, the situation of the enterprises stabilized in the following years due to relatively favourable conditions for securing increased exports with the use of comparative advantages (lower prices of ores from the CIS, wage costs, an advantageous exchange rate). However, decreasing production volumes, including export volumes can be expected in these industries in the following period, accompanied by reductions in staff numbers due to decreased foreign demand, restructuring of the iron works and a modernization of technological equipment.

b) The reductions in the numbers of workers in agriculture, which were marked especially in mountainous and piedmont regions and in areas with a high relative representation of this sector in their economic structure. This trend has been reflected in a number of rural areas and lower funding resources for local budgets have also accompanied it.

The number of workers in primary agricultural production dropped in the course of the ongoing transformation accompanied by a decline in the volumes of agricultural production by almost 60% in the 1989–1995 period. Districts where this indicator reaches almost double values in comparison with the average for the Czech Republic include especially those in Western Bohemia (Plzeň-south, Plzeň-north, Domažlice, Klatovy, Tachov), Southern Bohemia (Pelhřimov, Písek, Strakonice), Eastern Bohemia (Havlíčkův Brod, Svitavy, Jičín, Rychnov n.K.) and in Southern Moravia (Znojmo, Žďár n.S., Třebíč).

The fundamental problems that remain in these regions are the completion of restitution and transformation processes, an unfavourable income situation of entrepreneurs especially in areas with less favourable conditions for farming, which does not make it possible for their production to become competitive. Moreover, the average wages are at a low level, about 15% lower than the national average (in addition, workers in agriculture show a significantly lower education level and a less favourable age structure).

In the interest of reducing regional differences and securing support for agricultural activities in areas with worse conditions for farming, use will continue to be made of support programmes concentrated on the restructuring of agricultural production and on the development of non-production functions (afforestation, grassing, support for the breeding of cattle in mountainous and piedmont regions), on the support of water systems and on the utilisation of other programmes, such as the renovation programme for rural areas and others.

c) The development of the tertiary sector, which concentrated with a higher intensity in big cities and in conurbations, with a view to more favourable conditions.

The share of this sector in the total employment rate within the national economy increased from around 40% in 1990 to more than 50% in 1994 and it keeps increasing. A very high share of employment is accounted for by the capital, Prague (over 70% in the structure of its employment), Brno, Plzeň and further in the districts of Cheb, České Budějovice, Karlovy Vary and others. On the other hand, lower proportions are reached by districts with rural areas (Plzeň-north, Chrudim, Náchod, Blansko, Žďár n.S. etc.).

d) The inequal development of private enterprises within the framework of the Czech Republic, especially in terms of small and medium-sized enterprises.

Since 1990, small and medium-sized enterprises have belonged to dynamically developing areas of the economy, and they have absorbed most of the workers released from ineffective productions,

In terms of the number of businesses, the most favourable situation is relatively in the capital, Prague, and in the adjoining Central Bohemian region, in Western Bohemia (the districts of Plzeň, Karlovy Vary, Cheb), in the conurbation in the districts of Liberec and Jablonec. The lowest level of small and medium-sized enterprises persists in the Ostrava conurbation (the district of Karviná reaches the worst proportions within the Czech Republic), in the coal-basin districts of Northern Bohemia and in other districts of a predominantly rural nature.

Further development of business activities in the above under dimensioned areas is also influenced by a lower level of business infrastructure, the education and qualification level of their population etc. which, together with persisting environmental problems and the bad image of some areas (especially of Northern Moravia and Northern Bohemia) discourage potential domestic and foreign investors.

Besides the need for a general improvement of conditions for entrepreneurs (the accessibility of capital, advisory, information and other services), it is necessary to concentrate on strengthening the role of regional support for small and medium-sized enterprises with stress on regions with economic problems.

e) Low inter-regional mobility of the workforce.

The migration of the population can become an important development factor, alongside with a decreasing level of the natural exchange of the population. However, as this migration is linked strongly to the possibilities of housing construction, the present unsatisfactory situation in housing construction makes it practically impossible for the workforce to move to localities with job opportunities;

Considering the limited possibilities of migration, there are certain changes in its orientation as the formerly preferred industrial regions are losing their attractiveness whereas the attractiveness of smaller locations in the vicinity of big cities and districts with an advantageous position, e. g. in connection with the permeability of state borders in the West Bohemian and South Bohemian border regions with a favourable state of the environment, keeps increasing.

