Political Studies of Pécs IV.

“Regional Decentralization in Central and Eastern Europe”

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Chapter 1. PREFACE

The Multidisciplinary Doctoral School of the Faculty of Humanities at the University of Pécs has a programme in political sciences focussing on issues related to local and territorial governance and the local society. The profile of the Doctoral School was defined in such a way as to fill a gap caused by the lack of interest on the part of domestic political scientists. Developments of the last few decades have shown beyond doubt that regional decentralization could be a key source of political renewal in the transition democracies of Central and Eastern Europe, like Hungary. Although accession to the European Union has accelerated this process, it is still far from being accomplished. The failure of the regional reforms announced from time to time can most probably be attributed to extremely complex interrelationships.

There are, of course, national characteristics, or poorly prepared national reform programmes that can always be brought up as specific reasons explaining why efforts to strengthen meso-level government have failed. The region in question has, however, certain common features as well, e.g. the strength of the centralizing traditions, the lack of confidence in the counties or regions strengthened by the Soviet type council-system, the centralizing reflexes of the new political elite or the relatively week regional cohesion. It is put down mainly to these factors that in contrast with the new spirit of regionalism prevailing in Western Europe the reforms or region-building implemented in Eastern-Central Europe is mainly the result of a servile or artificial adaptation to the EU requirements rather than the output of a true learning process.

This volume contains a selection of the papers presented at the conference held jointly by the Department of Political Studies (Faculty of Humanities at the University of Pécs), the Centre for Regional Studies of the Hungarian Academy of Sciences and the Pécs Committee of the Academy on May 15 and 16, 2006. The purpose of the conference was to give an overview of the region-building processes that are currently taking place in the countries of Eastern-Central Europe with the participation of researchers invited from some of the countries concerned, researchers and lecturers from the organizing institutions and some students of the doctoral school.

The volume is published by the Department of Political Studies at the Faculty of Humanities, as a token of the commitment of the scientific workshops in Pécs to the idea of regional decentralization.

The editor
Chapter 2. STATE DEVELOPMENT, REGIONALISATION AND DECENTRALISATION PROCESSES IN CENTRAL AND EASTERN EUROPE IN THE TIME OF THE SYSTEMIC CHANGES (1989-2005)

ZOLTÁN HAIDŰ

1. 1. INTRODUCTION

The countries of this region have experienced in many respect similar, but in some features rather different and extremely complicated historical development processes. By the end of the cold war period the dominant development characteristics or result of these countries were heterogeneity much more than homogeneity. The respective countries arrived at the start line of the “new world order” after the cold war with different historical heritage and specific economic, social and political experiences.

By the end of the cold war period considerable internal (economic, social and political) differences had emerged among the socialist countries. The proletariat’s dictatorship and the party state system showed individual features in the respective socialist countries. On the basis of their constitutional system the countries could be divided into two groups:

• Czechoslovakia, Yugoslavia and the Soviet Union operated as socialist federations;

• the rest of the countries had a unitary state system.

As regarded the actual control of the society, significant differences could be seen in the mid-1980s between the orthodox dictatorships (Albania, Romania, Bulgaria, the GDR, Czechoslovakia and the Soviet Union), and Hungary and Poland. The former content and methods of the practice of the power considerably influenced the transition processes too.

The dominant functional content of public administration, its oppressing function or service character were provided by the political system and the concrete methods of the practice of the power, but the clearly defined spatial decision-making hierarchy and the so-called “democratic centralism” were omnipresent. The primary function of the sub-national administrative level — different in the respective countries — was the representation and execution of the central will towards the level or levels below.

In each socialist country, the issues of regionalisation and decentralisation appeared, in fact, they were continuously discussed in the whole state socialist period, primarily within the framework of the creation of economic districts. In each country a large number of spatial division alternatives were made, but the discussion had never come to an end in any of the countries.

The social, economic and policy etc. transformation of the former socialist countries took place in at least three ways in 1989-1991 (in a peaceful way by compromise-seeking negotiations; with social conflicts of different scale or with a civil war). The starting positions are thus naturally very much different across the respective countries. On the whole, the formerly created and experienced internal structures and the way of the transformation significantly influenced the development of the later processes.

The dominant content of these processes was the collapse of the socialist social, economic and political institutions, and this process fundamentally changed — irrespective of the federal or unitary system — the respective states and the conditions of the administrative systems.
The categories “post-socialist” and “transition countries”, used to describe the whole of the region, by and large depicted the essence of the content of the transformation. The circumstances formerly considered as ‘socialist’ ceased to exist, the transition towards some form of constitutional state, a democratic political institutional system, and privatisation and market economy started. The social, economic and political transitions brought problems of new character to the surface, but the dominant issue was the disintegration of the former socialist structures. (A distinctive sub-group is made by the “post-Soviet”, “post-Czechoslovak” and “post-Yugoslav” states.)

President Kennedy at the Berlin Wall, 26 June 1963

Source: Robert Knudsen, White House

The internal processes of the individual states were largely influenced by the system of relations built towards the European Union (preparation for the accession and then the accession itself of some countries in 2004). The need for the harmonisation of the different structures necessarily appeared.

In several countries — especially in the multi-ethnic ones — the systemic change was followed by the strengthening of nationalism, because both the old and the new political elite believed to find their “real” roots in it, so nationalism became political “summons” for a while. The management of the issue of multi-ethnicity
also appeared at the creation of the new political system, the elaboration of the new constitutional arrangements, and the establishment of the new administrative structure and spatial division. The new state majority usually excluded the possibility of creating territorial autonomies on ethnic ground. The relationship to the ethnic areas became a specific issue of decentralisation and regionalisation.

There are also significant differences among the respective states as the radical transformation took place within the “old country borders” in some places, or in newly created states in other cases. In the newly born states (and they are the majority in the region in our survey) the specific problems coming from the disintegration of the former state structure had to be handled parallel to the solution of the issues of the new state administration. During the state foundation, new nation- and state ideas were born, new capital cities were designated and the relation of the elite to the state territory also changed.

As regards public administration, we cannot talk about a “clean sheet” in either the old or the new states. Each state had to relate to the formerly established functional and territorial structures. In the majority of the cases an interruption (radical reform) took place instead of continuity in state administration. The establishment of the administrative systems was basically influenced by the practice of the European Union member states, and the value system of the European Charter of Local Self-governments, including the issue of regionalisation. Each state reconsidered their relation to the administrative structure before the Communist period, and adapted elements from working (German, French, Austrian etc.) systems into their new administrative structures.

The historical, political etc. academic literature on the transformation of the respective countries is huge and complex. The researches conducted within the national frameworks explored almost universally the processes in the respective countries. In addition to the national researches, the transition processes were extendedly analysed by comparative studies. The issue of the transformation of the macro-regions was thus followed by the establishment of a host of internal and external institutions and networks. In the analyses the correlations of state development and the changes of the administrative systems, democratisation, decentralisation and regionalisation gradually appeared, among other things.

From among the complex analyses of the institutional network in connection with the transformation of the macro-region, we mostly relied upon materials published by the UNO (UNPAN Local Government in the European Region), IISA (International Institute of Administrative Sciences), EIPA, created in 1981 (The European Institute of Public Administration), DEMSTAR (Democracy, the State, and Administrative Reforms), the Transitional Policy Network established in 1997, the NISPAcee and the LGI (Local Government and Public Service Reform Initiative).

Our analyses do not include the introduction of the detailed historical foundations and background of the processes, the issues are analysed in details from the “moment of the systemic change” on. Nevertheless we believe that the respective countries gave different responses to the by and large same challenges, and to some extent the previous differences still live on (the situation of Hungary is not analysed in detail).

2. GENERAL FEATURES OF THE TRANSFORMATIONS

From 1985 new political reform processes unfurled in the Soviet Union, with the objective of the modernisation of the socialist system and the increase of its competitiveness. However, the “glasnost” and the “perestroika” first led to the recognition of the crisis of the country, then the deepening of the crisis and finally to the collapse of the Soviet imperial structure.

The tensions between the two opposite world systems first eased, and then the cold war opposition actually ceased to exist. Within the new circumstances, new possibilities opened up for the smaller countries of the “in-between space” (Pándi 1991). The lengthiest crises and systemic change processes occurred in Poland (basically the 1970s and the 1980s) and in Serbia (the 1990s), the transition took place relatively rapidly in the other countries.

Not only the Soviet Union disappeared from the political map of the macro-region, but so did Czechoslovakia, Yugoslavia and the German Democratic Republic. The integration of the GDR basically changed the position of
the Federal Republic of Germany. The newly born sovereign Czech Republic, Slovakia, the Ukraine and the Yugoslav successor states (Slovenia, Croatia, Bosnia and Herzegovina, Serbia and Montenegro, Macedonia) partly inherited the structures of the former development and did not become purely ethnic states.

The former characteristics of the socialist circumstances, the way of the systemic change, the changes of the state territory and administration, the transition of the situation of the former political, economic and social elite show general similarities across the countries of the region, but individual features also appear in the political system of both the new countries and the countries with unchanged territory (Kardos – Simándi eds. 2002).

The constitutional definition of the political systemic change took place in the very beginning of the systemic change in most countries, followed in many cases by continuous amendments of the constitution after the internal changes and rearrangements (Tóth ed. 1997). The written constitutions of the states in the region are compatible with the rules of European constitutionality, but national characteristics can also be seen in the state system and the concrete regulations.

The Soviet type local-regional structure of the “single state power” was first shocked, then after the political changes of national character, following the building out of the institution of the central power, the reform of the local-regional public administration almost immediately occurred, taking place on the basis of self-governance in each country. Public administration, including the constitutional regulation of the regional self-governments shows both similarities and significant changes in some respects (Halász 2000).

The other, mostly common feature of the transition processes is the appearance of the “EU-adaptation process”, i.e. the preparation for the EU membership in all countries and in the regional reform processes, although at different times (Gorzelak – Ehrlich – Faltan – Illner eds. 2001). This explains the fact that the adaptation to the values can be seen in almost all segments in the respective countries. On the other hand, we also have to see that the states of the European core area also bear unique historical features in their own structures.

The problem of decentralisation and regionalisation raise very specific issues in the macro-region, as in the multi-ethnic areas the majority sees both decentralisation and regionalism as an issue or threat of disintegration. In these countries we will only see after the gaining of the EU membership whether the integrative, autonomist or the disintegrative features of regionalism will strengthen. (in Romania, for example, the majority and the minority see the regionalisation of the country and the possible territorial autonomy of the Hungarian ethnic group differently in almost all elements.)

In the case of the individual countries it is the past to which we can best compare the dominant content and processes of the transition. Functional, financial and territorial decentralisation has been gaining momentum since the second half of the 1990s in Central-East Europe too, even if not easily (Illner 1998).

**2.1. Albania: from the quarantine to the open Europe**

Albania followed a conscious politics of isolation in the years of the cold war, apart from the more extended relations with the actual favoured allies (he Soviet Union and China). The communist political system that followed an autarchic economic policy and were brutally oppressive started to ease after 1985 (the death of Enver Hoxha), then failed after the processes that accelerated from November 1989 (demonstrations, mass emigration and riot caused by the famine) by April 1991. The fall of the system was actually achieved by the wide popular movements, but the increasing tensions and the effect of the alternative efforts within the Communist party also contributed to the collapse.

The territory of Albania did not change, but its neighbourhood environment fundamentally did. In the time of the transition the issue of the Albans living outside Albania and the relationship to the whole of the Alban-inhabited territories gained a major significance.

In the multi-party free elections held in March 1991, under international control, the Albanian Labour Party won by a majority over 60%, but the internal relations started to disintegrate.
In April 1991 a temporary constitution was approved to replace the socialist constitution enacted in 1976. The elaboration and approval of the constitution was a difficult process. In November 1994 a referendum rejected the constitutional proposal for a stronger presidential power.

Before the systemic change Albania was the poorest part of the European continent, the GDP per capita reached approximately 340 USD in 1993 (we have to consider, however, that there are many factors of uncertainty in this calculation).

From January 1997 a serious inner political crisis emerged in Albania that could only be managed or gradually stilled by 7,000 international troops. The country escaped a serious civil war (nevertheless some 2 thousand people were killed in the fights) and the international troops could leave the territory of Albania in August 1997.

In 1998 a new constitution was approved (although the right-wing powers boycotted the referendum on the constitution) that defined the institutional system of the Parliamentary republic in the spirit of the European bourgeois constitutions.

Albania declared its Euro-Atlantic integration intentions, the wish to become a member both in the NATO and the EU. The NATO membership is probably easier to reach, due to the evident American support.

Albania had a stable territorial division in the time of the communist dictatorship; it was divided into 26 districts (rrethe) in 1959-1991. In 1991 a considerable administrative reform was carried out, the number of districts was increased to 36 and as a sub-national level the division into 12 prefectures was created.

Albania is an ethnically relatively homogeneous country of the region; approximately 95% of the population are Albans. The rights of the small ethnic minorities (Greeks, Serbs, Vlach, Roma, and Bulgarians) are settled in a separate chapter of the constitution.

Chapter 6 of the constitution defines the basis circumstances of the local public administration. Local public administration is divided into settlements or municipalities, and regions. In Albania the basis of local public administration, according to the conditions in 2003, are 305 settlements and 65 municipalities, whose members and leaders are directly elected for a four-year period. The councils had almost full competence in the local affairs. Each government getting the power at the elections after the systemic change wanted to decrease the number of settlements and municipalities in their announced programmes, with the objective of reaching increased efficiency and economy.

The 12 regional councils consist of the delegates of the settlements and the municipalities. They play a primary role in the harmonisation of the territorial processes. The government is represented by the prefect appointed by it, whose main task is the provision of legal operation (Hoxha, A. 2002).

A strategic element in the longer term local administrative reform concept approved in 2003 is decentralisation. The prime minister in power is responsible for the launch and the implementation of the decentralisation processes.

2.2. Bulgaria: systemic change and new track of the “most faithful follower” of the Soviets

The systemic change started in Bulgaria in June 1989 with the mass protest of the Turkish minority against the assimilation. In the fights almost one thousand people were killed. Within a few months, some 300 thousand inhabitants of Turkish nationality fled to Turkey. In November 1989, after decades of rule, Todor Zhivkov had to resign from his party and state functions.

The first multi-party elections held in June 1990 were won by the successor party, but the Republic of Bulgaria was declared in November the same year. In July 1991 a new constitution was approved. The new constitution eliminated the former strong “democratic centralism” and created a medium strong presidential position by the direct election for a five-year period (accordingly, the constitutional arrangement of Bulgaria was defined as a presidential-parliamentary republic), which created a continuous possibility of conflict between the government and the president.
In 1993 GDP per capita was 1,160 USD, which drastically declined at the beginning of the systemic change. The economic conditions for the transition were bad, until 1997 the country was characterised by a permanent political crisis. (Within a short time not less than five governments succeeded each other.) The Kostov government, dominated by the socialists and in power from 1997 to 2001, stabilised the economic and the foreign political situation of Bulgaria. The Euro-Atlantic integration essentially became a national programme; in 2005 Bulgaria could join the NATO and has a chance to become an EU member in January 2007.

In Bulgaria a document called “The concept of the further development of socialism” was approved in the last years of the rule of Todor Zhivkov, before the systemic change, as a consequence of which a considerable administrative reform was carried out. In August 1987 the State Council created 9 regions to replace the former 28 administrative districts. The reform was justified by the objective of deepening the socialist democracy and the strengthening of decentralisation.
The majority (85.8%) of the inhabitants of the country is Bulgarian, but in some regions the proportion of the Roma (9.7%) and the Turkish (3.4%) population is high. The representation of the other ethnic groups is weak in Bulgaria.

In the time of the systemic change, the amendment of the constitution in 1991 strengthened the presidential power so that the president should be able to control the work of the government and the transition processes.

According to Paragraph 135 of the constitution, the administrative territory of Bulgaria is divided into municipalities (264) and oblasts (28). The councils of the municipalities are directly elected for four years, and the councils are led by the mayors. In 1992 the budget of the local governments amounted to 14.6% of the GDP, but they used 53.6% of the public expenditure, due to the specific structure. The local self-governments this way gained important positions from financial aspect.

Bulgaria was launched on the road to administrative decentralisation by the efforts of most political powers.

The 28 oblasts only have an administrative relevance, they do not have elected bodies. The regional governor is appointed by the Council of Ministers for a four-year period. The main tasks of the oblasts are regional coordination, partnership building, the harmonisation of local, regional and national interests and the participation in the preparation of the regional development plans.

The six planning regions are void of any administrative organisations. The primary task of the planning regions is the elaboration of economic and social regional plans and the participation in the negotiation processes of these plans.

### 2.3. Czech and Slovak Republic: Velvet revolution and partition

In Czechoslovakia the former monolithic power started to shake in January 1989, and the “Velvet revolution” starting in November the same year brought an end to the conservative Communist system created after 1968. The transition took place with considerable mass demonstrations, but essentially without violent conflicts.

In June 1990 the first free multi-party elections were held, which was won by the right wing. The country clearly stated its Euro-Atlantic integration wish and followed home and foreign politics in accordance with that. From the autumn of 1991 the issue of the unity of Czechoslovakia became a permanent issue of debates.

The federal state system that appeared after the elections in June 1992 was hard to handle both for the Slovaks and the Czech. On 17 July 1992 the National Council of Slovakia declared the sovereignty of Slovakia. On 23 July 1992 the prime ministers of the two republics signed the agreement on the secession of the federal state. A new constitution was approved in September in Slovakia and December in the Czech Republic, and thus the federation ceased to exist as of 1 January 1993. Preparing for the independence, the Czech constitution created a double-chamber Parliament. The members of the Senate are elected for six years, those of the House of Representatives for four years since September 1995. Politically the institution of the president of the republic was not strong, but was given a huge moral power by the personality of Vaclav Havel.

At the time of the secession the GDP per capita reached 2,730 USD in the Czech and only 1,900 USD in the Slovak part of the country. (There were significant differences in the economic structures of the two parts of the country, too. The considerable disparities of regional development level also strengthened the Slovak nationalism.)

The systemic change was successful both in the Czech Republic and Slovakia inasmuch as the Czech Republic joined the NATO in 1999 (followed by Slovakia in the second wave), and both countries became EU members in May 2004.

### 2.3.1. The Czech Republic

The Czech Republic was founded on 1 January 1993 as a sovereign state. The new state became relatively homogeneous from ethnic nationality aspect, the Czech make approximately 94% of the total population. A
more significant ethnic minority are the Slovaks (3%), while all other nationalities (Germans, Poles, Roma, Ukrainians) have low numbers and proportions.

**Politicians and people in the Czech Republic commemorate the Velvet Revolution**

*Source: Euronews*

In 1993 the expenditure of the local self-governments accounted for 9.8% of the GDP and 32.9% of the public expenditure. Financial decentralisation, according to Czech experts, hardly made any progress after the gaining of the independence and the establishment of the new administrative structure. (In 2004 the public expenses accounted for 44.5% of the national GDP.)

After the secession of Czechoslovakia, the constitutional regulation of the new state system became important in the Czech Republic too. In 1997 the radical transformation of the public administration became a constitutional objective. The amendments of the constitution were continuous. After the amendment of the constitution in 2002, Chapter 7 regulates the basic issues of the “regional self-governments”. Article 99 of the constitution divides the territory of the country into municipalities as the basic administrative units, and regions as a higher level of territorial self-governments.

**Czech Republic**
The self-governance assembly of the 14 self-governance regions (kraj) are established by direct elections. The regions play a dominant role in the influence of territorial processes. Their competency includes the provision of secondary education, the management of the road network, the system of social supports, environmental protection, the organisation of public utility transport, regional development and public health care.

The local administration is managed by some 6,200 local governments with broad competencies.

After the EU accession in 2004, the Czech Republic was divided into one single NUTS 1, 8 NUTS 2 and 14 NUTS 3 regions from statistical aspects. The statistical territorial hierarchy is thus of a “column-like” appearance.

2.3.2. 2.3.2. Slovakia
Since the foundation of the state in 1993 the development of the state structure and the administrative division of the state territory have been continuous issues, actually. This is explained by historical and geographical, but mostly by ethnic reasons. A total of 85.7% of the population belong to the state-making nation, the largest number of ethnic minority are the Hungarians (10.8%), but there are also Roma, Czech, Ukrainian, Ruthene and Polish minorities in Slovakia.

At the beginning of the systemic change a reform of the public administration was carried out, the basis of which was the award of self-governance rights to the municipalities, the elimination of the districts and the establishment of 121 units of district character.

**Slovakia**

![Map of Slovakia](image)

*Source: Statoids*

In 1996 a more powerful decentralisation of public administration started. The system of 8 regions was created (after fierce debates). Since 2002, the entering of the new administrative reform into force the state territory has been divided into (2,891) municipalities, 79 districts, and 8 regions (kraje).
In 2004 corrections were made in the system of the administrative territorial division, the 79 districts ceased to exist, their competencies were taken over by the 8 regions on the one hand and by the special state offices, on the other hand.

The competencies of the regions include the maintenance and management of the regional roads, social safety, land use, culture, education and regional development.

The central state administration employed 25 thousand people in 2004, while 18 thousand found employment in the local and regional administration. Public expenditure amounted to 48% of the GDP.

After the EU accession the whole of the country is one single NUTS 1 region, divided into 4 NUTS 2 units and 8 NUTS 3 units.

2.4. Yugoslavia: a bloody collapse and separate new development tracks

The Socialist Federal Republic of Yugoslavia was a federal state, but the system of balances created by Tito quickly weakened after his death, and finally disintegrated. Mass demonstrations started in January 1989 in the capital city of Montenegro, which, after the restriction of the autonomy of the province, also started in Kosovo. In January 1990, the extraordinary congress of the Communist League of Yugoslavia, the political oppositions became sharp and the preparation for a multi-party state system started. (The postponed congress in March actually meant the elimination of the Communist Party. The state party thus ceased to exist sooner than the federal state did.) In January 1991 the question at the level of the federation was whether the objective was the strengthening of the federation or progress towards confederation. The majority of the member republics soon became interested in gaining independence, while the Serbs, who had the most heterogeneous ethnic areas including Serb-inhabited territories in several republics, were more dedicated to keep the country united.

The development level of the member republics in the federal state was very much different in the “last peace year”: GDP per capita reached 1,600 USD in Bosnia and Herzegovina, 2,020 in Croatia, 780 in Macedonia, 900 in Serbia and Montenegro and 6,310 in Slovenia. The redistribution activity of the federal state was an issue continuously debated.

The Socialist Federal Republic of Yugoslavia disintegrated from June 1991 to January 1992. Croatia declared its independence on 26 June 1991. On 14 September a bloody civil war started in a major part of the country. The “Serb National Council” declared the areas inhabited by Serbs as autonomous areas on 1 October. Slovenia declared its independence on 26 June 1991, and then defended it in the “ten-day war”. The Parliament of Bosnia and Herzegovina declared the sovereignty of the republic on 15 October 1991, after which complicated internal circumstances evolved, leading to the bloody civil war. Macedonia proclaimed its independence on 20 November 1991. The tensions between the Macedon and Albanian communities became sharp due the processes in Kosovo.

Despite the efforts of the international community, the Socialist Federal Republic of Yugoslavia actually ceased to exist on 15 January 1992, although the Serbs tried to maintain the continuity of the name “Yugoslavia”, filling it with some content. The elimination of the federation was primarily caused by the unsolved national issues, in another approach we can say that “regionalism triumphed over federalism”. (In the Western political geography this process was labelled as “Balkanisation”.)

The internal systemic change happened in different ways in the respective member republics. It was the fastest in Slovenia, difficult, lengthy and burdened by a bloody civil war in Croatia, and ending up in the bloodiest and most complicated result in Bosnia and Herzegovina, if we look at the processes from a political and administrative approach. The systemic change may have been the most difficult in Serbia. In May 1999 the USA and the NATO forced the military evacuation of Kosovo, then in 2000 the post-communist leadership led by Milosevic failed. The actual systemic change started in Serbia in 2000.

2.4.1. Bosnia and Herzegovina
Bosnia and Herzegovina (hereinafter: BaH) has one of the most complicated constitutional structures and territorial administrations in the world; in addition, the country is actually under international control. Approximately 40% of the population are Serbs, 38% are Bosniaks and 22% Croats, although the Croats say they only make 17% of the country’s population. BaH was a real multi-ethnic, multi-religious and multicultural country and party it has continued to be after the bloody transformations.

In 1992-1994 the international community started to create different internal constitutional and territorial structures (1992: “Lisbon Proposals” – single state with ethnic cantons; 1993: Vance-Owen plan, single state with 9 “ethnic majority areas”; 1993: three ethnic states with a formal unity; 1994: Bosnian-Croatian Federation [in 51% of the territory of the country], Serb Republic of Bosnia [in 49% of the territory of the country]) as entities within a formally single state.

**Bosnia and Herzegovina**
BaH, becoming independent during the bloody civil war and stabilising after the international intervention, was given a rather complicated constitutional and administrative structure by the Dayton Treaties in 1995. Under the heading “central level” the primary regional structures were the Bosnian-Croatian Federation and the Serb Republic of Bosnia, later the so-called “Brcko district” was created in accordance with the specific strategic interests. This district is one of the most peculiar administrative and political creations in the whole of Europe.

The Bosnian-Croatian Federation is divided into (10) cantons on ethnic grounds; the cantons are divided into municipalities. Among the cantons five have Bosnian and three Croatian majorities, while two are so-called
“mixed cantons”. The Serb Republic of Bosnia is not divided into cantons, it has organised the local self-governments in the framework of regions (7) and municipalities.

The Croatian inhabited areas of the Bosnian-Croatian Federation demand a strong decentralisation of the Federation, but actually they would like to transform into an independent political, legal and administrative entity. For them the total secession from the Bosnians would be real “decentralisation”, “regionalisation” and “democratisation”.

The state structure and public administration of BaH is actually moving from the state of disintegration to “centralisation” (they wish to increase the role of the central government representing the unity of the state), in accordance with the expectations of the international community. The almost omnipotent representative of the international community was a dedicated supporter of unity of the country in the whole transition period.

2.4.2. 2.4 2. Croatia

The Croatian systemic change and transformation took place within difficult internal and external circumstances. The war and the long political uncertainty almost necessitated, and the personality and historical experiences of the president Tudjman strengthened centralism. Centralism became a dominant element in the operation of the Croatian state until the death of the founder of the state, Tudjman.

Chapter 6 of the Croatian constitution defines the most important relations of the local and regional self-governments. The constitution introduced again in 1990, at the beginning of the transformation, the historical division into zhupan- s (counties), instead of the Yugoslav opcine-s, which were of district size. The new municipal division became smaller both in territory and population than the division based on opcine-s was.
In the territory of Croatia a total of 102 općine-s operated in 1991, at the proclamation of the independence. The Parliament established 21 counties in 1992, parallel to this, 70 towns and 419 municipalities were born. The župans played an important role also at the central level in 1993-2001; they made a Chamber of Zhupans in the Sabor (the Croatian Parliament). The recovery of the war damages had different impacts on the different part of the country, so spatial and settlement development became very important. The municipalities elected for four years have a wide autonomy, but Croatia for a long time was the role model for a post-socialist state organised and operating in a centralised manner.
The decentralisation of the Croatian public administration accelerated from 2001 and was given a new momentum by the start of the accession negotiations. The concepts made calculate with the further expansion of the rights of the zhupans (Antic 2002).

Both the zhupans and the municipalities have broad association rights and they also have the opportunity to build cross-border relations. There is not one single section of the common state border that does not participate in at least one Euroregion or in several of them.

The government programme for the 2003-2007 period defined the reform attempts in connection with public administration in a separate paragraph (9.8). Among the reform concepts, the start of the financial decentralisation has an outstanding significance. (The Ministry of Finance made a separate reform programme for the acceleration of decentralisation in the whole of the public sector.)

2.4.3. Macedonia

The birth of Macedonia has raised a lot of issues for some neighbouring countries (Albania, Greece, Serbia). In February 1999 a mass influx of Albanians from Kosovo to Macedonia started, and their number reached almost 300 thousand by the end of the year. (In 2000 the government already calculated with 660 thousand refugees.) Internal ethnic, economic, social, political etc. tensions, difficult to handle, emerged in the country. In November 2001, by the amendment of the constitution, the state making rights of the Albanians were recognised. Macedonia is a multi-ethnic state, the proportion of the Macedons is approximately 66%, the Albanians make some 23%. Smaller ethnic groups are the Turks, the Roma and the Serbs.

Macedonia
Local public administration is managed by the 123 municipalities; the local councils (which are elected for four years) play a dominant role in the management of the local affairs. In areas where the proportion of the ethnic minorities reaches 20%, their language is also an official language besides Macedon.

Skopje with its approximately half million inhabitants determines the settlement structure of the country. The role of the other towns is significantly smaller than that of Skopje. The basis of decentralisation and regional is more of an ethnic character. The centre of the Western regions, inhabited by an Albanian majority, is Tetovo.

2.4.4. 2.4.4. Serbia and Montenegro
This federation of states, that experienced violent and bloody times after 1990, has been a place of complicated issues. Approximately 95% of the population of Serbia are Serbs by nationality; the biggest ethnic minority are the Albanians. In the Voivodina region the Hungarians are the largest ethnic community.

The constitution of 2003 settled the relationship of the two republics and created the possibility of a referendum to be held in Montenegro on the sovereignty after a three-year moratorium. For Serbia and Montenegro the maintenance or elimination of the federation was the critical issue (the referendum on this issue will be held in May 2006), for Serbia it was the question of the autonomous provinces (Kosovo and Voivodina).

Kosovo province is under the administration of the UNO (UNMIK), and its internal self-governance is almost fully built out. The real issue is how rapidly and within what frameworks this province, formally part of Serbia, will become independent, and what impact this process will have on the whole world, the Balkans and Serbia.

**Serbia and Montenegro**

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1 This paper was presented at a conference prior to the referendum.
Source: Statoids

The autonomy of Voivodina has been formally restored, but the new processes are slowly developing, for economic reasons. The competency of the province formally includes the development of the economy and the financial issues, agriculture, health care, public education and culture.

The province also has the right to establish its own international relations. Within the Danube-Körös-Maros-Tisza Euroregion the Voivodina region has been very active; it is actually the driving force of the EU accession of the whole country.

2.4.5. Slovenia
Slovenia was the ethnically most homogeneous formation within the former Yugoslavia: 91% of the population declared themselves as Slovenes. The largest ethnic minority are the Croats (with 3% within the total population), followed by the Serbs (2%). The proportion of the Muslims is around 1%. The indigenous Italian and Hungarian minorities, both small in number and proportion, enjoy constitutional protection.

The new constitution of Slovenia was approved on 23 December 1991, defining the foundations of parliamentary democracy. In 1993 the constitution was considerably amended. The constitution defines municipalities and regions as local and territorial administrative units, nevertheless the creation of the regions has still not taken place yet.

Local public administration is provided by the 182 municipalities and the 11 boroughs. (The number of population in the municipalities cannot be less than five thousand, that of the boroughs cannot exceed twenty thousand.) The bodies elected for four years have a wide autonomy in the administration of the local affairs. The municipalities have the right to establish regional associations.

The tasks of state administration are provided by 58 administrative districts. The districts usually have competency over the territory of several local units.

In 2004 the central state administration employed a total of 28 thousand people, compared to only 3,400 employees in local administration. Public expenditure amounted to 47% of the GDP. After the EU accession Slovenia is one single NUTS 1 and 2 level region; as a sub-national level, 12 NUTS 3 units have been created.

2.5. Poland: systemic change in a “country of extended crises”

In Poland the decade-long political and structural crisis was solved by special “round table compromises”. As a result of the negotiations started in February 1989, the Solidarity was given a certain share in the power, with clearly defined conditions, and Lech Walesza was elected president of the republic in late 1990.

