

REGIONS AND REGIONAL POLICY IN CENTRAL AND SOUTH-EAST EUROPE

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The world is developing towards integration. Only large economic monetary and military integrations are able to keep pace in the worldwide competition. To remain outside these large integrations means lagging behind. But simultaneously with the large movements towards integration, another process in the opposite direction can be observed: the growing importance of regionalism, of local and urban autonomy, the increasing demand for local identity, for local diversity in a world of global uniformisation.

Both of these shifts represent a reaction to the exaggerated hegemony of the nation state in the last century, which was the cause of so much misery and tragedy in Europe. Regionalism is therefore of political significance. It means to create countervailing power at different levels of society, in order to prevent over-centralisation. It happened not by chance that regionalism played the most important role in those countries after World War II, where totalitarianism was just to overcome: in Germany, Austria, Italy and Spain.

Looking at these advantages one wonders, why the application of the principles of federalism is so slow and sluggish and why did the processes towards disintegration prevail in many countries of Central and Eastern Europe. To explain these phenomena, one has to consider the historical and political factors of development.

Experiences of the past

Conditions for the development of regional identities were unfavourable in the last 50 years. The states of Central and Eastern Europe were centrally planned economies where all power was concentrated in the centre. The units of the intermediate level had – in principle – their own councils, in fact, however, they were but executors of central orders. As far as they had powers of their own – and they had – it meant the deliberate redistribution of resources among cities and villages within their jurisdiction. The principle of the system was: servile execution of higher orders and arbitrariness towards the lower levels of

administration. In this sense, regional party secretaries disposed over a very significant power. The local population, however, regarded this power, rightly, as arbitrariness and as instrument of self-enrichment. In some cases, however, influential and agile regional and local leaders could bargain during plan negotiations several favours for their respective jurisdictions.

Originally, most settlements and villages had their own local councils. In the course of time, however a centralisation and consolidation took place. The number of local councils was considerably reduced (it was partly a precondition for the abolishing of the district level in Poland, Hungary and Romania). The same process took place also in several Western and Northern European countries but its impact was much more devastating in the Eastern countries. Municipalities of Eastern countries were, on the one hand, much more exposed to administrative decisions, made in a distant other settlement and, on the other hand, because, for people, having no car, under the given poor public transport conditions, travel to the distant administrative centres was much more difficult and tiresome.

The system of local governments and the role of regions in the transformation

The nations of Central and South-East Europe lived for half a century (and most of them even for much longer period) in an over-centralised system. It is no wonder that “decentralisation” was the main slogan by transforming the system of territorial administration and local government. These systems had been fundamentally changed and most of the changes proved to be good, promoting democracy, participation and efficiency. Some tensions, malfunctions, however, could be seen after some years and now several countries are facing some new challenges in territorial administration. The main developments are the following.

The system of Soviet type councils had been changed everywhere for more traditional European administration. It means that the tasks, functions, and responsibilities of central and local government were to be divided from each other.

The sentiments against over-centralisation were directed not only against central government, but also against regional and district level power. It was the level of arbitrary decisions and directives most immediately felt by town and village dwellers. Therefore, one of the main aspirations of new liberal legislators was to divest regional and district level authorities of their power. In the Czech Republic regions had been abolished fully as levels of self-government, only state administration remained in the regions and districts, in Slovakia,

even this survived only on district level in the first years after the political change. In Poland, voivodship councils were transformed to central government offices with the voivode as their head, who was appointed by the central government. In Bulgaria, regions remained only as levels of central government offices. In Romania – following the French model – an appointed prefect and an elected council chairman acted parallel. In Hungary counties with elected councils and chairman remained in place, with reduced competencies and parallel a “republican commissioner” had been appointed to regions comprising 2–4 counties, to oversee whether decision making in local and county councils was in accordance with the constitution.

The basic level of local government became everywhere that of the municipalities. Local governments represent a one level system. Municipality governments are nowhere subordinated to higher level (district, regional) governments. The real dimensions of local government autonomy, however, reveal themselves in the system of finances. In this respect, there is a substantial difference between Central European countries (Poland, Czech Republic, Slovakia, Hungary) on the one hand, and Romania, Bulgaria on the other.

Two types of systems of municipalities emerged in the region. In the Czech Republic and Slovakia most, in Hungary every village represents a municipality and have a local government of their own. In all other countries municipalities are composed of a group of villages, numbering 5 to 25. This system in the three countries is a reaction to former imposed consolidations. Nevertheless, too small local governments are also sources of some difficulties. Financial resources are too dispersed, the economies of scale cannot be utilised, wasteful, parallel investments can occur. The willingness to co-operate has been weak, at the beginning, but, for now, most of the municipalities realised that common efforts in certain cases are necessary and more efficient. Associations and alliances of communes had been formed. Governments supported the formation of these organisations by making membership a precondition of some supports.