Workforce mobility is limited by the worsening transportation service secured by means of mass personal transport, with bigger problems in districts with low population density, extensive peripheral areas and thus larger distances between communities.

f) The persisting unsatisfactory state of the environment, especially in areas with an unfavourable structure of the industrial base, with production highly demanding in terms of power and materials.

This entails high air pollution due to power plants, thermal power plants, industrial plants, large-scale landscape destruction as a consequence of surface and deep coal-mining, high production of solid household waste and especially of industrial waste, high emissions damaging the agricultural land and forests (the Krušné hory, the Krkonoše, the Jizerské hory, the Jeseníky, the Beskydy) and the pollution of surface and underground water.

The markedly worst values in the individual aspects of the environment are shown in areas of Northern Moravia, Northern Bohemia, the capital – Prague and in some other territories (the Sokolov region, the Kladno region), with the necessity of accelerated improvement with the aim of creating more favourable conditions for the economic and social development of the respective areas; some basic data on the state of the environment classified according to regions within the sphere of activities of the individual territorial departments of the Ministry of the Environment of the Czech Republic (including the capital, Prague) are given in tables in the appendix.

g) The existence of a number of area-technical specific features and problems, which have made the natural development of the respective areas more difficult; these are especially.

Conflicts between organisations securing the mining of lignite and the local authorities of the communities and the owners of property affected by mining in the Sokolov region and in the North Bohemian Lignite Basin with a large extent of devastated areas (extracted and unrecultivated areas, dumps, sludge deposit areas) which limit the development of business activities here.

The consequences of coal-mining in the Ostrava and Karviná regions where the destruction of the countryside, settlements and civil networks is caused by the sagging of the ground due to deep coal-mining (with significant impacts

especially in the Karviná region where this sagging of the ground endangers around 50% of the territory of the district).

Conflicts between interests of nature protection and the development of communities and business activities (the necessity of maintaining the water system, the landscape, the health, hygienic and other functions of the territory) in large protected territories (especially in the national parks of the Šumava mountains, the Krkonoše mountains, the Dyje region), protected landscape areas, protected areas with natural water accumulation, hygienic protection zones.

Regional policy in the Czech Republic

The material "Draft principles of government regional policy" was prepared on the basis of the plan of work of the government for the first half of 1998 and in pursuance of the Programme declaration of the government of 27 January 1998 which states that the Government "attributes considerable significance to the adoption of regional policy principles in accordance with the practice of EU policy".

The execution of state administration in the sphere of "regional policy" is not defined in our legal system in the form of a special act, it is only stated (without any closer explanation) in the so-called Competences Act. For this reason, the government must lay down the interpretation of the content of the execution of state administration in the sphere of regional policy. The government last discussed these issues in December 1992 when it adopted Resolution No. 759 on principles of the regional economic policy of the government on the basis of a proposal submitted by the Minister of Economy.

In accordance with these principles, regional policy measures in the Czech Republic (co-ordinated by the former Ministry of Economy) mostly concentrated only on increased support for small and medium-sized enterprises in what are called economic problem areas.

However, the regional policy defined in this way did not include the co-ordination of activities of other sectors having significant regional impacts (infrastructural and environmental investments, promotion of enterprise in agriculture, public services etc.) and regional or local authorities were not much involved in the solution of the problems. With the exception of support for enterprises, no system of programmed support for problem areas was created. The attitude of the state was characterized mostly by sectoral attitudes without any mutual links and there was no integrated regional approach to the issues. Such a conception of the regional policy is not in accordance with the amended Competences Act No. 272/1996 Sb., which assigned to the Ministry for Local

Development a coordinating role in securing the regional policy of the state, including the management of funds (Article 14, paragraph 2 of the Act).

The conception of the existing regional policy is not in accordance with regional policy principles practiced in EU countries and by the EU, either. For this reason, the European commission states in its opinion on the application of the Czech Republic for membership in the European Union (July 1997) that:

- The Czech Republic has no regional policy;
- Initiatives aimed at regional development are implemented through several national approaches while there is no independent regional development policy;
- The Ministry for Local Development must prepare the corresponding co-ordination mechanisms at the national level;
- It will be necessary to create effective tools and to strengthen existing funds earmarked for regional development;
- The Czech Republic is still waiting for the introduction of a legal, administrative and budgetary framework of an integrated regional policy and for ensuring that these rules are in accordance with those applied within the EU.