At the beginning of the systemic change Poland was in the medium-developed group among the ex-socialist countries with its GDP per capita at 2,270 USD in 1993. Nevertheless in the Polish crisis the issue of uncertain public provision was almost constantly present.

Poland had a double-chamber legislation (House of Representatives and Senate). The amendments of the constitution were continuous, but basic changes were only made in 1997. In practice Poland could be considered as a country with a “semi-presidential” system.

Poland went though a serious transformation both as regards the internal and the external relations. The country was in the “first round” in both joining the NATO and the accession to the European Union. On the whole Poland got out of the great crisis stronger than it had been before, in all respects.

The state system and administrative division of Poland raised important issues also at the international level, coming from history, location and magnitude of the country. From an ethnic aspect Poland in homogeneous, the biggest minority are the Germans (1.3% of the total population), followed by the Ukrainians (0.6%), the Belarus (0.5%) and the Lithuanians at 0.1%.

At the end of the communist era, 49 voivodships were the dominant administrative tier; the local councils only had executive functions. The government of the Solidarity introduced the institution of the gmina-s as the basic units of public administration in 1989 (in 1994, a total of 2,383 such local self-government units operated in Poland).

The country created a double-chamber legislative structure. The co-operation of the House of Representatives (Sejm) and the Senate tried to adapt and use the American system in many respect, considering of course the national characteristics.

At the beginning of the transition process the financial conditions of the local and regional self-governments were rather limited, making 5.6% of the GDP and 16.9% of the public expenditure in 1992.
In 1997 a new constitution was enacted, which was followed by a radical reform of the public administration. In Poland the legal frameworks of the radical reforms were approved in 1998, and the actual implementation of the reform started in early 1999. The reform was functional and had a regional character at the same time, and it was motivated to a large extent by the EU accession. The reform basically defined three local and regional administrative tiers (gmina, powiat and wojewodstwo). The act on the local public administration applied in a uniform way at all levels the institution of direct election (at all levels the councils are directly elected by the citizens for four years, and the number one leader is elected by the councils themselves) and indirect election.

The role of the voivodships became stronger than ever both in the political (Regional Parliament) and the economic sense. The 16 voivodships became the key actors of regional development and spatial planning. In 1999 the former 49 voivodships were replaced by 16 new voivodships. At the creation of the voivodships the aspects of the European Union were already taken into consideration. The voivodships were divided into a total of 380 powiat-s, which were further divided into 2,500 municipalities. At each level there were elected councils, but there was no hierarchical relation among the self-governments.

The competency of the large voivodships include regional economic development, higher education, environmental protection, employment, social policy, regional road maintenance and management.

The results of the reform were interpreted by Gorzelák, G. as follows: “the formerly centralised Poland became a decentralised, partly regionalised country and the Polish regions were put on the map of the European Union.” The dominant content of the development processes of Poland is the gradual decentralisation of the centralised country, but the volume and pace of decentralisation was seen differently by the different political powers. The most problematic element of the process was financial decentralisation.

Decentralisation and regionalisation was promoted to some extent by the multi-pole urban network of Poland; the capital city functions of Warsaw are complete, but there are several other regional big cities in the country that are almost able to monopolise their relations within their respective regions.

The system of the planning contracts introduced in May 2000 by the French example led to a special division of tasks between the central and the regional level. The new system appeared in the EU pre-accession processes, especially during the implementation of the PHARE CBC programmes.

As a result of the systemic change, the border regions of Poland opened up for the neighbouring states. Of special importance for Poland was the utilisation of the experiences of Germany through the Euroregions, among other things. Poland is more and more intensively and consciously shaping its cross-border relations towards the eastern neighbours. It is especially palpable in the relation to the Ukraine, the relationships are built out more slowly to Belarus. Following the accession to the EU Poland is divided into 6 NUTS 1, 16 NUTS 2 and 45 NUTS 3 level statistical units.

### 2.6. Romania: a conflict-laden systemic change after the nationalist proletariat’s dictatorship

After the decades of hard dictatorship, in the middle of December 1989, demonstrations and later mass demonstrations started against the dictatorship of Ceausescu. One of the sources of these demonstrations was the activity of the reformed vicar, László Tőkés against the system. The opposition within the party tried to remove the dictator and influence the events at the same time. On 21 December the demonstrations turned into a revolution. The revolution—even if we only calculate with the average of the sharply different estimations—took thousands of lives. The new power changed the name of the country to the Republic of Romania, and soon brought an end to the armed conflicts.

In March 1990 a fight broke out between the Hungarians demanding autonomy and the Romanian masses. In December 1991 the newly worked out constitution was reinforced by a referendum. The constitution defined Romania as a national state. Romania established a double-chamber legislation (House of Representatives and Senate). The president of the republic had a significant formal and informal power at the beginning of the systemic change.
The European integration processes were advancing well in Romania. In 2005 Romania became a NATO member and is probably becoming an EU member in the beginning of 2007. The relations of the new integration might improve the situation of the Hungarian ethnic minority, but the issue of autonomy is almost a taboo for the Romanian majority.

A part of the population eliminated the communist dictatorship in a short but bloody revolution in 1989, than Romania gradually started on the road to the systemic change.

The issue of the ethnic minorities is an important element of the organisation of public administration, especially in the Transylvanian territories. The Hungarians that make 7.2% of the total population of Romania are the majority in the Székely Land. Their autonomy efforts have been continuously present in the political life since the beginning of the systemic change.

The constitution of Romania was considerably amended in November 1991. At the creation of the new state structure the French political structure and constitution were taken into consideration to a large extent, a relatively strong presidential power was created and the means of making compromises was defined in the double-chamber Parliament system.

The Romanian constitution clearly stated among the basic principles of the regional administration that “public administration through the regional administrative units is built on the principles of local autonomy and the decentralisation and the public services”.

The sub-national division of Romania includes 41 counties and the capital city, Bucharest. The county councils integrate the activities of the village and town councils in order to provide the public services at the county level. The government appoints a prefect as its own representative in every county.

The local administrative system is strongly integrated, the approximately 13 thousand municipalities are organised into relatively few administrative-self governance units. Three types of the local self-governments were created: the approximately 2,825 communes usually have less than five thousand population, the number of population ranges from 5 to 10 thousand in the 208 orase-s, whereas the average number of population usually exceeds 20 thousand in the 103 municipalities.

The competency of the counties includes regional development, land use, sewage treatment, public use transport, the development of the road network, child care and public education.

The responsibilities of the 8 development and planning regions established in 1998 include the coordination of the developments at regional level. The agencies of the development regions are responsible for working out the regional development strategies, the implementation of the regional programmes and the regular use of the financial resources coming from the European Union.

Compared to the previous years (Carpathians Euroregion), the focus on the EU accession substantially increased the willingness and the possibilities of the Romanian counties to make their own cross-border relations. The spatially, functionally and also in size differentiated system of eurorregional co-operations with Hungary has evolved.

3. SUMMARY

In the time of the changes of the socialist systems the most frequently used expressions both in politics and everyday life were democratisation, regionalisation, privatisation, constitutionality and decentralisation. The complicated and complex character of the economic, social and political transformation made the central power (and party the whole of the society) most interested in centralisation.

In almost all transition countries, an essential issue both at local and regional level is the character of the state administration and local governance, as is their relation to each other. There are differences across the respective countries as regards the division of labour between the two sub-systems, but it is almost universal in these countries that the clear coexistence of the two can only be seen at the local or regional level(s). In this case it is usually the local government that is responsible for a broader range of activities.
It is almost a common characteristic of the development of public administration in the macro-region that there is a strong “anti-hierarchy” feeling within the local government system. This means that there is no subordinate relationship among the local governments elected at the different tiers, they are responsible for the implementation of their tasks on their own, they are only obliged for a lawful operation. (The control system of the meeting of the legal regulations is rather different in the respective countries.) Parallel to the growth of the importance of regional development and the EU accession processes, new structures and new spatial elements appeared, or the old ones transformed. Regional development was partly adapted to the general territorial division, but independent spatial elements have also been created within this activity.

As a consequence of the accession to the European Union, the spatial statistical systems have also been transformed and the NUTS division has been introduced. The basis of the NUTS division is not the size of the area; it is the number of population.

The different functional and spatial sub-systems of the processes do not necessarily fully cover the territory. The public administration, local governmental, regional development and statistical divisions of the space show differences in several countries. Among the different divisions, competition and in some countries even manipulation has appeared.

The issues of decentralisation and regionalisation have been economic, social and policy issues in Europe since the age of modernisation, closely integrated with the spatial issues of public administration. Federalisation, decentralisation and regionalisation have had contents changing by times and countries and have had a special importance mainly in the multi-ethnic states, such as the countries of Central-and Eastern Europe.

The disintegration of the former larger federal states and the birth of smaller or definitely small states (e.g. Slovenia or Macedonia) have considerably changed a few spatial processes, but has not questioned the necessity of regionalisation.

The administrative structures in the surveyed region, including the territorial division and its regional level are heterogeneous also in the early 21st century. In the countries that joined the EU an adaptation process has occurred in statistics and regional development, whereas this adaptation process is far from being that universal in public administration.

In the macro-region in question the constitutional and administrative regulation of the regional (sub-national) level is not only a function of the magnitude of the given country (although the role of scales is undeniable, because for example Macedonia, Slovenia etc. have totally different size than Poland or the Ukraine), it is much more linked to the issues of the state ideal defined by the ethnic majority of the given country.

In the case of the region as a whole we cannot neglect the issue of multi-ethnicity, either we look at history or the events that have taken place since 1989. The multi-ethnic character is not only a dominant feature of this region; it has become an immanent problem of the European Union, as well. It is becoming more and more important how the biggest ethnic group in the territory of the given country, the major ethnic group of the respective state and the Union minority (because each nation is a minority when compared to the whole of the majority, the European Union) can co-exist.

For Hungary both the direct neighbourhood (Austria, Slovakia, the Ukraine, Romania, Serbia, Croatia and Slovenia) and the broader, “indirect neighbourhood” should be handled as objective starting points. The relations of Hungary to the countries of the surveyed macro-region are quite different — partly because of the EU membership — and these differences will probably remain in the future. However, the constraint of co-existence cannot be neglected, and the possibilities of co-operation are given both at the inter-state and the regional level.

Due to the new neighbourhood policy of the European Union, Hungary can even receive external resources to develop the cross-border relations, and the improving permeability of the borders may improve the situation of the often mentioned Hungarian ethnic minorities in the neighbouring states.

In the continuously restructured macro-regional co-operation programmes of the EU, Hungary can create partial structures in new ways. These continuously changing macro-regional, planning and co-operation sub-structures mean both new challenges and possibilities for Hungary.
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4.1.13. Ukraine
www.kmu.gov.ua
www.ukrstat.gov.ua
## 4.2. Table 1.

Sub-national spatial local government units in the countries of the surveyed macro-region, 2004-2005

<table>
<thead>
<tr>
<th>Country</th>
<th>Territory (km²)</th>
<th>Population (thousand)</th>
<th>Number of sub-national spatial local government units</th>
<th>Average size of sub-national spatial local government units, km²</th>
<th>Average size of sub-national spatial local government units, thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
<td>93,030</td>
<td>10,110</td>
<td>20</td>
<td>4,651.5</td>
<td>505.5</td>
</tr>
<tr>
<td>Albania</td>
<td>28,748</td>
<td>1,166.0</td>
<td>12</td>
<td>2,395.6</td>
<td>263.8</td>
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<td>Bosnia and Herzegovina</td>
<td>51,129</td>
<td>3,964.0</td>
<td>3</td>
<td>17,043</td>
<td>1,321.3</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>110,993</td>
<td>7,801.3</td>
<td>264</td>
<td>420.4</td>
<td>29.5</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>78,864</td>
<td>10,211.5</td>
<td>14</td>
<td>5,633.1</td>
<td>729.4</td>
</tr>
<tr>
<td>Croatia</td>
<td>56,538</td>
<td>4,442.2</td>
<td>21</td>
<td>2,692.3</td>
<td>211.5</td>
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<tr>
<td>Poland</td>
<td>312,683</td>
<td>38,190.6</td>
<td>16</td>
<td>19,542.6</td>
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<td>2,055.0</td>
<td>120</td>
<td>2,857.0</td>
<td>228.3</td>
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<td>21,711.3</td>
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<td>5263.5</td>
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<td>47,425.3</td>
<td>25</td>
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<td>1,897.0</td>
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Chapter 3. NEW REGIONALISM IN REUNIFIED GERMANY: CREATING A BERLIN-BRANDENBURG METROPOLITAN AREA

JAMES W. SCOTT

1. 1. INTRODUCTION

Regionalisation and decentralisation have emerged as important vehicles for institutional change in Germany. Discussion on these issues in Germany operates within the context of critiques of the present federal system and changing perceptions of the state’s governance role. Furthermore, new approaches to metropolitan region-building in Germany are heavily influenced by European integration processes, the economic and socio-spatial consequences of German reunification and more general demographic and lifestyle changes. Structural change and the increasing difficulty to maintain the traditional interventionist role of the state have, as elsewhere, led to the emergence of state/society paradigms that champion notions of a “co-operative” and “enabling” state and “network governance” (Roentgen 2001). Such paradigms imply that metropolitan governance in Germany is shifting away from the vertical imposition of formal, coercive frameworks and towards new, horizontal partnerships between various policy stakeholders (Fürst, 2003).

“New” metropolitan regionalism in the German case is exemplified both by a continuity of established practices and attempts to manage governance gaps through new forms of interlocal and multiactor cooperation. The heterogeneity of Germany’s urban regions, both in terms of structure (e.g. monocentric or multinucleated) and regional development issues precludes the emergence of a specific “model” of metropolitan governance. Furthermore, reorganisation and consolidation processes characterise institutional solutions in which the local level is strengthened and the promotion of a sense of “political” region is aimed for. One specific example will be showcased in the following discussion: that of the Berlin-Brandenburg region. Despite its singularity, the Berlin-Brandenburg metropolitan region is a telling example of how tenets of New Regionalism have been co-opted by state agencies to legitimise their policies. At the same time, indications of an increasing hybridity in governance modes thanks to “bottom-up” initiatives can also be discerned. Metropolitan governance in any real sense of the term has only been possible in the Berlin region since 1990. Despite a more or less direct transferral of planning instruments and procedures to Berlin-Brandenburg, the legacy of division as well as the existence of two sovereign Länder (Berlin and Brandenburg) both with different post-reunification development agendas, makes regional integration extremely complex. In addition to this political context, the economic situation is presently far from encouraging and cultural differences between “East” and “West” are exacerbated by a lack of new employment perspectives.

Discussion will focus on region-building attempts in the Berlin-Brandenburg case. One the one hand, both formal and informal frameworks cooperation between the two Länder will be briefly outlined. These include a joint planning agency but also subregional development concepts and a variety of flexible planning instruments are aimed at developing a sense of interdependent region and, as a result, new relationships between public, private and civil society stakeholders. Furthermore, these instruments are targeted at establishing a degree of consensus in terms of the region’s economic future and thus co-ordinate promotional and “image-making” activities more effectively. On the other hand, however, this paper will illustrate some of the obstacles involved in developing a “new regionalist” agenda for Berlin-Brandenburg, including deep seated differences in terms of economic development agendas.

2. 2. THE EMERGENCE OF NEW REGIONALIST AGENDAS IN GERMANY

Germany’s new regionalisation experience has been characterized as “experimental” (Gualini 2004), informed partly by theoretical discussion and partly by practical attempts at creating new contexts for regional governance. In terms of paradigms and overlying normative concepts, the New Regionalism in Germany closely
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resembles debates flourishing in North America and other parts of Europe. Indeed, in scrutinising the discourses that reflect new regionalist thinking in Germany, we find that they echo the general canon of sustainability and decentralised governance. Specifically, however, new regionalist rationales are informed by a need to reflect Germany’s decentralised and deconcentrated metropolitan structures more adequately within the wider European space economy (Priebs, 2004). This along with the emergence of a unified European market area and the prospects for socio-spatial and economic transformations in the wake of German reunification, and systemic change in Central and Eastern Europe, have substantially influenced territorial governance doctrine in Germany (Brenner, 2000). Shifts in German spatial planning doctrine after 1989 have been witnessed by the elaboration of new spatial planning paradigms, such as the Federal Spatial Planning Concept (“Raumordnungspolitischer Orientierungsrahmen” or ROK) in 1993 and the European Spatial Development Concept (ESDP) adopted in 1999. Significantly, the ROK (Bundesministerium für Raumordnung, Bauwesen und Städtebau 1993, p. 9) has declared metropolitan areas and urban agglomerations to be “regional engines of economic growth for the spatial development of the national territory as a whole”.

Despite the relative success of metropolitan governance in Germany, the coordination of urban development and other policy decisions taken locally, but within regional contexts is seen to be a reform issue of high priority. Among the metropolitan problems that are seen in need of urgent attention are the polarisation of the urban system between dynamic urban areas (Munich, Frankfurt, Stuttgart) and declining regions (Ruhr), depopulation in Eastern German urban centres and rural areas. Suburban growth around major centres, especially in Eastern Germany and the maintenance of sustainable transportation systems within highly networked urban regions are also major concerns. Pressure for regional governance reform and the adoption of new regionalist practices thus stems from mismatches between the increasing functional interdependence of core cities and their surrounding areas and inadequate political and administrative structures. This lack of spatial fit results, as elsewhere, in growing imbalances in terms of the spatial distribution of the costs of policy delivery and the benefits of economic growth and revenue generating activities. As a result, public indebtedness and fiscal pressures on local governments have increased considerably.

**View of Berlin**

*Source: Flickr.com*

At one level, New Regionalism in Germany is closely related to debates over reform of the federal system and the spatial distribution of policy tasks. The need for reform of metropolitan governance in Germany has been increasingly articulated by national and state politicians, stakeholders in many urban regions, academics, planning professionals and representatives of civil society (Heinz 2000). Consequently, local governments in Germany (as in many other Western European countries) have become increasingly involved in developing networks and new relationships with business interests. However, in contrast to the US-American and Canadian
situations, German federalism is characterised by a constant search for consensus rather than intergovernmental competition. This is due to the fact that instead of a clear-cut separation of powers, federal and state governments in Germany are required to share policy responsibilities. The federal level establishes the legislative frameworks for public policy while states (Länder) and local governments are responsible for implementation. This has created a situation of mutual dependency (the so-called consensus trap) that can make processes of policy change and reform arduous (Scharpf, 1999). Furthermore, the principle of subsidiarity, upon which German federalism is based, theoretically provides for the distribution of resources and responsibilities to those levels of government (federal, state, local) that are best suited to manage a specific policy issue within their jurisdictions.

This system of spatial solidarity and shared policy tasks is now characterised by a confusing mix of scales and responsibilities, partly reflecting the increasingly complex nature of public policy but also the increasing practices of “downloading” state tasks to the local level (Jungfer, 2005). This has resulted in a weakening of the role of local government — a tendency that has also resulted in greater local political activism and resistance to these practices. New regionalist attempts to enhance metropolitan governance thus generally reflect a necessity to strengthen the political voice and fiscal integrity of local governments. Partnerships between localities, supported by more streamlined and responsive regional institutions, are therefore a major reform goal. However, the problem of defining institutional responsibilities and allocating resources within a context of consensual political traditions often results in conservative approaches to governance in which previous practises are retained while attempts at modernisation and change are initiated by symbolic and discursive means (Fürst, 2004). Within this context it should also be mentioned that institutionalisation and the active promotion of institutional solutions to societal problems remains a central issue in Germany’s political culture. ²

New Regionalism in the German case is, in addition, informed by a desire to invigorate the spatial planning process. Planning in Germany has experienced a “saturation” in terms of the development of central places and securing a high standard of social and physical infrastructure development. Spatial planning functions are part of the established system of urban and regional governance but remain at the centre of regionalist practices in Germany as such. As planning is highly hierarchical and administrative in nature, an important focus lies in developing mechanisms for “opening” the regional planning process to more inclusive and flexible decision-making processes (Knieling 2003). These include partnerships between state and local agencies and closer cooperation with the private sector and civil society. Furthermore, spatial planning has not been able to address economic development issues in an adequate manner. For this reason, the future of planning is seen in the “proactive” initiation of development processes rather than merely supply-side and regulatory measures. It is therefore, the link between strategic planning, spatial planning and local development that is sought — a link that cannot be mandated by law but only developed through cooperation. Changes to German regional planning legislation in the 1990s recognised the networked and transnational nature of the national urban system and explicitly included a European development perspective. As the ROK but the also the introduction of a new spatial scale in planning practice, the polynucleated “European Metropolitan Region” (Figure 1) demonstrate, discrete urban central place hierarchies have been modified by a more complex system of urban interdependencies (see Danielzyk and Oßenbrügge, 2003). ³

To this end, the German Federal Government, for example, has been active in supporting experimental forms of planning co-operation. Two programmes in particular, MORO (Model Projects for Spatial Planning) ⁴ and ExWoSt (Experimental Urban Planning and Housing) ⁵ deserve mention (see Figure 2). These programmes offer incentives through grants competitions for the development of innovative planning and governance, including moderation, urban networks, regional conferences, participatory planning workshops, regional marketing and more project oriented (as well as entrepreneurial) forms of co-operation.

3. 3. BERLIN-BRANDENBURG: A CASE OF EXPERIMENTAL REGION-BUILDING

¹ Accordingly, the scientific community scrutinising regionalisation processes in Germany is very much centered on changing institutional relationships within hierarchies (“akteurszentrierter Institutionalismus”) (see Scharpf 2000, Mayntz 1997).
² According the Priebs (2004) the pedigree of “European metropolitan regions” adds a new category to the traditional hierarchical nomenclatures of German planning theory based on central-place and includes a cross-border, transnational level. This, in Priebs’ estimation, is an opportunity (and challenge) for Germany’s urban regions to position themselves within the EU and to achieve “cartographic presence” on the new maps of Europe’s economic and political geography.
³ See www.bbr.bund.de/moro.
⁴ See www.bbr.bund.de/exwost.
As presently defined, the Berlin-Brandenburg metropolitan region encompasses 5369 square kilometres and a population of about 4.4 million inhabitants, over three-quarters of which reside in Berlin. The present prognosis for the region is one of very moderate growth, due in great part to increases in the suburban fringe of the region. This “stabilisation” of population development is in contrast to the expectations that characterised the years immediately following the opening of the Berlin Wall.

Figure 1: European Metropolitan Regions in Germany as defined by the Conference of Ministers for Spatial Planning (MKRO) (Source: Priebs, 2004).

Figure 2: Model Projects of Regional Co-operation dealing with “sustainable development” and “infrastructure and demographic change” (Source: BBR).

1 For an excellent overview of urban development and suburbanisation trends in the Berlin-Brandenburg metropolitan region, see Wolf Beyer and Marlies Schulz (2001).
The collapse of the Berlin Wall and the formal reunification of Germany have required that Berlin — as a reunified city and national capital — and the reconstituted state (Land) of Brandenburg find new political and economic roles with the wider European context. These two governments, both federal states within Germany’s federal system, have also had to “rediscover” their common region. With few precedents of co-operation or political dialogue and limited functional inter-relations during 40 years of separation, Berlin and Brandenburg have undertaken a region-building project under particularly difficult conditions. Initial and short-lived hopes of economic prosperity have given way to an atmosphere of stagnation, helplessness and insecurity. Since 1990, traditional economic sectors (heavy industry and manufacturing in particular) have been subject to drastic restructuring, resulting in high rates of unemployment and a considerable “deindustrialization” of both Berlin and Brandenburg. Massive transfer payments for traditional physical development and income stabilization have not succeeded in promoting a sustainable and endogenous economic basis in the East. At the same time, much new investment has either been limited and highly localized or directed to non-productive and non-performing (i.e. highly speculative real estate) sectors (Krätke 2004, Krätke and Borst 2000). Furthermore, Brandenburg is facing a prolonged regional crisis in which depopulation not only affects the rural periphery but also medium-sized cities — the very centres upon which future development of the state will depend.4 Within this context, very different destinies and development trajectories must be reconciled and divisions overcome in order to create a co-operative regional space.

Figure 3: Administrative delimitation of the Berlin-Brandenburg Metropolitan Area (Source: JSPA)

These internal transformations of Berlin and Brandenburg are closely intertwined with processes of adaptation to new external conditions. Most importantly, both Länder have been forced to rapidly orient themselves, both politically and economically, to the wider German, European and international situation. The new institutional contexts within which Berlin and Brandenburg seek to articulate their interests — and these include representation with the EU — have set important parameters for the construction of a common metropolitan region; not only do they represent an overlying opportunity structure in terms of material support, but they also provide political and ideological orientation in the promotion of a regional idea. In scrutinizing the Berlin-Brandenburg metro question we therefore are dealing with several complex and interrelated transformation processes. These include: 1) the unravelling of the geoeconomic and political order of the Cold War period, 2) German reunification and 3) an increasing “Europeanization” of political spaces.

4. REGIONALIST AGENDAS AND FRAMEWORKS, REGIONALIST DISCOURSES

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4 The demographic challenge facing Brandenburg is immense indeed. As the immediate metropolitan area around Berlin continues to grow (close to half of Brandenburg’s population of 2,3 Million live there), 175,000 persons are expected to abandon Brandenburg’s outlying regions by 2015. In addition, the number of elderly in relation to the active population is increasing rapidly (Metzner, 2003).
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The regional consequences of reunification and the expected future development of Berlin were the subject of intense debate immediately following the opening of the Wall in November 1989. To this end, an informal planning group (the Provisorischer Regionalausschuss Planungsgruppe Potsdam or PRPP), made up of state and local authorities and planning experts from Berlin and the former GDR, defined a planning concept for the region already in 1990, several months before formal reunification took place. The immediate prognosis was one of unparalleled growth in the sense of an accelerated period of “catching-up” with other metropolitan regions of Europe, assuming a potential increase in population of 1 million inhabitants. Large-scale suburbanisation, congestion in core areas, increasing housing prices and severe environmental pressures were thus seen as the main regional problems (PRPP, 1990).

The primary aims of the Report were to establish development guidelines for the Greater Berlin region that would promote balanced rather than polarised spatial development and that would also emphasise environmentally sustainable growth. While the PRPP’s spatial development proposal was non-binding, the principles of spatial equilibrium and sustainability that it promulgated were upheld in subsequent planning documents (e.g. the Strukturkonzept). After reunification, regional co-operation was stimulated by so-called regional conferences where specific local and supralocal interests were articulated and where political actors debated different aspects of possible joint spatial development perspectives (IRS 1994). Between 1990 and the formal establishment of a joint regional planning authority in 1996, consensus emerged around paradigms of polynucleated urban growth, sustainability and governance through partnership. 7

The establishment of the Joint Spatial Planning Agency (JSPA) in 1996 can be seen as the culmination of formal regionalisation of the Greater Berlin metropolis. Although the 1995 referendum to unify Berlin and Brandenburg with a single state was defeated, Berlin and Brandenburg nevertheless agreed to create a common regulatory body—to this date the only such example of shared interstate sovereignty in Germany. This agency exercises police powers in all matters relating to spatial planning and environmental impact assessments Above and beyond this, however, the Joint Office has prepared both legally binding and advisory guidelines for the development of the Berlin-Brandenburg metropolitan area. The “Joint Spatial State Development Plan” enshrined the principle of decentralised concentration in order to counterbalance the weight of the metropolis. The “Joint Spatial Development Plan for the Sphere of Mutual Influence” affects the metropolitan area proper. It established, among other things, focal points for future urbanisation and a vast network of open spaces and natural areas.

A commercial promoting investment in the Brandenburg region.

Source: Youtube

Brandenburg’s complement to the creation of a common regulatory agency and the agreement of a joint spatial development programme has been a policy of regionalisation. Brandenburg has chosen to decentralise the spatial planning process by creating five planning regions (Figure 4). This was mandated by state legislation in 1993. The rationale behind this decision was, on the one hand, to integrate regional perspectives into state level development strategies through sharing formal planning responsibilities and, on the other hand, to galvanise communities into action through a process of participatory planning and local development projects. Brandenburg took its cue from contemporary German and European debate on the development of more responsive and effective planning. 8 Ultimately, Brandenburg opted for a rather unique form of region, one defined geographically from the “top-down” but constructed from the “bottom-up” as an association of local governments (counties and towns) rather than as an extension of state government.

Figure 4: Planning Regions in Brandenburg

7 Leitmotifs for this regionalisation effort were gleaned from a variety of sources other than the PRPP’s initial recommendations, including concepts developed by the German Federal Government (such as ORA—the Orientational Framework for Spatial Development) and European spatial development perspectives (see EU Commission 1999).

8 Regionalisation models were also transferred from West to East Germany along with the more formal federalist institutions. North Rhine-Westphalia, a state with much experience in regionalising public policy within the context of industrial transformation, but with a decisively corporatist managerial style, provided considerable advice in this respect.
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These five new regions acquired an institutional character through the creation of regional planning associations (RPAs), staffed by representatives of counties and large cities, a regional assembly that allows local interests and opinions to be voiced and a formal planning office (Planungsstelle) responsible for the co-ordination of regional plans with the state authorities. The purpose of the regions is to provide a clearer regional orientation to general development guidelines established by the Land government. The logic behind creating five planning regions — these generate outward from the urban core into the periphery — is to distribute the growth potential of the greater Berlin metropolitan area, thus promoting development along the lines of decentralised concentration and stabilising the rural regions. As such it is a regional development strategy based on a balance of efficiency and equity criteria (Herrschel, 2000).

Importantly, the planning regions have an integrating role above and beyond their legally mandated planning tasks; the Brandenburg government sees the regions as vehicles for the co-ordination of economic development measures and employment policies with regional development strategy. Ideally, this co-ordination of resources could serve as the basis for regionalised structural development programmes and locally defined and implemented development projects (Kühnert, 1999). The definition of planning regions is thus aimed at improving co-operation between municipalities and public agencies.

Institutionalising a formal regional planning architecture for the Berlin-Brandenburg metropolis has thus far been more or less successful. However, it also remained clear to planning authorities in both states that their governance contribution to the metropolitan region would depend on being more than just a regulatory agency. The need to develop workable and pro-active implementation strategies for balanced spatial development was recognised, motivating the JSPA to pursue a “multilevel” regionalisation agenda for the metropolitan area. In 1999, for example, the JSPA issued a “Strategy Report” that summarised major elements of the region-building formula according to five major objectives:

• balance of the spatial structure
• improvement of the quality of life at the urban level
• preservation and development of regional identity and the revival of cultural heritage
• development of co-operative infrastructure networks
• new partnerships for planning and implementation

The achievement of these objectives will be a long-term project. Significantly, the fifth objective signals an acceptance of the need to integrate regional actors, public and private, in order to compensate for the limitations of direct state action. Furthermore, spatial planning agencies are the only truly metropolitan organisations that...
have been established to date, but these have only limited capacities to manage development processes as a whole. Consequently, a variety of means have been employed to promote co-operation between agencies and different tiers of government. These range from formal projects in the area of freight transport infrastructure to regional parks based on municipal non-profit organisations. In addition, the JSPA and other organisations with a stake in regional co-operation have also attempted to promote a sense of regional identity through European and international initiatives.

