

**THE STRUCTURE OF NATIONAL AND SUBNATIONAL  
INSTITUTIONS IN EUROPEAN UNION CANDIDATE COUNTRIES  
AND EU IMPLICATIONS' FOR REGIONAL POLICY**

**A THESIS SUBMITTED TO  
THE GRADUATE SCHOOL OF NATURAL AND APPLIED SCIENCES  
OF  
THE MIDDLE EAST TECHNICAL UNIVERSITY**

**BY**

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**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE OF DEGREE OF  
MASTER OF SCIENCE  
IN  
THE DEPARTMENT OF CITY AND REGIONAL PLANNING**

**FEBRUARY 2004**

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## **ABSTRACT**

### **THE STRUCTURE OF NATIONAL AND SUBNATIONAL INSTITUTIONS IN EUROPEAN UNION CANDIDATE COUNTRIES AND EU IMPLICATIONS' FOR REGIONAL POLICY**

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February 2004, 223 pages

The European Union is now facing with the enormous enlargement processes, which comprise thirteen new countries. Different from the European Union member states, these candidate countries are suffering significant socio-economic problems and have to face with the need for adjustment of their regional policies, administrations and institutions. In this process, the EU is intervening actively into the development of the Central and Eastern European Countries' regional policies and institutional structures.

While twelve of these countries (Bulgaria, the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic and Slovenia) will be definitely the member states until the year of 2007, Turkey is not currently negotiating her membership and is highly backward status in comparison with the other candidate countries. In this context, the thesis study is composed of four main parts:

1. the changing system of the European Union regional policy,
2. the realized applications of the candidate countries in the field of regional policy after the year 1989,
3. the developments of the candidate countries' institutional structures on regional policy, and
4. the position of Turkish regional policy and institutional structure.

Basically, the thesis investigates how the European Union is following a similar system for the candidate countries in the field of regional policy and institutional structure and tries to provide significant outputs in Turkish case.

**Keywords:** European Union, Regional Policies, Candidate Countries, Institutional Structures, New Regionalism, Financial Instruments

## ÖZ

### AVRUPA BİRLİĞİ'NE ADAY ÜLKELERİN BÖLGESEL POLİTİKADAKİ ULUSAL VE ALTULUSAL KURUMSAL YAPILARI VE AVRUPA BİRLİĞİ'NİN BÖLGESEL POLİTİKALARINA ETKİSİ

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Şubat 2004, 223 sayfa

Avrupa Birliği şu anda onüç yeni ülkeyi kapsayan çok büyük genişleme süreçleri ile karşı karşıyadır. AB'nin üye devletlerinden farklı olarak, bu aday ülkeler önemli sosyo-ekonomik problemlere katlanmaktadır ve bölgesel politikalarını, idarelerini ve kurumlarını düzeltme ihtiyacı ile karşı karşıyadırlar. Bu süreçte AB, Merkezi ve Doğu Avrupa Ülkelerinin bölgesel politikaları ve kurumsal yapılarının gelişimine aktif olarak müdahale etmektedir.

Bu ülkelerden on ikisi (Bulgaristan, Çek Cumh., Kıbrıs, Estonya, Macaristan, Letonya, Litvanya, Malta, Polonya, Romanya, Slovak Cumh. ve Slovenya) 2007 yılına kadar üye olacak iken, Türkiye henüz üyeliğini müzakereye başlamamıştır ve diğer aday ülkelerle karşılaştırıldığında oldukça geri kalmış bir durumdadır. Bu bağlamda tez çalışması dört ana bölüme odaklanmaktadır:

1. AB Bölgesel Politikasının değişen sistemi,
2. 1989 yılı sonrası bölgesel politika alanında aday ülkelerin gerçekleştirdikleri uygulamalar,
3. Aday ülkelerin bölgesel politikadaki kurumsal yapılarının gelişimi ve
4. Türkiye bölgesel politikası ve kurumsal yapısının durumu.

Temelde tez, AB'nin aday ülkeler için bölgesel politika ve kurumsal yapıda nasıl benzer bir sistem izlediğini araştırmakta ve Türkiye örneğine yönelik önemli çıktılar sağlamaya çalışmaktadır.

Anahtar Kelimeler: Avrupa Birliği, Bölgesel Politikalar, Aday Ülkeler, Kurumsal Yapılar, Yeni Bölgeselleşme, Finansal Araçlar

## **ACKNOWLEDGEMENTS**

I wish to express sincere thanks to my supervisor, Assoc. Prof. Dr. Serap Kayasü for her guidance and valuable suggestions throughout the thesis study. I would like to thank a large number of people who helped me during this research at the State Planning Organization and besides, at CEECs responsible institutions via electronic mail. I owe thanks to my brother; Cemal Berk Oğuzsoy and my friends; Deniz Anıl, Şener Şen and Burhan İlhan for their moral support during my study. Finally, I am also very grateful to my family for their endless support.

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## **LIST OF ABBREVIATIONS**

AP	: Accession Partnership
ASP	: Austrian Spatial Planning Concept
CBC	: Cross Border Cooperation
CDCs	: County Development Councils
CEECs	: Central and Eastern European Countries
CESC	: Commission for Economic and Social Cohesion
CFCU	: Central Finance and Contract Unit
DAP	: Eastern Anatolian Project
DOKAP	: Eastern Black Sea Development Project
EAGGF	: European Agricultural Guidance and Guarantee Fund
EC	: European Community
ECSC	: European Council and Steel Community
EEC	: European Economic Community
EFTA	: European Free Trade Association
EIB	: European Investment Bank
EMU	: Economic and Monetary Union
ERDA	: Estonian Regional Development Agency
ERDF	: European Regional Development Fund
ESF	: European Social Fund
EU	: European Union
Euratom	: European Atomic Energy Community
FIFG	: Financial Instruments for Fisheries Guidance

FYDP	: Five-Year Development Plan
GAP	: Southeastern Anatolian Project
GAP-GİDEM	: Southeastern Anatolian Project Entrepreneur Support Center
GAP-RDA	: Southeastern Anatolian Project Regional Development Administration
GATT	: General Agreement on Tariffs and Trade
GDP	: Gross Domestic Product
GNP	: Gross National Product
IDA	: Industrial Development Agency
ISPA	: Instruments for Structural Policies for Pre-Accession
MoERD	: Ministry of Economic Relations and Development
MoPARLA	: Ministry of Public Administration Reforms and Local Authorities
MRD	: Ministry for Regional Development
MRDLG	: Ministry of Regional Development and Local Governments
NARD	: National Agency for Regional Development
NARDA	: National Association of Regional Development Agencies
NDP	: National Development Plan
NEP	: National Economic Plan
NFRD	: National Fund of Regional Development
NGOs	: Non-Governmental Organizations
NIU	: National Implementation Unity
NPAA	: National Programme for Adoption of Acquis
NRDA	: National Regional Development Agency
NRDC	: National Regional Development Council
NRDP	: National Regional Development Plan
NUTEK	: National Board for Industrial and Technical Development
NUTS	: Nomenclature of Statistical Territorial Units
ÖROK	: Austrian Council on Regional Policy

PARR	: Polish Agency for Regional Development
PHARE	: Poland – Hungary Assistance in Restructuring Their Economies
pNDP	: preliminary National Development Plan
PRD	: Priority Regions for Development
RCMC	: Regional Coordinating and Monitoring Committees
RDAs	: Regional Development Agencies
RDCs	: Regional Development Councils
RDF	: Regional Development Fund
ROPs	: Regional Operational Programmes
SAPARD	: Special Assistance for Agriculture and Rural Development
SEA	: Single European Act
SEM	: Single European Market
SMEs	: Small and Medium Enterprises
SMIDO-RDI	: Regional Development Institute of Small and Medium Industrial Development Organization
SOPs	: Sectoral Operational Programmes
SPA	: Special Provincial Administration
SPO	: State Planning Organization
UN	: United Nations
WTO	: World Trade Organization
ZBK	: Zonguldak-Bartın-Karabük Regional Development Project

## CHAPTER I

### INTRODUCTION

Regional policy has become a key issue since the 1980s, especially in Europe. It encompasses many other important fields ranging from economic to social policy. Here, regional policy has been defined as “*a set of policy instruments to achieve specific objectives in reducing regional unemployment, attaining an efficient geographical distribution of industry - employment and providing a more equal geographical distribution of income and living conditions*” (Cornett et al, 1995). In this period, the importance of regionally based political activity has also risen steadily, as national governments have devolved more power to sub-national levels, transferring a similar upward direction of competence to supra-national and international bodies like the European Union (EU) and the World Trade Organization. In Europe, the EU plays a major role in regional policy. This is the case for the less developed parts of the EU as well as for the countries where regional disparities are rather modest. The aim of the EU regional policy is to equalize Europe’s huge regional differences in economic and social development. Over the last decade, the EU regional policy, based mainly on the financial instruments, represents the largest budget expenditure next to the Common Agricultural Policy with yearly allocation of tens of billions of Euros through the Cohesion and Structural Funds (Aktar, 2002).

After the mid 1990s, the EU is defining policies to become a more expanded union that will include more countries with different cultures and potentials. For the first time in its history, the EU is working on such a big expansion project that would include 13 candidate countries in addition to 15 member states. The EU is now aiming at also the memberships of these less developed countries and implementing policies to develop their economic, social and physical structures. In the process of the enhancement of the potentials of the candidate countries, the EU draws more attention to regional development policies and the appropriate institutional settings.

The current enlargement process involves two major new challenges: Financial assistance and the verification of the implementation of the established institutional and regulatory framework at the EU level. In order to access to the EU, the candidate countries

have to adopt the necessary regulations. The 31 chapters<sup>1</sup>, one of which is Regional Policy and Coordination of Structural Instruments, organize these regulations with the Accession Negotiation Processes.

In March 1998 the negotiation processes have formally started and ten of these thirteen countries; Cyprus, the Czech Rep., Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Rep. and Slovenia; which were adopted to join the EU in 2004, finished their accession negotiations. Bulgaria and Romania, which were adopted to join in 2007, are continuing the negotiations. But Turkey is not currently negotiating its membership. Though all of these countries have realized some major steps towards the accession of the EU, Turkey is currently in the beginning phase with a considerably backward status especially in the field of regional policy.

The most important contribution of this thesis is to put forward the necessary regulations of Turkish institutional structure on regional policy in the European integration process. This will be done with the investigation of the other ten candidate countries, which are economically comparable, but much better in regional policy application. Cyprus and Malta are excluded in this research, as they are very small territories to make comparative analyses. Actually, the main problem of the unsuccessful regional policy, the absence of institutional coordination, also clarifies the vitality of this study. The basic assumption of this thesis is twofold; first although it seems that the EU is implementing bottom-up approaches in the last enlargement process, they have still in top to bottom characteristics and the EU is intervening into the development of regional policies in the candidate countries. The irony of the institutional building of the candidate countries is that it is clearly a top-down EU imposition on candidate countries in order to enable them to participate in a bottom-up regional policy. Second, the EU is forming similar system for the regional policies of the candidate countries, especially in the formation of institutional structure.

The thesis study is aiming at observing the developing applications of the candidate countries on regional policies, but not making positive and negative judgments on these studies because the ten years period of time is a very short duration for evaluating the outputs.

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<sup>1</sup> 29 of these 31 chapters have been within the context of the screening process. These chapters are: Free Movement of Goods, Free Movement of Persons, Freedom to Provide Services, Free Movement of Capital, Company Law, Competition Policy, Agriculture, Fisheries, Transport Policy, Taxation, Economic and Monetary Union, Statistics, Social Policy and Employment, Energy, Industrial Policy, Small and Medium-Sized Enterprises, Science and Research, Education and Training, Telecommunications and Information Technologies, Culture and Audio-Visual Policy, Regional Policy and Coordination of Structural Instruments, Environment, Consumers and Health Protection, Cooperation in the Field of Justice and Home Affairs, Customs Union, External Relations, Common Foreign and Security Policy, Financial Control, Financial and Budgetary Provisions.



The scope of the thesis is:

- to examine the EU regional policy approaches,
- to unravel the changing regional policy in Europe especially for the last two decades and the relations between the EU and candidate countries.
- to examine the changes occurred in the regional policies of candidate countries after the year 1989.
- to examine the general characteristics of the institutional structures on regional policies in the candidate countries and to determine similar structure among these countries.
- to evaluate Turkish regional policy and institutional structure with reference to the other candidate countries.
- to provide the foresight for Turkish regional policy and institutional developments on regional policy in the EU membership process.

The remainder of the study is as follows:

In the second chapter, the changes of the regionalism concept, especially in Europe will be examined in order to perceive the evolution of the regional policy in the last two decades. Therefore, in light with Keating's thought, the chapter will be detailed at two different levels. Firstly, at supra-national level, the EU regional policy will be examined in the context of legislative-administrative, territorial and financial developments. Secondly, at sub-national level, the efficient role of the regional and local level institutions will be explored briefly within the view of the EU.

The main contribution of the third chapter is to review and assess the post-1989 developments of the candidate countries in regional policies (legislative framework, territorial organization, financial system and programming capacity) with a focus on how the EU influences regional policy. In the second part of this chapter, the regional policy developments of the former candidate countries (Austria, Finland and Sweden) will be examined in order to evaluate the changing idea of the EU in the enlargement process.