Principles of the new political document on regional policy

For reasons enumerated above and on the basis of approaches to regional policy in the countries of the European Union (Annex No. 1), analyses and trends in the present-day regional development, including the evaluation of regional policy measures adopted hitherto in the Czech Republic (Annexes No. 2 and No. 3), it is proposed to the Government that it should express its consent with the new regional policy principles (part III of the material, paragraph I of the draft resolution of the Government) and subsequently abolish the existing principles, adopted by Resolution No. 759/92 (paragraph IV of the draft resolution). The aim of submitting the Principles of regional policy is to unify government opinion on general rules governing the implementation of regional policy in the Czech Republic, including the role of co-ordination between ministries and the management of funds and to bring this part of state administration closer to the practice in the EU.

This general orientation of the principles, which replaces temporarily the missing legislation in this area and which does not include concrete solutions of the regional issues in the Czech Republic, was confirmed by the Government on 26 November 1997. Simultaneously, the Government expressed the opinion (conclusion made by the former Prime Minister at the end of the discussion concerning the material) that the adoption of brief principles would be followed

by the “green light” for subsequent work on the concepts, programmes and legislation (paragraph 17 of the principles and paragraphs II/1 and II/2 of the draft resolution of the Government) which will have to be secured still before the year 2000, in connection with:

- The need to define material problems and the regional development strategy within the framework of the Czech Republic;
- The preparation of accession by the Czech Republic to the EU (it will be necessary to react to criticism voiced by the Commission);
- The linking of the regional policy of the centre, with the future competences of higher territorial administration units, in the sphere of co-ordination of their territorial regions.

Compared with government principles of 1992 (Principles of the regional economic policy of the Government), a broader approach is proposed, especially in relation to:

- The definition of the basic goal and the starting principles of regional policy;
- The orientation of regional policy support to a wider range of measures (not only to support enterprise);
- The role of programming in the regional policy;
- The integration of the regional level into the implementation of regional policy;
- The co-ordination role and fund management at the level of the Ministry for Local Development.

The regional policy is understood as a conceptual activity of the state, regional and local authorities with the aim of contributing to the balanced and harmonious development of the individual regions in the Czech Republic, reducing the differences in the levels of development between the individual regions and improving the regional economic structure. The efforts to achieve a balanced development cannot be understood as an effort to secure completely equal development in all regions, which is naturally impossible in a market economy. The aim is only to maintain proportionate, no-crisis development in the whole country as well as at the level of regions, to give equal chances to all regions and to make full use of their demographic, natural, and economic and any other potential.

This is how regional policy is understood in EU countries (e.g. the European Charter of Regional Planning sees one of its aims in a balanced socio-economic development of the regions, similarly the Finnish Act on the regional development, the French Act on regional development or the German Act on improving the regional economic structure). The European Union, for instance, sets the

aim of "improving the economic and social development, which is balanced and sustainable, especially ... by strengthening the economic and social cohesion"; Article 130a of the Treaty on the European Community states that "to promote its overall harmonious development, the Community aims especially at reducing the differences between the levels of development of various regions".

The principles proceed from the fact that the role of the government in the development of regions can only be partial but still, that it should be precisely defined. The decisive role must be played by the active involvement of regional subjects active in the respective regions. However, regional local authorities have not been created yet and they only come into being after 1 January 2000 in accordance with Constitutional Act No. 347/12997 Sb. Therefore, it is now the task of the government to prepare the whole set of laws necessary for the forming and functioning of regional governments and to give them sufficiently strong competences; at that, the principles formulate, in a general way, the tasks of the future regional governments in the sphere of co-ordinating the development of their territories. Simultaneously, the government must fulfil the basic aim of regional policy formulated in the principles.

It is the aim of the principles that the regional policy in the Czech Republic should respect the basic principles of regional structural policy of the European Union (of the common EU policy in the sphere of economic and social cohesion) and that it should create such mechanisms that will make it possible in the future to receive support from structural funds of the EU. This includes especially the need to concentrate regional policy funds in problem regions and the necessity of programming covering periods of several years and the strengthening of the conceptual approach in this sphere; in accordance with the EU, special stress is laid on decentralization in decision-making and in adopting responsibility (the complementarity principle) and on the co-operation between various authorities in solving issues of regional development (the partnership principle).