Considerable political capital has been invested in so-called Key Projects designed not only to promote the JSPA’s objectives but also to reconcile different development concerns of Berlin and Brandenburg. Among these are the “Integrated Freight Transport Concept for Berlin-Brandenburg”, the “Target Network 2000” (envisaging an optimisation of public transportation systems that link Berlin with Brandenburg’s regions), The “Innercity and a network of “Regional Parks” (JSPA 1999). Regional Parks are interesting experiments in central–local co-operation that began as environmental concepts for the maintenance of open space within the Berlin Metropolitan area. It was decided to develop the idea of regional green zones on the urban/suburban fringe but with multifunctional uses (that is, not as environmental preserves per se) in order to accommodate municipal development interests. Following the failure of the amalgamation referendum in 1996, Berlin and Brandenburg decided to propose a series of eight regional parks which would be conceived and maintained by intermunicipal co-operation (Sandermann 2001). While the concept was “top-down” in origin, regional parks have developed as local projects, in some cases prompting the creation of local government associations and/or non-profit organisations with which to pursue specific development strategies.

Urban networks have been another important regional cooperation vehicle in the Berlin-Brandenburg metropolitan area. These institutional arrangements are governed by a mix of informal conventions and rules and formal/legal planning procedures. They appear to be playing an increasingly important role in Germany in terms of implementing state-defined policies of balanced growth. This new regional planning principle has also evolved in the region of Berlin/Brandenburg in response to the European principle of urban polycentric development for urban regions. In 1993 a Brandenburg-Berlin “Urban Forum” was initiated in order to provide a flexible co-ordinating mechanism open between state and local agencies (and between the states of Berlin and Brandenburg). Basically, the Urban Forum was a strategy introduced from the top-down in order to implement new regional planning paradigms of decentralised concentration and “networked governance”. The most important result of this was the consolidation of co-operation of towns surrounding Berlin through the establishment in 1995 of a Working Group of Regional Development Centres (RDC Workgroup). With its multilevel organisational network, the RCD Workgroup has attempted to pursue various local development aims in the areas of physical planning, urban development, city and regional marketing.

5. 5. REGIONAL FRAGMENTATION DESPITE INSTITUTIONS

As a result of these various “region-building” activities, a governance framework for the Berlin-Brandenburg metropolitan area appears to be emerging at several interlocking levels (see Figures 1 and 2). These are: 1) the intergovernmental level at which the JSPA and its direct activities are situated, 2) regional planning activities of the State of Brandenburg that concern the metropolitan area, 3) co-operation between Berlin, its boroughs, and local governments in the immediate “suburban” vicinity. These three levels interact in a variety of different modes — depending in the projects at hand–providing (at least theoretically) a basis for flexible governance based on partnership. In addition, an urban network composed of medium-sized cities located around the metropolitan region was created in 1995 in order to promote political equilibrium between Berlin and Brandenburg as a whole.

Urban networks organised around the RDC allow for considerable latitude for local governments to define alternative economic and urban development strategies independently of state influence. However, only few of the actors involved appear to have taken advantage of this opportunity. Structural biases favouring traditional “localised” behaviours prevail and will continue to prevail barring more creative policies (e.g. at the EU and state level) facilitating local participation in policy formulation.

Figure 6: Levels of Formalisation, Spatial Scales of Regionalisation in Berlin-Brandenburg

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1 Especially the INTERREG programme for transnational co-operation and AGENDA 21.
Region-building as an expression of multilevel co-operation between governments and different actor groups in the metropolitan area has also been problematic. This is due, on the one hand, to the contradictory behaviour of the Berlin and Brandenburg governments, manifesting both elements of paternalism while, at the same time, encouraging the development of greater informal interaction and urban planning networks. On the other hand, weak local governments, budgetary constraints and a fragmented regional institutional framework have provided disincentives to broader intermunicipal co-operation.

Metropolitan rationalisation in the Berlin-Brandenburg case has, of necessity, been a project initiated from the “top-down” (Benfer, 2001, Herrschel, 2000). However, it has remained largely a state-driven initiative upon which Berlin and Brandenburg have been eager to put their own authoritative stamps. Much of the impetus for “networking”, “neighbourhood fora” and informal co-operation has, in fact, been transmitted downwards from the Berlin Senate and Brandenburg’s ministries to the local level, straining the notion of “partnership”. This has not always been a problem: several regional parks, for example, have developed from “centrally” conceived ideas into relatively successful intermunicipal ventures. However, the imbalances of power between the state and local levels create a regional vacuum of sorts, given that no truly multi-purpose metropolitan governance mechanism as yet exists.

The actual task of regional integration of various actors and actor-groups is, indeed, done locally. Here, Brandenburg’s planning regions and county governments play a potentially important role, despite the fact that, as mentioned above, they fragment the metropolitan space into various subregions. Subregional co-operation could, on the other hand, be a step forward. The regional planning associations introduce specific local viewpoints and differentiated strategies within the context of comprehensive state planning and the individual plans reflect different development priorities, such as tourism, mining, landscape protection, wind energy, and/or transportation, etc. Unfortunately, these functional regions have only promoted limited cohesion within their respective areas and in the metropolitan context. This is not surprising as the locally integrating and community-building functions of the regional planning associations, requiring intense discussions with local actors and interest groups, is not financially supported by the Brandenburg government—ironically, the RPAs receive only as much funding as is necessary to complete the formal regional plans at the Land’s behest.

While the RPAs have been trying to “network” more intensively with municipalities and citizens within their respective regions, the severe limitations imposed on their activities will most likely make it difficult for them to deviate from more traditional forms of planning (Benfer, 2001). Still, communication between the planning associations and the communities, who now more readily accept the planning regions, has improved. The RPAs,

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10 Interview with Mr. Rietzel, director of the Oderland-Spree RPA, 29 June 1999.
11 Interview with Mr. Vennert of the Barnim-Uckermark RPA, 8 October 1998.
12 Brandenburg’s handling of the RPAs is often surprising. Chronically understaffed, these institutions are under intense pressure to prevent negative spatial developments (sprawl, degradation of natural areas, etc.) and also promote conditions for economic growth. In the meantime, framework planning at the state level is slow and the regional plans are left to drift. Interagency co-ordination has suffered as the flow of information from the Land government to the regions is exceedingly slow (information based on Interviews with Mr. Rietzel, director of the Oderland-Spree RPA, 14 June 1996, in Beeskow; Interview with Mr. Schultz of the Havelland-Barnim Regional Planning Association, 11 January 2001, in Kleinmachnow.)
viewed as regulatory agencies with powers to impinge upon local autonomy have had to slowly gain the trust of municipal governments through increased dialogue. 15

A further institutional obstacle to regional integration is the lack of strong municipal institutions. 14 Post-socialist transformation has brought relative political autonomy and self-government to Brandenburg’s municipalities and, with it, a multitude of new and often overwhelming responsibilities. A persistent mentality of dependence on central or other senior governments characterizes the attitudes of many local authorities and thus slows the development of endogenous initiative and the intensification of „horizontal“ working relationships with other communities. Extreme budgetary constraints have also limited local government capacities for participation in regional projects; this expresses itself in a lack of willingness of towns and central places to co-operate in fulfilling regionally integrative functions and taking the initiative in promoting new economic development. In many cases this has been accompanied by an internalization of local politics and by short-term crisis management.

Developing a sense of identity and coherence within an urban region in order to establish effective forms of governance is the central problem of metropolitics. In the specific case of Berlin and Brandenburg, tensions between regionalisation agendas and local particularisms as well as between formal government “hierarchies” and governance “networks” make the regional project daunting indeed. Centrifugal forces work on the region for a number of reasons. Lack of regional functions of joint institutions (besides planning, transportation) and distribution of tasks makes it difficult to create a Metro structure. In other words, metropolitan regionalisation processes in Berlin-Brandenburg co-exist with various forces of fragmentation that are characteristic of the systemic transformation of post-unification Germany.

6. 6. REGIONALISATION CONTEXT: POST SOCIALIST “FORDISM” MEETS THE “GLOBAL CITY”

At the same time that Berlin “rediscovered” its hinterland after 1989, an immense campaign was unleashed to redesign and re-imagine Berlin in order to catapult the city out of its peripheral geopolitical situation. As a result, Berlin embarked on massive housing, office-space and industrial recycling project in the 1990s in an attempt to adapt the city to its new (assumed) pivotal international and European role. As has been indicated above, initial prognoses foresaw extensive growth and development within the Berlin region. With its economic structure modernised and its function as capital city restored, Berlin was seen to be a future European centre requiring vast amounts of investment. For example, estimated pent-up demand for new housing (for some 450.000 new inhabitants by 2010) seemed to guarantee increasing waves of investment in real estate throughout the region (see Empirica, 1992, von Einem, 1993). 16 The building boom in housing was accompanied by large investments in developing commercial properties and the “re-tooling” of industrial spaces made obsolete by market forces. The goal of the Berlin Senate was to master the transition of “post-fordism” by developing Berlin into a European centre for advanced services, media-related activities and technological innovation (see Krätke, 1999, Krätke and Borst, 2000).

However, orchestrating the global city — a project that, in fact, has proven largely unsuccessful — detracted from regional co-operation and promoted an inward-oriented perspective. As Jonas and Ward (1999) have pointed out, Berlin played lip-service to the rhetoric of regional co-operation, but in terms of its policies and investments largely resisted ideas to develop a competitive regionalist strategy with Brandenburg. Regional co-operation on planning and development issues was left to the limited resources and administrative capacities of the JSPA. Instead, Berlin’s political and business elite focused on internal development, Berlin’s status as capital city and the external marketing of the city within the larger Europe context. In this view of future development, the “region” was treated as a functional appendage of the centre, a compensatory space dedicated to housing and recreational needs of the population. 17 Unsurprisingly, this centralizing attitude did little to develop relationships of trust with neighbouring Brandenburg municipalities. Competition for housing (even of

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13 Interview with Mr. Vennert of the Barnim-Uckermark Regional Planning Association, 8 October 1998, in Eberswalde.
14 Interview with Mr. Zimmer of the Barnim-Uckermark RPA, 27 February 1997.
15 West-Berlin, separated from its surroundings in the years between 1961 and 1990, was basically an island-like entity and suburbanisation was all but prevented. The case of East Berlin was different. Here, there was a region to expand into but no real demand or market for development “in the suburbs“. The beginning of the 1990s thus presented a completely transformed scenario with seemingly vast potential for development within the metropolitan area.
16 Jonas and Ward (1999) have compared the strategies employed by Berlin with the case of Barcelona where a strategic competitive regionalism superseeded inner-city interests and groups in promoting growth within the region as a whole.
the suburban single-family variety) and retailing activities heated up, often resulting in the duplication of investments within the region. As a countermeasure, the government of Berlin felt compelled to nurture „neighbourhood fora“ around the city’s urban perimeter (SenSUT, 1996). This process was initiated in order to promote an exchange of information and to avoid future development conflicts through the elaboration of joint structural concepts (JSPA, 2000).

If pretensions of global city status and the redefinition of Berlin as a major European centre dominated Berlin’s regional perspective, Brandenburg’s focus was unabashedly localist and geared to much more basic development considerations. Admittedly, Brandenburg did adopt more globally oriented rhetoric and invested considerable effort in presenting itself as a “nexus” between East and West Europe — particularly due to the fact that European structural funding required a broader spatial development perspective. However, in terms of the main regional development strategies employed, Brandenburg remained focused on its more general regional problematique: efforts focused on the strengthening of existing industrial cores (e.g. petrochemicals, steel, energy, machine engineering, etc.), stabilising semi-rural areas and on supply-side policies of economic promotion (Heeg 2001). Little attempt was made to establish industrial-service clusters or to link up local research and development activities with Berlin (see Dybe and Kujath, 1999).

In addition to this conservative development philosophy, Brandenburg has been very much concerned with the geopolitics of core-periphery relations and their socio-economic and spatial development consequences. The metropolitan context was seen as a benefit in terms of attracting new investment, but fears of regional polarisation due to an over-concentration of growth in the centre led Brandenburg to create planning regions that fragmented the metropolitan area. Each of the five planning regions radiates out from Berlin, thus encompassing both rural peripheries and core urban areas. This act of political will went against functionalist logic, which would have defined the Berlin sphere of influence as a specific region of its own (Sinz, 2000). Instead, a model of spatial equity prevailed: each region would be responsible for transmitting development impulses from the centre to the respective peripheral areas.

Finally, and perhaps as a resume of the above discussion, the main obstacle to metropolitan regionalism in Berlin-Brandenburg can be seen as a cumulative process of city/countryside and “centre”/“periphery” divisions (see Mathiessen, 1999, Nuissl, 1999). This is not merely a functional or administrative issue, it is also deeply sociological. Along with the region’s structural asymmetries, and Berlin’s overwhelming presence, have come rivalries between Berlin and Brandenburg as states and between Berlin and its neighbouring communities. Similarly, local patriotism East/West divisions and the particularistic orientations of municipal governments have been a persistent barrier to regional co-operation.

Politics centred on cultural symbolism and local identity are symptomatic of processes of cultural closure, partly in resistance to neo-liberal policies of market adaptation (see the discussion by Entrikin 1999). These have also impacted on co-operation between Berlin and Brandenburg and have resulted in local “development blockades” (for example in the ongoing attempt to build a joint Berlin-Brandenburg international airport in Schönefeld). This phenomenon has been documented for several urban regions in the former GDR by Peter Franz (2000): local blockades result from irreconcilable differences between “local” and “global” orientations. This seriously hampers the development of co-operative networks and relationships at the local level.

7. 7. CONCLUSIONS

Metropolitan regionalism in Berlin-Brandenburg can be seen as a project of modernisation and regional development aimed at positioning both Länder within the wider geopolitical and geoeconomic context of Post Cold War Europe. However, it is also deeply influenced by local experience and locally emerging practices. Despite the geopolitical singularity of the Berlin-Brandenburg situation, it provides a fascinating case study of the complexities involved in promoting social innovation and new forms of governance. More specifically, the problem of defining a metropolitan context for governance in the Greater Berlin region mirrors many of the contradictions inherent in the New Regionalist paradigm. In fact, metropolitan regionalism in Berlin-Brandenburg involves the spatial politics of both regionalisation and fragmentation. This is expressed by partially contradictory discourses and practices in which a preoccupation with “global adaptation” and “competitiveness” is countered by a focus on locality and cultural difference (see Cochrane and Jonas, 1999; Till, 2005). Furthermore, the tenets of the New Regionalism — in which governance based on networking and “horizontal and vertical integration” is envisaged — have been employed to privilege government actors with a central co-ordinating role.
NEW REGIONALISM IN REUNIFIED GERMANY: CREATING A BERLIN-BRANDENBURG METROPOLITAN AREA

At one level, governance mechanisms have been established through the creation of joint spatial planning structures. However, these arrangements are clearly insufficient. Complex issues typical perhaps of any metropolitan region are complicated by the legacy of political division and the aftermath of unification. Great socio-economic disparities and a pronounced urban/rural divide tend to fragment the region. Divisions have thwarted the development of a regional identity capitalising on the capital city functions of Berlin and the natural endowments of Brandenburg. They have also prevented the creation of a multipurpose regional government body for the greater Berlin area and its immediate hinterlands.

Certainly, the problem of co-operation between the two states was compounded by the failed attempt to create a Berlin-Brandenburg State, resulting in cumbersome co-ordination mechanisms and contractual relationships.

Regional fragmentation is exacerbated by other contextual aspects, such as a structural bias with regard to roles assigned to actors and the areas of policy that are privileged. As such, the perseverance of traditional and often “introverted” practices work as formal and informal restrictions affecting actors involved in the metropolitan regionalisation process. Co-operation has been complicated by dependence on government grants, the absence of a common vision of development on which to base long-term strategies, and the difficult, time-consuming decision-making processes operating within individual city governments. At the same time, more informal co-operation networks appear dominated by elite groups close to mayor’s offices and economic development agencies, allowing for very limited participation by other local groups or NGOs. To an extent then, procedural problems inherent in a hierarchical and legalistic planning process have been regionalised.

Given the clear limitations of region-building in the Berlin-Brandenburg case, what can be learned from the experiences of this region in more general terms? Assuming that, despite its peculiarities, Berlin-Brandenburg’s experience can help inform theoretical and practically oriented debates, I will focus on six issues that appear particularly salient in view of contemporary debates on urban governance and metropolitan development:

1. The New Regionalism sharpens our focus on the roles of local governments within regional settings. The question must therefore be raised: how can the local level be strengthened without promoting exclusionary, elitist behaviour? Furthermore, how can local governments be strengthened in terms of their governance capacities?

2. The NR can also be characterised by an expansion of planning into wider socio-political arenas; while this enhances new collaborative planning it also makes co-ordination all the more difficult. However, this raises several questions: can the networked complexity of contemporary planning processes (and other governance arenas) be reconciled with a need for greater efficiency and accountability?

3. The NR forces us to refocus on the creation of new political spaces within crowded administrative-territorial environments. How can the metropolitan level be renegotiated as a viable “mesolevel” of governance and government that is, among other things, endowed with the fiscal autonomy and political authority required to effectively assume regional responsibilities?

4. No discussion of New Regionalism is complete without a focus on the role of the state as a provider of basic conditions of action and of incentives for regional government. How can the role of the state and relations between state (Land, Province, State) and the metropolitan meso be enhanced so as to improve prospects for effective metropolitan governance?

5. Related to the above, debates on the New Regionalism shed light on the role of institutions as well as their significance in affecting human agency. Decision-making processes are as important as formal structures of policy-making. However, the informal rules that influence these decision-making processes are often more important and rather less easily modified that formal rules.

6. Finally, New Regionalism highlights the interrelationships between institutions, governance patterns, planning modes and urban space. How are regions perceived, constructed politically and, ultimately, managed?

Experiences of “region-building” projects and the construction of metropolitan scale based on multilevel systems of governance and, perhaps most crucially, a sense of shared political identity, provide, as yet, rather mixed results. Their scrutiny should, in any case, shed light both on the complexities and contradictions involved in managing complex social-spatial change and on the opportunities for, as well as limits, to integrating increasingly heterogeneous urban regions.
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Chapter 4. THE REGIONAL INSTITUTIONAL STRUCTURE OF INNOVATION POLICY IN THE CZECH REPUBLIC

PAVEL PTÁČEK

1. 1. INTRODUCTION

Globalisation is recently becoming accompanied by increasing and hardening competition pressures. Questions naturally arise on how and to what extent individual entrepreneurial subjects, regions and countries will be able to resist those pressures and keep their competitive strength at the same time. “Low-cost economy” and similar strategies utilising competitive advantages of low wages, low exchange rates etc. seem to be definitely unsustainable for the future development in the Czech Republic under the conditions of a globalised economy. In particular, the growing competition of large countries with cheap labour force (China, India and others) prevent any further development and worsen the perspectives of the Czech economy to benefit from the same comparative advantages that have worked up to now. It is, therefore imperative for innovation abilities of companies together with improved quality of human resources, research and technologies to gain ground, since they are broadly seen as clues to increasing the competitive strength of Europe.

As regards these sources of competitive strength, the Czech Republic is currently ranked below the European average. It remains underdeveloped especially in the intensity of innovation activities, in technology transfer, in the utilisation of cooperative potential, in expenditures of companies on research, development and innovation, in patent activities, in mutual co-operation of research and industry, in the utilisation of venture capital, as well as in a range of aspects related to the development and use of human resources.

These facts also undoubtedly reflect the prolonged lack of systematic and co-ordinated state policy aimed at the formation of a generally pro-innovation environment. In developed economies, such policy is an important role of the modern state and its application is of great public interest. Innovation policies designed and executed at both national and regional levels, encompass a relatively broad range of public initiatives supporting innovative activities and stimulating the formation of a pro-innovation environment.

Through their scope these policies also increase their natural links to research, industrial, social and other policies. Innovation policy must respect the actual conditions of an individual country or region, too.

2. 2. INNOVATION POLICY DURING THE SOCIALIST PERIOD

In order to understand the current situation in the field of innovations we should review in brief how support of research and development had functioned in the socialist period. Before the year 1989 the support of innovations was facilitated through systems of both basic and applied research. Basic research was concentrated into vertically organised institutions operating under the Czechoslovak Academy of Sciences (ČSAV). Like in other socialist countries, the Soviet model was applied, which did not favour closer links between basic and applied research. The system was fully dependent on state support granted in the form of so-called scientific projects while co-operation with companies played merely a complementary role.

Applied research was localised into a network of research institutes specializing in individual sectors of the national economy and in fact substituted for company research and development. However, due to a limited access to foreign exchange assets and the ideological barriers, research and development could not come up to the international level, just compensated for technological imperfections within a more and more autarkic economy. Technological underdevelopment in comparison with the developed countries became evident especially in the 1980s, therefore the majority of those institutes were closed down after 1989. They could not
The number of institutes under ČSAV also decreased — although to a smaller extent — in applied (company oriented) research. Many institutes were obliged to dramatically reduce the numbers of their employees, change their financial systems, and adapt themselves to the needs of the private sector.

In spite of the problems experienced in the functioning of the innovation system during the socialist period we can say that in some fields innovation capacities were maintained at internationally competitive levels and have kept their structure up to the present. This is true especially to selected institutes of the Academy of Sciences and to certain scientific workplaces at universities and technical colleges.

3. DEVELOPMENT OF INNOVATION POLICY IN THE TRANSFORMATION PERIOD

The concept of the national innovation system created in the 1990s when the significance of innovations in economic growth was widely recognized and, more generally, of the relationship between science, technology and economy — is now being accepted as an important means of analysing the sources and performance of innovations, conceptual approach to policy-making in this field as well as the efficiency of regulations in the support of innovations. This approach was applied especially in the process which created the European research and innovation environment, where a more detailed analysis of changes in the national systems and the convergence of their institutional forms played an important role (Kadeřábková, Müller, 2005). Subsequently, a set of generally shared (and in a way essential) pre-requisites of an operable national innovation system for modern societies was formed, and is characterised by the following (Nelson, 1992 in Kadeřábková, Müller, 2005):

- complex interlinking of science and technology, which shows a certain way of technology design and practice as well as a system of growing scientific knowledge around it; the institutional background to this science-and-technology complex is the national educational system, appropriately structured so that there is efficient interaction between university/college and industry, a source of a longer-term economic growth;
THE REGIONAL INSTITUTIONAL STRUCTURE OF INNOVATION POLICY IN THE CZECH REPUBLIC

- innovation policy of private sector individuals or companies, understood as adaptability to new conditions (outreaching the technological and research capacity of a company); the technological competence and company orientation is based on its own laboratories as well as on its connections to suppliers and consumers;

- government activity directly supporting innovation activities or creating favorable innovative environment using monetary, fiscal and industrial policies together with an influence on the system of education.

The Czech Republic has not had its own innovation policy so far; the only relevant document since 1992 has been the National Innovation Strategy (Národní inovační strategie, accepted as Governmental Decree No. 270, on March 24, 2004). However, a range of measures have recently come into force in order to support innovations and the innovating companies, particularly owing to the activity of the Ministry of Industry and Trade and the Czechinvest agency. Nonetheless those individual measures cannot substitute for the desired integrated and coordinated innovation policy. Such a policy is expressively required after the Czech Republic’s accession to the European Union, where innovations are treated as a priority in the conditions of increasing competition within the global economy and where innovation policy is becoming a truly all-European project. Figure 1 shows the basic components of the institutional infrastructure of the innovation system in the Czech Republic as they should work under optimal allocation. The existence of the institutions is a necessary condition, but they cannot be sufficient on their own.

Fig. 1 Czech national innovation system and its infrastructure

source: Kadeřábková, Müller, 2005

4. 4. REGIONAL INNOVATION STRATEGIES

The national innovation strategy should be followed by a set of regional innovation strategies logically deriving from the national concept. As to the chronological perspective, the opposite has happened in the Czech Republic (incidentally, as with many other strategic documents). The first example for the effort to create and apply a regional innovation strategy is a project called the Bohemian Regional Innovation System (BRIS) implemented in model regions of the Capital City of Prague and of the Plzeňský Region in the years 2000-2004. In 2000, the proposal to create an innovation strategy for the Plzeňský Region gained support of the Municipal Authority of Plzeň and of the Association of Towns and Municipalities of the Plzeňský Region. The project proposal was prepared in cooperation with the technology centre of the Czech Adacemy of Sciences and it gained financial
The BRIS (Bohemian Regional Innovation Strategy) project was launched in 2002 and its objective was to prepare innovation strategies for Prague and the Plzeňský Region. The main project partners were the Technological Centre of the Czech Academy of Sciences, the Municipal Authority of Prague, and the Centre for Regional Development of the Czech Republic – EIC Praha (for Prague) and BIC Plzeň together with the Regional Development Institute of the Plzeňský Region. The scope of the BRIS project included the preparation of a proposal and process of implementation of a regional innovation strategy, encompassing an analysis of needs and resources for innovation in the region, a definition of the strategic goals of innovation strategy and a proposal of measures leading to their achievement. Political acceptance and implementation of this document exceeds the competence of the compilers; it falls within the competence of the regional authorities. During the formation and implementation of a regional innovation strategy it has to be kept in mind that the transfer of competences to the regions is still an unfinished process and that the regional-level competences cannot be considered as sufficiently established so far.

Another factor adversely affecting the motivation of regions and their authorities is the low level of direct interest of the region in its economic output. Although the BRIS project had the ambition of contributing to the actual implementation of certain measures for innovation, it has turned out that this ambition cannot be fully achieved. Analyses confirmed the need for implementing a range of system changes that outreach the decisive powers of regional authorities and the accomplishment of those changes requires a much broader consensus of all participants of the innovation system. Therefore the regional innovation strategy aims to act as the first motion initiating the necessary activities and pointing at the system steps that need to be taken in order to create favorable conditions for the development of innovations in the region. The implementation of the proposed measures by means of specific activities and the achievement of the goals set will depend on all participants that contributed to the preparation of the regional innovation strategy.

The preparation of innovation strategies started in other regions of the Czech Republic in the period following the year 2002. There are two finished and accepted regional innovation strategies: one for the Jihomoravský Region (the first finished regional innovation strategy at all) and the other for the Moravskoslezský Region. Like in the case of BRIS, the defined goals must be read with reserve because their implementation depends on the activities of local and regional participants.

Science-and-technology centres, technology parks and other institutions of similar designation undoubtedly belong among the well-proven innovation tools at the local level. They usually have close ties to universities and to their applied research activities. At present, the most successful technology parks are those that cooperate with the technical universities in Prague, Brno and Ostrava. Altogether there are some 20 institutions of this kind and several more are under preparation (see Table 1).

Table 1. List of technology parks with innovative potential in the Czech Republic

<table>
<thead>
<tr>
<th>Technology Park</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIC Brno, (Podnikatel. a inovační centrum, s.r.o., Brno)</td>
<td>Podnikatel'nyy a inovatsyochnyy centrum, s.r.o., Brno</td>
</tr>
<tr>
<td>BIC ČVUT (BIC Czech Technical University) Praha</td>
<td>Podnikatel’nyy inkubator (Business Incubator), Krom, Kroměříž</td>
</tr>
<tr>
<td>BIC Ostrava, s.r.o., Ostrava</td>
<td>Regionální inov. centrum (Regional Innovation Centre) Frydek-Mistek, s.r.o., Dobrá</td>
</tr>
<tr>
<td>Business Centre Litvinov, s.r.o., Litvinov</td>
<td>Technologické centrum Akademie vTechnologické centrum Akademie v Technologické centrum Akademie v, Praha (Academical Technology Centre)</td>
</tr>
<tr>
<td>Centrum pro inovaci a trans. technologii (Centre for Innovation and Transfer of Technologies), Olomouc</td>
<td>Technologický Park (Technologic Park) Technologický Park (Technologic Park), Husinec – Řež (Praha)</td>
</tr>
<tr>
<td>CTTV - INOTEX, s.r.o., Dvůr Králové n.L.</td>
<td>Vědecko - Ostrava, Science&amp;Technology Park</td>
</tr>
<tr>
<td>Ekotechnologické centrum Ekotechnologické centrum</td>
<td>VTP Plzeň, Plzeň, Science&amp;Technology Park</td>
</tr>
</tbody>
</table>
5. CURRENT STATE AND FUTURE PROSPECTS OF THE CZECH INNOVATION POLICY IN THE EUROPEAN CONTEXT

As a consequence of the goals set in the Lisbon strategy in 2000, the target shares of the company sector in overall R&D expenditures were set to be 66% at the Barcelona summit in 2002. Following the still unsatisfactory output of the Lisbon agenda a new initiative was made in 2005, bearing the name Lisbon partnership for growth and employment. In order to increase the efficiency of the so-far growth oriented efforts in the EU three priority areas of support were set, including also knowledge and innovation for growth. In the wake of this initiative, reform programmes were created at the national level and the Lisbon program of the Communities was prepared at the EU level; all of them integrated for the first time the common research and innovation policy (Kadeřábková, 2006).

The European Council has, among others, reviewed the results of the Lisbon strategy after the first half of its operational period. It was stated that in spite of the undisputable progress its implementation is also associated with imperfections and obvious delays. The main conclusion of the Council is therefore a claim to revitalise the Lisbon strategy, with new priorities set for growth and employment. The components essential for the revitalisation of the Lisbon strategy include knowledge and innovation as the driving force of sustainable development. Emphasis is laid on the development of research and all kinds of innovation that allow the transformation of knowledge into added value, increase the competitiveness of companies and create more job opportunities while upgrading the quality of employment. Support will be given to actual partnerships between the public and private sectors and their active co-operation for the benefit of knowledge-based society.

A commercial promoting investment in the Brandenburg region.

Source: Youtube

As far as R&D is concerned, the presidium of the European Council came to the following conclusions:

- The goal of reaching a 3% share from the GDP for R&D expenditures with a 2:1 ratio of private and public investments continues to be claimed. The achievement of this goal presupposes tax benefits for private investment, a more synergic effect for those investments with the public investments and the modernization of the management of universities and research institutes. The European Investment Bank is supposed to take part in financing the R&D projects

- The 7th Framework Programme of Research and Development in the EU shall be a new stimulus for the European research space for the benefit of all member states, strengthening European cooperation, supporting private investments in areas essential for competitiveness and helping to overcome the technological gap. The attractiveness of Europe for research experts should also increase; a foundation of the European Research Council supporting top-level basic research is being considered, and the European space programme is to be enhanced.
In the field of innovations and innovation policy the presidium of the European Council came to the following conclusions:

- The member states should work out innovation policies regarding their individual conditions and features.

- The innovation policies should focus on the formation of supporting mechanisms for the creation and development of innovative new hi-tech companies, on the support of research cooperation between companies and universities and on the support of creating partnerships for innovation in general, on the orientation of public contracts towards new products and services, on improving the approach to venture capital and on the creation of innovation centres at regional and local levels.

- It is expected that the new programme of the Communities on the competitive forces and innovations will create a new financing mechanism for the innovative MSP with high growth potential, that it will rationalise and extend the network of technological support for innovations in companies, and that it will support the European networks and regional centres for innovations.

- With the aim of strengthening the comparative advantages of the European industry, technology initiatives based on partnership between the public and private sectors will be supported, as well as the organisation of technological and environmental platforms. The European Council has also considered the intention of the Commission to propose the foundation of the European Technology Institute.

A broad support should be expected for research and innovation in the field of information and communication technologies (creating the information society), as well as for ecological innovations and environmental technologies (improving the quality of life) (National innovation policy 2005-2010).

6. 5. CONCLUSION

The paper gives only a specific input to a very important, interesting, yet also broad and sometimes a little landless issue. Nonetheless the concentrated institutional support of innovations at all levels — from the European down to the local — represents one of the essential prerequisites for a successful change in the structure of our economy and its approximation to the EU average.

In the forthcoming part of my research I would like to further focus on selected aspects of innovation and knowledge economy, for example:

- What were the strengths of the given countries during the socialist period? Is there anything valuable that should be continued? Policy of supporting direct foreign investment and science and research.

- Support of the public and private sectors.

- Regional impacts of the arrival of knowledge economy.

- Mapping regional specialisation in science and research.

- Regional benchmarking.

- Comparison of the policies of science and research and innovations between states and regions.