In the fourth chapter, the institutional structures of the ten candidate countries in regional policy will be described and assessed. The tasks and objectives of these institutions within the territorial administrative division will also be determined. The general characteristics of the institutional framework will be the last issue overviewed in this chapter.

In the fifth chapter, Turkish regional policy practices with reference to the other candidate countries will be explored. This chapter is divided into three parts. In the first part, forty years' Turkish regional policy studies will be examined. In the second part, highly centralized Turkish institutional structure in the field of regional policy will be analyzed.

The last part of this chapter is based on the results of the relations between Turkish Government and the EU and the critical evaluation of the Turkish institutional structure.

The final chapter is the conclusion for this thesis. Therefore, the main findings of Turkish regional policy and institutional structure with reference to the other candidate countries will be discussed. Moreover, the possible developments of Turkish institutional structure in the EU integration process will be determined and under the light of the other candidate countries' research, general evaluation and critical analyses will be assessed.

## CHAPTER II

### THE CHANGING SYSTEM OF REGIONAL POLICY IN EUROPE

#### II.1. The Resurgence of Regionalism in the Last Two Decades

Following the intensive regional activities of the late 1960s and 1970s, which can be regarded as *the first wave of regionalism* that was initiated from the center towards the periphery (Gunnarsson, 1999); there were signs of a stagnation of territorial politics in Western Europe during the 1980s. In the European Context: French regions established in 1972 yet were weakly institutionalized until 1986; the process of institutional development in Italian regions, after the law of 1977 that expands regions' functions, was highly disappointing; proposals for devolution in Scotland and Wales failed in 1979 and regional administration in England was run down with the removal of the Regional Economic Planning Councils and decreasing of regional offices of central government (Keating, 1998).

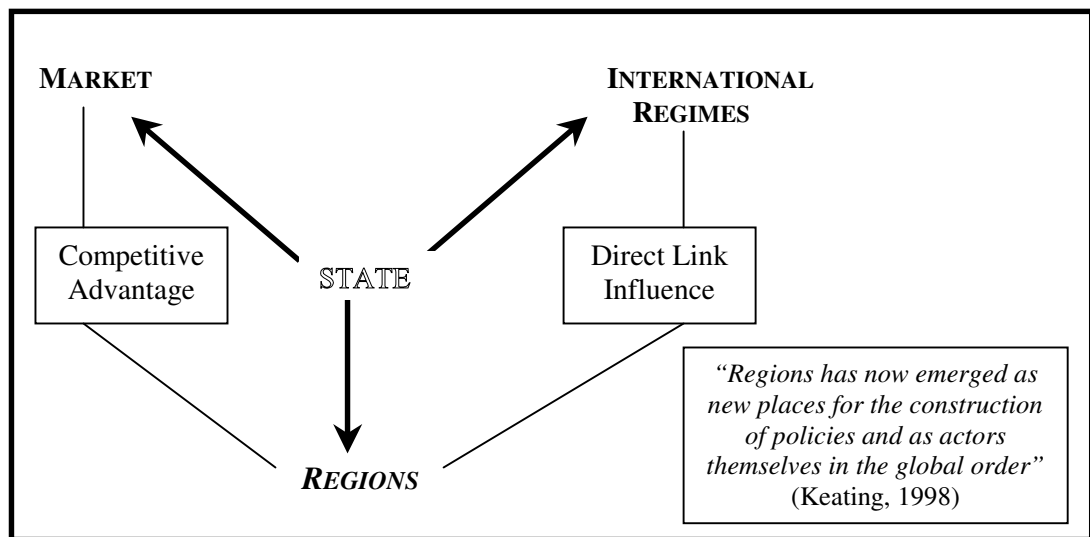
Main factors that have played significant roles in the rise of Economic Regionalism in USA and Europe can be identified as the following:

1. *The End of the Cold War: The end of the Cold War is a general factor behind the shifting systems of the global economy.*
2. *The Shifting Balance of World Economic Power: It is a fundamental cause the power of America is declining in the globalism process.*
3. *Economic Reform in Developing Countries: Latin America & South Asia changed their economic system from import-substitution to the export oriented system and became highly competitive.*
4. *The Growing Importance of Non-Tariff Barriers to Trade: The success of the General Agreement on Tariffs and Trade<sup>2</sup> (GATT) in reducing tariff barriers to manufacturing trade to very low levels in major countries has focused attention on remaining non-tariff barriers to trade since the end of the Kennedy Round (Walter, 1995).*

---

<sup>2</sup> GATT, which was signed in 1947, is a multilateral agreement regulating trade among more than 100 countries. During the first twenty years of its existence, members of GATT focused almost entirely on negotiations aimed at reducing tariffs. By 1970s, with tariffs on most goods substantially reduced, states began implementing other non-tariffs policies as a way to protect their industries from import competition. Government policies promoting industry subsidization, export credits and legislative codes and standards as important obstructions, collectively came to be known as non-tariff barriers to trade. An agreement on handling those issues was reached during the Tokyo Round (1973-1979). The final GATT round, Uruguay Round (1986-1994), resulted in an agreement among 117 countries to reduce trade barriers and to create more comprehensive and enforceable world trade rules. The agreement, which was signed in 1994, created the World Trade Organization (WTO). The WTO implements the agreement, provides a forum for negotiating additional reductions of trade barriers and for settling policy disputes, and enforces trade rules.

Due to these factors, starting from the mid-1980s and especially after the end of Cold War, the idea of regionalism passed on to its second phase; by some authors it has been called as, New Regionalism. In this sense new definitions of the social and economic meaning of territory has been developed; however, the context was not only obtained by the state as it had been the case in the past; but also the international markets and the emerging continental regime were also effective (Keating, 1998; Devlin and Castro, 2002). The new wave has to be understood in its historical context and analyzed in connection with the structural transformation of the world (Hettne and Söderbaum, 2000). The state itself was being transformed and it was loosing its former power (Figure 1). The state was hollowed out (Deas and Ward 2000) from three directions. First, from above by internationalization (notably the European Union); second, from below by regional and local assertion; and third, by the advance of the market and civil society (Keating, 1998).



**Figure 1.** State and Three Other Powers (Keating, 1998)

The New Regionalism is inserted in a framework of policy reform that supports open and competitive private, market-based economies in a modern democratic institutional arrangement (Devlin and Castro, 2002). In practices, New Regionalism is a neo-liberal response to the uncertainties of capital investment (Gastrell and Spiker, 2002). In this second wave of regionalism, there is a larger element of bottom-up initiative to regionalization (Gunnarsson, 1999). There is a search for new mechanisms to organize the influence of economic change on territories, concentrated more on the influence of regions

and less on the policies of the state. The policies put now less emphasis on significant incentives provided by the central state and more emphasis on endogenous growth. The policy has also shifted from infrastructure provision to human capital and business development (Keating, 1998).

Globalization has brought about significant transformations and has played an important role in the emergence of the New Regionalism. New Regionalism is a reaction to globalization and these two tendencies are defined as two sides of a single coin. New Regionalism consists of a dual process: on the one hand, an integration takes place among the regions and on the other hand, a fragmentation of old framework occurs within the nation state. A central element of New Regionalism is the *pooling of resources*, which creates networks for economic, ecological, social and cultural cooperation (Hettne and Inotai, 1994). Indeed, there is a significant distinction between old and new regionalism. It is new in several ways (Hettne, 1999 and Tsardanidis, 2002):

Firstly, it occurs in a multi-polar, instead of bipolar cold war context. Secondly, it is created from below by participating states rather than from above by superpowers. Thirdly, it is more open and compatible with an independent world economy. Finally, it is more comprehensive and multidimensional as a process involving non-state actors.

During the last two decades some new concepts have been emerging along with the changing regionalism (Table 1). The New Regionalism, which is a network-based system, related to concepts of *governance, collaboration, trust* and *empowerment*. However, the Old Regionalism, which is a hierarchy-based system, connected with *government, coordination, accountability* and *power*.

**Table 1.** System Characteristics of the New and Old Regionalism

<b>New Regionalism Network-Based System</b>	<b>Old Regionalism Hierarchy-Based System</b>
Governance	Government
Collaboration	Coordination
Trust	Accountability
Empowerment	Power

At this point, the critiques of New Regionalism should also be overviewed. In the case of Wales, for example, New Regionalism is considered to be based on inadequate

foundations and, further, as a fiction. It has been claimed that the New Regionalism framework fails to explain contemporary regional economic development in general, and it is a poor general guide to regional policy formation. Behind the economic transformation of Wales during the 1990s, there is a contribution of the nation-state but this is ignored in New Regionalist thought. In this view, activities dominated by United Kingdom public spending accounted for a higher proportion of employment and GDP in Wales in the mid-1990s (Lovering, 1999).

In short, it can be stated that no consensus has been reached on the concept of New Regionalism as well as on the regional policies of the 1990s. However, it is clear that the supranational systems and the sub-national institutions are highly effective on the process of regionalism. On the one hand, in the European context, the European Union has become crucial actor to direct the different level of actors towards to powerful regions. On the other hand, the Sub-National Actors have been also increasing their influences. As Lovering (1999) argues that the New Regionalism emerged in the same period of new regional institutions. For example, the English Regional Development Agencies (RDAs) established in April 1999. He suggests that local and regional institutions have taken on new economic roles and have been joined by a wide range of private and public bodies. This increasing significance of regional - local institutions is related to a search for competitive advantage in an increasingly competitive world.

## **II.2. The Supranational Level: The Evolution of European Union Regional Policy**

In the past 50 years, the EU has realized significant political, economical and social decisions affecting the transformation of regional policies. Before analyzing the evolution of European Union regional policy, it is beneficial to begin with significant developments in the history of union.

### **II.2.1. The Brief History of The European Union**

While the idea of united Europe goes back to the period of World War I, it was not set up till the end of World War II. The process of European integration was launched on 9 May 1950 when France officially proposed to create *the first concrete foundation of a European federation*. There were three treaties signed between Europe countries in the 1950s: the European Coal and Steel Community (ECSC-1951), the European Economic Community (EEC-1957) and the European Atomic Energy Community (Euratom-1957).

All three treaties were signed by the same six members: Belgium, the Netherlands, Luxembourg, France, West Germany and Italy.

The ECSC aimed to regulate coal and steel production; reduce the internal tariffs hindering the trade in these products across borders, limits subsidies to these sectors, and establish a common external tariff. The EEC aimed to achieve, first, a customs union the reduction of internal tariffs and the creation of a common external tariff. Second, it targeted the issues of unfair competition and subsidies and thus tried to begin the process that would lead towards a true common market. The Euratom established a joint effort to develop the peaceful use of nuclear energy within the six member nations.

In 1967, it was renamed the European Communities (EC) when the Iron and Steel Community, Euratom and the Economic Community were merged. The customs union was proclaimed in 1968 - though non-tariff barriers were not affected. The European Community was enlarged in 1973 when Britain, Denmark and Ireland joined. It was enlarged again in 1981 when Greece, and in 1986 Spain and Portugal, joined to make 12 members.

In 1987, the Single European Act<sup>3</sup> (SEA) was signed. Its aim was the establishment of the single European market no later than December 31, 1992. This changed the legislative procedure and brought the system of political cooperation in the field of foreign policy. Furthermore, the economic and financial cooperation was strengthened. The SEA makes concrete progress towards European unification.

In 1992, Treaty on European Union (EU) was signed (Maastricht Treaty). This treaty is seen as the most comprehensive reform of the Treaties of Rome. It also produces a clear timetable for further progress on the road to economic and monetary union (EMU), involving the introduction of a single currency no later 1999 and a European Central Bank. Due to difficulties among member-states, the treaty came into force in November 1993, almost a year later than planned. The physical euro of coins and notes was introduced on 1 January 2002.

In 1994, the EU and the seven-member European Free Trade Association<sup>4</sup> (EFTA) formed the European Economic Area, a single market of 19 countries. The EU completed membership negotiations with EFTA members Austria, Finland, Norway (which did not

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<sup>3</sup> The act was the first major revision of the Treaties of Rome. It provided for greater involvement of the European Parliament in the decision-making process, and the introduction of qualified majority voting in the Council of Ministers (now the Council of the European Union) for some policy areas. In addition, it included provisions concerning collaboration in research and development and in environmental policy.

<sup>4</sup> EFTA is an international organization promoting free trade and economic integration. Its current members are Iceland, Liechtenstein, Norway and Switzerland.

ratify the accession treaty in 1995) and Sweden. Austria, Finland and Sweden joined the EU in 1995.

In 2002, The EURO, a common currency, was introduced in the EU. However, only twelve of the current fifteen members have passed to the EURO.

Today, 13 candidate countries want to be a member of the EU and, twelve of these become a part of the EU in the five years' period: In 2004: The Czech Rep., Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, The Slovak Rep, Slovenia; In 2007: Bulgaria and Romania.