The definition of so-called structurally afflicted and economically weak regions is necessary and attention has been paid to it to make the selection of indices for defining these regions possibly similar to approaches used in the EU. In accordance with this, the definition has been prepared especially on the basis of criteria evaluating the economic level of the regions and the standard of living of their inhabitants.

The draft principles provide for the support of other regions at the national level if the government expresses its consent. At present, this entails especially the cross-border co-operation programme (Phare CBC) to which the EU contributes annually with an amount of Kč 1.2 billion and which supports districts bordering with Austria and Germany (the CREDO programme has also been

started – so far, with limited funds – to support cross-border co-operation with Poland and Slovakia).

In the long range, this can entail especially support within the framework of Aim No. 1 of the structural policy of the EU, which will have a pronounced regional accent, on the basis of adopted programme documents, such as the Regional operational programmes (ROP) or Single programming documents (SOP) for the individual regions of NUTS II (territorial statistical units used within the EU); these programmes will necessitate co financing from funds of the Czech Republic (state budget, budgets of local authorities and regions).

Programming belongs to key principles of the regional policy of the EU as support from structural funds is not linked to individual (isolated) projects, but to indicative, multi-year and multi-sectoral programmes, which must substantiate the need and orientation of the support. In accordance with this approach, the principles propose a broader conception of the regional policy; this is based on the fact that development at the regional level can be influenced by a number of factors (integrated conception of the regional policy in accordance with the practice within the EU), especially in the sphere of support for the enterprise, the development of the infrastructure and the environment, in the sphere of human resources (increasing employee skills) etc. Standard tools (subsidies, loans, guarantees for loans) and sources can be then used generally to support regional development, especially from the state budget, with majority participation of the investors (with the possible exception in the case of local communities and the future higher territorial administrative units).

It is proposed to prepare a new document within the framework of the regional policy of the Czech Republic as the basic conceptional document – The strategy of the regional development of the Czech Republic. The preparation of this document will be the result of co-operation between sectors in accordance with the co-ordinating role of the Ministry for Local Development. Similar documents are being prepared in a number of European countries (e.g. Austria within the framework of the institution called ÖROK which is chaired by the Federal Chancellor, country programmes in Germany, so-called territorial development schemes in France, the so-called Political document for regional document in Holland, which is prepared for a four-year period and adopted by the Parliament etc.).

The aim of the strategy will be primarily to analyse the regional development in the Czech Republic, to evaluate attitudes of the state and of the regions, to formulate the strengths and weaknesses of the possible future development and to define the strategy of the development of the individual regions. Simultaneously, the document will contain proposed changes in the attitude of the state to regions carried out within the responsibilities of the individual sectors (if these are demonstrably needed), the specification of regions with concen-

trated state support and the enumeration of further tasks (in 1999, these will include primarily the preparation of the state and the regions for the future utilisation of structural funds). With a view to its nature, this will be a conceptual strategic document, which will not decide on the concrete allocations of funds to the regions, to the concrete projects.

Regional development programmes will be prepared to support the development of regions specified in advance; these will be in the nature of integrated (multi-sectoral) programmes and their framework of support will proceed from an analysis of the situation and from the defined development strategy of the region. It can be expected that the preparation of these documents will be of key importance especially after the formation of regional self-governments and after our accession to the EU. From the viewpoint of our future joining the EU, it is desirable to start right now with the preparation of these programmes in accordance with the methodology required within the framework of the respective regulations of the EU Council on structural funds.

At present, the Ministry for Local Development proceeds from the fact that state assistance is needed primarily in structurally afflicted regions where the level of unemployment is increasing significantly; for this reason, it will prepare for the government a draft regional development programme for North-West Bohemia in co-operation especially with regional authorities, with the Ministry of Labour and Social Affairs, the Ministry of Industry and Trade, the Ministry of the Environment in the first half of 1998. It will try especially to utilize the experience of Western countries with the conversion of similar regions

The principles proceed from the fact that the competences of the state in the issue of regional policy are entrusted to the Ministry for Local Development and the support for the individual regions within the framework of the regional policy system can be implemented exclusively on the basis of integrated regional development programmes. Besides this policy, nation-wide sectoral approaches and programmes will continue to be implemented within the framework of the individual sectors, as it has been up till now; these naturally have regional impacts as the final use of funds is always connected with a concrete. The respective sectors are responsible for the implementation of sectoral programmes, including the provision and management of the respective funds. It will always be a matter for the government to decide whether the support of the regions will be implemented exclusively within the individual sectors (and thus outside the regional policy system) or in the form of an integrated approach (within the framework of the regional policy system).