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Chapter 5. REGIONAL TRANSFORMATION IN POSTSOCIALIST POLAND

IWONA SAGAN

1. 1. INTRODUCTION

In recent years, political spaces have been rescaled very intensively by a combination of multifold processes defined as globalization, economic, political and social neoliberalism, or systemic transformations. Political (re)construction of the regional tier together with a changing role of the state and the renaissance of the city are the themes which dominate contemporary researchers’, practitioners’ as well as politicians’ discussions.

New regionalism is perceived as a consequence of the evolution of the state, the civil society and the market induced by globalization and by the reaction of the mezo-space, located between the state and local scales, to these processes, and thus the interpretations of these changes concentrate on the relation between the state and the region. It is generally agreed that in recent decades regions have been gradually taking over many activities and some spheres of power formerly controlled by the state. A key aspect of the gradually weakening role of the state in contemporary socio-economic processes seems to have been its ‘rolling back’ from involvement in several social and economic spheres of activity. This process undermines some of the central roles which traditionally the nation state — perceived as a territorial organization of a group of people — used to play.

The currently ongoing process of political devolution has strengthened the role of regions as economic and self-governing entities (Amin, 1999). Critics emphasize that policy devolution should not be automatically conjoined with the decentralization process because the effect of decentralization depends on the existing hierarchy and structure of the regional system in a particular country, and thus in many cases devolution policies make room for deepening and petrifying disproportions, between centre and periphery.

Devolution policy is on the agenda of the European Union’s regional policy. Structural Funds programs accelerate the changes on the regional mezzo-scale across the continent. The general EU objectives of supporting the bottom-up regional initiatives and assisting processes of decentralization should, however, be confronted with the opposite effect of the top-down regulations imposed by supranational European programmes. The intermingling of bottom-up and top-down approaches stems from a confusing between regions taking shape in the process of regionalism and those in the process of regionalization.Regions are of different nature and the most critical features of their socio-economic development depend on the process in which they are created. Some of the regions are the result of a bottom-up, historical process of regionalism stemming from an ethnic and cultural identity, diverging symbols, discourses and sings. Such regions tend to value their own culture and protect their identity. They are homeland for their inhabitants. Many other regions are the result of top-down, administrative regionalization, implemented by governmental structures to rescale the state territory and to sustain, stimulate and balance its economic and social development. Nevertheless, the fragile, speculatively created spaces of administrative regions are expected to compete or cooperate with well-established, historically created, socially and economically strong regions active in a global economy.

2. 2. NEW REGIONAL SYSTEM IN THE ACCESSION COUNTRIES

In 1988 the unified system of the territorial division of states was introduced in the EU. The Nomenclature of Territorial Units for Statistics – NUTS is a five-level hierarchical classification including three regional levels (NUTS 1-3) and two local levels (NUTS 4-5). Nowadays there are 77 regions of level NUTS 1 in Europe. They are of the German Länder type but, in the case of Poland for example, the whole country is a NUTS 1 region. There are 206 EU regions of the NUTS 2 level and 1031 regions of the NUTS 3 level. NUTS 2 are type of the regions of the German Regierungsbezirk or Polish voivodships and NUTS 3 are the regions of the French departments type. NUTS 4 is the local level of the British county type. There are 1074 such units in Europe but
this level is not present in every country. And the lowest level — NUTS 5 — represents the local units of the German Gemeinden type or municipalities. There are 98433 such units in Europe.

This classification provides the basis system for the political organization of regional economy and for all types of unified European socio-economic regional statistics. Created according to NUTS classification, regions are the tools of EU regional policy. NUTS 2 is the level at which regions are eligible for economic aid from the Structural Funds. Thus the accession countries have had to change their territorial systems according to NUTS regionalisation in order to benefit from financial subventions. These territorial reforms provoked extensive debate in central Europe about the regions, their nature, their opportunities and threats (eg Illner, 2001; Gorzelak, 2001).

Palace of Culture and Science, Warsaw

Decisions about the unification of the territorial structure in all countries of an integrated Europe seem to be very reasonable and proper from organizational and administrative points of view. But they point to a gap in the re-scaling literature insomuch that this approach tends to focus on the processes leading to scalar transformations rather than on the local meanings, the understanding and practices of regional spaces. Sometimes the new regional boundaries cut across the traditional, historical regions, sometimes they create thoroughly new territorial units. Thus ‘Europeanisation’ involves not merely the imposition of new multi-level spaces of governmentality but the continuing processes of multi-scalar relational change which are both affected by and affect territorial (re)organization (Sagan, Lee, 2005, 165-168).

In Poland it was also clear that the existing regional spaces of 49 voivodships created in 1975, were too small for the management of an increasingly competitive economy and for the promotion of an independent development policy. In 1999 the 49 voivodships were replaced by 16 new regions and, for the first time in Poland’s history, a form of regional self-government was established. Territorial reform also restored 373 counties, which had been abolished in 1975 and which are historical territorial units with strong social interrelations and traditions of self-government. In the case of Poland the newly created NUTS 2 regions do not represent a completely new territorial division. Before the administrative reform in 1975 there were 17 relatively big voivodships playing a significant role in the structure of state power. As they become sounder and sounder both economically and politically reforms aimed at the re-assertion of central power abolished them. Thus the sixteen new regions refer to some extent to the old structure. But the strength of the former, state-socialist regions stemmed from the systemic power they possessed as agents of governmental administration. The new regions are not merely involved in central administration but self-government and new responsibilities as well. Thus they are faced with the need to build their own sources of power and legitimacy based on regional economic and social capital.
The system of governance, the economic role and the expectations of the new political regions are different from the old administrative-type regions but the designation of their territory is reminiscent of the administrative procedure. There was no real attempt to take into consideration environmental specificity, the intensity of regional social relations, the geographies of economic networks, or social territorial preferences manifested in historical traditions of sympathy or animosity. Those aspects were contradicted by the formal documents and statements delivered at both European as well as national level. According to the Polish Agency for Regional Development, a region should pass socially accepted links built on shared social and territorial identity (Kozak et al., 2000).

Explicit expectations are included in the European regional programmes concerning regional identity creation and policy-making as tools of effective governance. Thus the attributes of traditional, historically created regions are to some extent invoked in the administrative/political procedures throughout Europe.

Top-down administrative procedures lead to the process of regionalization, which in many cases coexists uneasily with locally and historically rooted forms of bottom-up regionalism. The consequences of the ‘mismatch’ between these two tendencies might in certain cases create some undesirable results. The ‘goodness of fit’ (Risse et al., 2001) between European regionalization and domestic regionalism determine the final results and the level of success in particular regional policy programmes. The problem of ‘goodness of fit’ is well visible in the process of regional transformation in the new EU member states, perhaps because the main features of EU regionalization actually developed on the basis of traditional regions within these ‘old’ countries. As demonstrated by the numerous case studies (Sotarauta, 2005; Getimis, Demetropoulou, 2005; Ferry, McMaster, 2005), the lower the compatibility between European and domestic processes, the higher the adaptational pressure and the greater the risk of undesired side effects. These effects are often connected with the privileged situation of the better positioned regions in regard to the principles of EU regional policy, and the regions which benefit most are often the economically stronger ones or those possessing direct access to systemic power resources required for in negotiations and responsible for the implementation of the new policy. This supports the thesis that the response of national systems to EU regional policy is critically dependent on the institutional framing of the capacity of actors to exploit new opportunities (Borzel, Risse, 2000).

### 3. METROPOLITAN REGIONS AND PERIPHERAL VICINITIES

The rescaling of the policy that privileged the regional tier has opened up new possibilities which have been exploited with particular intensity by city-regions. Urban and metropolitan regions are nodes of economic strength and social capital, and the global space of flows seems to hang out-stretched between metropolitan city-region pillars, potentially undermining the position of nation states. City-regions have gradually gained in economic, political and finally territorial independence. Not accidental cases of personal unification of careers as capital city mayors and state presidents are not accidental and they symbolize the political power of metropolitan cities and the process of merging metropolitan and national interests through personal leadership. The tendency of large cities to expand their territories is furthermore stimulated by EU policy which turned cities into regions by promoting the role of urban areas as the most competitive territorial structure in global economy. A tension is clearly in evidence between the Europe of city-regions and the Europe of regions (Letamendia, 2003). The competitive struggle between the regions, city-regions and other localities for EU support is observed in almost every member state (Sagan, Halkier, 2005, 269-271).

Capital city-regions or the main metropolitan city-regions are in a privileged position, gaining competitive power not only from their greater economic and social potential but also from their access to crucial political resources. Despite some declarative statements about lowering inter-regional disparities, processes of exploitation the neighboring provincial regions by metropolitan city-regions can be observed.

According to the EU structural policy, NUTS 2 level regions whose per capita GDP, at purchasing-power parity, is less than 75% of the EU average, may be entitled to financial support. This rule has a priority over the other policy objectives and almost 70% of the Structural Funds is distributed according to this criterion. Regional exclusion from this category means a serious loss of potential developmental resources. It is also motivation for certain territorial manipulation aimed at obtaining of support from the Structural Funds. The metropolitan region of Warsaw with about 3.3 million inhabitants exceeds the 75% EU limit. But if Warsaw ‘melts’ into the surrounding region incorporating the poorer districts around it — so thus creating the Mazowiecke voivodship — it is well under the limit. As the capital city region was not defined as a separate region, all 16 Polish NUTS 2 level regions qualify for financial support.
A consequent problem is that strongly polarized regions like the Mazowieckie voivodship cause many development problems. Structural changes are much slower in the surrounding localities than in Warsaw and the region cannot provide its metropolis with high quality inputs: its main offer is residential land and recreational facilities in the belt close to the urban core (within a radius of 30-50 kilometers). At the same time, the metropolis attracts the most active and the most highly qualified employees, depriving more remote areas (not reached by the effects of urban development — and especially those of social capital) of critically important factors of development. As a result, more remote areas (ca 70-100 kilometers from the core) have severe difficulties in overcoming their poverty and underdevelopment (Gorzelak, 2001, 314). Thus the territory Mazowieckie voivodship includes the richest municipalities of the Warsaw metropolitan area surrounded by the municipalities classified as the poorest in the country.

With such a degree of inequality, it is difficult to imagine what a coherent and effective regional policy might do — other than to exacerbate polarization until — or unless — market forces reverse this effect. Structural funds targeted on Mazowiecke will probably not improve the situation as the poorer municipalities would not be able to absorb the money, nor would the funds offset the attraction of the more highly developed Warsaw municipalities. The point is that regional boundaries are drawn in such a way as to ensure continued financial aid to Warsaw. In this sense, the metropolis exploits the poverty of its urban periphery thereby intensifying centripetal forces of spatial development.

There is no doubt that metropolitan economic dynamics are central to national and regional development. This is especially true of cities pursuing strongly competitive policies involving the production of relative surplus value rather than those restricting themselves to weaker forms of competition designed merely to reshape the geographical trajectories of mobile capital. But, according to Castells (1996) and Jessop (2000), for example, such cities tend to build networks with equivalent cities and not necessarily with neighbouring settlements and regions.

Map of Poland
Indeed, as the case of Warsaw demonstrates, regional boundaries exclude the poorer localities by including them within the metropolitan region. The double paradox is that the economically stronger such cities are, the more separate they are from the surrounding region and the more devastating the centripetal effect is (Sagan, Lee, 2005, 170-171).

The centre-periphery conflict seems to prevail not only in post-socialist countries (Amin et al. 2003). This would clearly seem to suggest that the impact of the new regional policy and multilevel governance depends on the character of the central power and the existing traditions of executing the state power. In countries with a tradition of a strong, dominant centre — like most post-socialist countries — regionalization processes are introduced and controlled by the central government, and multilevel governance is often reduced to handing down numerous state obligations and burdens to the regional level while regional decision-making powers are still heavily circumscribed by the central government — indeed Poland is a very good example for the ‘centrally controlled multilevel governance’. In other words, the dynamic of neoregionalism a relatively new phenomenon
from a historical perspective modified by previous conflicts between centre and periphery, and thus the concrete reconfiguration of regional powers is determined by the overlap of these two processes.

**4. SECTORS AND REGIONS**

The importance of the old centre-periphery conflict is connected with another enduring tension, namely the one between sectoral and regional development, especially in countries with strong traditions of centralized planning and short histories of democratic political culture. Sectoral policy is the policy of the centre, and dominant metropolitan regions are the territorial units in which sectoral power has traditionally been concentrated (Sagan, Halkier, 2005, 271).

The communist totalitarian system was characterised by a highly industrialised economy, central planning and a strongly hierarchical organisation of power. All of these are attributes of the sectoral policy as well. Thus the sectoral specialisation was quite extensive in all spheres of socio-economic life. Central planning was, in effect, sectoral planning. Industry, housing, health care, transport, communication and education were planned separately by the appropriate ministries. The state system of law was constructed in a way that fostered the development of the sectors.

The aim of various regional structures was to co-ordinate and control the development of certain sectors in the local environment. As local authorities could not exercise their full power (they had neither the legal instruments to control the sectors nor the financial instruments to apply pressure), cross-sectoral co-ordination of plans and activities was either extremely weak or nonexistent. The lower the level of local authority, the less possibility there was of establishing a coherent and consistent local policy. In practice, local authorities could not prevent the excessive spatial development of particular sectors in one area, which was a result of their effort to cut the costs of their development. Neither could they attract investments necessary for a more balanced and sustainable development. Such a situation often led to an irrational allocation of resources at the local level. In other words, sectoral interests mattered more than the real needs of localities and their environment.

One of the most spectacular results of sectoral policy was the over-concentration of investments in the Upper Silesia region of Poland. The strongest economic sectors representing heavy industry (mining, steel works, etc.) influenced the central decision-making bodies so that investments were channelled to sectors, which had further impacts on ‘their’ regions. The domination of vertical/sectoral relations over horizontal/regional ones was easily achieved due to the formal and institutional separation of sectoral/economic planning from spatial planning. Spatial planning was institutionalised as a separate system with its own rules and procedures. But it did not posses any incentives — legal or financial — to execute decisions or even to influence sectoral planning when it was clearly at odds with local environmental or social circumstances.

During the 1990s, regional policy remained weak and subordinated to the sectoral policy of the national government. In fact, there were a few measures and instruments that could have been labelled as elements of “regional policy” (Gorzelak, 2001, 323). A sectoral mentality still prevails in internal Polish economic policy. There is little experience of building horizontal/spatial relations among stakeholders present on the regional scale. The coalitions of parties that have governed Poland in recent years have simply divided the individual sectors among them. These coalitions strove to strengthen “their” respective ministries and opposed decentralisation, which would reduce their power (Regulski, 2003, 26). Thus the promotion of regional development is constrained not only by the national traditions of sectoral planning but by the limited social, ideological, political and bureaucratic experience as well.

**5. REGIONAL GOVERNANCE CAPACITY**

The new post-socialist framework of regional policy has gradually brought some changes to the traditional course of regional policy. The relations between the central hierarchical system of power and regional authorities have steadily, but not without difficulty, turned into a partnership. The EU pressure on regional policy and its directives support the regions through legal and financial incentives. The strength of the former, state-socialist regions stemmed from the systemic power they possessed as agents of governmental administration. The new regions are involved not only in central administration but in self-government and new responsibilities as well. Thus they are faced with the need to build their own sources of power and legitimacy based on regional economic and social capital.

*The chapter draws on Sagan, 2005.*
However, the problem of political vacuum at the regional level weakens the possibility of creating a strong coalition of power. In postsocialist countries the weakness of the regional tier in political structure is the legacy of the former centrally controlled system. It was the level thoroughly dominated by the state government structures. Yet in democratic system the regional level is not actually very attractive from a political point of view as politicians care for their direct electorates on the local level or are struggling to get access to the central systemic power (Hamilton, 2004). The same reasons cause a lack of interest in regional policy of the business community as well. Investors or developers are much more interested in local policy which directly influences their properties and investments or in central bodies which are able to make strategic decisions profitable for the business community. All those reasons limit the number of actors involved in the regional political scene. Without a broad coalition of political and economic forces, without private—public partnership successful regional policy is rather impossible (Sagan, in press).

The key elements influencing regional governance capacity are listed in table 1. An attempt has been made by the author to evaluate their role in enhancing the strength of regional policy.

Table 1. Regional governance capacity in postsocialist Poland

<table>
<thead>
<tr>
<th>key elements</th>
<th>level of capacity to enhance the regional governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>regional self-government</td>
<td>high</td>
</tr>
<tr>
<td>regional government</td>
<td>low</td>
</tr>
<tr>
<td>political strength of regional tier</td>
<td>medium</td>
</tr>
<tr>
<td>involved top business leadership</td>
<td>low</td>
</tr>
<tr>
<td>civic sector</td>
<td>low</td>
</tr>
<tr>
<td>broad community involvement</td>
<td>low</td>
</tr>
<tr>
<td>regional planning</td>
<td>low</td>
</tr>
<tr>
<td>city – county consolidation</td>
<td>low</td>
</tr>
<tr>
<td>crisis/opportunity</td>
<td>high</td>
</tr>
<tr>
<td>environmental factors (regional identity, history, tradition)</td>
<td>low/medium</td>
</tr>
</tbody>
</table>

Two categories; regional self-government and crisis/opportunity are considered evaluated as the main driving forces of the growing political meaning of the regional tier. The category of crisis/opportunity refers to a critical situation in which leading, strategic players as well as community forces are united and mobilised in face of a threat or a special opportunity situation which arises in a particular moment. EU support for regional policy and the Structural Funds create a unique opportunity for regions to strengthen their political position and to build the sound economic basis for their future development. Regional self-governments seems to be aware of this chance and mobilize their dispersed forces to make use of the opportunity.

There are two pillars of governmental structures on the regional political stage in Poland do not collaborate well enough to build a strong coalition of governmental forces. Regional government represents the central government administration in region and competes with the regional self-government for power and prestige than co-operating with it to create a united body responsible for good governance. The legacy of the former system reflected in a passive and bureaucratic attitude still prevails within the state governmental pillar and more often than not weakens the regional governance, instead of enhancing it.

The strong coalitions of private-public forces are still very limited on the regional level. Due to the formerly discussed reasons, business community, dis not very much interested in the participating in regional power coalitions.

The role of civil society and civic organizations in shaping the regional coalitions of power seems to be crucial. On the fragmented regional stage of interests civic agencies might play the role of a medium through which government and business leaders can develop partnerships and form coalitions. Civic organizations are able to unify the fragmented private sector to increase the capacity for a sustainable regional development policy (Hamilton, 2004). In a neoliberal mode of socio-economic relations civic sector remain a key sector supporting regional governmental bodies in solving welfare-related issues. Therefore the presence of civic organization seems to be necessary to increase the capacity for successful regional governance.
The different nature of regions puts them in a more or less favorable position with the regard to civil society development. The social basis for building strong and well organized civil representation able to participate in and control regional policy is incomparably stronger in the regions shaped during the long-lasting process of regionalism than in the regions created as administrative units in the process of regionalization. Most of the newly established regions are the patchworks of different local communities, quite often with diverging interests. Territorial identity is very weak or does not exist at all at the regional level (Wódz, 2001). With the lack of emotional attachment and intensive interpersonal relations within the region, the involvement of the regional community in the democratic governance procedures is a troublesome matter at the regional level.

A commercial promoting the continental regions of Croatia.

Source: Youtube

The bureaucratic and hierarchical planning structures of the centrally governed system lost their dominant position over the regional self-government structures. The new legal regulations concerning spatial economy emphasize that the plan has to regulate rather than create it. The limited role of planning units in post-socialist local/regional policy is also imposed on them by the systemic changes. The planning system ceased to be a tool of achieving the political purposes of the central administration. However the role of planning bodies has been dangerously limited on the local stage now that the pendulum has swing from overwhelming central planning position to the other extreme where the role of planning is neglected (Sagan, in press).

City-county consolidation seems to be a faraway perspective. The centre-periphery conflict is clearly visible in the discussed issue of the access to and already share of the Structural Founds. The rural-urban conflict is intensively expressed in the lack of common policy towards the problem of urban sprawl. In most of the regions the suburban rural counties are not interested in solving the problem of the rapid and uncontrolled urbanization process together with metropolitan municipalities. As beneficiaries of the urbanization process they are very reluctant to share the infrastructural costs of the spread with the metropolitan area and to introduce a joint policy dealing with the matter.

The features of traditional, historical regions, referred to as the environmental factors, undoubtedly rise the level of capacity to enhance regional governance. As already discussed the higher the level of ‘overlap’ between the historical regions the new one established under the last regionalization reform better the prospects for creating strong, self-governing regions. In the case of Poland only a few regions represent the ‘goodness of fit’ although their new borders are not fully adjusted to historical regions such as Major Poland, Silesia or Minor Poland. In most of the cases the artificial names of the newly created regions demonstrate the disruption of local geographies by new administrative geographies. For instance the historical name of Pomerania appears in the name of Pomeranian voivodeship, Western Pomeranian voivodeship and Kujavian-Pomeranian voivodeship confusing even their inhabitants about the name of their region.

The results of the overall evaluation of the key elements influencing the level of capacity to enhance regional governance are not very positive. The process of deep decentralization and building of a system of strong, self-governing regions requires substantial social and economic changes. And in spite of all effort it is impossible to substitute, to skip, or to buy the critical factor in the creation of prosperous regions.

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Chapter 6. REGIONALISM AND REGIONAL DEVELOPMENT POLICY IN CROATIA

IVAN KOPRIĆ

1. 1. INTRODUCTION

Regional issues are topical in today’s Europe in at least three different ways. Firstly, there are continuing efforts with regard to the improvement of regional self-government as a necessary component of democratic political systems ¹. Secondly, there is the question of the role of regions in the European integration process ². Thirdly, the view on regions is connected with a group of interdependent themes about regional development— institutions, policies, legal framework, etc ³.

I will present the position of the Croatian counties as a kind of regional actors (at least after 2000), the beginnings of regional initiatives and development attempts, and a current preparation of new legal, institutional, and policy arrangements oriented towards regional development. However, before that, I will present a short comparative overview of regionalisation processes in Europe, for easier understanding of my standpoints.

2. 2. BRIEF COMPARATIVE OVERVIEW

In contemporary Europe there is not just one unified model of regionalism and regional self-government. In regionalism, there can be seen socio-economic and cultural, political, or institutional moments. With regard to institutions, we can distinguish various institutional models and regional institutions’ developmental paths.

Marcou proposed five types of institutional framework for analysis of regional institutions: (1) administrative regionalisation, (2) regionalisation through existing local governments, (3) regional decentralisation, (4) regional autonomy, and (5) regionalisation through federal entities (member states of a federal state) (Marcou, 2002a: 15). However, I would like to distinguish between administrative regionalisation, regional self-government, and federal entities in federal states. Such a classification can show us differences between the weakest and the strongest institutional position of regional units, from being part of state’s administrative system, through acquiring solid political autonomy through the process of political decentralisation, towards being a constitutionally accepted part of federal state with substantial state authority ⁴.

Statue of Ban Jelacic, Zagreb

¹ A desire to ease ethnic tension (Antulov, 2000: 1) could be considered as a part of democratisation purpose of regional self-government.
² A lot of information could be found in Gál, 2001 and Marcou, 2002. Concerning that question at least two ideas are interesting and probably productive. On one hand, regions and their networking could be a way of strengthening political integration of the European Union. On the other hand, the European Union stimulates institutionalisation and consolidation of the regional tier of government. Naturally, many other, and more complex ideas and hypotheses could be developed and investigated.
³ See also Caravita di Toritto et al., 2004: 6-9 and subsequent national reports in 2004.
⁴ More details on decentralisation scale, from administrative decentralisation, through political decentralisation to the subsidiarity concept and anarcho-marxist concept of the commune see in Koprić, 2001.
Regional institutions developmental paths could be bottom-up and top-down. In simple terms, in certain Western-European countries regions have been developed in natural, bottom-up manner. They have been built up as kind of wider communities of citizens connected by particular historical and cultural identities, economic, traffic, spatial, and other similar interests. At one moment in time they acquired legal recognition of autonomy and self-government and developed certain institutional and political structure independent of central state authorities. The described process has been characteristic primarily for (former) unitary countries, such as Italy or Spain, but to some degree also for previously very centralised France.

On the other hand, transition countries are mainly characterised by different processes. They are building up their regions institutionally, in top-down manner. New regional institutions are designed while their socio-economic, cultural and other substance is still very questionable. Regionalisation is initiated to encourage regional development, decentralisation and improving public administration as a whole.

\[1\] Of course, such a simplified picture can be used only as a general orientation. A deeper insight can give a different result. Bottom-up processes could be also found in countries like Slovakia (see Buček, 2002: 144), and top-down processes in countries like Finland (Caravita di Toritto et al., 2004: 4). After certain period, top-down design of new institutions can reverse to bottom-up processes (see Ágh, 2005: 109).

\[2\] «Thus in East Central Europe the basic political institutions and economic regulations at formal-legal level are the same as in the continental states, although their “content” is largely missing …» - Ágh, 2005a: 326.
Legal status of regional units in the transition countries is different. In most countries, they have only administrative position — they serve as a frame and a form of technical co-ordination of state administrative bodies and public services. In that case, there is no self-government status recognised to them. They do not have politically elected bodies that would represent specific regional interests in relation to the central state and its bodies. However, the number of countries that recognise the firm constitutional role and status of autonomous, self-government units is continuously increasing (e.g. Poland, Slovakia, etc.).

In different transition countries — members of the European Union, the European Union membership candidates, or others — the question that undoubtedly really matters is the question of speeding up economic and social growth and development. Since an important role concerning that issue is credited to the regions, regional development has also become a big institutional and legal hit. All those countries have passed new laws on regional development; they have got the national regional development agencies in charge of stimulating regional development and supporting regions in various ways; they have developed regional development agencies as a kind of middleman between regions and their bodies on one side, and entrepreneurs and firms in the regions, on the other; etc. The models of regional development have been significantly harmonised in today’s Europe (Laakso, 2004).

Regionalisation has become part of the European Union accession strategy (see also Marcou, 2002a: 20-26). Special attention has been given to the statistical regions. The European Union has stimulated the development and structural adaptation of the regions from its funds. With regard to structural fund incentives, the main role is played by NUTS II statistical units (Nomenclature des Unités Territoriales Statistiques), having between 800,000 and 3,000,000 inhabitants, and less than 75 per cent of the average European gross domestic product (GDP). Apart from transition countries, even in certain old European Union member states “accession to the EU has helped to launch an ongoing regionalisation process” (for example, in Sweden and Finland; see Caravita di Toritto et al., 2004: 4).

Federations (e.g. Germany, Austria, Belgium) and Switzerland as confederation should be distinguished from all those countries previously mentioned. Some of their parts (Länder, cantons) have acquired legal verification of a high level autonomy which exceeds ordinary competences of regional self-government units. The example of Belgium is rather interesting, because of the ethnic and linguistic conflict of the Flemish people and the francophone Wallonians which serves as a moving force of centrifugal processes (see, for example, Hooghe, 2003; Togna, 2004; etc.). A need for strengthening institutional mechanisms of separation, co-operation and mutual supervision has led Belgium from the recognition of the right to regional self-government in 1980 to constitutional reform in 1993 when it became a federation. Federal level has withheld a small number of competences necessary for the unified state frame, from defence to justice. Such institutional development has ensured Belgium’s survival.

In certain, mostly transitional countries, regions still do not have the right to self-government, and they have the role of administrative regions or administrative meso-level units. Nevertheless, general development trend has shown a shift towards higher level of autonomy of such regions. In Portugal, there is a difference between island regions that have political self-government recognised by the Constitution (Azores, Madeira) and continental regions that are administrative regions without autonomy (but continental administrative regions have never been implemented) (Cassetti, 2004: 227). In transition countries there can be seen a trend that regions have been gaining representative bodies (which consist of elected representatives of citizens), guaranties of autonomy, and other elements of self-governance.

Draft European Charter of Regional Self-Government has already been prepared within the frame of the Council of Europe. The European Parliament adopted the Community Charter for Regionalisation as early as in 1988. The Assembly of European Regions adopted Declaration on Regionalism in Europe in 1996. All those documents have additionally legitimised and strengthened regionalisation process (see also Đulabić, 2006).

Although economic reasons for regionalism, i.e., regional development and planning are almost obvious (Caravita di Toritto et al., 2004: 1), it is not hard to notice that the European Union has significantly promoted

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Footnotes:

1 Much more information can be found in Horváth, 2000; Kandeva, 2001; Soós et al., 2002, etc.
2 Caravita di Toritto et al. stressed three main fields of local policies in recent time: economic development policies, social and cultural policies, and urban and spatial policies. – Caravita di Toritto et al., 2004: 5
3 EU integration has undoubtedly provided an instrument for promoting and stimulating regional and local economic development, in particular through the use of the Structural Funds. – Caravita di Toritto et al., 2004: 8
4 However, some authors have noticed that «in central European countries with a strong tradition (Austria and Germany) the federal institutions are enjoying an upswing» (Caravita di Toritto et al., 2004: 2), alluding that Länder might lose certain elements of their relatively firm position.
the idea of regionalisation when it considered co-operation between regions as an alternative way to politically integrate Europe. Then the notion of “Europe of the Regions” became very popular (see also Ágh, 2005: 88 and subsequent). If and when the European Union member states are willing to disclaim certain previously typical national competences in favour of the Union, the process can re-orientate to preparing and adopting the European Constitution. In such conditions, the alliance between regions and the Union might decline. However, it seems that the processes of strengthening of regional self-government cannot be stopped.

3. DEVELOPMENT OF THE MIDDLE TIER OF GOVERNMENT IN CROATIA

3.1. Counties as Units of (State) Administration and Self-Government

The Croatian Constitution of 1990 guaranteed the right to local self-government and designed a two-tier system with communes (općina) and towns (grad) at the municipal level and counties (županija) at the higher level. The Law on Local Self-Government and Administration and other necessary legislation were passed at the end of 1992, two years after the Constitution, mainly because of the war in Croatia. The whole system of local self-government began to function in the first half of 1993.

Counties were supposed to serve as the middle tier of government and were intended to be administrative and self-government units at the same time, but their first and more important role was to be units of deconcentrated state administration. There were 8 to 10 “county administrative departments” in each county, which were first-instance state administrative bodies. There were 175 county administrative departments, with 779 of their branch offices in 107 towns and more than 7,000 state civil servants and employees (1996). Each of those departments was managed by the head, and all 8 to 10 heads in each county were responsible to the county governor (župan). County governor was officially the “representative of the State authority” in the county, and had to be confirmed by the President of the Republic of Croatia. S/he had a respectable command, personal, supervising and financial competences with regard to the performance of state administrative affairs at county level (Koprić, 2003b: 11).

At the same time, in the rather narrow self-government scope, county governor was the chief of executive. As a self-governing unit, a county had the standard institutional structure: representative body — assembly (skupština), executive board (poglavarstvo), county governor, and municipal offices (upravni odjeli). In self-government scope, county governor was at the same time the president of the executive board and individual, monocratic, body with separate competences. S/he was chosen by the county representative body, and other members of the executive board were chosen by the same body on his/her proposal. His/her competences (coordinating, and others) were oriented towards basic local self-government units (communes and towns), also.

According to professional assessments, state administration at local level was hypertrophied and over politicised. Along with county administrative departments with more than 7,000 civil servants, there were other types of deconcentrated state administration, such as the branch and field offices of ministries and other central state administrative bodies (for example, tax administration departments, police stations, county units of the Ministry of Defence, Ministry of Agriculture, etc.). In contrast to this, county municipal offices employed only 1,000 local civil servants and employees or 50 per county (Koprić et al., 2001: 292-293; Ivanišević et al., 2001: 203-205).