**Table 2.** Main Events in the Formation of the EU

<b>1951</b>	<p><b>The Treaty of Paris</b></p> <p><b>The European Coal and Steel Community (ECSC)</b> was formed  <b>Members:</b> France, Germany, Italy, Belgium, the Netherlands and Luxembourg  <b>Goals:</b> Coordinate Production, Trade and Consumption.</p>
<b>1957</b>	<p><b>The Treaty of Rome</b></p> <p>Adds <b>The European Economic Community (EEC)</b>  Adds <b>The European Atomic Energy Commission (EURATOM)</b>  <b>Goal:</b> Create Free Trade Area in Short Run and Create Customs Union by 1969</p>
<b>1967</b>	These three Communities merged into Single Institution Referred to as <b>The European Community (EC)</b>
<b>1973</b>	<p><b>The 1<sup>st</sup> Enlargement</b></p> <p>UK, Ireland, Denmark joined the EC.</p>
<b>1981</b>	<p><b>The 2<sup>nd</sup> Enlargement</b></p> <p>Greece joined the EC.</p>
<b>1986</b>	<p><b>The 3<sup>rd</sup> Enlargement</b></p> <p>Spain and Portugal joined the EC.</p>
<b>1987</b>	<p><b>The Single European Act (SEA)</b> was signed  <b>Goals:</b> Create Common Market by 1992.</p>
<b>1992</b>	<p><b>Treaty of the European Union</b> (Treaty of Maastricht)  Changes Name to <b>the European Union (EU)</b>  <b>Goals:</b> Full Economic Integration  Creation of European Monetary Union (EMU)  Political and Military Integration</p>
<b>1993</b>	<b>The Single European Market (SEM)</b> came into force.
<b>1995</b>	<p><b>The Fourth Enlargement</b></p> <p>Austria, Finland and Sweden joined the EU.</p>
<b>1999</b>	<b>The Economic and Monetary Union</b> was created with the establishment of a European Central Bank.



In this brief historical process (Table 2), it is clear that the EU has been passing very big transformation. In this context, the importance of regional policies is growing with the processes of enlargement.

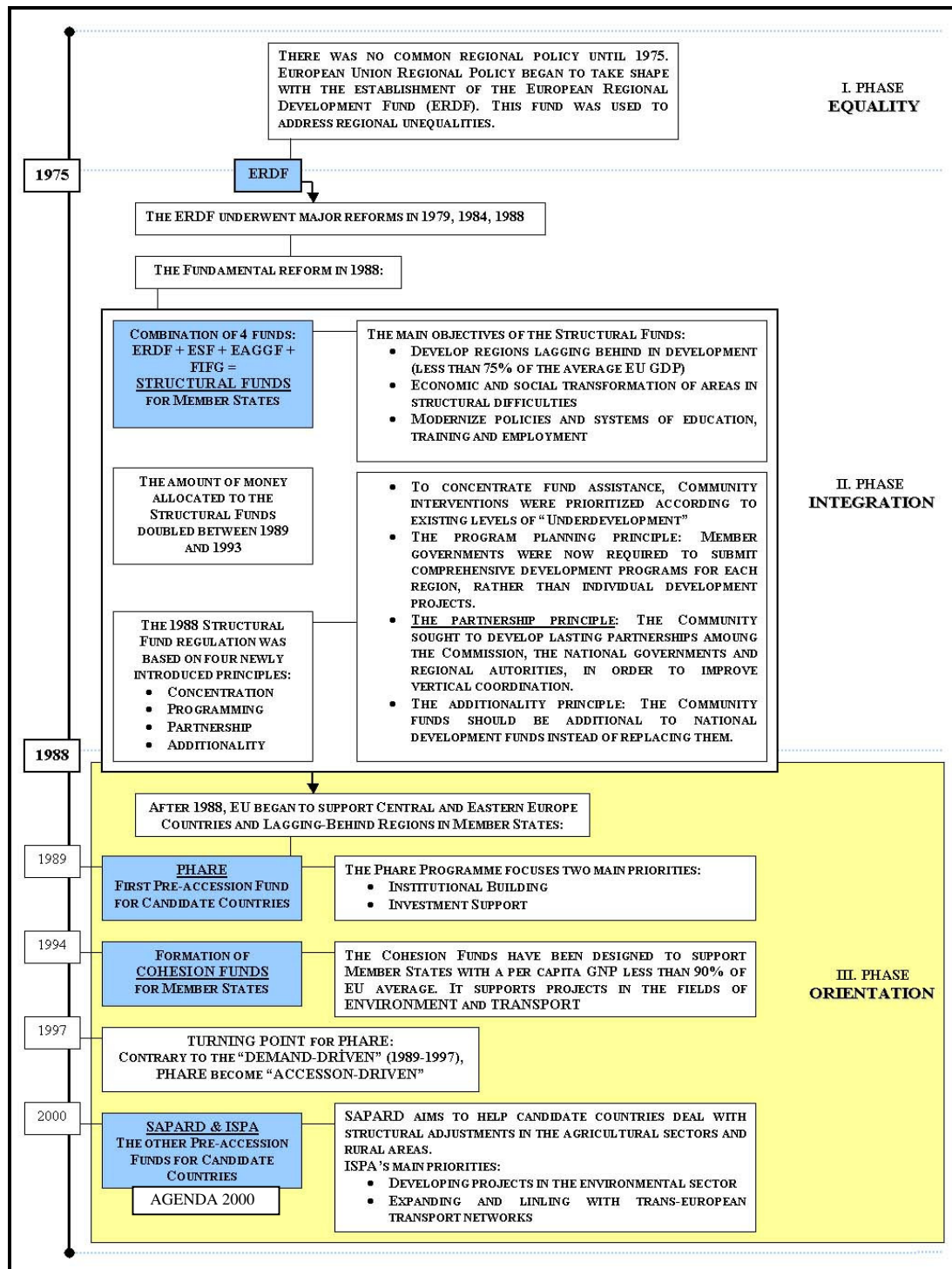


Figure 2. European Union Regional Policy

Regional policy has long been a concern of the European Union. In the 50 years' period, there are three significant phases in European regional policy (Figure 2):

- **I. Phase** (1951 –1975): Lack of any Common Regional Policy
- **II. Phase** (1975 – 1988): Reform Processes on Regional Policy
- **III. Phase** (1988 – 2003): Development after the Reform of the Structural Funds

EU regional policy can be examined in three main perspectives: legislative-administrative developments, territorial developments, and financial developments.

## **II.2.2. EU Legislative – Administrative Development**

### **I. Phase (1951 – 1975)**

Although the Treaty of Rome (1957) mentioned the need of reducing regional disparities, it contained few specific approaches. In 1965, The EC recognized the existence of regional problems to its first regional policy memorandum. In 1968, the Directorate General for Regional Development was established. Proposals for a common regional policy were issued in 1969, recommending coordination of national, regional and community policies with a regional impact, and the creation of the European Regional Development Fund (ERDF). But, the proposal was ignored by the Council of Ministers (Sweet, 1999).

Briefly in the first phase, until the mid-1970s, the European regional policy was limited to contribute financially to projects developed by the Member States. The principal instruments used for this purpose were the European Social Fund (ESF - 1972) and the European Investment Bank (EIB -1958).

In 1975, the establishment of the ERDF ended the first phase. The aim of this fund was to help depressed areas by providing grants for investment and interest rebates on other community loans for industrial, craft service and infrastructure projects.

### **II. Phase (1975 – 1988)**

In the second phase, the ERDF underwent principal reforms three times in 1979, 1984 and 1988. The change in 1979 brought funding more selective and by 1984 rather than supporting individual projects the emphasis moved towards funding Community Programme Contracts between the EU and member states. At that time the EU moved towards encouraging indigenous development by giving assistance to small and medium sized enterprises (SMEs) and to indigenous companies in decreased sectors.

Behind the reason of the 1988 Reform was the adoption of the 1987 Single European Act (SEA). The SEA affirmed the need in terms of regional development for reinforcing

economic and social cohesion, and for increasing the Community's monetary capacity with a view to economic and monetary union, to strengthen the scientific and technological base, to harmonize working conditions with regard to health and safety standards, to promote between management and labor and to initiate action to protect the environment. The SEA was a catalyst in the development of regional policy; the concern that the single market would be beneficial for wealthier regions, whereas the poor regions would become even more so and thus increase the disparities, caused the inclusion of structural policy in the SEA. For this purpose, the ERDF was combined with the European Social Fund (ESF), the European Agriculture Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG) to form the Structural Funds. The contribution that regional policy could make to economic and social cohesion was identified in the 1988 reform of the structural funds to rationalize and coordinate their operations.

### **III. Phase (1988 – 2003)**

The last phase emerged after the establishment of structural funds. In this last phase, both EU concentrated their relations with the regions and started to assist the countries that are not member.

In 1988 reforms were made to regional policy to counteract unfavorable regional effects of the development of the Single European Market (SEM): First, the amount of money allocated to the Structural Funds doubled in real terms between 1989 and 1993. Second, completely different system for implementation of regional policy was introduced with further regional tensions caused by the reunification of Germany, the fourth enlargement (incorporating the northern parts of Sweden and Finland) and the advent of monetary union; the resources committed to the Structural Funds increased until it was approximately 36 % of the EU budget in 1999 (Vanhove, 1999). Finally, the fundamental change made in the 1988 reforms showed a clear engagement with partnership between the EU, member states, local and regional authorities in dealing with regional difficulties. These reforms led to greater decentralization of decision-making to regional and local authorities, more coherency between the policies of national, regional and local agencies through partnership arrangements, and a shift towards funding multi-annual, region wide negotiated programmes (Cameron and Danson, 2000).

Structural reforms have been the first European policy that has admitted the line of regional actors to take part in the decisions. Its principles are the partnership between various territorial levels of government, and subsidiarity, on the one hand, and the inclusion of social actors in the process of programming, on the other. Procedures that have been developed in the implementation of the structural funds are instruments such as ex-ante and

ex-post evaluation and incentives for efficiency, such as the reward reserve, which is allocated to the most successful projects (Baudner, 2002).

The Maastricht Treaty signed in 1992, defined economic and monetary union (EMU) and recognized the benefits of regional policy. The treaty reaffirmed the need for economic and social cohesion. The effects of enlargement processes on regional policy are very high in this third phase. In 1994, the Cohesion Fund was presented specifically to support peripheral, weaker economies and to enable them to integrate their economies more closely with the rest of the Union (Vanhove, 1999). After the collapse of the Soviet Block, the EU started to relate to the Central & Eastern Europe countries and constituted various instruments to strength these countries.

The Maastricht Treaty formally recognized the existence of regions directly through the establishment of the Committee of the Regions. Since regional authorities were increasingly affected by union policy, they wanted to increase their voice in shaping it and gained more institutionalized role through the Committee of the Regions (Sweet, 1999).

Agenda 2000 is an important turning point for the enlargement process in this third phase:

Agenda 2000, which was adopted by the EC of Berlin in March 1999, analyzed the impact of enlargement on EU policies and recommended the necessary reforms. It established a pre-accession strategy to deal with a number of priority issues in the candidate countries. The strategy aims at strengthening the candidate countries' institutional and administrative capacity to apply the EU law and policies while bringing their economies into line with EU standards (Kengyel, 2000).

Agenda 2000 is the basis for Accession Partnerships with the candidate countries. It also opened up the EU programmes to the CEECs and doubled EU assistance after the year 2000.

Agenda 2000 created two new financial instruments to help and prepare the candidate countries for enlargement:

- the pre-accession structural instrument (ISPA) for transport and environment with a budget of 1.040 million Euros a year from the 2000,
- the pre-accession agricultural instrument (SAPARD) with a budget of 520 million Euros a year.

Agenda 2000 set up a new financial framework for the period of 2000-2006 to prepare the union for enlargement. The new financial perspective limited the own resources ceiling to 1,27 percent of the GDP of the enlarged union. Agenda 2000 contains the first official estimate of the cost of enlargement (Kengyel, 2000).

The European Commission expressed that the Structural Funds should remain a vital instrument for strengthening the economies of underdeveloped regions and promoting economic and social cohesion in the EU. According to the Agenda 2000, the common principles of reform are *concentration*, *efficiency* and *simplification*. The Commission is endeavoring to strengthen the *partnership principle* and to ensure the principle of *decentralization*.

### **II.2.3. EU Territorial Development**

Since the establishment of regional policy in the mid-1970s, the EU has aimed to develop a systematic pattern of the regions of the member states across Europe due to its significance in the determination of regional disparities and in the distribution of Structural Funds.

The need for formation of a map of European regions that enhanced by the establishment of regional policy in 1975 resulted in a regional categorization within the EU, called as NUTS (Nomenclature of Statistical Territorial Units), which was founded to serve two aims. The first one was to favor the existing institutional boundaries in the member-states, which made data collection and implementation of regional policy feasible; and the second one was to support general regional units over territorial units specific to particular fields of activity like agricultural areas, employment areas and so on (Decand, 2000).

NUTS are a hierarchical classification and have five levels. However only first three levels are regional levels, last two levels are local levels.

#### **II.2.3.1. Regional Hierarchical Levels (NUTS I – III)**

NUTS subdivide each member state into a whole number of regions at NUTS 1 Level. Each of these is then subdivided into regions at NUTS Level 2, and these in turn into regions at NUTS Level 3. Leaving aside the local level (municipalities), the administrative structure of the member states is generally based on two of these three main regional levels. This existing administrative structure may be, for example, at NUTS 1 and NUTS 3 levels (respectively the Lander and Kreise in Germany), or at NUTS 2 and NUTS 3 (regions and departments in France, Comunidades autonomas and provincias in Spain, regioni and provincie in Italy, and so on) (CEC, 2002a).