The intermediate level

In the course of time, it has been realised in more and more countries that too weak and too small intermediate level governments are disadvantageous for regional development. Indirectly, it contributes to centralisation, since there is no institution on medium level to countervail central power. The lack of adequate organisations is hindering spatial planning at regional level and is an obstacle of cross-border co-operation, since there is no competent partner at regional level with whom to negotiate and come to an agreement. Territorial reform of administration has been initiated, for now, in several countries:

- a) In Poland, the reform was prepared already in 1993, but after elections the case was put off and was implemented finally after new elections and change of government in 1998. According to the reform, instead of 49 smaller voivodships 16 larger ones were established with increased competencies and with an elected regional council and local government. Simultaneously the traditional lower regional units: districts (*powiaty*) have been re-established. Reform means more local democracy, more autonomy.
- b) In Slovakia, the reform, introduced in 1996, meant also larger territorial units. Instead of 36 districts 8 regions have been established and within them 79 smaller districts. But the regions are still small, so that groups of regions represent NUTS II units (4), while the new 8 regions themselves are defined as NUTS III units. Neither the old nor the new units have elected local government, they are only administrative units of central government.
- c) In Bulgaria, from the 1st of January 1999, the 28 districts have been re-established, more or less in their former constituency. The former 9 larger regions have been consolidated into 6. The territorial-administrative reform, however, did not change the principal status of regions within the administrative system;
- d) In the other countries (Czech Republic, Hungary, Romania) the advance of reform is slow. In the Czech Republic the reform and the new territorial units (14 regions) are already approved but its implementation will be probably postponed from 1. 1. 2000 to 1. 1. 2001. One of the major obstacles is strong local – first of all cities – government who do not want strong regional authorities. But, sometimes, central authorities are also reluctant to divest any competencies in favour of regional governments.

Establishing competent regional units is on the reform agenda everywhere in the Central and South-east European regions and implementation is – though at different speed – in progress.

The role of regions in the European integration: process and the tasks of accession countries

The European Union had been – and is until now, in fact – an integration of nation states. The role of regions is, however, gradually increasing in this institutional framework. The factors, contributing to this increase are the following:

With the creation of the European Union, a new level of political, economic and jurisdictional competencies emerged: the supranational Community level. The further development of the EU takes place through the interaction of the community and national institutions. In some cases, however, both are too far from citizens. Furthermore, the size and power of nation states within the EU are very different. The creation of a more balanced, decentralised level, less burdened by security, currency and world-wide foreign policy issues and more oriented towards daily-life-issues, like environment, infrastructure, social and cultural services, seemed to be reasonable. Besides, it can serve as a “counterbalancing” factor against excessive centralisation of power both on national and supranational level, and represents an additional guarantee of democracy.

The fact that the role of structural policy within the European Union has increased and that the largest part of structural instruments is being assigned and allocated not to nations but to regions, makes the strengthening the role and competencies at regional level unavoidable and necessary.

The constitutional structure of some countries within the community has made it necessary to rethink decision-making procedures on European level. There are now three federal states in the EU (Austria, Belgium, Germany), where some of the decisions negotiated between the Commission and the national governments, in fact, do not belong into the competency of national governments but into that of regional governments. The scope and number of such competencies is increasing even in non-federal states like Spain and Italy. In order to take this situation into account, the Maastricht Treaty prescribed to establish the Committee of Regions, a new community institution where regions, cities and local governments are represented.

Finally, the EU member countries, neighbouring the candidate countries are federal (Austria, Germany) and regionalised (Italy) states, interested in the growing role of regions on community level. Their position in this issue would be weakened by the accession of a number of over centralised Central and Southeast European countries with weak regional competencies. Therefore, they are especially and vitally interested in promoting decentralisation, regionalisation and democratisation in Central Europe.

The first step to be made in this direction was to define and delineate regions in the candidate countries compatible to the system and nomenclature of statistical territorial units (NUTS), applied in the European Union:

This first step has been made in all countries. The statistical office of the European Union, EUROSTAT in Luxembourg, has made an agreement with the national statistical authorities of the accession countries. According to this agreement, NUTS 1, NUTS 2 and NUTS 3 territorial units have been defined, respectively, in every country. As far as possible, these units coincide with the

existing territorial administrative units. In cases, where no administrative units exist on the respective level, they were composed of whole existing smaller units.

Beyond statistics, however, these territorial units should play an important role in regional development and planning. Most of structural instruments in the European Union are assigned and allocated to regional units (mostly to NUTS 2 and NUTS 3 units). This policy and practice makes it indispensable that programming, planning, development financing and controlling, negotiating and supervising capacities should be established on this regional levels. It doesn't mean necessarily, that these units should be territorial units of government administration and that they should have elected local government. Even in some EU countries this is not the case. However, the call for democratic control and participation makes it at least desirable that levels and units of development planning, programming, financing and supervising and those of general administration and local elected bodies and authorities possibly coincide

Finally, preparedness for accession is as important at regional as on national level. These countries usually have a well-trained professional staff in the capitals while it is not the case in the provinces. Therefore, pre-accession institution building and strengthening support (ISPA) should be used, first of all, for strengthening decentralised programming, planning, controlling and supervising capacities.