The whole system was rather centralised. The counties were under strict central supervision in performing state administrative affairs. Central political bodies (the President of the Republic, the Government) and ministries had strong political, financial and personnel-related influence on county governor and on county administrative departments. County governor had dual lines of accountability, to the county assembly and to the central bodies. In practice, the second line was much more effective. State bodies and local self-government had hierarchical relations, not a partnership or mutual limitation.

In total contrast to their role in the state administrative system, counties’ self-government scope of affairs was very narrow. It was mostly limited to co-ordination of activities between towns and communes whose scope was narrow, too. Budget expenditures of the counties amounted to only about 10 per cent of the total budget expenditures of all local self-government units, and all local budget expenditures comprised about 12 per cent of total public expenditures (central and local budgets and other public funds) (1997) (Ivanišević et al., 2001: 212;
Regionalism and Regional Development Policy in Croatia

Rogić Lugarić, 2005: 113). Local or regional development was in no way mentioned as a self-government task anywhere in the Constitution or other legislation.

After ratification of the European Charter of Local Self-Government in 1997, Croatia found its legislation was not harmonised with the principles and provisions of the Charter (Koprić, 2003a). First, unsuccessful attempt to do it took place in 1999. Nevertheless, it was only after the presidential and parliamentary elections of 2000 that Croatia managed to initiate significant changes concerning local and regional self-government.

3.2. Counties as Units of Regional Self-Government

A comprehensive decentralisation policy was introduced in 2001 by the left-wing Government. The Constitutional Amendments (2000 and 2001) have accepted the principles of subsidiarity and solidarity. They also redesigned counties as the units of regional self-government. The counties have been guaranteed affairs of regional importance, in particular those related to economic development, traffic and traffic infrastructure, education, health services, spatial and urban planning, as well as planning and development of a network of educational, social, cultural and health institutions. They are entitled to widen their self-government scope by county assembly bylaws, having in mind their budget limits as well as the guaranteed scope of local self-government units and scope of state bodies.

State first-instance administration is separated from local and regional self-government and significantly reduced (from more than 7,000 to less than 4,500 civil servants and employees). The position of the county governor has been redesigned and s/he is now just the county executive functionary. Only one state administrative office is established in each county, instead of 8-10 previous county administrative departments. It has the same territorial competence as the respective county, but there are not any organisational, personnel or financial links between the state administrative office and the county (Koprić, 2004). The number of local personnel has been gradually increasing, just as the counties’ share in total amount of all (state, local and regional) budget expenditures. Budget expenditures of the counties amounted to about 13.8 per cent of the total budget expenditures of all local self-government units in 2003, and all local budget expenditures comprised about 15.1 per cent of total public expenditures (budgets and other public funds) in Croatia (2003).

Counties’ financial capacity has been increasing, also.

The level of centralisation has been significantly reduced. There are no dual responsibility lines for county governors anymore and they are responsible only to their county assemblies. Massive decentralisation has taken place in education system, health service, culture, and social welfare system. Counties have been granted many new competences and gained wider influence and responsibility. Certain reduction of central political influence and progress in professionalism in state administration at county level has expanded space for counties’ autonomous initiatives and development projects.

Despite everything before mentioned, five years after the beginning of the decentralisation process we can notice that the changes have been relatively slow, cautious, even hesitating. Most counties are suffering from the lack of financial and professional capacity, while state regional policy is still unclear and weak.

3.3. The City of Zagreb

The City of Zagreb has separate legal position and specific status in the whole system of territorial self-government. It is the capital and its specific position is recognised by the Constitution. It has legal status, competences and responsibilities of both city and county. In the first phase, until 2001, the City of Zagreb was under central state control like all other counties. Its mayor (gradonačelnik) was confirmed by the President of the Republic and its administrative offices had the status of the county administrative departments, i.e., state administrative bodies.

Since the 2001 reform, the city mayor has been elected by the City Assembly. Administrative bodies of the City of Zagreb are entitled to perform state administrative affairs and state administrative office has not been established only on the territory of the Croatian capital. There are about 2,500 civil servants and employees in the City of Zagreb (2005), which constitutes 22 per cent of the total number of local civil servants and employees. It is more than double in comparison to all the other twenty counties (Augustinović Pavičić, 2006: 115). The City of Zagreb is among the most propulsive units in Croatia from economic and developmental point of view.

Data of State Audit Office and Rogić Lugarić, 2005: 113.
4. REGIONAL DEVELOPMENT POLICY: FROM CHAOTIC MISUNDERSTANDING TO COMPREHENSIVE BEGINNING

4.1. Regional Differences and Disparities

During its history, Croatia usually had the second tier of government, but with different roles, competences, number of units, etc. Counties as part of the common Hungarian and Croatian heritage were re-established in the early 1990s. However, they are of relatively small size, with 2,800 square kilometres and 183,000 inhabitants on the average (the City of Zagreb excluded). They have not been formed with respect to historical Croatian regions such as Slavonia or Dalmatia. Political needs and respects have overwhelmed historical, social, legal and technical criteria of county mapping (see also Antulov, 2000: 6).

The differences between the counties are very marked. With respect to the number of inhabitants, the biggest is Splitsko-dalmatinska County with 463,676 inhabitants, which is almost nine times more than in Ličko-senjska County with only 53,677 inhabitants. Splitsko-dalmatinska County has the biggest area (4,540 square kilometres) which is six times more than MeĎimurska County (729 square kilometres). The population density is the highest in MeĎimurska County (162,4 inhabitants per square kilometre) and the lowest in Ličko-senjska County (10 inhabitants per square kilometre).

Croatia has 6,750 settlements, and the average is 334 settlements per county. The most fragmented settlement structure can be found in Krapinsko-zagorska County with 344 settlements per 1,000 square kilometres. Vukovarsko-srijemska County has the smallest number of settlements per 1,000 square kilometres (35) which indicates a consolidated settlement structure and relatively large settlements in the plain area of Eastern Slavonia. Second to the last is Ličko-senjska County (47 settlements per 1,000 square kilometres) where, quite the opposite, prevail small and distant settlements in the mountain area.

Economic differences are also noticeable. Average GDP per capita in Croatia in 2003 estimated by State Bureau for Statistics was €5,909. The highest GDP per capita was recorded in the City of Zagreb (€10,586) where as much as 31,5 per cent of the total Croatian GDP was realised. On the second and third places were Istarska County (€8,112) and Primorsko-goranska County (€6,977). The lowest GDP per capita was recorded in Vukovarsko-srijemska County (€3,397) indicating war after-effects.

Concerning the NUTS classification (Nomencclature des Unités Territoriales Statistiques), Croatian counties could be classified only as NUTS III units, not as NUTS II (regions). That circumstance hinders their functioning as proper regional development actors with sufficient financial, professional and other capacity.

In addition to the described county differences, Croatia recognised specific areas that deserve additional aid and solidarity. There are three categories of such areas regulated by special laws: areas of special state concern, hills and mountain areas, and islands. Special concern is also prescribed by the Law on Fund for Reconstruction and Development of the Town of Vukovar. Areas with special status are spread on 36,320 square kilometres (64,3 per cent of the overall territory) with the population of 1,023,000 (23 per cent of Croatian population) and 275 local self-government units (50 per cent of the total number of local units — 550 of them). The largest part of those areas are areas of special state concern, while hills and mountain areas and islands cover a much smaller area. The ratio between those three categories is 3:1:0,5 with regard to the number of inhabitants, and 4,5:1:0,5 with regard to the area they cover.

4.2. Early Regional Co-operation and Development Initiatives

Some counties showed initiatives that might be connected with regional development in the first half of the 1990s. Among those forerunners, Istarska County was the best and rare example. This county became a member of the Assembly of European Regions in 1994. Thanks to specific historical, political, and demographic circumstances, it managed to develop its own, specific, proactive, autonomous position. It designed many interesting and innovative developmental ideas, especially in tourism and related fields, rural development and

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12 According to the data of the Croatian National Bank, average GDP per capita in Croatia increased to €6,397 in 2004 and to €6,972 in 2005. See http://www.hnb.hr/statistika/h-ekonomski_indikatori-1.htm
agriculture. On the other hand, it was under heavy political pressure and often accused of separatist politics (see also Antulov, 2000: 2).

In unfavourable conditions of early transition, war and rebellion of the Serb minority, rough and unjust privatisation, nationalistic ideology, weak financial and personnel capacity, etc., one of the logical solutions was co-operation, both with counties and local units in Croatia and with self-government units in other countries. 13 Entering membership of the organisations such as the Assembly of European Regions was one of the possibilities. The process of establishing connections and co-operation with foreign local units and respective international organisations was cautious, gradual and relatively slow. Nevertheless, most Croatian counties are now members of the Assembly of European Regions. It is interesting that domestic association of counties was not established until 2003. That fact is indicative of a non-collaborative atmosphere noticeable in the whole self-government system during the 1990s.

Croatia ratified the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities of 1980 only in 2003. Many new initiatives related to transfrontier co-operation are being developed.

Earlier animosity towards regionalism and co-operation with foreign local units has decreased, although it is still present. Regional co-operation is smoothed by weakening of nationalistic ideology, but historical reminiscences still exist.

The first Euroregion with Croatian counties (six of them) and towns (four of them) as members was Danube-Drava-Sava. It was established in Pécs in 1998. The members are from Hungary, Croatia and Bosnia and Herzegovina. Euroregion Mura-Drava was established in 2005. The members are from Hungary (Zala, Somogy) and Croatia (Međimurska County). There are a few other forms of co-operation and initiatives, such as Euroregion Murania with members from Austria, Croatia, Hungary and Slovenia, the initiative for establishment of the Adriatic Euroregion (possible members from Albania, Bosnia and Herzegovina, Croatia, Italy, Montenegro, and Italy) or, for example, the idea about Herzegov-Dalmatia Euroregion.

Certain Croatian counties and larger towns have shown significant initiative in tracing, encouraging and assisting regional development. Nine counties have already accepted their regional operative plans (ROP), in three counties those plans are in concluding phase, and in additional seven counties such plans are under preparation. Financial aid and professional assistance are provided by the European Union, other foreign donors and domestic professional and scientific institutes.

The first regional development agency 14 named IDA (Pula) was established by Istarska County in 2000. In this county also function the Agency for Rural Development (Pazin) and Istrian Agency for Tourist Development (Poreč). There are certain other regional development agencies, such as Regional Agency North — DAN in Varaždin, Regional Development Agency Međimurje, Regional Development Agency in Zagrebačka County, Regional Development Agency Porin in Rijeka, Regional Development Agency Dunea in Dubrovačko-Neretvanska County. Several new agencies are in preparatory phase, such as Regional Agency Sigma — Sisak in Sisačko-moslavačka County or Regional Development Agency of Slavonia and Baranja in Osijek. 15

4.3. From Old to the New Regional Development Policy

Previous regional development policy was weak, fragmented, old-fashioned, mainly reactive, and characterised by politicisation, predominant geographical categorisation, and a sort of chaotic misunderstanding.

Apart from redesigning counties as “units of territorial (regional) self-government” 16, central state has made certain efforts concerning regional policy. First, certain laws have been passed. The Law on the Areas of Special State Care was passed in 1996, with intention to relieve the war after-effects. 17 The Law on the Islands was

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13 See also a very interesting theoretical explication and a lot of information about co-operation of Romanian and other local and regional units in Cernicova, 2004.
14 Comparatively, such agencies can be established as non-profit associations (France), non-profit funds (Germany), companies or public companies (Italy), associations of municipalities (Greece), public-private partnerships, etc.—Osmanković, 2004: 9.
15 Apart from regional development agencies there were established four local economic development agencies (LEDAs) in Drniš (2000), Okučani (2000), Sisak (2001), and Vukovar (2001), as part of UNDP/UNOPS programme for the areas of special state concern.—Puljaz, 2003.
16 The literal translation of the constitutional phrase.
17 Narodne novine (Official Gazette of the Republic of Croatia; NN) no. 44/96, 57/96, 124/97, 78/99, 73/00, 87/00, 127/00, 94/01, 88/02, 26/03 — consolidated text, 42/05, 90/05.
passed in 1999 13, the Law on Reconstruction and Development of the Town of Vukovar in 2001 14, and the Law on the Hills and Mountains Areas in 2002 21 (see also Dulabić, 2005).

The Law on the Areas of Special State Care differentiates between three categories of local units. The first and second categories comprise the areas occupied during the War of Independence. The third category is fluctuating and comprises local self-government units which are economically underdeveloped, have structural hardships, units with unfavourable demographic situation or mined areas, or units at the state border. Assessment procedure for the third category has been done annually by the Ministry of the Sea, Tourism, Transport and Development.

The Law on the Islands has introduced two categories of the Croatian islands. The first one has significant economic and demographic hardships, in contrast to the second one (which includes Pelješac Peninsula, also). This Law has designed a basis for a meaningful national policy on the development of islands. There are 26 islands or groups of islands for which the Croatian Government in participative process with local self-government units passes programmes of sustainable development. Additionally, the Government passes 14 sectoral state programmes (after obtaining previous opinion of the Islands Council) and annual islands programmes with tasks for various public administrative bodies.

The Law on the Hills and Mountains Areas also applies the geographical approach and intends to support development, demographic consolidation, and protection of biological and natural diversity. The Law on Reconstruction and Development of the Town of Vukovar is a kind of “private” law (in British legal terms) that intends to foster reconstruction and development of that town completely devastated and destroyed during the War of Independence.

In addition to that, the Fund for Regional Development 22 and the Fund for Development and Employment 22 were founded in 2001. They do not have significant competences and serve mainly as pure (financial) instruments in hands of the Government. The ministry competent for regional development is the Ministry of the Sea, Tourism, Transport and Development. The regional development issues are not very high among political priorities of the Ministry, which has other more urgent problems. The Ministry of Agriculture, Forestry and Water Management (i.e. rural development, etc.), Ministry of Finance, and many other state bodies also have some competences regarding regional development.

Although the reasons for passing those laws are understandable and their effects are positive, all of them leave space for free and arbitrary Government decisions. For example, the Law on the Hills and Mountains Areas does not include the clear criteria to which areas it is applied. It entitles the Government to decide on the list of local self-government units that deserve to be supported. Furthermore, financial movements (both revenues and expenditures) connected with the two above mentioned funds are not quite transparent and, on the other hand, depend strongly on the arbitrary political will of the current Government. Programme orientation is not sufficiently stressed and institutions are not strong enough.

4.4. Designing the New Regional Development Policy

At the moment, Croatia is at the crossroads from old to the new regional development policy. The new regional development policy is strongly pushed by the European Union in at least three ways. The first one concerns the attempt to design a new framework law, new institutions and a new strategy of regional development. The second one involves designing the statistical regions, because currently there is no real chance for establishment of the regions that could act as proper and strong regional self-government units. The third one is connected with the pre-accession funds (PHARE, ISPA, and SAPARD). All those components are additionally strengthened by opening accession negotiations with the European Union in the second half of 2005.

Since the current counties are far smaller than NUTS classification criteria require for NUTS II level units, Croatia has proposed four statistical regions. The first region, Central Croatia (Središnja Hrvatska), comprises

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13 NN no. 34/99, 149/99, 32/02, 33/05.
14 NN no. 44/01, 90/05.
21 NN no. 12/02, 32/02, 117/03, 42/05, 90/05.
22 The Law on the Fund for Regional Development, NN no. 107/01.
21 The Law on the Fund for Development and Employment, NN no. 107/01.
21 It is worth noticing that Croatian neighbour Slovenia, although it became the European Union member state in 2004, has still not resolved the dilemmas about regionalisation. See in detail in Ribičić, 1998; Brejc and Vlaj, 2001; Trpin, 2003: 171-174. The number of NUTS II units in East-European countries that have become the European Union member states is as follows: Poland – 16, the Czech Republic and Romania – 8, Hungary – 7, Bulgaria – 6, Slovakia – 4, Estonia, Latvia, Lithuania, and Slovenia – 1 (Verkennis, 2005).
Regionalism and Regional Development Policy in Croatia

Seven counties, Krapinsko-zagorska, Varaždinska, Međimurska, Koprivničko-krizevačka, Bjelovarsko-bilogorska, Sisačko-moslavačka, and Karlovačka. It covers the area of 15,702 square kilometres with 1,030,352 inhabitants (65.6 per square kilometre). Zagrebačka Region consists of the City of Zagreb and Zagrebačka County, with the total of 1,088,841 inhabitants on the area of 3,701 square kilometres (294.2 inhabitants per square kilometre). There is the highest concentration of population, capital and economic activity — it is the most propulsive area in the state, but it includes both the rather rich area of Zagreb and some very poor areas in its surroundings (i.e., in Zagrebačka County).

Adriatic Croatia (Jadranska Hrvatska) consists of seven counties, Istarska, Primorsko-goranska, Ličko-senjska, Zadarska, Šibensko-kninska, Splitsko-dalmatinska, and Dubrovačko-neretvanska. It is the biggest region, with 1,427,008 inhabitants on the area of 24,705 square kilometres (only 57.8 inhabitants per square kilometre). The poorest region is Eastern Croatia (Istočna Hrvatska). Five counties, Virovitičko-podravska, Osječko-baranjska, Vukovarsko-srijemska, Brodsko-posavska and Požeško-slavonska, have the total of 891,259 inhabitants on 12,486 square kilometres (71.4 inhabitants per square kilometre).

There has been some criticism of such a proposal. It seems that Zagrebačka Region could reach over 75 per cent of the average GDP in the European Union and because of that some very poor areas included in it would not have the opportunity to develop. Adriatic Croatia is determined only by geographical characteristics and by orientation towards tourism. Historical reasons, cultural heritage and a sense of community are somehow missing. If compared to the average NUTS II units in the European Union (1,886,000 inhabitants, 13,400 square kilometres) 25, the proposed Croatian statistical regions have fewer inhabitants. It seems that the proposal with only three regions would be better — it would be closer to historical reminiscences on Slavonia, Dalmatia and Central Croatia, and it is reasonable to expect that in that case certain areas would not be excluded from the access to the European Union structural funds.

The most important devices to support the new regional development policy could be the Strategy of Regional Development (still in draft) and the new framework Law on Regional Development, which is in the final phase of preparation. It is expected to be passed at the end of 2006 26. The Draft Law, institutional outline, and the draft Strategy are the results of the two-year CARDS 27 2002 Project Strategy and Capacity Building for Regional Development, which was finished in October 2005 (Hajduković, 2006).

The draft Strategy covers 2006-2013 period divided in three phases (2006/7; 2008/10; 2011/13). It recognises two objectives: making all counties capable of sustainable development, and completing an effective system of regional development management. Instruments for achieving those objectives should be: a county and wider regions development programme, an assisted areas development programme, a cross-border and interregional co-operation programme, a framework law on regional development and new institutions and institutional arrangements for regional development. 28

The Draft Law on Regional Development is trying to regulate the objectives of regional development policy, to introduce some new principles of such a policy, to promote strategic planning, to design institutional arrangements and management of regional development policy, to balance central and regional interests, to redesign the system of counties and local self-government units categorisation according to the development needs, and to establish the system of financing the realisation of regional development policy, as well as monitoring, assessment and reporting system. 29

The Draft Law stresses the need for a comprehensive national regional development policy harmonised with the best European principles and practices. Without such a policy, even the proactive attitude of the counties and other regional development actors cannot be fruitful enough. The basic principles it tries to introduce are universality and concentration, solidarity and equal opportunities, partnership and co-operation, programming and planning, additionality, monitoring and evaluation, sustainability, publicity and transparency, and the protection of local autonomy. The Draft Law is built around several main issues: regional development planning, new institutional arrangements, and the new model of disadvantaged and assisted areas categorisation.

26 Plan usklađivanja zakonodavstva Republike Hrvatske s pravnom stečevinom Europske unije za 2006. godinu / The Plan for Legislative Harmonisation with Acquis Communautaire of European Union for 2006, NN no. 13/06.
27 Community Assistance for Reconstruction, Development and Stabilisation is the aid programme of the European Union for six South-Eastern European countries, Albania, Bosnia and Herzegovina, Croatia, Macedonia, Serbia, and Montenegro.
The planning of regional development should increase development effects and force all actors to be responsible and to act reasonably and seriously. National development strategy, sectoral development strategy, the strategy of regional development, county development strategy, development project, and development contract should be the new instruments for designing and realising a comprehensive regional development policy. Development projects should be well based on national and regional development strategies.

The most interesting new institute might be the development contract. It could bring clarity and responsibility into relationships between central state and regional actors, weaken ad hoc politicisation, and foster co-operation and negotiations on an equal footing. The development contract should be based on previously accepted strategic documents. Although it is successfully used in certain other countries (France, Italy, Poland; see for example, Glowacki, 2002: 124-126; Caponetto, 2005; Schmidt, 2006), it is quite a new institute in the Croatian legal system. Because of that, some caution is reasonably needed in the realisation of such potentially powerful new legal instrument.

Concerning the institutional arrangements, the Draft Law recognises the Council for National Development Policy as the main responsible body, which should ensure an integrated approach to regional development policy. The Draft Law also strongly stresses partnership between the public, the private and the civil sectors at both central and county level, and synergy effects of co-operation between counties, local self-government units, central state bodies, regional development experts and expert organisations, and other interested actors. The Draft Law prescribes the establishment of a regional development agency in each county. This is hardly the most appropriate solution, because it cannot facilitate inter-county co-operation, which is quite necessary, as the counties are relatively small on the average, and do not have not sufficient development capacity. 30

The Draft Law introduces a new model of developmental level assessment and categorisation according to two indexes — economic development index and demographic index. Economic development index comprises indicators of (a) income per capita or GDP, (b) unemployment rate, and (c) county’s or local self-government unit’s budget income per capita (without state financial aid or similar revenues). Demographic index combines indicators of (a) general demographic processes, (b) education rate, and (c) demographic density. It is expected that there will be four categories of counties and four categories of local self-government units. State aid would be reserved for the first category of counties and for the first and second categories of local self-government units.

Tentative assessment has shown that six counties may enter the first category (Bjelovarsko-bilogorska, Brodsko-posavska, Ličko-senjska, Šibensko-krinska, Virovitičko-podravska, and Vukovarsko-srijemska). About 135 local units could be in the first category and additional 129 in the second one (total of 264 units or 48 per cent of all local self-government units in Croatia). There are 1,109,222 inhabitants in those disadvantaged local units on the area of 31,306 square kilometres. Geographically speaking, areas that need state aid are concentrated in Slavonia and around the border with Bosnia and Herzegovina, Serbia, and Montenegro.

According to the new criteria, 89 per cent of the units of special state care and only 27 per cent of the units in hills and mountains areas will stay among the units that ought to be granted state aid and assistance. 31 It is indicative of the fact that the existing “model” and old policy of state aid are not based on objective indicators, but on politically motivated Government decisions.

5. 5. CONCLUSION AND PROPOSALS

Although it could be concluded differently if one took into account only exaggerated statements and exalted ideology of regionalism, strengthening of regional self-government is not a panacea for deep problems of today’s public administration and governance problems. However, regionalism is not a deadly sin, as could be seen from time to time especially in political practice of some transition countries. Normal social, cultural, political and economic, national and international, including European, processes are reflected in contemporary regions in European countries. Because of that, it seems that regions will become an unavoidable component of institutional design in contemporary Europe as well as in Croatia. Generally speaking, it is important for Croatia:

• to learn from experience of other European countries, both from West and East,

30 The Draft Law has taken counties as regional actors although they are too small to be considered NUTS II units. It is one of the weaknesses of the Draft Law that has been stressed during the European Commission screening process.

• to design statistical regions in more appropriate and pragmatic manner, having in mind the necessity of using them as a route to the European Union structural funds,

• to regulate and manage regional development carefully and with as little political and ideological interruptions as possible.

More specifically, it is possible to stress several main proposals and conclusions:

1. Croatia needs smaller number of (statistical) regions based on historical and socio-cultural, as well as economic criteria. If spatial demarcation between the regions was done appropriately, and if they were accepted by their citizens, one could see a perspective of developing self-government role of still formally non-existent regions. Under such circumstances, the slow process of redesigning current counties (which are too small to be real regions) from self-government units to units of deconcentrated state administration can be predicted. Possible ways of redesign range from rough legal actions to soft process of inter-county co-operation. 

   Current high politicisation of national regional policy should be reduced. It is almost impossible to conduct any meaningful regional development policy if central state money for regional projects is spent in a non-transparent, ad hoc manner, depending on the personal preferences of the ministers and other state political officials.

2. Solid new legal regulation of regional development should introduce the necessary minimum of certainty; enabling depoliticisation and saving space for free action of regional actors. Introducing the development contract could be seen as one of the corner stones and main instruments for ensuring the mentioned purposes.

3. In such new, favourable conditions economic and social partnership could be built and serve as the main driving force of regional economic, social and cultural development, which would not be at the expense of natural environment, and natural and cultural diversity.

4. An integrated approach to national policy of regional development should be stressed. Apart from the new Law, new central institutions and planning instruments should be established and strongly supported. Fragmented policy usually leads to sub-optimal results and to waste of economic and human resources.

5. Accession to the European Union structural funds should not be an aim for itself. Yet, in the conditions of well-arranged national, domestic situation, the incentives from the European structural funds can really foster regional (and national) development. Because of that, two courses of action should be undertaken almost simultaneously. On one hand, there is the process of arranging legal, policy, institutional, administrative and other domestic aspects of regional development, and, on the other, the process of opening effective routes to the European structural funds.

6. The affirmation of a wide range of modern public sector values (economy, entrepreneurship, partnership, transparency, environment protection, democracy, and so forth) and consolidation of democratic political system can be expected to take place in the course of such processes (see also Ágh, 2004).

6. REFERENCES


Pálné Kovács noticed that «the accession countries formulate their territorial public administration parallel to the institutions of the regional support system of the European Union», and that «the territorial harmonisation of the two systems is not in every case successful and the replacement of traditional public administrative units by new, larger ones is a difficult task» – Pálné Kovács, 2004: 338.

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REGIONALISM AND REGIONAL DEVELOPMENT POLICY IN CROATIA


REGIONALISM AND REGIONAL DEVELOPMENT POLICY IN CROATIA


Legal Documents


Zakon o područjima posebne državne skrbi / The Law on the Areas of Special State Care, Narodne novine (Official Gazette of the Republic of Croatia; NN) no. 44/96, 57/96, 124/97, 78/99, 73/00, 87/00, 127/00, 94/01, 88/02, 26/03 – consolidated text, 42/05, 90/05.

Zakon o fondu za razvoj i zapošljavanje / The Law on the Fund for Development and Employment, NN no. 107/01.

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Web sites


Http://www.hnb.hr; Http://www.hr

Appendices

Map of Croatian counties
### Basic indicators of Croatian counties (situation on 31 December 2004)

<table>
<thead>
<tr>
<th>County</th>
<th>Territory square km</th>
<th>Number of inhabitants</th>
<th>Inhabitants/square km</th>
<th>Number of cities</th>
<th>Number of communes</th>
<th>Number of settlements</th>
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<td>Šibensko-kninska</td>
<td>2.984</td>
<td>112.891</td>
<td>37.8</td>
<td>5</td>
<td>14</td>
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</tr>
<tr>
<td>Vukovarsko-srijemska</td>
<td>2.454</td>
<td>204.768</td>
<td>83.4</td>
<td>4</td>
<td>26</td>
<td>85</td>
</tr>
<tr>
<td>Splitsko-dalmatinska</td>
<td>4.540</td>
<td>463.676</td>
<td>102.1</td>
<td>16</td>
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</tr>
<tr>
<td>Istarska</td>
<td>2.813</td>
<td>206.344</td>
<td>73.4</td>
<td>10</td>
<td>29</td>
<td>656</td>
</tr>
<tr>
<td>Dubrovačko</td>
<td>1.781</td>
<td>122.870</td>
<td>69.0</td>
<td>5</td>
<td>17</td>
<td>231</td>
</tr>
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</table>
### Counties according to the number of inhabitants and territory

<table>
<thead>
<tr>
<th>Number of inhabitants</th>
<th>Number of counties</th>
<th>Territory (in square km)</th>
<th>Number of counties</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 100.000</td>
<td>3</td>
<td>- 1.000</td>
<td>2</td>
</tr>
<tr>
<td>100.001 - 200.000</td>
<td>11</td>
<td>1.001 - 2.000</td>
<td>5</td>
</tr>
<tr>
<td>200.001 - 300.000</td>
<td>2</td>
<td>2.001 - 3.000</td>
<td>6</td>
</tr>
<tr>
<td>300.001 - 400.000</td>
<td>3</td>
<td>3.001 - 4.000</td>
<td>4</td>
</tr>
<tr>
<td>400.000 -</td>
<td>2</td>
<td>4.000 -</td>
<td>4</td>
</tr>
</tbody>
</table>

Map of the areas with a special status (Source: Ministry of the Sea, Tourism, Transport and Development of the Republic of Croatia; state as on 1st May 2006)
<table>
<thead>
<tr>
<th>Type of special status</th>
<th>Number of local self-government units / % of total number of local self-government units in Croatia</th>
<th>Number of inhabitants / % of total Croatian population</th>
<th>Area (in square km and in % of total Croatian state area)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Areas of special state care (I, II, III)</td>
<td>180 32,7 %</td>
<td>680.000 15,3 %</td>
<td>27.400 km² 48,5 %</td>
</tr>
<tr>
<td>Hills and mountains areas</td>
<td>45 8,2 %</td>
<td>212.000 4,8 %</td>
<td>5.920 km² 10,5 %</td>
</tr>
<tr>
<td>Islands</td>
<td>50 9,1 %</td>
<td>131.000 2,9 %</td>
<td>3.000 km² 5,3 %</td>
</tr>
<tr>
<td>Total</td>
<td>275 50,0 %</td>
<td>1.023.000 23,0 %</td>
<td>36.320 km² 64,3 %</td>
</tr>
</tbody>
</table>

Chapter 7. LEGAL FRAMEWORK AND IDEOLOGY: THE CASE OF REGIONAL DEVELOPMENT IN ROMANIA

EMŐD VERESS

1.1. IDEOLOGICAL BACKGROUND

In most of the CEE countries, the issue of regional development is more than a simple problem of economic design. It involves complex issues of political culture. To understand the legal framework of the Romanian regional development policy, firstly I have to review, of course very briefly, this cultural and ideological background. The question is the following: which is the core concept on the state, on the mission and structure of the state in the Romanian political culture?

The creation of the modern Romanian state is the result of 19-20th century “unificatory nationalism”. In 1859 and 1920, after WWI, was created the modern Romanian state, through unification of distinct (and multiethnic) principalities and territories. The ideology of unificatory nationalism played a great role before and after the unification. Before, it was the foundation of the political intention and action for unification. After, the role of ideology has changed. The unification once achieved, the unificatory nationalism served to maintain the unity. Greater Romania, created in 1920, according to this ideology, was exposed to the conflicting cultural, ethnic, religious diversity.

The preservation principle of state unity had a very clear impact on public administration. To preserve unity, the state had to be organized as a unitary state (excluding any form of federalism or regionalism), and the administration had to be mainly centralized, with local administration under strict control (decentralization remained only on declarative level).

The ideology of unity influenced the Romanian concept on history: for example, in 1600 the very short personal union of the three principalities under Michael the Brave is mainly considered as the first attempt to create the unity of the Romanians, in a period when the modern notion of nation was not known yet.

The persistence of this ideology is amazing. After the overthrow of the communist regime in 1989, the Constituent Assembly adopted a new constitution (1991). According to the 1991 Constitution, Romania is a unitary and indivisible Nation State. The foundation of the state is the unity of the Romanian people, complemented only in 2003 with the principle of solidarity of its citizens. This unitary character is not a simple organizatory paradigm. It does not mean that the state is not federal: this is an emotional unity, the unity between state and nation.