The draft NUTS Regulation mentioned above lays down the minimum and maximum thresholds for the average size of the NUTS regions:

**Table 3. Population Thresholds for NUTS Classification**

LEVEL	Minimum	Maximum
NUTS 1	3 million	7 million
NUTS 2	800.000	3 million
NUTS 3	150.000	800.000

**Source:** CEC, 2002a

#### **1.2.3.2. Local Hierarchical Levels (NUTS IV and V)**

Until the beginning of the 1990s, the NUTS classification consisted of these three regional levels alone. Community policy may, however, be applied to areas that are not compatible with NUTS. This has long been the case with agricultural areas, and more recently there have been support schemes in other domains such as coastal and urban areas. To meet the demand for statistics linked to the definition, implementation and monitoring of these policies, and the growing general need for information at local level, Eurostat<sup>5</sup> has set up an infra-regional information system, the first step being to compile a Community classification of local units compatible with NUTS.

Two further levels have been defined in accordance with the NUTS principles, but only the last and smallest (level 5) has been fixed for all Member States. This usually corresponds to the concept of the municipality (CEC, 2002a).

This NUTS classification is crucial for the candidate countries too. Because when they become a member country, they will benefit from structural funds and obtain the social and economic cohesion easily with this classification.

In 2002, Turkey also adopted the NUTS classification, which divide country 12 regions at NUTS I level, 26 regions at NUTS II level and 81 regions at NUTS III level.

#### **II.2.4. EU Financial Development:**

European Union Regional Policy has mainly three types of financial instruments. These are:

- Structural Funds
  - Cohesion Funds
  - Pre-Accession Instruments
- } For Member States
- } For Candidate Countries

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<sup>5</sup> Eurostat is a Statistical Office of the European Communities. Its mission is to provide the EU with a high quality statistical information service.

#### **II.2.4.1. Structural Funds**

The Structural Funds provide the main way in which the EU encourages greater economic and social cohesion and uniformity of living standards across its area. They are:

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- European Agricultural Guidance and Guarantee Fund (EAGGF)
- Financial Instrument for Fisheries Guidance (FIFG)

##### **➤ The European Regional Development Fund**

ERDF supports investment and infrastructure. The fund was originally established in 1975 although its current form dates back to 1989 and concerns that the impending Single European Market would exacerbate the division between the wealthier and poorer parts of the EC. It plays a central role in the conversion of regions, frontier regions and parts of regions seriously affected by industrial decline. The essential task of the ERDF is providing support for Objective 1 and 2<sup>6</sup> (Sweet, 1999 and Bell & Christie, 2000).

##### **➤ The European Social Fund**

ESF aims to improve employment opportunities through training and guidance and assist in job creation. ESF promotes the return of the unemployed and disadvantaged groups to the work force, mainly by financing training measures and systems of recruitment aid. The European Social Fund aims to prevent and combat unemployment, as well as developing human resources and promoting integration into the labour market. The ESF, which is established in 1972, supports economic and social cohesion. It is an instrument of decisive importance in the promotion of consistent employment policies in the member states and in the Union. Its priority mission is to provide support for vocational training measures, aids for employment, for creation of self-employed activities in order to combat long-term unemployment and to integrate young people into working life. (Sweet, 1999 and Hough & Presland, 2000).

##### **➤ The European Agricultural Guidance and Guarantee Fund**

This fund is divided into two sections. The guarantee section aims to coordinate support for agricultural adjustment (market support through the Common Agricultural Policy). The guidance section promotes diversification of farming and supports other developments in rural areas. EAGGF finances rural development measures and aid for

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<sup>6</sup> Financial assistance from the Structural Funds concentrated on three Objectives (2000-2006), which focused attention on the regions and groups in society most in need of assistance.

farmers, mainly in regions lagging in development The "Guarantee" Section of this Fund also supports rural development under the Common Agricultural Policy in all other areas of the Union (Bell & Christie, 2000).

#### ➤ **The Financial Instrument for Fisheries Guidance**

FIFG deals with the fishing sector and places particular emphasis on diversification within the fisheries industry. The FIFG aims to contribute to achieving a sustainable balance between fishery resources and their exploitation. It also seeks to strengthen the competitiveness of the sector and the development of areas dependent upon it (Sweet, 1999 and Bell & Christie, 2000).

#### **II.2.4.1.1. Objectives of Structural Funds**

The bulk of Structural Funds are devoted to delivering Commission Objectives.

#### ➤ **The Situation 1994 to 1999**

During the period 1994 to 1999, financial assistance from the Structural Funds concentrated on seven Objectives (Table 4), which focused attention on the regions and groups in society most in need of assistance. They were:

**Objective 1** – to promote the development and structural adjustment of regions whose development to lagging behind the rest of EU

**Objective 2** – to convert regions seriously affected by industrial decline

**Objective 3** – to combat long-term unemployment and facilitate the integration into working life of young people and of persons exposed to exclusion from the labor market

**Objective 4** – to facilitate the adaptation of workers to industrial changes in production systems

**Objective 5a** – to speed up the adjustment of agricultural and fisheries structures in the framework of the reform of Common Agricultural Policy

**Objective 5b** – to facilitate the development of structural adjustment of rural areas

**Objective 6** – to assist the development of sparsely - populated regions (Sweden & Finland only after 1995) (Hough and Presland, 2000).



**Table 4.** Allocation of Structural Funds by Objective, 1994 – 1999

Objective	ERDF	ESF	EAGGF	FIFG
Obj. 1	x	x	x	x
Obj. 2	x	x		
Obj. 3		x		
Obj. 4		x		
Obj. 5a			x	x
Obj. 5b	x	x	x	
Obj. 6	x	x	x	x

**Source:** EC Reform of the Structural Funds 2000-2006, Comparative Analysis, June 1999

➤ **The Current System: 2000 to 2006**

The main difference from the 1994 to 1999 period is the decreasing number of Objectives. Another change is that the Structural Funds available for each Objective have been streamlined. Now, they are three Objectives (Table 5):

**Objective 1.** Two thirds of total Structural Funds are devoted to those regions whose development is lagging behind. Objective 1 status for 2000 to 2006 has been conferred on:

- NUTS level 2 regions whose GDP per capita is less than 75 per cent of the Community average,
- The most remote regions which are all below the 75 per cent threshold,
- Areas eligible for Objective 6 funding in the period 1995 to 1999 (the remote part of northern Sweden and Finland)

**Objective 2.** There are four strands within the new Objective 2: areas undergoing socio-economic change in the industrial or service sectors, rural areas, urban areas, and areas dependent on the fisheries sector. Assistance provided under Objective 2 has to be concentrated on the areas most in need. Objective 2 funding has generally been based on NUTS level 3 regions.

**Objective 3.** It provides support for the adaptation and modernization of policies and system of education training and employment. It applies outside areas covered by Objective 1. Each member state is to receive a percentage of the total resources on the basis of its share of the eligible population, the employment situation, the severity of problems such as social exclusion, education and training levels, and the participation of women in the labor market (Hough & Presland, 2000).

**Table 5.** Allocation of Structural Funds by Objective, 2000 – 2006

Objective	ERDF	ESF	EAGGF	FIFG
Obj. 1	x	x	x	x
Obj. 2	x	x		
Obj. 3		x		

**Source:** EC Reform of the Structural Funds 2000-2006, Comparative Analysis, June 1999

#### **II.2.4.2. Cohesion Funds**

The Cohesion Funds have been especially designed to support Member States with a per capita GNP less than 90% of the Community average (Spain, Portugal, Greece and Ireland). It supports projects in the fields of environment (50 %) and transport (50 %). In the field of environment, they aim at contributing projects to the conformity with EU environmental law. Most of the money is spent on establishing infrastructure such as highways and bypasses and in the environment sector: water availability, waste water treatment and waste management. These funds are based on projects at a country level. 20,3 billion Euros will be invested through the Cohesion Funds from 2000-2006 (Sweet, 1999).

#### **II.2.4.3. Pre-Accession Instruments**

Regional Development has attracted increasing attention in the enlargement process of the EU because the main channel to support the economic catch-up process of the candidate countries after their accession will be the structural policy of the EU that is focused on regional development policy and regional actors.

The European Union has three major financial instruments to help Central European candidate countries: PHARE, ISPA, SAPARD

The aim of these instruments is to assist the applicant countries to adopt their economies to Community level and to facilitate their integration into the EU. They should also give support to countries to implement EU law.

##### **II.2.4.3.1. PHARE Programme (Poland-Hungary Assistance in Restructuring their Economies)**

The Phare Programme has been providing support to the candidate countries of Central Europe since 1989, helping them through a period of massive economic

restructuring and political change. At first, it was just dedicated to Poland and Hungary and is now open to the accession countries.

Phare focuses on two main priorities: *Institution Building* and *Investment Support* (CEC, 2002b)

Institutional Building (which accounts for 30 % of the budget) is defined as the process of helping the candidate countries to develop the structures, strategies, human resources and management skills needed to strengthen their economic, social, regulatory and administrative capacity. Investment Support (which accounts for 70 % of the budget) requires the support of economic and social cohesion: business-related infrastructure (such as science parks, customs buildings), human resources development (education, training) and support to private enterprises. Such projects should increase economic development in regions lagging behind or help to restructure heavy industries in difficulty (CEC, 2000a). The distribution of Phare Programme contribution in the period of 1990-1998 for candidate countries is presented in Appendix 1.

In 2000 – 2006, Phare is providing some € 11 billion of co-financing for institution building support and for investment support to help applicant countries in their efforts. In this period, the ten candidate countries have used this fund but it does not cover Malta, Cyprus and Turkey (CEC, 2000a).

#### **II.2.4.3.1.1. The Turning Point in the Phare Programme**

The Phare Programme is radically *accession-driven*. In practice, this means that, contrary to the 1989 – 1997 period, when Phare focused on supporting the process of economic transition in the countries of Central and Eastern Europe and operated on a demand-driven basis, it now must concentrate exclusively on priorities for accession, as defined by the Council in the Accession Partnership for each candidate country (CEC, 2000a).

In 1997, important reforms were introduced to make Phare operate in a more efficient and more focused manner. These changes included:

- \* Important steps towards more decentralized management of Phare in the countries;
- \* *Important transfer of Commission responsibilities and personnel from the Headquarters in Brussels to the Delegations (De-concentration);*
- \* *Challenging of all Phare funds through one single body (the National Fund) in the countries; the head of the National Fund bears full responsibility and liability towards the Commission for the use of the funds;*
- \* *Emphasis on support for public administration;*

\* *Improvement of monitoring and evaluation of the Programme* (CEC, 2000a).

The 1997 reforms were fundamental and their full impact is only being felt today. They established the structures and procedures in the countries, which will constitute the basis for further developing what is needed for sound and efficient management of pre-accession assistance and the Structural funds after accession (CEC, 2000a).

The Accession Partnership lay down the priorities for each country in the accession process. They are the single framework for programming all pre-accession assistance. Each Accession Partnership effectively lists each country's weakness where efforts are needed to align with European Union requirement, the achievement of these aims are a pre-condition for accession (CEC, 2000a).

The others instrument in terms of programming of Phare assistance are the National Programme for Adoption of the Acquis (NPAA), the National Development Programmes, the Regular Reports and the Negotiations Process (CEC, 2000a).

#### **II.2.4.3.1.2. Phare Programme Types**

- *National Programmes*: They account for around 80 % of the budget. Most Phare Programmes are national programmes, agreed bilaterally with each partner country. Phare support within these national programmes has traditionally focused on a number of key priority sectors in which reform and changes have been needed in the move from a centrally planned to a market-oriented system and to meet accession criteria (CEC, 1999a).
- *Multi-Beneficiary Programmes*: In adopting the "accession-driven" approach under the new Phare guidelines, emphasis is now placed in the provision of aid through national programmes and hence a reduction in the number of multi-country and horizontal programmes. As a result, the non-national programmes have merged i.e. the multi-country and horizontal, to become the so-called Multi-Beneficiary Programmes with a significant reduction in the number of such programmes on offer (CEC, 1999a).
- *Multi-Country Programmes*: In accordance with the 2000 – 2002 guidelines, the Commission will continue to use multi-country programmes in cases where there has been a specific demonstration of their adequacy or where they can be considered as the most efficient and effective delivery instrument in view of possible economies of scale or the need to promote regional cooperation (CEC, 1999a).

- *Cross-Border Cooperation Programmes*: Phare CBC was introduced in 1994 in recognition of the specific problems faced by border regions. The objective is to promote cooperation between the border region of central and Eastern Europe and adjacent regions of the Community and other applicant countries of Central and Eastern Europe. Total budget allocated to the CBC Programmes in 1999 was € 180 million. These programmes represent a good 10 % of the total operational Phare budget (CEC, 1999a).

#### **II.2.4.3.2. Instruments for structural Policies for Pre-Accession (ISPA) and Special Accession Programme for Agriculture and Rural Development (SAPARD)**

From 2000, Phare became one of three pre-accession instruments, together with the other instruments of ISPA and SAPARD that were introduced in 2000. ISPA is the instrument for structural policies for pre-accession, which provides funding for environmental and transport projects. SAPARD is the special accession programme that provides support for sustainable agricultural and rural development.