Structural instruments of the European Union and PHARE

Regional and spatial policy belongs to the competencies of national governments and not to that of the European Commission. There are, however, many aspects of EU and Commission activities, which have a substantial impact upon regional and spatial developments in the member countries. Most important of them are certainly structural policies and the efforts to achieve economic and social cohesion within the community.

Obviously, the reform of the European Union and of the structural instruments had to face the problems of Eastern enlargement. The new candidates are poor countries, with a GDP per head well below the 75% eligibility threshold. That means: most of their area will be eligible for Objective 1 support. Three – more or less confronting – aspirations are to be considered in the course of the reform:

- 1) More developed, net contributing countries are not willing to pay more into the community budget, rather they want to diminish their contribution;

- 2) The present beneficiary countries of structural instruments do not want to lose the support enjoyed so far;
- 3) New member candidates would like to receive their fair share of structural instruments. The “Agenda 2000” allocated a significant amount of resources to the support of new member candidates before and after joining the community. But, while, on the one hand, it is a really generous offer to associated countries, on the other hand, this allocation is still less, than their share would be, if presently valid eligibility and allocation principles and procedures would be strictly followed. Applying these principles and methods to the associated countries – or only to those with which negotiations have already started – one could arrive at the conclusion that nearly half of the structural-cohesion instruments – after accession – should be allocated to regions of these countries, having together a population of 63 million, all eligible for Objective 1 support. Alone Poland’s share would be more than 30% of the resources devoted to Objective 1 support.

There are good justifications for smaller allocations than that. Experience has shown that supports cannot be efficiently utilised, if they exceed the investment “absorption capacity” of a country. Therefore a new regulation had been introduced: yearly supports from structural instruments should not exceed 4% of the GDP of the respective beneficiary country. Considering the present calculations of “Agenda 2000”, no candidate in the first wave of accession would be affected by this restriction.

The system of structural instruments includes a lot of principles and requirements, the application of which could contribute to the modernisation and more efficient functioning of the Central and Southeast European economies, independently from the sum of support allocated to them:

The principle of *concentration* might support the efforts of governments to concentrate available resources of regional development to regions which are really in need or which can utilise resources most efficiently, and to resist the claims of regional lobbies to disperse the resources. According to the criteria of the EU, all regions of accession countries are eligible for Objective 1 support, while, at present, governments are supporting only those regions, which are less developed in the national context. Compared to the present situation, the circle of supported regions will be extended, even there is an imminent danger that support will be used in more, and not in less developed regions (as the examples of Greece and Portugal are demonstrating this). The Commission should, consequently, be keen on the regional allocation of support and should not allow its adverse concentration in the relatively more developed regions.

Additionality means that EU resources are allocated not to substitute national resources for regional development but to complete them. Additionality also means that EU resources could represent only a certain percentage of the total expenditures of each individual project. The rest has to be financed from national resources. Considering that the implementation of most projects need several years, it means also that national resources should be guaranteed several years in advance. Most Eastern countries do not prepare multi-year budgets, in fact, frequently even annual budgets have to be modified during the year. Authorities are therefore hardly in the position to guarantee national contributions for several years in advance. The second major problem is the collecting of national contributions when national budget allocations are already distributed among different ministries and local governments. Ministries and local governments are not always willing to contribute to projects co-ordinated by other ministry and local government. It occurs frequently that, though the amount of national contribution on, “macro” level is ensured, the financing of the project still fails due to unwillingness to co-operate among different national authorities. In order to ensure national contributions, the reform of the budgetary system is necessary in most of the accession countries.

The management of structural instruments would have an impact upon the economies of accession countries beyond the programmes and projects that they are supporting. The budgeting, controlling and supervising methods, applied in the management of structural funds, and the procedures applied to prevent fraud and corruption could have a beneficial impact also in other spheres of central and local government finances, of public-private partnerships and could contribute to the establishing a more sound system of government finances.

Paradoxically, just the present critical economic processes imply the hope that the idea of regionalism will prevail in Central and South-East Europe. Since the political change, we are witnessing growing regional disparities among and within the countries of Central and Eastern Europe. This process takes even dramatic dimensions in some cases. The principal causes are lying in the emergence of market forces, in the re-emergence of differences of former experiences in market economy, and last but not least, in the impact of foreign direct investment, the distribution of which is extremely uneven among countries and regions. Central and Eastern European governments, facing budget deficit, balance of trade deficit, inflation, foreign debt service and recession, are not in the position to mitigate growing disparities through budgetary means. It means that regions can rely mostly only on themselves and on endogenous resources. But economic sovereignty will lead – sooner or later – to more political and administrative autonomy as well.