Let us see just one example of how this ideology works in our days. In a 2003 issue of Revista de drept public (Romanian Public Law Journal), Emil Cernea professor of legal history wrote about the Hungarian Autonomous Region as follows (the subject of the article was the traditions of Romanian regional administration): “The establishment of the regions demonstrated the fears of the Romanian government of exaggerated application of administrative decentralization in the form of the Hungarian Autonomous Region. The establishment of HAR evoked hostile manifestations from the Hungarian minority against the unity of the Romanian state. They denied its authority, declared their loyalty to Hungary, and refused to use the Romanian language, as the language of the state. Therefore, it was ceased.”

This short quotation demonstrates how this ideology works. In fact only one of Cernea’s affirmations is true, and the others are distorted interpretations of some facts:

The Hungarian Autonomous Region was created in 1952, by the Constitution, under Soviet pressure (“recommendation”), in imitation of the Soviet style solution of the minority problem. The region had no special status, the term “autonomy” was meaningless, because the region had the same status as the other (non-ethnic) regions, without any real autonomy. In a very centralized dictatorship, openly based on the principle of
“democratic centralism” there was no other solution. The only true affirmation of professor Cernea, which was the “fear”. The fear of even a non-autonomous “autonomous” region is weakening the unity of the state. And this is the key to understanding how this ideology worked, at that time and works in present day as well.

There was no hostile manifestation on the part of the Hungarian minority against the state. The only manifestations which could be interpreted in this way in that period were the expressions of agreement with the 1956 Hungarian Revolution, mostly by university students, both Hungarian and Romanian. Those events, severely punished, were hostile to the communist regime, but not to the Romanian state. Hostile manifestations were actually impossible: both countries were under communist rule, and all declaration of loyalty could have only one purpose: to express the faith in communism, devotion to the (single) party, respect and gratitude to the leader (at that time, Gheorghe Gheorghiu Dej). There was no refusal of the use of the official language. The regulations in force granted certain language rights to the minority.

The conclusion is that this ideology, the emotional concept of unity, the unitary state and unity of nation is a living and wide-spread concept, and implies centralization, central control, refusal of local autonomy and local power. This approach to unity is incompatible with real decentralization. The ideology determinates the legal framework of regional development as well. Centralization is one of the covert concepts of the Romanian regulation on regional development, beside the expressed principles: subsidiarity, decentralization, partnership.

After the overthrow of the communist regime (1989) based on the exceedingly centralized state, real decentralization was very slow, taking the form of a “permanent” administrative reform, which continues even today.

2. LEGAL FRAMEWORK: EFFECTS OF IDEOLOGY

The problem of regional development in Romania was raised by the EC/EU integration process. In 1998 the first law on regional development was adopted (Law no. 151/1998), and 8 development regions were established, in principle by voluntary association:

- Region 1 North-East (counties: Bacău, Botoșani, Iași, Neamț, Suceava, Vaslui)
- Region 2 South-East (counties: Brăila, Buzău, Constanța, Galați, Tulcea, Vrancea)
- Region 3 South-Muntenia (counties: Argeș, Călărași, Dâmbovița, Giurgiu, Ialomița, Prahova, Teleorman)
- Region 4 South-West-Oltenia (counties: Dolj, Gorj, Mehedinți, Olt, Vâlcea)
- Region 5 West (counties: Arad, Caraș-Severin, Hunedoara, Timiș)
- Region 6 North-West (counties: Bihor, Bistrița-Năsăud, Cluj, Maramureș, Satu Mare, Sălaj)
- Region 7 Centre (counties: Alba, Brașov, Covasna, Harghita, Mureș, Sibiu)
- Region 8 București-Ilfov (the city of București and Ilfov County).

With the revision of the Romanian basic law in 2003, the duty of the state to implement regional development policies in compliance with the objectives of the European Union among the other obligations of the state was included. In 2004 a new law on regional development (Law. no. 315/2004). Both the first and second law was adopted can be analyzed in terms of the relationship between the ideological background and regulation. Romania has chosen the minimal policy version of regional development, and in October 2004 concluded with the EU the negotiation chapter on this subject.

According to the regulations in force, regional development policy is the set of policies elaborated by the Government, through the local public administration bodies and specialized regional organ, after consultation with the socio-economically involved partners, with a view of ensuring economic growth and the balanced and lasting social development of geographical areas involved in development regions, improving Romania’s international competitiveness and diminishing the economic and social gap between Romania and the EU Member States.

The basic objectives of regional development policy in Romania are the following:
• to diminish of existing regional inequalities by stimulating of a balanced development, by accelerating the recovery of economic and social deprived zones as a result of some historical, geographic, economic, social, and political conditions, as well as to prevent the emergence of new inequalities;

• to correlate government sectorial policies at the level of the regions by stimulating of initiatives, and by improving exploitation of the local and regional resources, for the purpose of long-term socio-economic and cultural development;

• to stimulate interregional cooperation, both internal and international, and of cross-border co-operation, within the framework of the Euroregions, as well as the participation of the developing regions in the European structures and organizations promoting their socio-economic and institutional development in order to achieve some projects of common interest, in conformity with the international agreements Romania is a party to.

On the basis of the ideology, it is understandable why Romania chose the minimal, weakest version of regional policy. According to the law, development regions shall not be territorial administrative units and shall not have legal entity. The regions are geographical areas define for development policy implementation, zones constituted by groupings of counties. The regions are the framework of elaboration, implementation and evaluation of the regional development policies. Furthermore, the regions are collectors of the specific data in accordance with the European regulations issued by EUROSTAT for the second level of territorial classification NUTS 2, in the European Union.

The delimitation of the regions is usually considered as arbitrary. There is a political demand on change the boundaries of the regions. This demand is variable, in intensity and also in the extent to which different political parties sustain this kind of claim. At local level, the need for changes was expressed by the National Association of County Councils. How can the present development regions be modified? In this respect, the new law is a step backward as compared to the 1998 regulation, because the abrogated law was based on the principle of voluntary association of territorial administrative units; the new law expressly defines the regions and the counties incorporated into the regions. The names and the components of the development regions are stipulated in the annex of the present law.

The change of the inadequate regional system now requires the intervention of the Parliament, the amendment of the law. In some regions, as in Region 7 Centre, the idea of moving the regional development agency headquarters from one municipality to another was raised (from Alba Iulia to Brașov). The first law had no provisions regarding this subject; the present regulation solved the problem in a typical way: the regional development agency headquarters can be moved to another locality only with the approval of the National Regional Development Council; therefore it has become a very controlled matter.

**Boulevard in Bucharest**
In 1998 an institutional system meant to deal with regional development was set up, including the National Regional Development Council, the National Agency for Regional Development, eight Regional Development Councils and eight Regional Development Agencies. These institutions were subject of changes and faced functional problems.

The National Regional Development Council is a national structure of partnership type, with a decisional role with regard to the elaboration and implementation of the objectives of regional development policy. The
National Regional Development Council, was at first headed by the prime minister, after 1999 had no meetings for several years. Now the chairman of the National Regional Development Council is the manager of the national institution responsible for regional development (Ministry of European Integration) and able to delegate this function. The National Regional Development Council consists of the chairman and vice-chairmen of the regional development councils and, with the same number of Government representatives, of Government representatives, the chairman inclusively.

The National Regional Development Council shall have the following attributions:

• to advise on the national policies and strategy for the regional development and the national regional development program, that contains the multi-annual priorities and measures of financing the national objectives of social economic cohesion;

• to approve the criteria and priorities with regard to the functioning of the National Regional Development Council;

• to present proposals for Government approval of prioritary programs financed from the National Regional Development Fund;

• to analyse the utilization of the funds allocated to the regional development agencies from the National Development Fund, on the basis of the monitoring reports elaborated and submitted by the regional development councils;

• to propose mode of utilising the pre-accession funds for regional development allocated to Romania by the EU during the pre-accession period;

• to follow up the achievements of the objectives of regional development, within the framework of the external co-operation activities of the development regions of crossborder, interregional and Euro-regional type;

• to advise on the projects proposed by the regional development agencies and approved by the Regional Development Council concerning their financing from the regional development programs, in the case of call for project proposals at the regional level;

• to approve projects proposed by the regional development agencies and approved by the Regional Development Council, to be financed from the regional development programs, in the case of call for projects proposals at the national level;

• to analyse and approve the activity reports submitted by the National Coordination Committee of PHARE programs—the socio-economic cohesion component, under the provisions of the PHARE Financing Memorandum, and the proposals submitted by this committee.

The National Agency for Regional Development was at first transformed into Ministry of Development and Forecasting (2000). The ministry was closed down (2003); the issue of regional development was transferred to the Ministry of European Integration. This institutional instability is characteristic of the so called “permanent” reform of Romanian public administration. Today the Ministry of European Integration, the specialized body of the central public administration, subordinated to the Government, is the institution that fulfills, at the national level, the functions and responsibilities of elaborating, promoting, coordinating, administering, implementing and monitoring the regional development policies and strategies in Romania, and the socio-economic cohesion programs. But, very important to note that the National Development Plan (NDP), including regional policy objectives, is co-ordinated by the Ministry of Public Finance. The NDP includes the National Strategy for Regional Development, and based on this strategy is elaborated the Regional Operative Program 2007-2013. The Ministry of European Integration is the management authority for the Regional Operational Program. Between 2007-2013, the regional program will be financed from the state budget and co-financed from the European Regional Development Fund.

The regional development councils are deliberative units, without legal personality, working according to partnership principles. A regional development council consists of the presidents of the county councils within the development region and a representative of the municipal and communal councils from every county in the region. Each regional development council elects a chairman and a vice chairman representing different counties. These offices shall be filled in turns, for a mandate of one year each, by the chairmen of the county councils.
The regional development council has the following main responsibilities:

- to analyse and approve the regional development strategy and programmes;
- to support the principle of conception in partnership in the National Development Plan;
- to approve the regional development projects, selected at regional level, in accordance with the criteria, priorities and methodology elaborated by the national institution responsible for regional development, in cooperation with the specialized regional bodies;
- to submit to the National Regional Development Council, for approval of financing, the proposed portfolio of projects, for which a national level selection procedure shall be applied;
- to approve the criteria, priorities, allocation, and targets of the resources of the Regional Development Fund;
- to submit proposals to the National Regional Development Council with regard to the allocation of resources to the Regional Development Fund;
- to follow up the utilization of the funds allocated from the National Regional Development Fund;
- to propose the National Regional Development Council the level of annual contributions, within the limits of the sums approved from the budgets of the counties and the Municipality of Bucharest, allocated for the Regional Development Fund to finance the regional policy objectives, as well as their destination and spread-out payment;
- to attract other local and regional financial contributions, with a view of achieving regional objectives; attracted these sums will constitute a revenue to the Regional Development Fund;
- to approve the half-yearly activity reports of the regional development agencies;
- to coordinate and support the development of regional partnership;
- to elaborate and approve its own work regulations, in compliance with the organizational and operative statutes of the regional development councils;
- to advise contracts, conventions, agreements, protocols, as well as other similar documents, concluded by the Regional Development Agency concerned third parties in its specific field of activity, similar institutions within the EU inclusive, and to inform the National Regional Development Council accordingly;
- to approve the organization and operative statutes of the Regional Development Agency, as well as its organization chart;
- to coordinate the activities of the media presenting at regional level the regional development policies and objectives, of regional programs financed by the European Union, as well as those regarding the use of funds at regional level, to ensure transparency and correct, rapid information for the citizens, especially for the entrepreneurs on time.

The regional development agencies have private legal status, as a non-governmental, non-profit organizations. The activities of the regional development agencies in the field of implementing the regional development policies, as well as their objectives, are co-ordinated by the Ministry of European Integration. A regional development agency has the following main responsibilities:

- to elaborate and submit to the Regional Development Council for approval the regional development strategy, plan and programs, and plans for the management of the funds;
- to put in operation the regional development programs and the funds’ management plans in conformity with the decisions adopted by the Regional Development Council, with observance of the legislation in force, and to answer for their achievement before it;
- to obtain from the national institution in charge of regional development sums from the National Regional Development Fund in order to finance the approved development projects;
• to make efforts, together with the Regional Development Council, to attract financial sources to better fulfill its functions;

• to ensure the technical and financial management of the regional development fund, for the purpose of achieving the objectives defined in the regional development programs; to be accountable to the regional development council, to the institution/s it has contracts with and the bodies enabled by law for the correct management of the allocated funds;

• to transmit for approval to the Regional Development Council the projects selected within the programs of regional development on the basis of the priorities, criteria and methodology elaborated by the national institution in charge of regional development, together with the specialized regional bodies; in the case of the tenders at the level of development issued regions, the projects approved by the Regional Development Council will be submitted to National Council for Regional Development; in the case of the tenders for projects organized at national level, the selected projects will be sent to by the Regional Development Council and approved the National Council for Regional Development;

• to ensure and be responsible, for the implementation, technical and financial monitoring of the EU-financed projects within the framework of the regional development programs and/or, as the case may be, of the projects within the national programs, implemented at regional level by the regional development agency on the basis of the contracts concluded with the national institutions as well as the functions delegated to the regional development agencies by the institutions belonging of the local or central public administration, the monitoring and the control to such activities will be done by the institution that delegated these functions;

• to draw up half-yearly reports, as well as yearly implementation reports regarding the activities carried out in terms of the contracts with the national institution in charge of regional development;

• to point out the stage, the implementation difficulties, as well as the impact of the regional development programs/projects and of propose improvement measures; the reports shall be previously approved by the Regional Development Council and shall be sent to the national institution in charge of regional development;

• to carry out and ensure, on a contractual basis, the mass media coverage/publicity of the regional development programs and projects at regional level;

• to organize and develop, with the help and under the coordination of the Regional Development Council, regional partnerships and to promote at a regional level the knowledge of the EU policies and practice, as well as the principles that are at the basis of the regional development policies;

• to identify and promote, in partnership, projects of local and regional interest, as well as projects of interregional cooperation; to promote, with the help of the Regional Development Council, the region and attract foreign investments; to develop collaboration with similar EU institutions and bodies and to participate in the implementation of the international projects of local and regional interest;

• to elaborate annual proposals for own income and expenses budget meant to carry out the activities under the present law and to submit it for approval to the Regional Development Council;

• to set up, through an own internal audit structure, reporting to the agency director, guaranteeing independently and objectively, by counseling the agency management, the good administration of income and expenses, the perfectioning the agency’s activities, helping it to fulfill its objectives through a systematic and methodical approach, that estimates and improves the efficiency and the effectiveness of the management system based on risk analysis, control and administration processes;

• to conclude and submit for the information of the Regional Development Council contracts, conventions, agreements, protocols, as well as other similar documents concluded with third parties in the specific field of activity, or similar institutions within the EU included;

• to fulfill its contractual obligations and to be accountable for their accomplishment, in accordance with the performance criteria and indicators established in the contracts concluded;

• to act with, specialized personnel, as the secretariat of the Regional Development Council;
• to participate in the partnership structures established at national level, in the national committees and subcommittees, as well as in the working groups organized by the national institutions responsible for the management and administration of the EU-financed programs;

• to elaborate its own organization and operating statutes and to submit them for approval to the Regional Development Council;

• to fulfill the functions to the partnership development defined in the National Development Plan;

• to ensure, together with the specialized regional bodies, collection and centralization of the data at regional level, with regard to the use of non-reimbursable funds allocated to the region, with a view to implementing the regional development program.

3. 3. CONCLUSIONS

The Romanian way of regional policy has some basic problems. In a short presentation, like this, it is not possible to review or analyze all of them. A lot of questions remain without proper political answers:

a) What is the future of development regions? Will the regions become territorial administrative units?

If the answer is yes, what is the future of the counties, it is possible to have regions beside the counties in this type of multi-level administration? The sub-national government in Romania must be subject of future changes, there is a possibility to confer political self-government to regions. For example, the Assembly of European Regions defines in a declaration the region as “the territorial body of public law established at the level immediately below that of the State and endowed with political self-government. The region shall be recognized in the national constitution or in legislation which guarantees its autonomy, identity, powers and organizational structures.” According to the same declaration, the region is the expression of a distinct political identity, and the region’s basic structure shall comprise a representative (directly elected) assembly and an executive body.

Map of Romania
If the answer is no, will at least the contested delimitation of the regions be changed? All the answers have been delayed, and these questions will rise again after the EU accession of Romania on 1 January 2007.

b) What are the political solutions to institutional (in)capacity and (in)efficiency? EU financing, the National Development Plan, the operational programs are they supported by a serious internal fiscal planning? Perhaps the ineffective system of regional development will become, for the first time, truly functional through the Regional Operational Program 2007-2013.

Appropriate answers and solutions must be given in the next period is characterised interaction between ideology and regulation, economic design and economic disorder, or politics and policy, by an the Romanian way of regional development.

4. REFERENCES


Law No. 315/2004 on regional development in Romania.

Government Decision No. 772/2005 approving the regulations for the organization and functioning of the National Council for Regional Development.
Chapter 8. THE TWO PHASES OF REGION-BUILDING IN HUNGARY. THE CASE OF SOUTH-TRANSDANUBIA

ILONA PÁLNÉ KOVÁCS

1. 1. INTRODUCTION — INTERNATIONAL BACKGROUND

1.1. Changing picture at meso-level administration in Europe

The diversity of public administration is a marked feature of European political circumstances, in spite of the dozens of administrative reforms carried out in the 20th century alone. These changes — both in Eastern and in Western Europe — were linked partly with political transformations and partly with the socio-economic and political development within the national frameworks.

The countries of the European Union can be classified in different structural types from a state theoretical aspect:

• In the federal state the meso-level bears several features of an independent state (legislation, provincial parliament, government) (Germany, Austria, and Belgium).

• The regionalised state consists of constitutionally regulated meso-level units with a wide autonomy and legislative competencies; although this autonomy is not complete (Italy, Spain and according to some classifications Portugal as well).

• In the decentralised state the regulation stipulates the regional tier as a unit administered by elected bodies, fulfilling its tasks independently — sometimes under the protection of constitution. Similarly to the previous type, the medium tier finances its activities partly by itself (France, the Netherlands, Sweden, etc. belong to this group).

• The most characteristic feature of the unitary state is that the medium tier is under strong central control and its operation is financed mostly by the central budget (Denmark, the United Kingdom, Finland, Greece belong to this group).

Investigating the legal status and functions of the territorial medium tiers in the member states of the European Union, we found a shift of competencies to the benefit of the medium level during the 80’s in the majority of unitary and in also both decentralised states. The strengthening of the meso-level, however, does not always mean decentralisation in the political sense. The central state often prefers the regionalisation of state services and public administration and the allocation of deconcentrated agencies in the regions (England, Greece, Portugal, etc.). Finland also passed reforms, but so far it has not directly elected meso-government. The Swedish counties are still centralised and the only result of pilot programmes is the decision to continue them.

In summary we can say that the phenomenon of regionalism is not always identical with political decentralisation and not dependant on the physical scale, either. The national characteristics strongly differentiate the meso-level of administration, despite some factors that contribute to the strengthening of the sub-national tiers.

1 This article is based on research project “Region as the new dimension of politics (regional cohesion in South Transdanubia)” financed by the Hungarian National Research Foundation (OTKA, T. 49483).
1.2. Special challenges for the management of regional development

Regional development is one of the responsibilities of the sub-national levels in every European country. The new economic paradigm of the previous decades has had a significant impact on the development of regional policy leading to:

- A new regional policy which can be defined as the innovation-oriented or regionally initiated development model.
- The establishment of regional and local co-operation networks of enterprises.
- The institutionalisation of information, innovation and business-incentive transfers.
- The organisation of the local-regional development coalitions of different interest groups, the harmonisation of rigid administrative hierarchies and the establishment of flexible decision-making procedures.
- The transformation of the quality of the living space, supplying factors which can attract capital.

The European regions which were able to formulate, enforce and implement a development strategy adapted to their own needs and demands, could stabilise their situation in a short time and soon the new structures started growing. The new regional policy required new management. In several countries so called quasi-governmental or non-governmental tripartite/corporate organisations (councils, assemblies, chambers, forums etc.) were established, designed for the preparation and implementation of regional policy decisions and for linking up the interests of the central state and local governments, the employees and employers.

The most important and widespread institutions are the development agencies most of them with a quango status. Development agencies were first established in the 50’s-60’s in Western-Europe. They have a number of different status types (therefore it is hard to define in terms of organisational features) yet, their common feature is that they are not part of the hierarchic state administration and are still financed from the central budget. Their main distinctive function is to promote of the economy (Halkier, 1998).

1.3. The special impact of the Structural Funds

It is the management of the EU Structural Funds that had the biggest influence on meso-level administration. The literature of the so called Europeanisation process often points out that European regional policy has a crucial role in national public administration (Bache, 1998, Bovaird et al 2002). European regional policy is one of the few community policies which has a strict regulation on the management of Structural Funds and this regulation requires the flexible adaptation of national structures. The invasive effect of the Structural Funds on the national administrations can be explained by the motivation of domestic actors to acquire development resources for various targets supporting, at the same time, the priorities of the Community as well.

In the 1980-’90s the emerging new model of regional policy meant a crucial challenge for the member states’ public administration in the following fields:

- The Commission introducing the NUTS system and different categories of development objectives pushed national governments to designate the eligible areas at the regional level. This phenomenon launched a series of reforms in the territorial structure of the medium tier governance, the establishment of new administrative levels and the amalgamation of former ones. Therefore the Structural Funds were among the most important factors encouraging regionalisation (Keating, 1998).
- Secondly, the development programmes became more complex, which necessitated the improvement of performance capacity and the introduction of new functional solutions in management. The real challenge was the preparation of long-term programmes instead of development projects, and co-ordination among the different branches and sectors.
- Increasing public involvement in the economic development required a more flexible behaviour on the part of the public administrative staff making them more interested in performance and market-oriented administration.
The inevitable involvement of external resources and the more and more comprehensive measures naturally strengthened the horizontal relationships as opposed to vertical ones i.e. partnership.

There are some differences in the adaptation of the accession countries as compared the former member states (Surazska et al 1997). The preparation for EU accession and the reestablishment of the national power and administrative structures usually were parallel processes supporting each other in the Central-East European states, but they were not free from conflicts, either.

- First of all, the EU had a more direct effect on the shaping of national administrations in the Central-East European countries by financing them from various pre-accession funds.

- A further speciality of the adaptation process was that the CEE countries had to improve their management systems while building their general public administrations. Consequently the new, fragile national public administrations were less able to meet the professional requirements set by the Community.

The paper deals with the development of the management system of regional policy in Hungary. It presents the results of and dilemmas related to the creation of the territorial administration and the administrative meso-level, the special organs of regional policy and their interconnections with public administration. It also touches upon the emerging conflicts between the traditional institutions of democratic participation and publicity, and the new characteristics of the partnership networks. The discuss out the challenges of the decentralisation and modernisation initiated by regional policy mostly in the new member states in the light of the European regional development strategy.

2. 2. THE HUNGARIAN HISTORICAL AND ADMINISTRATIVE BACKGROUND

The Hungarian state has a very strong tradition of centralization. The systemic change in 1990 gave Hungary a chance to shape its own state and political system. However, the internal political relations and the needs of the state were not the only factors determining the development of the new power structure. As an applicant for EU membership, Hungary made serious efforts to adjust its institutional system to the requirements of the European Union. It is particularly interesting to examine how the model of territorial power division got transformed including the emergence of the regions and the development of the territorial decision-making networks. These efforts were also affected by the inner pressures for decentralization and the outside pressure for adaptation on the part of the EU.

2.1. 2.1. Historical legacies

The county has been the traditional unit of the Hungarian local government system ever since the state was founded in the eleventh century (although the number of counties has changed, the scale has not; at present the territory of Hungary is divided into 19 counties and the capital city, as shown in 1 Figure). The county organizations were designed to protect the interests of the king and later of the nobility. A county was a state within the state. This essentially feudal structure remained intact until the Revolution and War of Independence in 1848-1849. The relatively great power of the counties were retained and acknowledged by the 1870 Act on Municipal Authorities, the first in our history to regulate the state administration in a comprehensive way. The counties and larger cities of county rank continued to be the two pillars of the local government system, even though the idea of a public administration reform and the elimination of the counties have been raised several times over the past centuries (Vass, 2003).

Construction of a new motorway in Tolna county, South-Transdanubia
In 1950 the Soviet type councils were introduced, but this was also an essentially hierarchical and centralized system within the framework of a socialist unitary state. The prevailing professional and political view was that the “councils were not the organs of local power but the local organs of the (unitary) power” (Beér, 1951). The county continued to function as the basic unit of territorial organization. The elected bodies in the villages and towns were subordinated to the county councils. The counties played a substantial role in the redistribution of public resources. The structure of the state remained basically centralized until the change of regime. It is important to note that although the role of an external pattern has always been visible in the development of the Hungarian public administration, centralisation was also supported by the belated socio-economic development.

2.2. Changing territorial power structure after 1990

The Act on Local Governments, enacted in 1990, brought about a completely new situation in the spatial distribution of power. Autonomy and independence from state influence together with hierarchy became the essence of the Hungarian model of self-governance. Legislators preparing this law were motivated mainly by political considerations when choosing the dominant values of the Act. In the euphoria of the systemic change, political interests and aspects were seen by the Parliament to be more important than professionalism.

• The first important change in effect until the present day was the extension of the right to local governance to all municipalities, regardless of their size. The number of local decision-making units was doubled: the former local councils were replaced by more than three thousand municipalities. Due to this fragmentation and the lack of willingness to form associations, the system is horribly expensive and in many cases operates with a very low efficiency.

• The second very important change was the radical decrease in the role of the counties within the territorial structure of public administration. The lack of competencies, means and resources and the almost total elimination of the counties from the system of territorial administration have led to the strong centralization of the whole administrative system.
THE TWO PHASES OF REGION-BUILDING IN HUNGARY. THE CASE OF SOUTH-TRANSDANUBIA

- The third structural feature of the Hungarian public administration is the strong centralization or nationalization of the medium level. The central government and the ministries in particular have established their own “bridge-head” positions both at the county and regional levels.

In conclusion it can be stated that the structure of the local government model has not proved to be suitable or sustainable for the decentralization of state power. The weakening of the democratically elected medium-level governments (counties) has contributed to an increase in the influence of the central government.

Experts identified the problem relatively early, but no solution has not been found yet. The debate about the status of the counties or meso-level governance has been going on since 1990. The arguments used in the debate are mainly of political rather than professional character and the purpose is not always to perform a real reform but rather to postpone the stabilization of power at the medium tier. It is very important to emphasise that the subnational level concerns the macro-political relations, and actually no government is interested in the limitation of their own power.

The 1990s were actually spent with the correction of the structural problems caused by the Act on Local Governments, without any real success. In the integration of the system and the strengthening of the meso-tier it was not always the administration reform measures that brought results. The Act on Local Governments was amended in 1994, but the actual reinforcement of the county governments did not take place, primarily because of the resistance of the municipalities and the ruling political elite. The reform of regional policy, born in the spirit of the accession of Hungary to the European Union, resulted in more success. The impact of regional policy as a relatively new public policy on the administrative and power structure was significantly stronger in the previous decade compared to other public policies.

2.3. New challenges for regional policy, the Act on regional policy in 1996

Besides the Act on Local Governments and the reform of the system of state administration, the most important from the point of subnational power, band perhaps most ambiguous step was the passing of the Act on Regional Development in 1996. The act took shape during a long preparatory process and heated debates, as everybody expected this act to solve the spatial development and structural problems of state administration.

The Hungarian Parliament passed the act according to the principle of regionalism without previously clarifying the future picture of the administrative division of Hungary. Legislators tried to eliminate this contradiction by introducing a special institution: the so-called development councils, on various spatial scales.

According to the Hungarian regulation, the development councils established at national, regional, county and micro-regional levels were constituted by delegations. A great dilemma was to decide whether the micro-regional (NUTS4), county (NUTS3) or the regional (NUTS2) level should be in the focus of the regional political intervention and institutional system. The decision was not based on professional considerations, the national or European priorities of regional policy but on purely pragmatic arguments. By the decision, if it was a decision at all, the legislators meant to integrate all three territorial tiers into the system of regional political institutions. Without going into details, I believe it is important to emphasize that the over-fragmented institutional system and the conglomeration of development councils operating at three territorial tiers contributed to the fragmentation of the development resources, the competition of the tiers with each other and the conflicts caused by the lack of clear division of labour.

Development of a new regional knowledge center in Pécs

Source: Pécs2010

The act made the counties the dominant units of regional development and although it allowed the creation of macro regions did not make it compulsory. The fundamental reason for the hesitation about the regions was the lack of consensus about their number and geographical borders. It was the county development councils that decided upon the development concepts and had the authority to distribute state supports. These competences have made the development councils of the counties more powerful than the directly elected county general assemblies.
3. REGION-BUILDING IN HUNGARY

To sum up the effect of the Act on Regional Development, we can say that despite the many positive changes it has brought about, it has not contributed to the strengthening or the development of (NUTS 2 level) regions. No political and professional compromises have been achieved as regards the territorial level of public administration, either (region versus county). Nevertheless the process of region-building has started, even though it has not finished to date. In the next part we analyse the phases of this process.

3.1. Development (NUTS 2) regions

• In 1996 the government did not designate the borders of the macro-regions. Regional development councils could be established by the associations of the counties. Some of the voluntary regional development councils did not even follow the NUTS2 breakdown. Evaluating the developments of the period 1996-1999, we can conclude that the region was the weakest point in the original institutional model. This was mainly due to the fact that it was not compulsory to establish regional development councils and consequently they were not granted proper competencies and resources.

• The National Regional Development Concept of Hungary, passed by the Parliament in 1998, defined the number and the borders of the NUTS 2 regions (Figure 1).

• Alongside the amendment, the conditions of region building also changed essentially in 1999, unfortunately in a negative way to certain extent. The compulsory establishment of the regional development councils in the NUTS2 regions is definitely a positive and inevitable development, yet at the same time some of the changes worsened the conditions for strengthening cohesion. The modification of the composition of regional councils was especially questionable. Compulsory the membership of the economic chambers was abolished and the number of government representatives increased, providing them with a dominant position in decision-making.

Figure 1. The counties and the NUTS 2 regions in Hungary since 1998

Key: 1 – Central Hungary 2 – North Hungary 3 – North Great Plain 4 – South Great Plain 5 – South Transdanubia 6 – West Transdanubia 7 – Middle Transdanubia

• In 2004 the act was amended again. Changes included on the one hand, the repulation of the consultancy right of non-governmental organisations, as opposed to the councils, and on the other hand, the regional
The accession in 2004 brought a shock and disappointment. Referring to “weak regional capacity”, the European Commission insisted on the centralised management of Structural Funds, therefore the regional institutions (regional development councils) have almost completely lost their former influence on regional policy. The management authorities were built out in the central government and the regional actors were only given a co-operating function. We have to face the fact that the EU does not insist on the active role of the regions and it does not want to take risks with the decentralised structures.

• The second National Development Plan for the period 2007-2013 is close to finalisation. Although the government placed a heavy emphasis on the role of the regions during the planning process, in fact, it promised to draw up independent regional operational programmes, the prospects of the regions are not very promising near the end of the negotiations with Brussels. The government recommends a very centralised management, the regional development agencies will be given a mere contributing role again, like in 2004-2006, and the regional development councils will be no more than consulting partners in the planning.

On the whole we can say that the process of the region building is rather contradictory. Although the network was at last built out in Hungary, partnership has not been established to the required degree, there are no strong decentralised professional apparatuses behind the decision makers, and is that the biggest problem, the macro-regions do not dispose of adequate resources and competencies. The main reason is the over-fragmentation of the institutional system of regional development, at three territorial levels. The regional institutions altogether have much less power and resources than the central government alone. Thus the biggest obstacle to region building is the centralising attitude of the government, irrespective of any ideological approach. With this situation in mind it is especially interesting to take a look at the process of political regionalisation.