##### **➤ISPA**

Under ISPA, a total of € 1.040 billion per year will be made available for infrastructure projects in the field of environment and transport from 2000 – 2006.

ISPA's main priorities in preparing the accession countries:

- Developing projects in the environmental sector.
- Expanding and linking with trans-European transport networks.

In the environmental sector, ISPA assists accession countries with investment intensive projects such as improving the water supply, wastewater treatment, solid waste management and air pollution. In the transportation sector, ISPA funds the development of railways, roads, ports and airports to bring the transport infrastructure of the accession countries up to the standards of the EU to meet expected growth (CEC, 2002b).

##### **➤SAPARD**

SAPARD aims to help candidate countries deal with structural adjustments in their agricultural sectors and rural areas, as well as implement the Common Agricultural Policy (CAP) and related legislation. SAPARD finances agricultural and rural development projects and has an annual budget of € 520 million per year (CEC, 2002b).

## **II.2.5. The Influences of the EU Enlargement Processes on Regional Policies**

The EU can look back on a history of successful enlargements. The Treaty of Paris (1951), establishing the European Coal and Steel Community (ECSC), and The Treaty of Rome (1957), establishing the European Economic Community (EEC), were signed by six founding members: Belgium, France, Germany, Italy, Luxembourg and the Netherlands. Afterwards, the EU underwent four successive enlargements (Figure 3).

- 1. Enlargement (1973) → Denmark, Ireland and the United Kingdom
- 2. Enlargement (1981) → Greece
- 3. Enlargement (1986) → Portugal and Spain
- 4. Enlargement (1995) → Austria, Finland and Sweden

However, the next enlargement process is totally different from the previous ones in terms of its scale and diversity: the number of candidate countries, the area, the population and the wealth of different histories.

Next Enlargements:

- 5. Enlargement (2004) → the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic, Slovenia
- 6. Enlargement (2007) → Bulgaria and Romania
- 7. Enlargement (the date is undetermined) → Turkey

European Union Regional Policy is a close relation with the enlargement process. Depend on the enlargement processes; the EU wants to solve emerging regional problems:

Firstly after the first enlargement, the European Regional Development Fund (ERDF) was established in 1975 to reduce regional inequalities. Secondly after the third enlargement, the Structural Funds were constituted to assist lagging-behind regions in 1988. Thirdly the Cohesion Funds were established in 1994 to assist the weakest regions, especially the second and third enlargement countries (Greece, Portugal and Spain). Finally, after the fourth enlargement, the EU started to reinforce the rural regions of Sweden and Finland. In addition to the regional development of the past enlargements, the EU has constituted the pre-accession funds (especially Phare Programme) for the next enlargements to reduce regional economic disparities.

In conclusion in the mid-2000s, it is clear that this huge enlargement will bring about important change on the European regional policy.

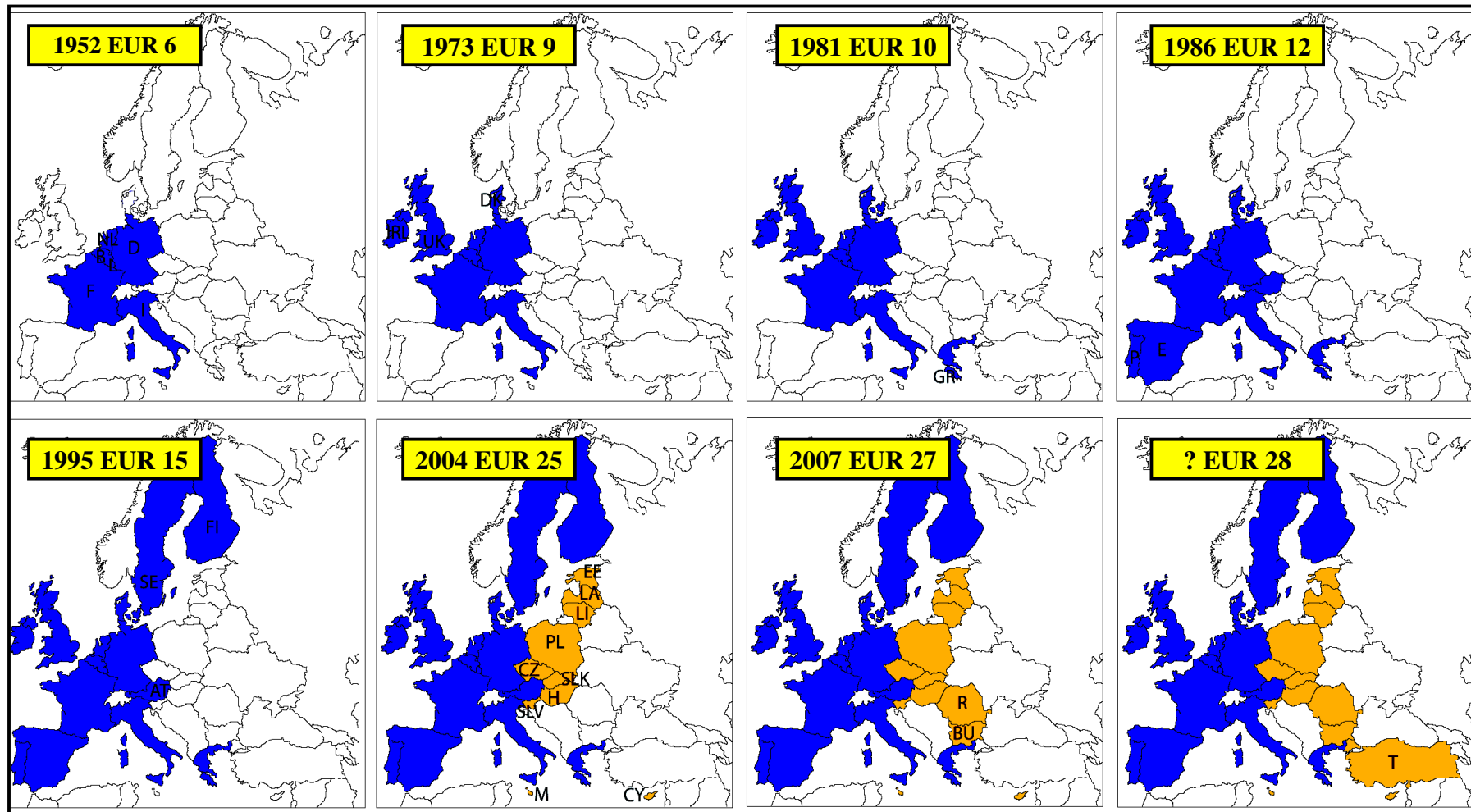


Figure 3. European Union Enlargement

### **II.3. Sub-national Level: The Importance of Institutional Change in the Regional Policy**

In the last twenty years regional policy has undergone intensive changes. Up to the late 1970s, regional policy was firmly put in a general financial policy scheme and mostly applied at a national level. In the early 1980s, new approaches both on a theoretical and on a policy making level slowly took shape: concepts such as innovation orientation, and trust on the endogenous potential emerged while a bottom-up perspective appeared. In the late 1980s and early 1990s (as it was stated in the first part of this chapter), these approaches were enriched by the concepts of governance, networking, partnership, embeddedness and alliances. Contrary to a narrowly defined *endogenous approach* stressing the importance of the utilization of local resources, a stronger integration of these potentials was asked for in trans-regional, national and international networks. The process of internationalization was regarded as a gradual learning process and as a strategic task requiring continuous efforts. This understanding has caused reforming of regional policy and thus has changed its character: It includes different level of actors from diverse institutions (Jud and Steiner, 2000).

In other words, over the last decades it has become increasingly apparent that to promote the development of a region requires not only intervention from the state at the supra-national but also reliance on more than one particular public body. Instead of this, many organizations have become involved: some of them local, some regional and others national or European institutions. These agencies work collectively in partnerships or networks on a more or less regular and formalized basis (Danson, Halkier and Cameron, 2000).

With the concept of governance, the institutions at the administrative level have been emerging important changes. Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. According to the United Nations Development Programme, *governance is “managing a country through actively involving all of its people at all levels, through system which allow them to express their needs and right openly and fastly”*. Today, there are especially two types of governance model:

1. *The State Centric Model*: National governments are ultimate decision-makers, they devolve limited authority to supranational institutions to achieve their own aims and sub-national groups are connected to the European Union’s policy through national actors.

2. *The Multi-Level Governance Model*: There are three main strands to the multi-level governance argument: First, decision-making competences are not monopolized by national



actors, they are shared by actors at a number of different levels. This means that supranational institutions have independent influences that are not only derived from their role as agents of the state executive. These institutions include: the European Commission, the European Court of Justice, and the European Parliament. Secondly, collectively decision-making amongst national state representatives means a loss of control for each individual state executive. Thirdly, political arenas are not contained just within member states. Sub-national actors, either in sub-national government or non-governmental groups operates themselves within the supranational. This model accepts that state executives and state arenas are important, but argues that they are not only significant parts of the EU policy process (Marks, Hooghe & Blank, 1996).

The growing significance of the EU brings about the development of multi-level governance. In the European context, it is clearly observing two significant developments: On the one hand, decision-making has spread more than one institution. Public-private networks have multiplied at every level. On the other hand, formal authority has been dispersed from central states both up to supranational institutions and down to sub-national governments.

Building consensus brings very real advantages in order to ensure coordinated efforts and efficient implementation and it may be an important reason behind the growth of the networked development agency. But at the same time it is also clear that the current popularity of partnership arrangements is rooted in the specific historical circumstances of the last decade. The decline of EU central government regional subsidies that fuelled the growth of bottom-up initiatives into an uneven web of regional and local development organizations and the 1988 reforms of the Structural Funds made partnership a general requirement in European regional programmes (Danson, Halkier and Cameron; 2000).

Structural funds were certainly vital in stimulating local authority engagement. The implementation of EU regional policy also triggered local authority involvement in new or revitalized regional and sub-regional networks, which were essential if funding was to be secured and programmes managed and implemented effectively. These new policy networks offered the prospect of collaboration between authorities and other agencies, including central government. Structural Funds also encouraged central government to examine its own regional capacity, which was reflected in a strengthening of its regional offices during the mid 1990s (Pearce, 2001).

### II.3.1. Networks and Partnerships

Networks and partnership, which resemble each other, are basically very important differences: *“Networks are for linking one group of agents to others whom they affect and are the mechanism for the exchange of information and services in support of business development. Beyond simple networks, partnerships require the commitment of the agents to work fully together. This means:*

- *Accepting long-term structures that work towards sustained commitment to change and achievement of quality.*
- *Accepting an active commitment to changing the internal operations of each agent, and helping other agents also to change to achieve an improved system overall.”* (Cameron and Danson, 2000).

Networking is one of the essential conditions for greater democracy, transparency, coherency and efficiency in decision-making and implementation process. Moreover, support for such networks is regarded as necessary conditions in the development of partnership, which have become a defining feature of the EU activity aimed at securing regional development (Pearce, 2001).

Therefore networking alone is mostly passive, while a partnership needs an active participation. Partnerships are based on firm agreements by agents to work together. They extend far beyond network flows of information, to offer a system that ensures that the problem, or the client, is fully addressed. Partnership can range from agreements between actors to work together towards a common end, to agreements, which form a legal contract through which the contracting parties define specific targets for performance (Cameron and Danson, 2000).

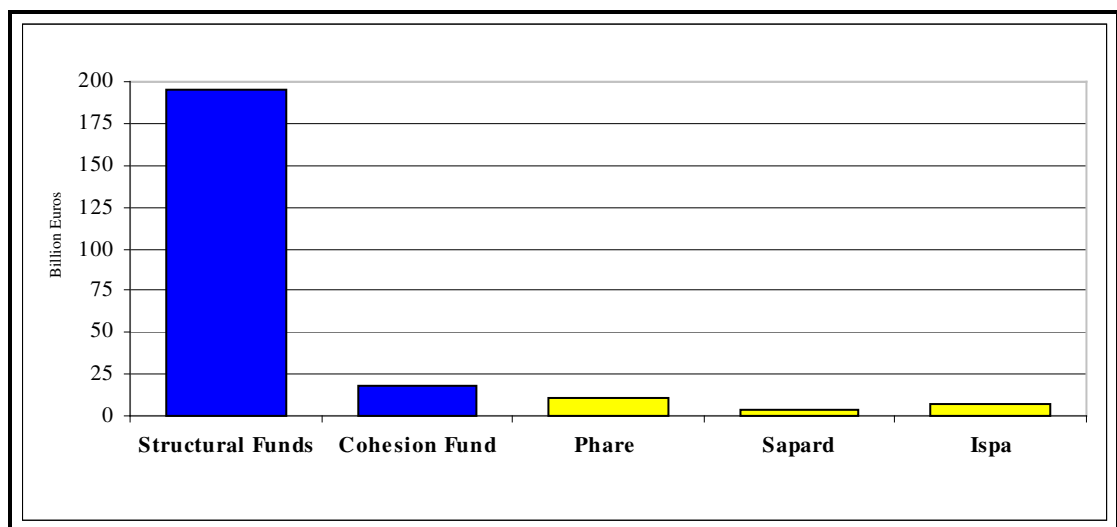
The European Commission is considered as one of the major driving forces in the development of partnership, and in integration and cohesion. In this context, many of the EU initiatives and programmes have a pre-requisite that the institutions must be involved in a partnership or network (Cameron and Danson, 2000).