From the viewpoint of the institutional framework, it will be necessary to implement the regional policy and the regional development policy in the Czech Republic at two levels, at the national level and at the regional level

which, however, does not exist at present and whose role is substituted by the centre on the one hand and by the district and local authorities on the other hand. The necessary institutional level for a successful regional policy is the forming of higher territorial administrative units with competences and economic tools enabling them to take over responsibility for their territorial development. The Parliament of the Czech Republic adopted the constitutional Act on the forming of higher territorial administrative units by its both chambers at the end of 1997; the government adopted the time schedule for the implementation of further work within the framework of its resolution No. 490/97.

The competences of the state and, especially, of the Ministry for Local Development have already formulated in relation to the envisaged competences of the higher territorial administrative units in the area of regional development. They proceed from the fact that these will be new independent competences not transferred from the centre and thus qualitatively different activities from those that form the content of regional policy at present. These competences will bridge over the current non-existence of an independent regional development policy in the Czech Republic. However, higher territorial administrative units will probably also take over competences relating to the administration of selected assets (these can include e.g. roads, cultural, school, social and health facilities) and some competences in the sphere of territorial planning; this decentralization will substantially increase the ability of higher territorial administrative units to co-ordinate the development of their regions in the simultaneous co-operation with the centre in securing this task.

The activities of the authorities of higher territorial administrative units are connected with the necessity to build organisation structures capable of taking care of the implementation of various regional activities (programming, informatics, regional promotion of enterprise, the development of tourism etc.), including the ability to implement EU assistance programmes and to accept assistance from the structural funds of the EU. In a number of countries with market economies, these roles are fulfilled by regional development agencies; a typical example is the United Kingdom where these organisations set up by the state have fulfilled important tasks connected with the conversion of industrial regions or with the development of rural regions for almost twenty years; there are, e.g., two agencies in Scotland set up by the state on the basis of a special law, with significant financial support from the state (over 500 million pounds per year) and with a staff of more than 1,500 people. The forming of the first agencies in the Czech Republic has been supported from the Phare funds (Ostrava, Most, Liberec, Šumava) but the state has practically not participated financially in the financing of development programmes prepared by these organisations. At present, it is necessary to consider the extension of the network of agencies in the Czech Republic with the help of the state (the Ministry for

Local Development) and the partial financing of development projects, which these agencies implement. It is envisaged that the development of these bodies should be mainly the responsibility of regional government bodies.

In connection with the Act No. 272/96 Sb., the principles also define the extent of cross-sectoral co-ordination which includes co-operation in the preparation and implementation of programme documents of regional policy compared to the original version of the principles, the co-ordination of sectoral conceptions and programmes has been left out. In accordance with this provision, the principles proceed from the fact that the Ministry for Local Development will manage, at the general level, funds allocated for regional multi-sectoral development programmes for specified regions, including regional programmes to support enterprise and funds from regional programmes co-financed by the EU (at present, this includes especially the cross-border co-operation programme Phare).

The principles form the basic framework for the implementation of the regional policy in the Czech Republic. It is proposed to solve the legislative regulation of the above issues within the framework of the new bill on the promotion of regional development (Finland has a similar law; from among countries aiming to join the EU, Hungary has a law like that, Rumania and Poland are preparing it). In accordance with the standpoint of the European Commission it is proposed to prepare a draft material intent for the bill on the promotion of regional development.

The new law will be prepared in relation to the competences of the higher territorial administrative units (the Ministry of the Interior of the Czech Republic) and other legislation. We view the preparation of this law as a key issue for the further functioning of the regional policy in the Czech Republic as state administration in a democratic country must be exercised on the basis of legislation; besides, it will be possible to give higher territorial administrative units powers within the framework of the law (not e.g. by a government resolution as it is usual currently in the case of district authorities).

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