3.2. Attempts to create political regions

It is often argued that political regionalization is the only way to renew and decentralize the currently centralized politics and state of Hungary (Ágh, 2003). This argument is not concerned with the scale of the outdated and inefficient character of the county system in the first place, but emphasizes the political aspects seeing a chance for decentralisation in the election of political regions. In 2002 the government announced the reform programme and plans for the creation of directly elected regional governments by the year 2006. The objective of the reform was to settle the decade-long debate over the counties by transferring territorial power to the regions and eliminating the self-governance status of the counties.

At that time I was not very optimistic about and satisfied with this intention, because it is well known that regions are artificial formations in Hungary and the regional identity of the Hungarian society is obviously very weak. The civil society and the political institutional system have not yet been built out at the regional level. Consequently, the democratic control over the regional bodies, as well as the relations of these bodies to the electors and the social or political institutions would be rather weak. It is therefore extremely important to answer the question whether a top-down initiated regionalisation, together with a weak and not integrated local society, could lead to an truly decentralised power structure? The danger is that forced regionalisation may become a tool of not the local but the central power. Fears proved to be unjustified, but not because they were unfounded; the reform of regional self-governance was dropped. The government in power in 2002-2006 did not prepare laws required for the regional reform. It is an excuse, however, that the reform probably would not have gained the supported of the opposition in the Parliament. Considering that regionalisation requires the amendment of the Constitution in Hungary, the two-third majority in the Parliament is only possible if a consensus is reached with the opposition.

However, the establishment of new administrative tiers is not only a matter of legal regulation. The simple transfer of the place of the elections from the county level to the regional one cannot be seen as a systematic region building. The question is whether the civil society and the economy are strong enough in Hungary now to go on with the process of decentralisation?

3.3. Summary
Before the accession the Hungarian “regional” policy could be evaluated as an example of quasi adaptation and learning. This period was the first phase of regionalism, which in effect was a subordinate, reactive behaviour of a transition country joining the Union, without real decentralisation of the centralised power model of the Hungarian state. A new phase of regionalisation can start if the government, free from “external pressure”, embarks on decentralisation on the basis of its own interests, own values and own recognition. This phase seems to be much more difficult but also much more promising, inasmuch as its ultimate goal is not a pretended adaptation and the fabrication of quasi regions but the creation of an effective and democratic power model that is able to counterbalance the central power.

What is the probability of local actors being capable of region building and maintaining a regional cohesion in the new, “bottom up” phase of regionalism? In order to answer this question I am going to demonstrate the findings of an empirical research carried out in a Hungarian NUTS 2 region. This region is an ideal example because it has a “past” and after a recent government decision also a “future”, since the government has started a pilot program in order to create new political, administrative institutions and functions at regional level. South-Transdanubia was nominated the first pilot region in 2005. So the story of region building is to be continued.

4. 4. THE SHAPING OF THE SOUTH TRANS DANUBIAN REGION

As it has already been mentioned, regions are artificial formations in Hungary, without no power or functioning political organs. This means that region building requires the creation of new institutions with regional authority, on the one hand, and the organisation of the existing institutions into regional networks, on the other. While it is relatively easy to establish institutions with regional authority, the creation of a regional network of the already existing and the new institutional systems is much more problematic.

South-Transdanubia is considered a region of medium size with 975 000 inhabitants. South-Transdanubia is one of the less developed regions in Hungary, although relatively rich in experience of regional policy. It was the first region in Hungary to create voluntarily the institutions of co-operation at regional level in 1992. South-Transdanubia was in relatively close touch with European regional policy as a pilot region supported by the Phare programme.

4.1. 4.1. The most important regional actors and their networks

In South-Transdanubia, development institutions compatible with the national regulation have already been set up, of which only the most important of these are mentioned here.

• At regional level the South-Transdanubian Regional Development Council is considered as the most important actor. South-Transdanubia as a NUTS 2 region consists of three counties. In the 1996-1999 periods the regional development council was a voluntary organisation with no competence or resources. Later, however, South-Transdanubia was declared a Phare “pilot region” and the Regional Development Council was given its own tasks and resources. Then, from 1999, when the establishment of regional councils became compulsory, regional councils were provided by law with both authority and resources. It is the duty of the regional development councils’ to create a development plan for the region, to initiate and implement development programmes and to distribute the allocated development resources. On the basis of this particular authorisation the regional development council has become the most influential actor in regional development policy. This situation was fundamentally — and negatively — changed in 2004 by the accession to the European Union. The council actually lost all of its functions, as the use of the resources was subordinated to the distribution of the EU resources, because of the requirement of additionality. It is interesting, though, that the council does not have significant competencies in the EU-related development planning, as the government decided to establish of an ad hoc task force for the regional break-down of the national development plan in each region.

• The work of the regional development council is assisted by a non-profit regional development agency, operating as a public utility (non profit) company. Agency experts have a dominant influence on the activities of the council. They acquired professional experience and elaborated their network of connections primarily during the management of the Phare pilot programme. After the EU accession the role of the agencies has continuously strengthened, their staffs have increased and the agencies have become more and more
In Hungary, regional policy still appears to be in the networking phase which depends primarily upon legal regulation and upon resource allocation. There are diverse ways of classifying networks, but the fact that the difference between networks does not merely depend on the degree of integration is universally acknowledged (Rhodes, 1997).

Of course, the description of the regional institutional system cannot avoid the assessment of the networks, i.e. how the above-mentioned two institutions are able to integrate the different actors. An empirical survey done in 2002-2004 as part of a 5th Framework Programme targeted at this (Pálné-Horváth-Paraskevopoulos, 2004).

**Figure 2. The list of interviewed actors of regional policy in the region of South-Transdanubia**

<p>| National NUTS 1 | Public | 1 | MARD (Ministry of Agriculture and Regional Development) regional and rural development divisions | MAR |
| National NUTS 1 | Public | 2 | MARD Sapard programme management | Sapard |
| National NUTS 1 | Public | 3 | MARD National Development Centre | MNDC |
| National NUTS 1 | Public | 4 | Ministry of Phare Affairs, Secretariat | Phare |
| National NUTS 1 | Public | 5 | Prime Minister’s Office, State Secretariat of Regional Policy | PMO |
| Private | 6 | Hungarian Institute of Urban and Regional Planning Stock Company – territorial information system | TIR |
| Public &amp; Private | 7 | National Development Council | NDC |
| Regional NUTS 2 - 3 (Region, county) | Public | 8 | Assembly of Baranya County, /C | ABC |
| Regional NUTS 2 - 3 (Region, county) | Public | 9 | Assembly of Somogy County, / C | ASC |
| Regional NUTS 2 - 3 (Region, county) | Public | 10 | Regional Centre of Labour Force Training and Education, /R | Lab |
| Private | 11 | Hungarian Development Bank – regional unit, /R | Bank |
| Public &amp; Private | 12 | South-Transdanubian Regional | RDC |</p>
<table>
<thead>
<tr>
<th>#</th>
<th>Organization Name</th>
<th>Abbreviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Baranya County Development Council, /C</td>
<td>Bcoun</td>
</tr>
<tr>
<td>14</td>
<td>Somogy County Development Council, /C</td>
<td>Scoun</td>
</tr>
<tr>
<td>15</td>
<td>Tolna County Development Council, /C</td>
<td>Tcoun</td>
</tr>
<tr>
<td>16</td>
<td>South–Transdanubian Regional Tourism Committee, /R</td>
<td>Tour</td>
</tr>
<tr>
<td>17</td>
<td>Chamber of Commerce and Industry of Baranya County, /C</td>
<td>Bcham</td>
</tr>
<tr>
<td>18</td>
<td>Chamber of Commerce and Industry of Somogy County, /C</td>
<td>Scham</td>
</tr>
<tr>
<td>19</td>
<td>Chamber of Commerce and Industry of Tolna County, /C</td>
<td>Tcham</td>
</tr>
<tr>
<td>20</td>
<td>University of Pécs, /R</td>
<td>Univ</td>
</tr>
<tr>
<td>21</td>
<td>European Information and Development Ltd., /C</td>
<td>Euinf</td>
</tr>
<tr>
<td>22</td>
<td>South-Transdanubian Regional Development Agency, /R</td>
<td>Agency</td>
</tr>
<tr>
<td>23</td>
<td>Local–Government of the Town of Pécs, /L</td>
<td>Pecs</td>
</tr>
<tr>
<td>24</td>
<td>Local–Government of the Town of Kaposvár, /L</td>
<td>Kapos</td>
</tr>
<tr>
<td>25</td>
<td>Local–Government of the Town of Szekszárd, /L</td>
<td>Szeksz</td>
</tr>
<tr>
<td>26</td>
<td>Micro-Regional Associations of Baranya County, /M</td>
<td>Bmic</td>
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<tr>
<td>27</td>
<td>Micro-Regional Associations of Somogy County, /M</td>
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<td>28</td>
<td>Micro-Regional Tmic</td>
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In the course of our study we also endeavoured to interpret the nature and the shaping of the networks both inside and outside the region.

As we have seen, Hungarian networking and the institutional system of regional development are initiated and directed primarily from above. The basis of the process is, on the one hand, the Regional Development Act, which required the establishment of certain institutions from the very beginning, and, on the other hand, networking, which is motivated by the prospect of receiving funds. Apart from the horizontal networks motivated by this aim of acquiring funds, vertical networks have also been constructed to co-ordinate the activities of players at individual levels, primarily in the development councils. Such networking took place in a similar manner in the Western European countries from the 1980s (Pierre, 1998).

The institutional system of regional policy and the decentralisation of resources have undoubtedly contributed to the strengthening of a directly relevant local elite and to the tightening of social relations. Participation in development councils is based upon the principle of delegation, which significantly increases the influence of the leaders of certain organisations. For example, the chairmen of the county general assemblies are also the chairmen of the rural development councils (as required by the law) as well as members of the regional development council, and they may, at the same time, be members of the national development council. In addition to these there are even more collective forums offering them membership — for example, the regional tourism committees, the county labour councils, the regional public works council and the county foundations for public education. Such “cumulative mandates” create key individuals in some counties, whose influence is significantly stronger than that of the organisation from which the mandate originates. One of the negative consequences of this phenomenon is that the delegating organisations often have difficulty in controlling the actions of individuals with multiple memberships in decision-making forums.

Our analyses have shown that partnership organisations and the elected municipalities have the most important integrating role in regional policy (Figure 3). On the whole, the network has a strongly public character, the civil and the economic actors are on the periphery of the networks. The special feature of the network is geographical cohesion. Actors within the same counties have stronger connections with each other than with those in other county. Another source of conflict among the spatial units is the lack of decision about the regional centres, as the government has not regulated where the seats of the NUTS 2 regions should be. The competition of the candidate towns definitely loosens internal cohesion. These elements suggest that the inner cohesion of the artificially created macro regions is weak, and the counties and micro-regions within the regions have more organic and denser networks than the regions, which are poorer both in institutions and social capital.

In spite of these “negative” phenomena the region, has shown an increasing degree of cohesion especially owing to the decentralised institutions and resources of regional development policy and networks of both occasional and permanent, informal and institutionalised nature are being constructed. Among the results of our Social network Analysis we show only one dimension of networks (figure 3).

Figure 3. Multidimensional Scaling Network Graphs
4.2. New pilot programme in South-Transdanubia

As I have already mentioned, the programme of the political regionalisation of Hungary has been cancelled from the agenda, but in 2005 South-Transdanubia, the “cradle of regionalism” in Hungary was given an opportunity to host a new pilot regional programme. The essence of this concept is that the local governments of the three counties making up the region and the county seat towns establish a municipal association. The body consisting of the representatives of the member local governments can decide on issues that the member local governments refer to the association. The logic of this model is evident in the budgeting, too: the contributions of the members create the financial means the association needs. An undeniable advantage of the model is bottom-up building and the fact that it is definitely built on the co-operation of the partners, contributing in this way to the development of co-operative culture and to regional cohesion itself. On the other hand, it is a serious disadvantage that it is only bottom-up building, i.e. the associate body has only the competencies transferred by its members, only. This means that the pilot region can only model how efficiently the local and county level responsibilities and resources can concentrate and cooperate at a regional level. On the other hand, it is not suitable for simulating a situation where competencies and resources are transferred from above, from the government to the regional level. Thus the model experiment does not allow the simulation of an actual decentralisation! This fact projects the failure of the experiment. The partners — probably — will not share much of their competencies and resources. The motivation is actually missing and the expected advantages are only virtual. The experiences of the operation are not very good after approximately one year. Three poor counties without competencies will not make a rich region!

5. SETTING THE AGENDA, CONSIDERATIONS ON THE FUTURE

The second phase of regionalisation does not allow us to be very optimistic. The intentions of the government are contradictory, the political elite is divided, the willingness to co-operative and the local networks of the local actors do not seem to be strong, while the local society seems to be rather indifferent as regards the topic of regional decentralisation.

What can drive regionalism then?

In Hungary, but probably also in the other transitory states, decentralisation and region building can only accelerate only if the process is motivated and accelerated both bottom-up and top-down at the same time. Also, this is the only way for Hungary to leave the reactive phase and enter the phase of recognised and conscious
reforms. We remark that this is exactly what British researchers found when contemplating the future of regionalism in England (Bond-McCrone, 2004).

It seems that the success of regional institution building enforced from above and by the Union will be strongly connected to the motivation of resource acquisition, without reaching a real social and economic imbeddedness.

The bottom-up initiative to create regions on the basis of co-operation and local networks seems unfeasible because in an over-centralised country the mere concentration of local power and resources cannot lead to the establishment of strong regions. As regards the way out of the deadlock, the nature of impulses the new accession countries get from the European Union is of basic importance. It is not by accident that the professionals dealing with regional policy in Hungary attribute a really great significance to the decision that will be made on the management model of the Structural Funds after 2007.

Unfortunately it is clear from the National development Plan 2, that the regions, similarly to the present situation, will not be given a meaningful role in the management of the regional programmes, and this will lead to the loss of their interest and the emptying of the former institutional system. Without ensuring them real functions and resources it is probably impossible to persuade regional politicians of the advantages of regional co-operation.

On the basis of all these considerations it is difficult to predict the future of regionalism in Hungary. It is certain that the regional policy of the EU in itself will not lead to the creation of elected self-governing regions in Hungary. Another conclusion is that it is not the regional scale that brings about the possibility of regionalisation, but the real will of the government and the real capacity of the regions. Seemingly the will of the government is there, as the re-elected government initiated in the Parliament, right after the elections, the plan to create regional self-governments. The opposition, however, did not support the amendment of the Act on Local Governments and the parallel amendment of the Constitution. For the time being, regionalisation with a political content is not on the agenda. The future of the development of regions is uncertain, but the signs are not too promising.

In conclusion we can state that the slogan of regionalism has generally been used as a tool rather than a target in Hungarian politics. It has become a tool of centralization and resource distribution alongside clique interests, bypassing the directly elected self-government bodies and the publicity. The regional resources of the Union as the main motivations of regionalisation can be absorbed without the existence of strong regions. We have to acknowledge that regionalisation enforced from “top down” and “from the outside” has failed. The original rational of regionalism has been violated, while the old, centralized, antidemocratic political attitudes have survived within the framework of new geographical boundaries and organizational forms.

6. REFERENCES


Chapter 9. THE VOIVODSHIP CONTRACTS AS TOOLS FOR THE REGIONAL DEVELOPMENT STRATEGY IN POLAND

Andrea Schmidt

1. 1. THE ROLE OF PLANNING

Regional contracts are often identified as symbols of the modernization process of the state. The Polish voivodship contract is an agreement conceived to support the regional development. It is an instrument for support of regional development which entitles local authorities to receive donations from the state budget for the performance of their tasks resulting from the voivodship development strategies and development programmes, and which derive from the main objective and the priorities of the strategic government documents \(^1\). It is a contract between the state and the local administrative units. It can help to reevaluate the previously established partnership between the state and the voivodships that was characterized formerly with the state’s over-representation of the state. With the institution of negotiations and the development of the communication process — which are the consequences of the new type of partnership — the contracts can help in the definition of a good balance between the decision making task of the state and the local realities give more greater legitimacy the decisions based on such contracts.

Regional contracts are strongly connected with the issues and the aims of the planning process. The development of plans is based on the necessity of reconstruction after the end of economic and political crises, they became important especially after the Second World War. In the Western and Eastern European states such plans — controlled by the central planning committees — were introduced in 1946. The first five year plan was implemented in France. The implementation of central plans is often characterized by the influence of the Stalinist regime, however the roots of the central planning system in CEES emerged earlier. Central planning first appeared in Hungary in the interwar period with the so-called „Győr Programme‖ which focused on the development of heavy industry of preparation for a possible war. A similar activity took place in Poland, where central planning — coordinated and controlled by the state — served the aims of the reconstruction of a new, independent and unified Poland in the 1930s. The results of the interwar plan in Poland included the creation of the COP (Central Industrial Centre) and the opening of the port in Gdynia.

Nevertheless after 1947 a totally new type of planning was introduced in the CEES under the influence of the Soviet Union. The satellite communist parties and governments obediently followed the Soviet ukaz, (mandatory order), and in 1947-8 they introduced the same non-market, centrally planned economic regime that Stalin had arranged twenty years before. In most countries, a second wave of nationalization combined with administrative state measures of overtaxation, strict restrictions, eliminated small-scale private ownership as well and most of the countries after short-time reconstruction plans during the late 1940s, turned toward Soviet-type planning around 1949-50. The first five-year plans implemented forced accumulation and industrialization. With preference for heavy industries, all the five-year plans served military preparation. The Soviet-type non-market system was based on state (or state-run, so called co-operative) ownership in the entire country, where the private sector represented no more than 3-4% of the national economy. Production and distribution were planned with the method of physical „balances“ where sources and uses had to be balanced. That was the heart of central planning. The central plan also distributed labour, in numbers and wage funds, and calculated the demand of existing branches of the economy and the planned expansion in certain areas. State companies received their plan and required resources from above and were free from concerns about marketability, cost, quality, or whether their products were up to date. Their only responsibility was to fulfill the plan because wages and bonuses were dependent on plan fulfillment. In order to achieve the requirements of the directives of the plans, at certain stages of state socialism, mainly in Poland and Hungary, planners and ministries sought to make a kind of bargain with directorate and company managers. It was an informal process, based on personal connections, and later on something institutionalized as „counter-planning“. (Berend, 2006)

After the change of the regime planning got a new importance. It was strongly connected with the question of decentralization and the new tasks given to the state and the regional units. In the late 20th century, at the end of the Keynesian state care, 2/3 of the inhabitants of Europe live in states where besides the state responsibility the sub-national level also plays an essential role in the economic growth. Instead of the state’s regional development policy the regions have their own development strategies; the division of power between the state and the regions and the success of the decentralization process in the Central and Eastern European Countries are determined on to a great extent by the historical traditions of the given states such as the effectiveness of the economic structural transformation. (Horváth, 2001)

2. REGIONAL POLICY AND ITS ACTORS IN POLAND, THE VOIVODSHIP CONTRACTS

In order to strengthen the role of the regional level it was essential to carry out the necessary reforms in the field of jurisdiction and execution, among others, in the administrative system. Poland was among the first CEEC to invent the new types of administrative structures together with the acceptance of the Act on the voivodships self-government and the Act on the central government administration in 1998. Poland chose a dualistic model of voivodship administration and became a more decentralized state with a number of questions left open concerning the remaining role of the state level and the new tasks of the regional level. According to the words of the law on the administrative units of Poland, the voivodships got dual tasks, the self government administration has the voivodeship marshal (marszałek województwa) as the head of the Board (zarząd). It is the organ of the self-government administration, while the central government administration has the voivode as its head. The voivode is the main pillar of the central government administration in the voivodship (region), authorized to carry out all matters of the central government’s administration in the voivodship, representing the Council of Ministers in the region.

Figure 1. Spatial and national development documents at different levels

One of the main tasks of the voivodships in Poland in the process of European integration is the elaboration of the regional development policy at regional level. The voivodship (regional) contracts gained their importance in the earliest stage when the details of the Polish regional development policy were elaborated. With the help of the regional contracts voivodships can get impulses during the preparation of their regional development programs, and the resources directed to the different priorities defined in the programmes can be concentrated on the basis of these contracts. The contracts are also tools in the process of planning — directed at local or regional level — and the redistribution of the resources granted by the European Union to NUTS II (regional) level.

The first steps in the implementation of the voivodship contracts were taken in 2001, but the preparatory work and the creation of the legal framework took place two years earlier in 1999. The institutional framework is based on the Act on Regional Development and the decree of the government on the Voivodship Contracts: the

1 Dziennik Ustaw 91.576 and 577 Dziennik Ustaw means: Journal of Acts)
Council of Ministries as an organ of the state bureaucracy and the given executive organs of the voivodship — as co-operate partners. 

Figure 2. Place of the Regional Contract in the System of Regional Development

Edited: Schmidt Andrea©

Source: Urzad Marszalkowski Wojewodstwa Malopolskiego Kontrakt Wojewódzki 2001-2003

The first voivodship contracts were accepted in the spring of 2001, the signatories of the contract were the following:

• for the government — the minister responsible for regional policy and infra-structure

• for the voivodship — the office represented by the marshall

After the acceptance of the contracts requested various modifications although the text of the Act says that any amendment in the content of the contract must be noted and accepted by both partners, the governmental and the self-governmental parties.

The voivodship contracts are the essential parts of the regional development programs of the voivodships. The way and the circumstances of the realization of the activities initiated by the regional programs are described in the voivodship contract. They are documents differing from each other in length but are built up according to the same principles. After their acceptance all voivodship contracts are public, they can be read in the web-side of the voivodships, the text of the contract and all forms — essential for the potential investors — can be downloaded from there.

A voivodship contract can be divided into the following parts:

a./ The text of the contract in which the partners declare their willingness to

• execute the tasks of regional development policy;

• act as partners in the process of financing the tasks defined in the contract;

• the amount required for financing is also included in the contract.

Co-financing is based on equal contribution by the self-government and the state-budget except for the renewal of the health care system, where the share of the state budget reaches 87%.

b./ Another part of the contract is the financial plan with the tables of the annual costs and the potential supporting partners, while another chapter deals with the legal framework and criteria of the contract itself, the question of the control and supervision, and the details of management, the competencies of the two partners, and tasks of the third partners. The criteria of financing are also appear here. The legal base is defined in the Act „On the revenues of the local governments”, and 148.§ of the Act „On public finance”. The direction on the establishment and duties of the Monitoring Committee also appears in this chapter of the contract.

c./ Another chapter describes the members of the Steering Committee who are the following:


• The marshall (the representative of the government), the president of the committee

• The elected leader of the voivodship (the voivoda), the vice-president

• The other members of the committee, the representatives of the lower regional units: powiats, gminas, and the employers, the representatives of different boards involved with regional development policy of the region.

The voivodship contract can be modified of the free will of the partners, or at the request of one partner, but it cannot be modified unless there is an agreement between the signatories.  

The duties of the financial reporting period, to have report concerning the costs and the accomplished tasks are also described in a separate chapter of the contract. According to the provisions each voivodship has to give an audited financial report quarterly. The voivodship contracts are concluded for one year, after that the supported projects and the effectiveness of the utilization of the grants are controlled according to a previously elaborated regulation. During the monitoring the following criteria are taken into account: the requirements towards publicity, the duration of the implementation of the projects, if one year was enough to fulfill the requirements, or if there was a modification if it was successful, or not.

There was a significant modification in the structure and the system of the voividship contracts with a view of the forthcoming accession to the European Union in 2004.

In 2004 a new generation of Voivodship Contracts was concluded for one budget year. The legal basis for this contract is the Support Programme. The priority was essential to absorb these sources coming from the state budget and to approach their content to the Regional Development Program of the European Union.

3. 3. THE EVALUATION OF THE VOIVODSHIP CONTRACTS

The voivodship leaders were asked several times about the effectivness of the voivodship contracts, the national development policy and the regional development policy. Since 2001 the marshall’s offices have regularly evaluated the participation of the voivodships, the question and the division of responsibilities and the contribution to the regional development policy.

As to the influence of the governmental documents on the regional level concerning the development strategy of the voividships the following opinions have been expressed.

• The majority of the marshalls had similar views the duration of the voivodship contracts. The contracts valid for one year can cause difficulties in the planning of investments and the planning of the different costs of the investments. These tasks can be planned for multi annual periods, the duration of the projects are for longer duration, and the annual re-negotiations can cause difficulties in the execution of the projects.

• In general the representatives of the voivodships were satisfied with the system of the voivodship contracts because since 2001 they had more possibilities to get co-financing from the state budget for the voivodships’ investments and the execution of their regional development programmes.

• In principle the representatives were satisfied with the structure, the financing and elaboration of these programs as they harmonize more with the requirements of the absorption of the financial support coming from the Structural Funds. The existence and establishment of the Voivodship Contract was a good preparation for the tasks coming after May 2004, the accession to the European Union.

• Working according to the requirements of the voivodship contract was a good possibility for improving the complex approach of the representatives of the voivodships, most of the leaders evaluated the content of the contract and the tasks in the contract as a preparational for accession.

• As a sign of the negative opinion it was remarked, that the question of responsibility and the question of subsidiarity were not solved at the regional level with the voivodship contracts. Sometimes the decision made at the regional level was left out of the final decision on the different types of investments based on the voivodship contract.

1 see in Liberadzki, Bogusław: Narodowy plan rozwoju, In:Miesiecznik Regiony Nr. 1. 2004
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The analysis the answers given to the questionnaire make it obvious that the representatives consider the voivodship contracts as potential tools for the regional development. Although they expressed their plans for changes in the financing in order to rationalize the financial background of the contribution between the self governments and the enterprises. It is also necessary — as the representatives expressed — to avoid the overwhelming position of the central government versus the regions limiting their role in the planning and in decision making processes in the question of regional development at regional level. There were several controversial situations because the different ministries did not take into account the national development strategy of the different regions. Sometimes even the voivodships were in shortage of the information, and they had to experience the attempts at the overrepresentation of the central government instead of the voivodships’ make their own decisions. It was also a question of debate how to avoid the strict regulations concerning the prescriptions of the resources coming from the European Union.

Promotion film for the Silesia Voivodship of Poland

Source: Youtube

The representatives also evaluated the contracts’ suggestions for decentralization and the development of a coordination between the state and the local government. It is also necessary to revise the limited period of validity. If we take into account that the contracts are concluded in April of each year although the fiscal year begins in January and ends in December of the given year. This means that there remain only four months for the implementation of the actions. It was also suggested that the planning term with the EU budget term in order to harmonizing it with the Integrated Operative Programs of the National Development Plan. There was another suggestion concerning the simplification of the process of making contracts with the voivoda’s participation in this processes as the third partner considering that he represents the elected body of the region.

In order to increase the role of the regions it would be essential — according to the representatives interviewed to reduce the strict adherence to the priorities defined by the central government. Sometimes it would be preferable to cede the right of making decision about a potential development to the voivodships as they the adequate experience about the fields to be developed. This is also strongly connected with the question of decentralization of the decision-making and the division of the power which is damaged by the accepted custom that the voivodships can choose only from the list of priorities composed by the government, neglecting their own priorities.


In January 2005 the Council of Ministries in Poland accepted the first version of the National Development Plan drawn up for the EU budget between 2007-2013. A widespread public debate began after the acceptance of the first draft of the National Development Plan. Several groups representing the Polish society expressed their views on the National Development Plan. During the negotiations about the content it was brought up that the validity of the voivodship contracts should be extended for a longer, at least five-year period. The contracts would be most important documents as they would join the regional development programs and the national regional development programs. For the more effectiveness it would be also preferable if — especially when it is necessary — at least two or three voivodships could co-operate in order to work out common development programs on the basis of the NDP. It would also be preferable to harmonize the Operative Programs of the NDP and the priorities of the voivodships’ development strategies and to fit them to the disposable financial sources. The voivodship contracts would give the legal framework of such co-operation and must based on the agreement concerning the division of the tasks between the government and the regions. The formal elements and the content of the contracts are laid down in the Act on the National Development Plan as a tool for harmonizing and implementing the Regional Operative Programmes, the Sectoral Operative programmes and the strategy of obtaining grants from the Structural Funds of the European Union. These should be elemental parts of the National Development Plan of Poland for 2007-13 incorporating the voivodships’ Regional Operative Programmes and the resources of the state budget and the Structural Funds. They include simultaneously the tasks and the fields of the tasks coming from the regional programmes together with the conditions of implementation, and the group of the fields of development on local and regional level in agreement with the activities supported by the government through different ministries. The process of programming, the rules of implementation are coherent, and combined in the regional development plans and the support sponsored by the
Structural Funds. In order to evaluate the effectiveness of the voivodship contracts it is essential to determine the boundaries of the competencies of both the governmental partner and the regional partner. It is worth pointing out, that the validity and the effectiveness of the voivodship contract is based upon financing. The Polish voivodships — similarly to the Hungarian ones — grapple with resource gap. In order to draw the 67 billion EUROs coming from Brussels to Poland, it is essential to use co-financing. Within the case of co-financing the banks have a determining role. The lack of financial resource caused several in evitable modifications in the activities laid in the voivodship contracts. These modifications decided by the government encroached the competence and independence of the voivodships. In order to make the functioning of the voivodship contract more balanced there need modifications are necessary in financing and in order to make the conclusion of contract easier. The recommendations of the different partners try to make this procedure simple and can serve the two important principles of the European Union; the question of decentralization and deconcentration.

5. 5. THE POSSIBILITY OF THE ADOPTATION OF THE CONTRACTS IN HUNGARY

The Polish example could be a model for the Hungarians intending to introduce regional contracts in the practice. Drawing conclusion from the Polish example can be instructive for Hungary in avoiding initial difficulties experienced in the first years after the introductions of the voivodship contracts and the first years’ experiences of the new administrative structure. It can be said that Hungary has deficiencies hindering the initiate the voivodship (or regional) contracts. There is still no act concerning the basis of the regional contract and it would not be a preferable solution to make modifications in the text of the act on regional development policy as the regional contract could be a form fitting not only regional planning and the parties of the contracts can be not only the Regional Development Councils. It is also essential take into account the already existing foreign examples. In the legislative process it is necessary to compose an act on the regional contracts with due regard to the Councils of Regional Development the self government offices of the counties, the towns having the right of counties, the state owned enterprises and the subjects of the civil law and the local level. It is also important to incorporate the micro-regions. These are the tasks that Hungary is facing, but the most important thing is to rethink the question of decentralization and to build the institutions required and to give them adequate tasks.

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Especially the Italian, German or French and in some extent the Polish ones, as the first three countries have already got a longer term of experience, while Poland as a post-Socialist state that became the member of the European Union in 2004 have already began to build up the new institutions such as the new administrative system and has begun to legislation process to fit the acts according to the requirements coming from the European Union.
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Chapter 10. THE ROLE OF UNIVERSITIES IN REGIONAL INNOVATION NETWORKS IN HUNGARY

ZOLTÁN GÁL

1. 1. TOOLS FOR REGIONAL COMPETITIVENESS: INNOVATION AND KNOWLEDGE CREATION

A general consensus exists on innovation-oriented regional development in the literature in which the utilisation of regional knowledge base, innovation potential and co-operation between businesses and research institutions continues to play an increasing role not only in regard to business success but also in the competitive economic performance of a certain region (Cooke 1995).