Although Europe has a highly regionalized economic structure, the role of regions is increasing. Since the entrance of common market has put regions in competition with each other. New spaces and new distinctions have been created both within and between states. This process is directly related to the institutional capacity of regions in Europe and their capacity to organize the interaction among all the actors. In conclusion, the EU both supports the institutional developments at the local and regional levels and works for the formation of the networks and partnerships.

## II.4. Evaluation of the Changing System of Regional Policy

Regional policies exist because of the persistence of regional disparities in a wide range of variables, which have a profound effect on the economic welfare of regions. After the mid-1980s, both regional policies and regionalism have transformed all over the world especially depend on economic and technologic development. In this context, there has been increasing competition between different territories and their activities, both inside the EU and elsewhere. Especially after the end of cold war, the idea of regionalism passed also on to new phase. In this new phase, the formal authority has been dispersed from central states both up to supra-national institutions and down to sub-national governments.

At supra-national level, regional policy has long been a concern of the European Union. However, essential changes came about after Greece, then Spain and Portugal, joined the EU. These nations were less developed economically than any of the other EU members. Special assistance (Structural and Cohesion Funds) was designated to them in order to facilitate their economic development and bridge the gap. Regional policy became a mechanism of compensation for comparatively economically backward countries. In the early 1990s, the EU started to relate to the Central and Eastern Europe countries and constituted various instruments (Phare, Sapard, Ispa). The aim of these instruments is to assist these countries to adapt the community level and to facilitate their integration into the EU. Although these instruments are highly small in comparison with the contribution of the Structural Funds, they are assisting important contribution to the candidate countries, especially in the field of institutional capacity on regional development (Figure 4).



**Figure 4.** EU Financial Instruments' Contribution for the Period 2000-2006 (Billion Euros)

As a result, at the supra-national level, the EU passed significant evolution in the last twenty years. Formerly, in the 80s and the early 90s, the EU was interested only the reduction of the regional inequalities among the member states. However latterly in 2000s, the EU starts to use various instruments for candidate countries in order to access membership.

In 1990s, it was also observed significant development at sub-national level. In the early 1980s, new approaches both on a theoretical and on a policy making level slowly took shape: concepts such as innovation orientation, and trust on the endogenous potential emerged while a bottom-up perspective appeared. In the late 1980s and early 1990s, these approaches were enriched by the concepts of governance, networking and partnership. In other words currently, many organizations at various levels have to work collectively in partnerships or networks in order to promote the development of a region and sub-national actors take on more responsibilities in this collective work. Besides the Maastricht Treaty set up new institutions, *the Committee of the Regions*, which symbolize the importance of EU regions. These Committees, which elected officials at the local level, give their opinion on European policy. Thus local powers started to influence formally EU decision-making.

Currently, the EU is preparing for its largest enlargement ever in terms of scope and diversity. In these enlargement processes, the change of EU regional policy will be examined detailed in the next chapter of this thesis.

## CHAPTER III

### REGIONAL POLICIES OF THE CANDIDATE COUNTRIES

After the collapse of the Soviet Block in 1989, the European Union and the Central and Eastern European Countries (CEECs) entered a period of close relations. Corollary to this, the EU formed the Phare Programme for Poland and Hungary in 1989 and this programme was very quickly extended to the other CEECs in order to provide these countries important assistance. In 1991, the CEECs were faced with the break-up of the former Soviet Union. All ex-Eastern European Countries applied for the EU membership during the mid-1990s<sup>7</sup> in order; i.e. Poland and Hungary in 1994, Bulgaria, Estonia, Latvia, Lithuania and Romania in 1995, finally the Czech Republic, the Slovak Republic and Slovenia in 1996. In the 1990s, *Europe Agreements* were signed with all these countries.

During the candidacy process, the EU has started to function towards the cohesion of candidate countries. In 1989 – 1997 period, the EU focused on supporting the process of economic transition within the CEECs and operated on a demand-driven basis, after the year 1997, the EU has concentrated on priorities for accession. Currently, however, the EU determines each country's weaknesses by utilizing several tools such as Accession Partnerships, Regular Reports and so on. In this sense, the EU considers Regional Policy and Coordination of Structural Instruments as an important chapter in the context of Negotiation Process and on the accession road, since 1997 the candidate countries have complied with certain requirements, which are addressed in the context of accession negotiations:

- *Legislative framework:* The candidate countries need to have an appropriate legal framework allowing for the implementation of the specific provisions in this area.
- *Territorial organization:* The candidate countries need to agree with the Commission a provisional NUTS classification for the implementation of Structural Funds.

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<sup>7</sup> Before the application of these countries, three countries made a request for the membership: Turkey applied in 1987 and Malta, Cyprus applied in 1990.

➤ *Administrative capacity*: The candidate countries clearly have to define the tasks and responsibilities of all the bodies and institutions involved in the preparation and implementation of Structural Funds and the Cohesion Fund and to ensure an effective inter-ministerial co-ordination.

➤ *Programming capacity*: The candidate countries

- need to design a development plan, as required in Council Regulation 1260/1999,
- need to have the appropriate procedures for multi-annual programming of budgetary expenditure in place,
- ensure the implementation of the partnership principle at the different stages of programming, financing, monitoring and evaluation of Structural Funds assistance,
- comply with the specific monitoring and evaluation requirements.

➤ *Financial and budgetary management*: The candidate countries need to comply with the specific control provisions applicable to the Structural Funds and Cohesion Fund. Furthermore, they need to provide information on their co-financing capacity as well as on the level of their public or equivalent expenditure for structural actions.

This chapter depicts the development of the existing and ex-candidate countries in the regional policy process. Malta and Cyprus, which are very small territories, are excluded in this research. The regional policy developments of ten candidate countries are tried to be examined in detail especially for the mentioned five fields.

Besides these 10 countries in the context of the candidacy process, the ex-candidate countries (Austria, Sweden and Finland), which were entered the union in 1995, are examined in order to perceive the changing system of the EU regional policy.

### **III.1. Regional Policy Developments of the Existing Candidate Countries Since 1989**

During the Socialist period, the Eastern European Countries had been sensitive to regional policy developments. However the thesis investigates the transition period of these countries, especially the developments in the candidacy process.

The candidate countries showed significant development on the regional policy after the year 1989. Detailed regional policy developments of these ten candidate countries are presented in Appendix 2. In this context, some major similarities are observed:

- From the beginning of 1990s, all these countries have tried to make progress in their less-developed regions with the various instruments.
- In the beginning of 1990s, the EU started to provide important assistance for the CEECs with the Phare Programme. However, they were not sufficient for the development of regional policy.
- After the candidacy processes in the mid-1990s, the EU started to support these countries effectively. In this context, the EU changed its system from *demand-driven* to *accession-driven*.
- In the accession-driven period, the EU has started to concentrate five priorities on regional policy (legislative framework, territorial organization, administrative capacity, programming capacity, financial management).
- The appearance of the new concepts such as subsidiarity, innovation brought about the changes of regional policy.
- While some of these countries showed individual developments from the beginning of 1990s; after 1997 most of these countries have realized similar regulations (Table 6):
  - Regional Development Laws were established,
  - Ministries responsible for Regional Development were created,
  - Regional Development Funds were established,
  - Institutional systems at local and regional levels were strengthened,
  - The importance of Multi-Annual Programme was increased,
  - Required regulations on the financial system were realized,
  - EU territorial system (NUTS classification) was formed,
  - The importance of regional statistics was increased.

**Table 6. Regional Development Policies – Overview on the State of Reforms**

	<b>BULGARIA</b>	<b>CZECH REP.</b>	<b>HUNGARY</b>	<b>POLAND</b>	<b>SLOVAK REP.</b>	<b>ROMANIA</b>
<b>REGIONAL DEV. LAW</b>	adopted in 1999	adopted in 2000	adopted in 1996	adopted in 2000	adopted in 2001	adopted in 1998
<b>RESPONSIBLE MINISTRY</b>	Ministry of RD & Public Works	Ministry of RD 1996	Ministry of Agriculture & Regional Dev.	Ministry of RD 2000	Ministry of RD & Construction 1999	Ministry of Development and Prognosis
<b>INTER-MINISTERIAL COORDINATION</b>	Central Coordination Unit was established in 2000	National Programming and Monitoring Committee for Economic&Social Cohesion, chaired by the Ministry of RD.	Interministerial Committee for Development Pol. Coordination was established in 2000	Regional Development Committee was established in 1998	Interministerial Council since 1999	National Board for Regional Development was set up in 1998
<b>REGIONAL DEV. AGENCY (RDA)</b>						
<b>National Level</b>	-	Centre for RD since 1999	National RD Council National RD Centre since 1998	Polish Agency for RD established in 1993	National Agency for RD since 1998	National Board for Regional Development since 1998
<b>Regional Level</b>	28 Regional Governors 28 Regional Councils representing municipalities	13 RDAs since 1997	19 County Dev. Councils and Dev. Agencies; 7 RDA envisaged in 1999	70 RDAs 66 RDAs in 1996	18 RDAs since 1997	7 RDAs since 1998
<b>TERRITORIAL ORGANIZATION (Similar to NUTS)</b>	6 NUTS II in 1999 28 NUTS III in 1999	8 NUTS II in 1998 14 NUTS III in 1997	7 NUTS II in 1998 20 NUTS III in 1998	16 NUTS II in 2000 44 NUTS III in 2000	4 NUTS II in 1998 8 NUTS III in 1998	8 NUTS II in 2001 42 NUTS III in 2001



**Table 6.** Regional Development Policies – Overview of the State of Reforms (Cont.)

	<b>BULGARIA</b>	<b>CZECH REP.</b>	<b>HUNGARY</b>	<b>POLAND</b>	<b>SLOVAK REP.</b>	<b>ROMANIA</b>
<b>SPECIFIED FUND FOR REG. DEV.</b>	RD Fund since 1998	RD Fund since 1993	RD Fund since 1991	no specific RD Fund	no specific RD Fund	RD Fund since 1998
<b>NATIONAL DEVELOPMENT PLAN</b>	Preliminary National Development Plan (2000-2006) was adopted in 1999	National Development Plan (2000-2006) was adopted in 2000	Preliminary National Development Plan was approved in 2000 and the final version of pNDP was submitted in 2001	Preliminary National Development Plan (2000-2002) was approved in 1999. National Strategy for Reg. Dev. For 2002-2006 was adopted in 2000	National Development Plan (2002-2006) was adopted in 2001	Preliminary National Dev. Plan was adopted in 2000
<b>REGIONAL STATISTICS</b>	Regional Statistical Data is very poor	Regional Data is available but incomplete At Nuts II Level, no data exists concerning social and structural business statistics.Data is available for employment and infrastructure	Regional Data is incomplete. At Nuts II Level, very limited data exists concerning social indicators and structural business statistics	Regional Data is incomplete. At Nuts II Level, very limited data exists concerning social indicators and business statistics	Regional Data is available but incomplete At Nuts II Level, no data exists concerning social and structural business statistics.Data is available for employment and infrastructure	Regional Statistical Data is very limited

**Table 6.** Regional Development Policies – Overview of the State of Reforms (Cont.)

	<b>ESTONIA</b>	<b>LATVIA</b>	<b>LITHUANIA</b>	<b>SLOVENIA</b>
<b>REGIONAL DEVELOPMENT LAW</b>	-	Law on Regional Dev. was adopted in 2002	adopted in 1999, revised in 2000	Law on Balanced Reg. Dev. was adopted in 1999
<b>RESPONSIBLE MINISTRY</b>	Ministry of Internal Affairs	Ministry of Regional Development and Local Governments	Ministry of Public Administration Reforms and Local Authorities	Ministry of Economic Relations and Development
<b>INTER-MINISTERIAL COORDINATION</b>	National Regional Policy Council was established in 2000	National Regional Development Council was set up in 2002	National Regional Development Committee was set up in 1999	Council for Structural Policy was established in 2000
<b>REGIONAL DEV. AGENCY (RDA)</b>				
<b>National Level</b>	National RDA since 1997	National Regional Development Agency since 1999	National RDA since 1999	National Agency for RD since 2000
<b>Regional Level</b>	16 Business Promotion Centers in Counties, coordinated by the RDA	5 RDAs	7 RDAs since 1998	9 of 12 RDAs since 1999
<b>TERRITORIAL ORGANIZATION (Similar to NUTS Level)</b>	1 NUTS II in 2001 5 NUTS III in 2001	1 NUTS II in 2000 5 NUTS III in 2000	1 NUTS II in 2001 10 NUTS III in 2001	1 NUTS II in 2003 12 NUTS III in 2000