The extension of the term to the level regions had turned into such a key principle for local economic development and regional innovation policy which has strategic importance in defining the directions of the region’s development strategy and in assigning the priorities of improving competitiveness (Lengyel 2000). Although several factors are influencing regional competitiveness its driving forces still can be identified. The European Union’s regional reports are considering innovation, research and technology development as the major potentials of gaining competitive advantages. The competitiveness of regions can be increased by successful R&D activities within the region and by the creation and spreading of innovation in a wider sphere. Regional level innovation and especially the practical implementation of R&D results may directly be manifested by the competitive advantages of the region’s business enterprises (Lengyel 2000). Today innovation is an indispensable means of increasing competitiveness in the business sector as competitive advantages may be gained only through innovative developments. The development of science and technology and their accumulated knowledge basis have become one of the key factors of the development of regional economy. Universities and research institutes as knowledge centres extending and disseminating comprehensive scientific information are playing an increasing role in regional development. A wide range of literature has studied the regional effects of the universities’ research-development potentials (Ács-Varga 2002, Varga 2004). The support of the spatial diffusion of knowledge, the spatial mechanisms of knowledge transfer, the access of business organisations to knowledge bases are all very important parts of development policies (Landabaso 1997). Not only the direct support of universities has increased significantly but for regional governments’ budgets the subsidisation of projects involving universities in various forms with the support of university-industry links are the biggest items of expenditure (Varga 2004).

The EU’s regional policy is also deeply affected by the new challenges of the turn of the millennium. During the past few years innovation and the development of knowledge economy have had an adequate role in the formation of innovation-oriented regional policy. The primary objectives of researches applying the spatial economic approach of innovation concepts is highlighting the strong correlation between regional and technology development and demonstrating the connections of regional innovation potential, regional knowledge bases (universities) with innovation networks (Cooke 1996, Todtling 1994). Besides highlighting the links within and between business organisations researches were focused on networked co-operations surpassing the traditional forms of market — based relationships. These networked co-operations are the manifestations of the spatial formation of innovation, information and knowledge sharing.

2. 2. THE EUROPEAN REGIONAL INNOVATION SURVEY

Innovation is considered as an interactive and system-like process depending on traditions with definite spatial forms (Gál 2004). In the 1990s the interactive network based interpretation of innovation became a key concept in countries with advanced economic development.
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Since Cooke’s and Morgan’s (1993) theory on the innovation ‘network paradigm’ regional innovation networks are considered as a catalysing factor facilitating growth at regional level. Innovation networks are such forms of regional governance and they are supporting such institutional networks that are strengthening interactions, co-operation, the division of labour to ensure coordination among business organisations, universities and regional authorities (Morgan and his co-authors 2000). Innovation networks and systems can be interpreted on different spatial levels and the latest literature (Braczyk and his co-authors) analyses national and regional levels on the basis of Camay’s (1991), Cooke’s and Morgan’s (1993) earlier papers.

For demonstrating the relationship between regional innovation potentials and the networking of innovation actors some empirical evidences are needed on the level of regional co-operations. The European Regional Innovation Survey (ERIS) project is one of the empirical researches in this field surveying 11 European regions for assessing innovation linkages. The types of the investigated regions are ranging on a very wide scale (global centres/suburbs, regional metropolises, peripheral regions) concerning economic background and innovation potentials (Sternberg 2000). The ERIS project investigated networked relations among the three major groups of innovation actors: industrial companies, business service providers and research institutes. The results of survey have been published in several papers with the purpose of better understanding innovation processes, innovation networks and co-operation patterns from the viewpoint of companies mostly (Koschatzky 1999, Koschatzky-Sternberg 2000). The survey’s major findings are underlining the fact that innovation-intensive (and naturally certain big companies) are more active in network building than other less innovation-oriented companies. Those companies gaining access to external information through network building proved to be economically more successful than their counterparts not co-operating with their partners (Koschatzky 1999). The major findings of ERIS — concerning university-business links — can briefly summed up as follows:

Generally vertical schemed network building is still dominating over the horizontal one. Co-operations within the framework of a vertical network system are covering a larger physical distance than within a horizontal one. Geographical proximity has definitive role mostly in horizontal relations established with research institutes. The geographical coverage of the majority of business sector relations — typically of the SME sector — established with research organisations and universities is typically intraregional. However universities and other R&D organisations are more preferably co-operating on interregional and international level than local. For this reason universities, to a less extent are embedded into their own region, their research results are rather utilised through the intermediation of international networks than on regional level. Co-operations with universities and research institutions are rather established on interregional level.

SMEs are more inclined to enter into intraregional partnership than large companies because for them geographical location is a crucial factor and they maintain international relationship on lower intensity. Due to these circumstances the dependence of SMEs on the support of the regional institutional system and on regional knowledge bases is much stronger. Paradoxically, at the same time SMEs build weaker ties with universities and R&D institutes as medium-size and big enterprises are utilising information and knowledge bases with much more efficiency and moreover universities are more keen and interested in co-operating within the framework of large corporate projects. Besides corporate size and sectoral orientation the co-operation intensity of companies with knowledge bases strongly depends on the sensitivity of corporate technology and on the intensity of innovation activities: high-tech user companies have higher needs for networked co-operation than their low-tech based counterparts.

Figure 1. The most important partners of enterprises according to the ERIS-11 survey, 1999

source: Koschatzky, 1999
The major finding of ERIS survey was that business organisations (preferably SMEs) are still regarding innovation as an internal process which they are implementing only in their own internal environment. The regional environment of companies and geographical proximity are more decisive factors of the innovation process and they have greater importance for SMEs and also have greater role in scientific and research cooperation than in the co-operation of manufacturers. The survey has proved that even in the globalised world spatial and institutional proximity within regional innovation systems are very important factors, especially in case of knowledge bases and their corporate partners (Koschatzky-Sternberg 2000). The additional survey carried out in three East Central European regions highlighted differences between the co-operation network of peripheral and the advanced core areas. While in advanced regions bottom-up schemed networking is the dominant pattern of co-operation, in less advanced regions the unfavourable environment for co-operation has negative impacts on the performance of innovation at universities and in SMEs operating in the region. A sectoral survey in the international relationship of Hungarian companies revealed that universities were taking the 8th position only in the ranking of the information sources of processing industry. This position improved to the 6th only in the sample of small- and micro-enterprises (Inzelt-Szerb 2003). In a survey carried out in South Transdanubia in year 2002 52% of the total respondents did not mention any networked co-operation partners but within this region bridging organisations and consulting firms had been at a better position than universities in the ranking of innovation co-operation partners (RIS DD 2004) (Figure 2). The lower co-operative affinity between universities and SMEs may partly be explained by poor network management and partly by the shortage of funds to facilitate the utilisation of information resources and by the absence (or failing to recognise the importance) of mutual interests. A more active role of decentralised supporting and coordinative organisations — principally regional development agencies — may have a key role in tightening university-business links (Gál 2004).

3. THE ROLE OF UNIVERSITIES IN INNOVATION

The spatial dimension of innovation had been greatly determined by the transformation of universities during the past ten years. This involves not only the extension of research profile but also the transformation of the traditional university into the organisational structure of a research university. For backwarded regions creating the preconditions for a better utilisation of the potentials of innovation economy may serve as a breakout point for increasing their innovative capacities (Inzelt 1999, 2002).

Figure 2. Distribution of RTD expenditure by organisations between 1990 and 2002

Since the middle ages universities, the major organisations of generating and disseminating economic and social innovation have key role in the development of European regions. The continent’s first universities built intensive relations with the actors of their closer and wider region. Higher education has high influence on the internal development of its region not only because of its key role in R&D sector but also due to its strategic position in the training of experts participating in the manufacturing of high-tech products and in the organisation of generating and selling competitive services (Horváth 1999). Universities can have an impact on the economic development of their own region in two ways (Forax 1992): on the one hand through the multiplier effect of the purchasing of students (a so-called expenditure effect) and on the other hand through the (scientific, technical, technological and economic) knowledge transfer from the university into the business sector (knowledge effect) (Varga 2004). A very important side-effect of technology transformation is that
industries and companies manufacturing competitive products are selecting their sites on the basis of qualitative criteria. Higher education is such a very important factor of which attractive force for capital is secured not only by creating competitive advantages in local labour market but also by its absorbing innovative capacities. It can be seen all over Europe that while the development of large technology systems concentrated in metropolitan agglomerations was mostly determined by the research-development units of big firms, the technology innovation of SMEs, the organisation of local and regional technology clusters in the majority of cases were initiated by institutes of higher education. The engine force of regional higher education can be touched upon the development of the West-European core regions (Bennett-Krebs 1991). In several Hungarian regions (for example in South-Transdanubia) the higher education sector is the largest knowledge potential and value generator which at the same time has fewer links with the industrial sector than it would be necessary. The potential links between the two sectors should be identified and the institutional background of these links should be created. The successful co-operation between business and university sector may secure a favourable environment for innovation.

Figure. 3. Share of university centres in the number of students, share of regions with the largest university centre sin RTD expenditure, 2001

For enabling the higher education system to exercise its innovative functions and to be capable for performing its integrative functions as an element of the innovation system (Horváth 2003) is emphasizing the necessity of at least preconditions:

1. Research should be regarded as a primary function of higher education. This should be reflected in its financing and the development of the knowledge potentials of university research base should also have a key role.

2. The structure of higher education should be adapted to the requirements of post-fordist economy and should be capable for generating technology and economic innovations.

3. National innovation policy and regional policymakers should support the institutionalized co-operation of higher education and business organisations

4. Higher education should territorially be decentralised, institutional developments and university integrations should be in conformity with the aspects of the economy of scale. An optimal efficiency of scale with the institutions of the core region can create equal chances both for accessing research funds and for joining the international division of labour in research and development.

Higher education has developed into Hungary’s biggest R&D generating sector but its proportionate funding is falling behind the expenditures allocated for the R&D activities of business and research sectors. The period of economic transition favoured for strengthening the universities’ positions in research as their relative percentage of funding from governmental R&D budget increased in comparison to the previous ten years (from 20.3% in 1990 to 28.3% in 2001). At the same time the expansion of universities was mostly perceptible by the increasing number of students and by the growth of university centres (Figure 3). The number of full-time students by the year 2002 increased to nearly 20,000 which is a 280% growth compared to 1990. Due to the development of higher education units in other Hungarian towns the heavy dominance of Budapest in R&D has decreased to some extent in respect to the number of university students. The share of Budapest from the total number of full-
time students is 37.4% (2003) and it is followed by Southern Great Plain and Northern Great Plain (12-11.6%) and South Transdanubia. However the present regional structure of Hungarian higher education is far from the optimal level and is not fully suitable for performing large-scale projects requiring heavy research potentials. In the present system of Hungarian higher education the size and weight of provincial university centres are lagging behind the European standard values. The four provincial university centres has only one fourth of the total number of students while this figure is one-third or one half in other European countries with similar population size (Horváth 2003)

Research at the University of Pécs

With the development of universities in the past ten years and with the development of infrastructure of provincial university centres having created by the integration of universities and colleges the number of students, the training infrastructure and potential of universities have increased above the average intensity. However the funding of researches in provincial university centres had not significantly increased until the turn of the millennium. After 2000 with a more intensive governmental subsidization with winning a greater part of R&D funds the volume of expenditures spent on R&D also increased to some extent at provincial universities. The lagging of higher education on the basis of the basic indices of innovation (R&D spending, investments, the number of domestic and international patents) can clearly be seen (Table 1). With concentrating 26% of the total expenditure, 12% of total R&D investments and 32% of domestic and 16% of international patents the funding of higher education is far behind the expenditures allocated for the business and research sectors (Gál 2004b). The share of Hungarian higher education from governmental R&D spending is similar to the West European ratios, lagging may be observed regarding two indices. On is the very low ratio of business sector funded research departments and the other is the very weak links between the university research and business sector. While in OECD countries the average rate of business funded R&D is 70% in Hungary this figure was 38% only in 2002.

Table 1. Share of Higher education in the Hungarian RTD, 2003

<table>
<thead>
<tr>
<th>INPUT</th>
<th>OUTPUT</th>
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1 The contribution of Hungarian businesses to R&D funds is even under the central government’s ratio with a value of less than 30 percent (29.7%, 2002). This is hard to understand as the money spent on innovation generates significant added value which has primary role in obtaining new markets.
THE ROLE OF UNIVERSITIES IN REGIONAL INNOVATION NETWORKS IN HUNGARY

<table>
<thead>
<tr>
<th>INPUT</th>
<th>OUTPUT</th>
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</thead>
<tbody>
<tr>
<td>RTD units: 70%</td>
<td>Published books: 77%</td>
</tr>
<tr>
<td>RTD expenditure: 25%</td>
<td>Published studies: 70%</td>
</tr>
<tr>
<td>RTD personnel: 57%</td>
<td>Patents: 32%</td>
</tr>
<tr>
<td>RTD personnel: 57%</td>
<td>Patents at EPO &amp; USPTO: 16%</td>
</tr>
<tr>
<td>Share of doctorates: 72%</td>
<td></td>
</tr>
<tr>
<td>RTD investment: 12%</td>
<td></td>
</tr>
</tbody>
</table>

Source: CSO publications, 2003

The ratio of R&D expenditures to Hungarian GDP is also low (0.3%) especially when comparing it with the 0.87% of Slovenia or with the 1.2% EU-15 ratio.

Figure 4. Share of Budapest in the main innovation indicators, 2000

The dominance of Budapest and the backwardness of provincial universities concerning research potentials is even larger (Figure 4-5). The territorial distribution of R&D expenditure shows that the ratio of Budapest from R&D funding only slightly diminished since the change of regime and stabilised on an approximate level of 66%. This means that the absorption capacity of provincial cities increased only slightly from 17.4% in 1990 to 21.3% in 2002 (Figure 6). The present situation of R&D is not harmonising with the requirements of European competition, therefore a significant decentralisation of research-development potentials and R&D expenditures is needed in the future which should be grounded by the development of regional university centres. University and higher education centres (Budapest, Szeged, Debrecen, Miskolc, Pécs, Veszprém) are still the major sites of R&D, the remaining counties (their cities) are lagging far behind the R&D activities of the above-listed cities. The development of provincial higher education centres into regional innovation centres and regional knowledge centres is a desirable objective as well as building intensive transfer relations between the university and the business sector in the regions too especially in areas where the dynamics of technology intensive economic development demands it more strongly (Gál 2004). This is also motivated by the fact that although the potential of provincial scientific centres is below the critical mass of building a knowledge economy, a Budapest centred knowledge economy scheme cannot boost up Hungary’s economic performance as the ratio of this region’s industrial production is continuously diminishing (Budapest is producing only 16% of Hungary’s industrial output). At the same time the state should give greater assistance so that 25% of additional would be
targeted into provincial regional centres and the ratio of Budapest from R&D expenditures would diminish to 40% and the share of provincial knowledge centres could increase from 20% to 35% (Horváth 2003).

Figure 5. Territorial breakdown of RTD expenditure, 1990-2002

source: edited by the author, CSO

Although the restructuring of economy was quicker and more successful in Hungary’s western and north-western parts these areas were in a far worse situation in the fields of research-development and higher education. The counties of Western and Central Transdanubia the leaders in economic development, income earnings and the attraction of foreign capital — having poor institutional and financial instruments of shifting from mass production and low cost labour towards knowledge intensive development activities — had less potentials for development which is threatening their competitive advantages in the long run. The growing number of R&D units established in dynamic regions and Budapest by multinational firms seems to be a promising trend for the development of R&D infrastructure but the slowly increasing business funding of R&D cannot replace the state’s role in R&D funding.

4. 4. UNIVERSITIES IN REGIONAL INNOVATION NETWORKS — THE CASE OF SOUTH TRANSDANUBIA

Universities and research institutes through their integration to national and international knowledge bases and networks are functioning as potential knowledge bases for companies in their environment even if universities are generally less embedded into their regional context and preferring rather national and international cooperation (Koschatzky-Sternberg 2000) ². Higher education has serious impacts on internal regional development not only because of its serious role in R&D sector but it has also vital importance in training (re-training) experts organising the manufacturing, selling and creating of high-tech products and competitive services. On regional level it is universities that can be developed into knowledge generating organisations of the highest potential. At the same time the results of ERIS survey are indicating that the impacts of universities on business sector are rather small. The importance of universities and research institutes — even in South Transdanubia — compared with customers and suppliers is by far less for business sector than information and knowledge bases. It is obvious that small companies are co-operating with universities to a less extent and especially local SMEs rarely communicate with universities for technology information, but in case of cooperation geographical proximity by all means has a key role in connection building. The network building model of the ERIS regions is more or less similar in pre-accession countries as well.

The domestic national and regional surveys also revealed that universities and research institutes as business information sources are less important for customers and suppliers (Inzelt-Szerb 2003, Gál 2000b). It seems

² The import of technology from outside the region is much more efficient than the extremely costly development of local R&D capacities (technology is less regional but rather more has international features).
obvious that the co-operative affinity of SMEs is the smallest but it is they are who need co-operation most of all. In case of co-operation SMEs naturally prefer establishing relations with local knowledge bases (Koschatzky-Sternberg 2000).

Figure 6. Cultural and organisational barriers between universities and enterprises

Several hindering factors may be owed to universities in building regional level relations. Universities are operating by their own rules and principles which are hard to make compatible with the objectives of business sector. Both universities and companies are organised by their own different logical, cultural and organisational limits which raises difficulties in co-operation between the two parties (Figure 6). The majority of the universities’ research departments are carrying out basic or applied researches but very few university research organisations are joining experimental development projects. The interest of universities in co-operating with business sector is much more oriented towards short-term fund raisings than towards a strategic development of the innovation chain. Universities with industrial links are rather more interested in projects involving large-scale funding than in the support of SMEs. In several cases the purchase of technology license from outside the region is much more profitable for companies than intraregional innovation co-operation.

In some less developed regions such as South Transdanubia university sector is the largest potential knowledge and value generator but in several cases it has no links with the economic sector. Thus, the potential areas of co-operation should be identified between the two sectors and the institutional background should be created for these links. A successfully co-operating business and university sector may secure an innovation friendly environment. The majority of researchers (their number is approximately 1500) who are qualified and have high scientific reputation both in Hungary and abroad are uninterested in direct co-operation with the business sector yet. Research tasks are fragmented, the concentration and their corporate relation system are weak and market-oriented research-development is still a rare phenomenon.

Of the region’s two universities the University of Kaposvár being excellent in agro-innovative researches has stronger links with the business sector. Intensifying the relations with the industrial sector and involving the region’s SMEs into the utilisation of knowledge are the major objectives of the University of Pécs. Besides the intensive agricultural researches at the University of Kaposvár and agricultural researches in research institutes several other researches are running at the University of Pécs in medical diagnostics, clinical method development, laser technology and energy utilisation efficiency and the existing researches in computer sciences and bio- and environmental technology have further been extended. During the past years the National Research Development tenders initiated new positive processes: several large-scale (involving a sum of 500-800 million HUF) projects with the participation of the region’s SMEs and big firms are running now. For the acceleration of the rehabilitation of the environmental damages of coal and uranium mining with the utilisation of organic wastes and for complex researches on the utilisation of renewable energy resources (biomass) the region’s most powerful business organisations (Pannon Power, Biokom, Water Company, Mecsekérc, Bóly Agricultural Company etc.) have entered into a partnership with the researchers of several faculties of the University of Pécs (Faculty of Natural Sciences, Faculty of Economics). Health services, the region’s another major development sector has also received grants for research projects of national importance such as the prevention and therapy of locomotion organ diseases, pharmacology and the workout of biotechnological processes. The University of
Kaposvár is running research projects in animal biology, stock breeding sciences, nutrition, radiology and digital diagnostics. The most important scientific researches are carried out in animal cytology, genetics, green technologies of stock breeding and in manufacturing special products from animals. All these projects are contributing to the university’s financial income to a less extent than 1%.

Today the region’s SMEs only in rare cases are communicating with universities in a direct way when seeking for technological information or co-operation. At the same time the research profile of the University of Pécs is covering a wide range but competitive natural sciences and technological researches are less dominant compared to social sciences and their results are also less efficiently implemented into practice. In higher education the most dominant sector of R&D social sciences are dominating. In the region’s wide palette of training and higher education profile the representation of technical sciences is poor, especially in fields serving as a technical foundation for modernisation and technology change (e.g. microelectronics, computer sciences, automation etc.).

At the end of the 1990s only 4-5% of the university’s total orders came from the business sector (Pap 2000). However spin-off ventures originating from universities have important functions. Some businesses for utilising various innovations of the university (not exclusively R&D) represent high importance in the fields of molecular biology (Pannonia Research Park for example) and building machinery but the majority of these ventures are merely rendering various services.

At university level the absence of R&D strategy, drafting the priorities of specialisations, the absence of a transfer organisation responsible for marketing experimental developments, the problems of research infrastructure (research equipment) and library and information services unable to compete with the big European research universities can be mentioned as the internal obstacles of improving the competitiveness of the R&D sector. A more active support to spin-off ventures by universities would further increase the universities’ adaptation to the requirements of the business sector (Gál 2003b).

Regional innovation strategies (RIS) having been prepared for each region (South Transdanubia’s RIS was formulated by 2004) have strategic role in tackling these problems. The implementation of the program elements drafted in RIS and the formulation of an innovation friendly environment would significantly improve the regional innovation potential of universities (RIS-DD 2004)

Accessing to knowledge bases and to research-development infrastructure is by all means favouring for the business sector. Research universities are attractive for businesses and in some cases for big multinational companies as well. However the linking potentials between the two sectors should be identified first, then the institutional background for co-operations should be secured. Successful co-operations between the business and the university sector may guarantee an innovation friendly environment.

The co-operation of universities and research institutions with businesses and especially pre-competitive researches generally have positive impacts on the business success of companies and the region’s economic performance, yet large and medium-size companies have more extensive relations with universities though these links are crossing the border of their region and this seems to support the theory of the low impact of universities on their region. For all that building information and technology transfer links between SMEs and university R&D bases, the co-ordination of university training and information courses are very important for both sectors. These links concerning their intensity and forms may range on a very wide scale from informal co-operation through contracting until outsourcing or consortium schemed co-operation. Besides these links student-company meetings may provide a good opportunity for business organisations for recruiting graduate students (informal job fairs) and for creating a practice-oriented training scheme. Co-operation with the business sector may offer a number of advantages for research teams not only in material sense: they may provide more practical training experiences for students, they may enhance the university’s innovation servicing functions and may raise a demand for setting up the infrastructure for the university’s technology transfer (Table 2).

Table 2. Motivations behind the university-industry co-operation

<table>
<thead>
<tr>
<th>UNIVERSITY</th>
<th>INDUSTRY</th>
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<tbody>
<tr>
<td>Decreasing state support: Gain additional financial resources</td>
<td>Knowledge became the main factor of business competitiveness</td>
</tr>
<tr>
<td>Increasing cost of R&amp;D: force to co-operate</td>
<td>Access to knowledge base/R&amp;D infrastructures</td>
</tr>
<tr>
<td>Developing the service &amp; knowledge transfer function of the university</td>
<td>Outsourcing: involving academical expertise</td>
</tr>
</tbody>
</table>
### UNIVERSITY

- Increasing researchers’ practice in outer contracts
- New challenges of experimental research & development
- Direct link to the labour market; an increasing labour mobility
- Practice-oriented training
- Strengthening Spin-off enterprises
- Stimulate Regional development

### INDUSTRY

- Strengthening external relations of companies
- Increasing precompetitive R&D
- Get acquainted with students as a potential future employees
- Influence on improving the training structure and curriculum
- Favourable start-up conditions
- Stimulate economic development

**Source: Edited by the Author**

Instead of one-way technology transfer universities should interpret co-operation with businesses as a mutual-benefit process when experiences gained through the solution of new problems can be utilised on a long term as well.

Several factors may facilitate the universities’ (local research institutes’) network building ambitions (Gál 2002):

- A university level R&D strategy building defining the priorities of each field of research and creating an organisation responsible for basic researches to formulate the strategy of a regional level ‘research university’ is necessary. Research-development should be defined for universities as a primary function. Today universities are still rather engaged in education and they are rather more functioning as organisations of basic research than experimental research bases working by the orders received from the business sector. This is seriously working against knowledge transfer on regional level.

- The diminishing funding of state may intensively motivate the entry of the region’s universities into contracted R&D co-operations which can be run within the official form of research contracts with spin-off small enterprises. In areas where a university cannot perform R&D activities in an efficient way the support of spin-off enterprises and institutes of applied research would significantly increase the receptivity of researchers for industrial offers and requirements. The active support of university spin-offs would not only increase the receptivity of researchers for the demands of the business sector for development but on business side would generate new competences easing the access to knowledge bases and facilitating the practical implementation of new knowledge gained (Koschatzky 2002).

- The increasing involvement of universities into applied research demands the enhancement of the research profile of their technology research oriented departments involved in technical, biotechnological and applied natural science researches. More attention should be paid for the development and economic utilisation of R&D bases having the largest potential significance on regional level. Besides the establishment of a basic and applied research base concentrated into regional knowledge centres having been built on the R&D potential of universities the R&D bases of research institutes and universities should be integrated into a network for ensuring an optimal flow of information. To achieve this universities should use not only their existing external links but also should build tighter co-operation with intraregional innovation oriented organisations.

- Bringing together the region’s businesses and universities — by making use of geographical proximity and personal contacts — would create a better situation for a successful innovation and knowledge generation process. Connection building could be promoted by a transfer office or a university innovation agency (liaison office) created by the integration of existing organisations licensed with faculty level competences. These offices would have double tasks: on the one hand they should maintain contacts with the faculty’s researchers and save research results into a database which would be displayed on the R&D offer side of the regional innovation database. It could provide information for potential customers on all the potential co-operation possibilities. On the other hand, they would be responsible for increasing the research utilisation activity of the university and in co-operation with external transfer organisations they should participate in the preparation and implementation of common projects. This organisation could manage the selling and practical implementation of all the scientific and research products of universities. The bridging process between the university and the business sector is facilitated by the research utilisation (liaison) offices operating within the
organisational structure of the two regional universities (Pécs, Kaposvár) who are responsible for strengthening university-industry links and for initiating the practical implementation of the results of science and research. These offices should manage the realization and practical implementation of the university’s scientific and research products. Universities should also prepare an R&D supply database providing comprehensive information on university research projects sorted by research groups which would also give an outlook on their potential utilisation in the business sector. All these facilities could inform anyone on all R&D co-operation possibilities. Quick information flow and the possibilities for a comprehensive orientation are the best ways of improving the efficiency of co-operation between industrial companies and universities.

- The region’s research institutes (viticultural-viniculatural, dairy, feed-crop farming) should also put greater emphasis on market-oriented R&D activities. These research institutes should be able for increasing their readiness for satisfying the research demands of the business sector and more attention should be paid on the utilisation of their R&D services on the market.

The present trend of the region’s R&D activities is not favouring for an efficient industrial technology transformation. Some areas — such as computer sciences — need an improvement in research potentials and the institutional background would also need a further extension. The region — even the whole area of Transdanubia excluding Budapest — has no academic institutes in natural or technological sciences. The region’s innovation strategy requires a further improvement of market-oriented R&D capacities at the region’s universities and research institutes. The greatest emphasis should be concentrated on the improvement and economic implementation of the R&D bases with regional and international importance. To achieve these targets universities should use not only their existing external links but should also establish a tighter co-operation with the region’s innovation oriented organisations and companies.

The establishment of a networked efficient institutional system of innovation is listed among the horizontal objectives of the Regional Innovation Strategy of South Transdanubia (Gál 2000). This document enumerates the major elements of the institutional system as follows: the establishment of concentrated knowledge bases and research potentials, securing an efficient and interactive information flow between the network of sectoral agents and the knowledge bases and building an expert system for the successful implementation of innovation. The system itself has three levels: besides co-ordination and corporate (adaptation) level the importance of transfer level comprising the knowledge bases of universities and research institutions should be emphasized. Within the transfer system the University Liaison Offices are the basic units of knowledge bases. The involvement of universities into applied researches requires the widening of technology research oriented profiles such as technology, computer sciences, biotechnology, environmental industry and nutrition. For servicing some sectoral and thematic market R&D demands sectoral knowledge centres should be set up on areas designated by the RIS programme. These centres have been built on the capacities of the region’s universities and research institutes and their services are strongly market-oriented: R&D services, co-operations, professional consulting and training. They are also participating in registering their professionally identified innovation results into the regional innovation database and in the continuous management of the database (Gál 2003a).

5. SUMMARY

The development of science and technology and the knowledge accumulating during this process has become a key factor in the development of regional economies. The role of universities and research institutes as knowledge centres improving and disseminating comprehensive knowledge have an increasing importance in regional development. Today the facilitation of the spatial diffusion of knowledge, the spatial mechanisms of knowledge transfer and the access of business sector to knowledge bases are priorities in support and development policies (Landabaso 1997). A general consensus exists on innovation-oriented regional development in which innovation oriented regional development through the co-operation between businesses and universities continues to play an increasing role not only in regard to business success but also in the economic closing up of a certain region.

Regional innovation strategies \(^5\) comprise the co-operation of actors involved in innovation in research-development projects and creating an innovation model and strategy for building and enhancing a networked co-

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\(^5\) In South Transdanubia the Regional Innovation Strategy programme had been prepared by 2004. Regional innovation strategy can be interpreted as a ‘social development practice’ targeted at the creation of the adequate environmental and institutional background for successful knowledge production, technology transfer and for improving the innovative capacities of regional economies which as a final result would create regional competitive advantages, sustainable economic development stable employment opportunities and higher living standards in South Transdanubia.
operation between knowledge bases and businesses. The RIS of South Transdanubia by revealing the region’s innovation potential is emphasizing the strength of the region. It analyses the importance and European experiences of network building, the institutional background of co-operation and the possible phases of network and co-operation building processes within the region emphasizing on the possible alternatives of accessing the sources of knowledge for the business sector (Gál 2002). In less developed regions RIS is offering a practical solution for the innovative development of regions. This comprises the supporting of public and private sector, the intensification of co-operation between regional actors with the establishment of an adequate organisational-institutional background. Researches on networked co-operation and on the intensity of co-operations between the university-business sectors are serving as good standpoints for the formulation of regional innovation strategies. In regional innovation surveys special attention is paid for universities as major sources of regional innovation. These surveys among others are assessing the importance of universities in comparison to other actors of innovation system with the channels of knowledge transfer and also the geographical features of knowledge flow between universities and industrial companies. European innovation surveys show that the sources of external knowledge for industrial companies are customers and contractors in the majority of cases while universities and research institutions are somewhere at the bottom of their rankings.

Spatial differences in economic development have serious impacts on the network relationship of universities and business organisations. The differences between the advanced core regions of metropolitan agglomerations and the most backwarded regions are manifested in the relationship between universities and their environment. In his researches Attila Varga is pointing out that agglomerations (the concentrations of the economy) are not negligible factors of the efficiency of regional development policy. With the same amount of university expenditures the impact of university knowledge transfer is significantly higher in areas of high industrial density than in smaller towns (Varga 2000). This statement has high importance from the aspects of economic policy suggesting that the support of university researches for stimulating local economic development may be an outstanding instrument in case of advanced regions but not necessarily for the backwarded areas. It can be declared that networks connecting different actors have much higher importance in economically advanced regions while in less advanced ones regional development agencies may have the most decisive role in the establishment of co-operation between regional actors and in the preparation of innovation strategies. The most backwarded regions need much more comprehensive and complex economic policies initiating not only the support of the university sector but also the starting of developing high tech industries, the supporting of the incoming of business service organisations and the support of small-scale enterprises. European experiences show that central government initiated programmes and a significant decentralisation of state funds are needed for the regional support of innovation development. The state should not back out from the financing of innovation and from the maintenance of the institutional system of innovation in the economically advanced countries either as R&D activities themselves cannot be funded from international sources and the government (be it a federal or a regional one) should enforce not only profit oriented risk capital financing aspects but strategic level national interests as well.

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