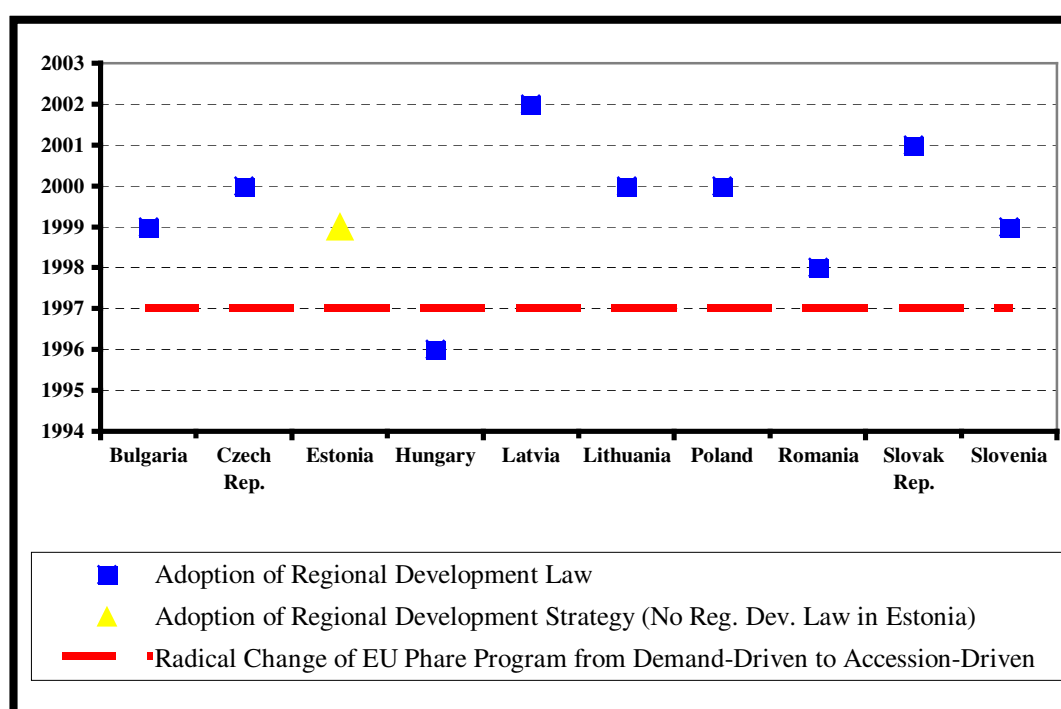
**Table 6.** Regional Development Policies – Overview of the State of Reforms (Cont.)

	<b>ESTONIA</b>	<b>LATVIA</b>	<b>LITHUANIA</b>	<b>SLOVENIA</b>
<b>SPECIFIED FUND FOR REG. DEVELOPMENT</b>	RD Fund since 1995	RD Fund since 1998	no specific RD Fund	RD Fund since 2000
<b>NATIONAL DEVELOPMENT PLAN</b>	National Development Plan was prepared in 1999 and was revised in 2001	National Development Plan (2002-2006) was approved in 2002	Preliminary National Development Plan (2002-2004) was adopted in 2002	Preliminary National Development Plan (2002-2006) was approved in 2001
<b>REGIONAL STATISTICS</b>	No Regional Data is available yet for GDP data, social indicators and structural business statistics	Regional Statistical Data is very poor	No Regional Data is available yet for GDP data, social indicators and structural business statistics	No Regional Data is available yet for GDP data, social indicators and structural business statistics

### III.1.1. Evolution of Legislative Framework on Regional Policy:

All of these 10 countries, except Estonia, adopted the Regional Development Law especially after the year 1997 (Figure 5). Only Hungary, which was the first country to have a Law on Regional Development and Physical Planning, adopted the law before the year 1997 (on March 1996). While there is no Regional Development Law in Estonia, the government adopted a Regional Development Strategy similar to the Regional Development Law in 1999. The legislative regulations on regional policy of the candidate countries, except Poland, are presented in the Appendix 3.

Some of these countries (Bulgaria, the Czech Rep., Hungary, the Slovak Rep., Estonia, Slovenia) have interested in the development of regional policy since the beginning of 1990s. The other four countries (Poland, Romania, Latvia, Lithuania) started to take the regional policy into account, especially with the EU directives, in the late 1990s and in the early 2000s. In the legislative framework, one significant point is that almost all of these legislative regulations include the EU main principles (concentration, partnership, additionality and programming).



**Figure 5.** The Development of Legislative Framework for 10 Candidate Countries

Legislative Regulations of the candidate countries:

**Bulgaria:**

Since 1990 the regional policy of Bulgaria has consisted of budgetary and financial instruments to control and reduce regional differentiation (Brusis, 1999). Decentralization, functional appropriateness, long and medium term planning and stable development are the new principles of regional development (Kamenova, 1999). However the main developments of regional policy started with the adoption of Regional Development Law. The Regional Development Act was enacted in 1999. The act has two main functions: First, to create regulations for allocating and utilizing state funds for regional development. Second, to create the necessary conditions to meet the EUs funding requirements in the area of regional policy. The act regulates areas such as the development of infrastructure; the creation of an enabling environment for investment at regional and local levels; the utilization of local, national and foreign resources; the increase in the quality of human resources; the coordination of the policies of different sectors and enabling the participation of local authorities and non-governmental organizations (NGOs). The act determines the different types of areas for purposeful impact: areas of growth, planning regions, areas for cross-border cooperation and development and areas with specific problems and priorities. It also determines the institutional framework for managing regional development. There are mainly three explicit objectives of this act:

- 1. Creating conditions for sustainable and balanced regional development.*
- 2. Reducing the regional disparities in terms of salaries and employment.*
- 3. Establishing regional and cross-border cooperation (CBC) and facilitating the Euro-integration process (UN, 1999).*

**The Czech Republic:**

The Czech Republic has fulfilled important applications on regional policy since the beginning of 1990s. In spring 1992, Czech Government prepared a bill on regional policy, which aimed at supporting the problematic territorial units. But the new government of December 1992, which abandoned the state socialist idea and were largely limited to labour market policy programmes in regions with unemployment rates. In 1993 and 1994, the government realized small-scale programmes to support small and medium sized enterprises in regions with high unemployment. In March 1998, the Czech Republic passed a resolution, which aimed at regulating Czech regional policy with principles of EU structural policy. According to this resolution, the main objectives of regional policy were to contribute to the balanced and harmonious development of the regions in the Czech Republic; to reduce the differences in the levels of development between the regions and to improve the regional socio-economic structure (Brusis, 1999).

In June 2000, the Act on Support for Regional Development was adopted. This act provides the legal basis for Czech regional development as well as the institutional structure; covers the competencies in terms of development support at national, regional and local levels and defines the areas and conditions for support of regional development.

### **Hungary:**

Hungary has realized very important applications on regional policy for the last 20 years. The main documents of regional policy and the main stages of its conceptual evolution are the Parliamentary Resolution of 1985, the Decree on State Grants for Regional Development in 1991, the Parliamentary Resolution on the Main Tasks of Regional Development in 1993, the Law on Regional Development in 1996 and the National Regional Development Concept of March 1998 (Brusis, 1999).

The 1985 Parliamentary Resolution defined the long-term tasks of regional policy and aimed the rapid development of less-developed areas. The new era of regional policy in Hungary began with the 1996 legislation. Hungary adopted a Law on Regional Development and Physical Planning on 19 March 1996. The objectives of the law are:

- *to assist in the development of a market economy in every region of the country, to create the necessary conditions for sustained growth, to improve economic conditions and the quality of life through coordination between social, environmental and economic interests,*
- *to create the conditions for self-sustaining development,*
- *to reduce adverse differences in terms of living conditions, economic, cultural and infrastructural conditions between the regions,*
- *to encourage initiatives by regional and local communities and to coordinate them with the national objectives.*

The 1996 Act represented a significant advance in the regional policy field for a number of reasons: First, it took wider European experience into account and attempted to make the basic principles and directions compatible with European practice. These new main principles are decentralization, subsidiarity, partnership, programming, additionality, transparency and concentration (Horvatti, 1999). Second, it attempted to create new organizational clarity by establishing the scope of authority and responsibilities of the national, regional and local actors. Third, it connected the notion of partnership and decentralization. Fourth, it had a clear economic development perspective, with an overall objective to strengthen spatial cohesion in the country. Lastly, it also introduced the concept of evaluation of instruments (Bachtler, Downes et al; 1999).

In March 1998, Hungary adopted the National Concept on Regional Development, which constitutes the long-term objectives for regional policy and a basis for the National

Development Plans. This forms a first step towards comprehensive regional planning (CEC, 1998a). The aims of the concept are:

- *to determine the regional development principles, guidelines and aims*
- *to describe the regional targets to be asserted in the sectoral development policies of the government,*
- *to promote the implementation of the tasks of the new institutional system influenced by the Law on Regional Development and to create the harmony between the regions (Horvatti, 1999).*

The tasks of the Concept are:

- *to change the spatial structure with the effective, innovative and competitive economic activities,*
- *to reduce differences in socio-economic opportunities to approximate civilisational and infrastructural conditions at the regional and local levels,*
- *to develop programming methods, instruments and institutions,*
- *to assist in the mobilization and utilization of the regional resources of economic development,*
- *to coordinate the various sectors, ministries and regional level actors,*
- *to encourage cross-border cooperation (Horvatti, 1999).*

### **Poland:**

Polish regional policies of the early 1990s were characterized by low pace due to the priority given to macro-economic policy, unclear institutional responsibilities and little coordination between various governmental ministries and other agencies and very limited funding (Sykora, 1999). In the 1990s, Poland did not seem to be aware of regional policy applications. The only important development, especially with the influence of the EU, was the adoption of Regional Development Law in 2000. This law constitutes an important step forward for regional policy development and forms a number of principles for support towards regional development, notably regarding programming, management, and institutional structures and regional funding (CEC, 2000b).

### **The Slovak Republic:**

In the 1990s, the country formed democracy and market economy with political and economic reforms. Aiming at integration into the European Union, these reforms have gradually begun to change the form and direction of regional policy in the Slovak Republic.

In 1991, the Slovak Government adopted the Principles of Regional Economic Policy. This document set seven crucial principles; harmonious regional development, coordination of the activities of the individual components of regional policy, combining government support with the regions' own resources, support of territorial-administrative units and specifically less developed regions, regional support, regional development programming and interlinking regional policy with territorial planning. In May 1994, the Centre for

Strategic Studies elaborated these principles in a document entitled “The Regional Policy of the Government”, adding further principles and emphasizing the principle of subsidiarity (Ansky & Sirak, 1999).

In 1997, a major document of regional policy formulation was adopted by the Slovak Government. The government used a notion of regional policy, which emphasized the participation of local, regional, and central government and the linkage between regional policy and spatial planning. Its concept defined regional policy as “*the targeted influence of the government upon the dynamism and the development structure of regions and also the changes under the conditions and structure of the space arrangement of the national economy*” (Brusis, 1999).

The Elements of this document:

- *analysis of demographic, socio-economic, territorial and technical development of the region,*
- *use of available human resources with respect to the envisaged demand in the labor market,*
- *evaluation of strengths and weaknesses of the region,*
- *quantified development objectives* (Ansky & Sirak, 1999).

In October 2001, the Act on Regional Development Support, specifying the eligibility conditions and the competence of the relevant state administrative bodies, was adopted (CEC, 2001a). The act regulates the terms and conditions for the support of regional development and the operation of authorities of state administration, municipalities and higher territorial units. Two main objectives of the law are to provide balanced economic development of the regions and also to provide social and sustainable economic development of the regions.

### **Romania:**

In 1996, the European Union and the Romanian Government initiated a programme to prepare the regional development policy of Romania. The programme constituted the Green Paper of the Regional Development Policy in Romania. One of the main tasks of the programme was to propose a list of fundamental principles for the regional development policy of Romania, to be presented in the Green Paper. The document includes the proposals of the Inter-Ministerial Working Group on the implementation of the regional development policy in Romania. The main objectives of the proposed policy are the preparation of Romania for the accession in the European Union and becoming eligible for the support from the structural funds, the reduction of the regional differences between the regions and the integration of the activities of the public sector in order to achieve a higher level of development of the regions. This programme is not only in the advantage of the less



developed regions, but also has an important contribution to the socio-economic development of the whole country (Kolumban, 2001). However the important step was realized with the adoption of the Regional Development Law in 1998. It establishes the institutional framework, the objectives, competencies and specific instruments of the regional development policy. This law states the following main objectives of the regional development policy in Romania:

- *Diminishing existing regional differences by stimulating a balanced development, by accelerating the delays of the development in disadvantaged areas.*
- *Preparing the institutional framework to meet the criteria for integration in the structures of the European Union.*
- *Correlation of the governmental sectoral activities and politics on regional level, by stimulating the initiatives and drawing upon local and regional resources, in order to assure sustainable economic, social and cultural development of the regions.*
- *Stimulating inter-regional, international, cross-border and euro-regional cooperation, in order to work out common projects in conformity with the international agreements in which Romania is a partner (Kolumban, 2001).*

### **Estonia:**

During the 1990s, Estonia has made progress on regional policy concept. The first Estonian Concept of Regional Policy was formulated in 1990, based on the concept of an economically autonomous Estonia. By the end of 1994, the Regional Policy Concept was approved by central government and evolved as the basis for further regional policy activities. Regional policy was formalized as an element of national policy and worked in conjunction with other sectoral policies. The main principle underlying the policy was the sustainable development of local initiative and progress in the successful implementation of socio-economic, infrastructural and environmental development (Bachtler, Downes et al, 1999). On the basis of the concept the government set up the regional development fund, the regional development agency and eight different regional development programmes with a diversified set of objectives and procedures (Brusis, 1999).

In 1999, the government approved the Estonian Regional Development Strategy. According to this strategy, the objective of regional policy is the balancing of the regional development of the whole territory through strengthening and maximizing the use of the local preconditions for development (Vet et al, 2000). The Regional Development Strategy establishes the recommendable trends for regional development, the basic principles for the regional policy of the Estonian Government and for the direction of the regional impact of sectoral policies during the period before the accession of Estonia to the European Union. Same as the legislative regulations of the other candidate countries, this strategy paper

includes the main principles of the EU regional policy such as programming, partnership, concentration, and complementarity.

### **Slovenia:**

Slovenia has undertaken some form of regional development policy since the early 1970s. A special law was passed in 1971 to provide a more coordinated approach to this policy area and promote balanced development throughout the country. A polycentric concept of development was dominant at that time in an attempt to reduce the economic disparities between geographical areas in Slovenia and establish equality.

In 1990s, the focus of regional policy shifted towards demographically endangered areas in an attempt to stop out-migration and the de-population of highland and peripheral areas. This move was related to the fact that high inflation and considerable hidden unemployment masked the difficulties in industrial regions. New areas were designated and measures were promoted to stop or minimize the out-migration of people from these areas (Bachtler, Downes et al, 1999).

Slovenia adopted the Law on Balanced Regional Development in 1999. This act defines the aims, principles and organization of the promotion of balanced regional development, the allocation of development incentives and eligibility criteria for areas with special development problems. The aims of this law are to promote the balanced economic, social and spatial aspects of development, to diminish structural problems and unemployment, to prevent negative demographic trends, particularly in remote areas and to adapt to the EU regional policy: institution building, system of financing, monitoring and evaluation.

This law also introduces the new principles of the balanced regional development. These are:

- *integrity of implementing the policy in the whole territory of the Republic of Slovenia,*
- *partnership with cooperation among the national and local authorities and cooperation of the public and private sector,*
- *the principle of subsidiarity,*
- *the programming of development incentives,*
- *evaluation and monitoring the impacts and transparency at using regional development funds,*
- *co-funding* (Law on Balanced Regional Development of Slovenia, 1999)

This law, again, is based on the same principles as the EU Structural Funds and establishes a general administrative framework for the implementation of a regional structural policy.

### **Lithuania:**

Lithuania has initiated to fulfill important applications on regional policy legislation from the mid-1990s. The first legal document of relevance to regional policy is the Law on Territorial Planning, which was approved in December 1995. The law included the general aims of territorial planning. On the basis of this law, the Ministry of Environment prepared a general spatial plan. In 1998, the Guidelines for Regional Policy was prepared by the Ministry of Public Administration Reforms and Local Authorities (MoPARLA) and was adopted by the government as the main document in the field of regional policy. The document defines basic objectives of regional policy, lists the main aims and principles of the implementation of regional policy, defines the basic institutional structure, and identifies sources of financing for implementation of development programmes. The adoption of the Guidelines accelerated the formation of institutions and procedures needed for national regional and cohesion policy. In the decree, a significant emphasis was put on regional development programmes, which were expected to be the main documents forming the basis for EU assistance (Vet et al, 2000).

In July 2000, the Law on Regional Development was prepared by MoPARLA, in cooperation with other institutions and was adopted by the Lithuanian Government. This law aims at establishing the legal basis for the formulation and implementation of regional development policy as well as for the application and administration of the EU Structural Funds (CEC, 2001b). The main objectives of the national regional development policy are to promote economic restructuring in the regions, to promote sustainable development of the regions, to reduce socio-economic differences among the regions, to reduce unemployment and to develop rural areas.

### **Latvia:**

Latvia, similar to the development of Lithuania, progressed on regional policy with the influences of the EU. The regional policy in Latvia commenced with the regional policy concept in 1996. In 1996, the Concept on Regional Development Policy was prepared by the Ministry of Environmental Production and Regional Development and was approved by the government. The Concept defines the notion of regions, the development of a region, regional development and regional development policy. Regional development is defined in broad terms, namely as long term nature and cultural environment, social and economic development processes of the whole country as well as each of its regions. Regional processes are two sorts: self-development, which is based on local resources and circumstances; and managed processes, which are the result of purposeful regional development policy, conducted by the state and local governments. The Conception sets

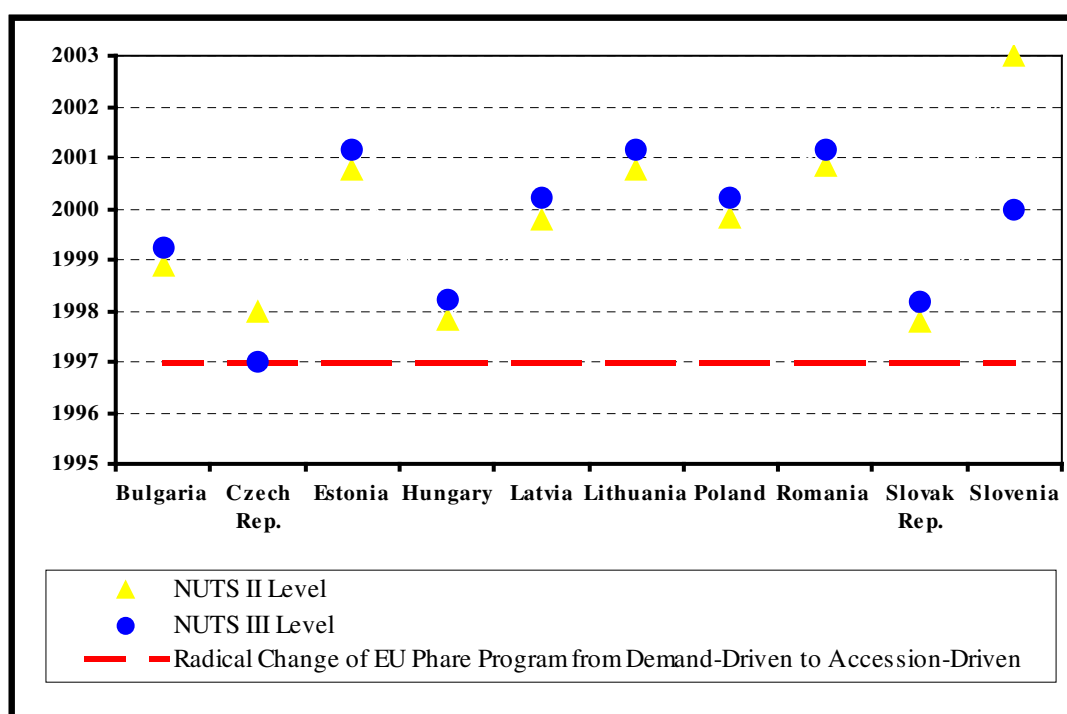
nine conditions of regional policy in Latvia; defines objectives and tasks, the mechanism of preparation and implementation of regional policy, including duties and responsibilities of the state and local government institutions, the legal basis, and financial instruments (tax system, regional development fund). It lists structures that support development, describes tasks for education and research systems, sets requirements to information systems, including statistics, defines principles of planning of regional development, local government reform, indication of regions, and announces a notion of regions appointed for support (Vet et al, 2000).

In January 1998, the Government of Latvia adopted the Concept of Regional Policy, which consists of objectives and basic implementation procedures for regional policy.

In March 2002, Latvia adopted the Regional Development Law, which forms the general system for regional policy. This law includes provisions linked to the planning and coordination of the EU Structural Funds regarding regional development (CEC, 2002e). The purpose of the law is to promote and provide balanced and sustainable development of the country, taking into account characteristic features and development potentials of the whole territory of the country. The basic principles of the regional development concentration, programming, partnership, additionality that are the main principles of the EU Structural Funds and transparency, subsidiarity and sustainability are additional principles of the regional development.

### **III.1.2. Development of Territorial Structure**

After 1997, to provide corresponding EU territorial system, all of these candidate countries formed their territorial organizations, which is called Nomenclature of Statistical Territorial Units (NUTS classification - Figure 6). This classification is highly important for the candidate countries. Because when they become a member country, they will benefit from the structural funds with their NUTS II and III levels.



**Figure 6.** The Formation of NUTS II & III Levels for 10 Candidate Countries

NUTS Classifications of the candidate countries:

**Bulgaria:**

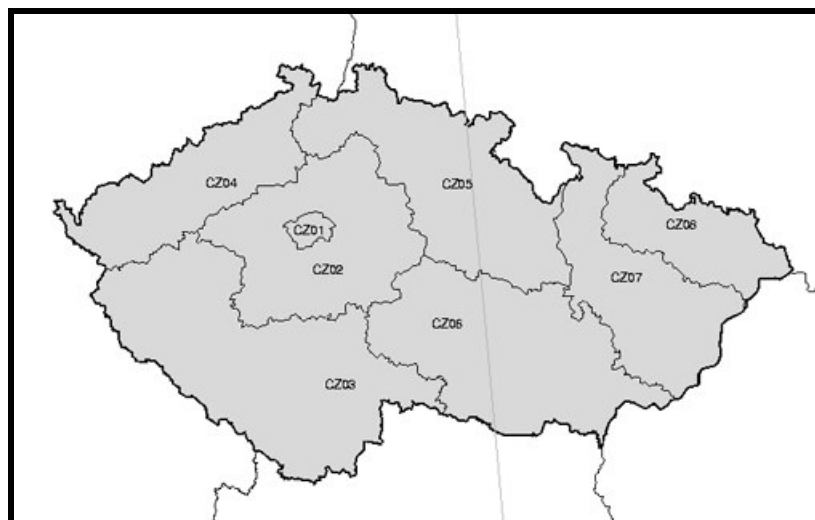
Until 1999, Bulgaria had been divided into nine administrative regions, so-called Oblasti. Since 1999, with the Law on the Administrative-Territorial Division, Bulgaria has owned a new territorial-administrative structure consisting of 28 counties (similar to NUTS III level). In June 1999, the 28 counties were combined into 6 macro-regions in line with regions designed in with accordance with EU methodology (similar to NUTS II level).



**Figure 7. NUTS II Regions of Bulgaria**

**The Czech Republic:**

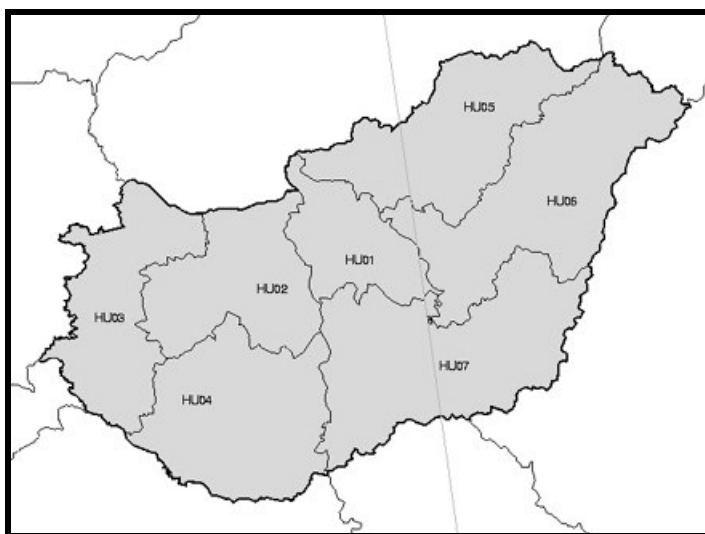
The Constitutional Act on Formation of the Regions was approved by the end of the year 1997. According to this law, the Czech Republic was divided into 14 regions so-called Kraj (similar to NUTS III level) and at the end of 1998, these 14 regions were combined into 8 Cohesion regions (similar to NUTS II). These territorial divisions came into force in 2000.



**Figure 8. NUTS II Regions of the Czech Republic**

### **Hungary:**

With the Act on Regional Development and Physical Planning of 1996, the Hungarian government introduced a system of regional development whose most distinctive feature was the creation of a new regional level. Seven statistical planning regions similar to NUTS II were introduced in 1998 and at regional level; Hungary is divided into 20 counties similar to NUTS III level.



**Figure 9.** NUTS II Regions of Hungary

### **Poland:**

In June 2000, according to the State Administration Reform of 1999, 16 Voivodships (corresponding to NUTS II) and 44 groups of Powiats (similar to NUTS III) were arranged. The population size of 16 new regions is in a range of one to five millions inhabitants.



**Figure 10.** NUTS II Regions of Poland

#### **The Slovak Republic:**

According to the Act of the National Council of Slovak Republic, the Slovak Republic was divided into 8 regions (Kraj) and 79 counties (Okres). However in the early 1998, the Statistical Office of the Slovak Republic in collaboration with the EC elaborated the new territorial organization. In this new system, there are 4 regions at NUTS II level and 8 regions at NUTS III level.



**Figure 11.** NUTS II Regions of the Slovak Republic



### **Romania:**

In 2000, Romania set up clear legislative and administrative framework for running regional policy, including territorial organization. A provisional classification was introduced consisting of 42 judets (similar to NUTS III) and of 8 groupings of judets, the so-called macro-regions (similar to NUTS II).



**Figure 12.** NUTS II Regions of Romania

### **Estonia:**

The Government Regulation on the establishment of a provisional NUTS classification for Estonia was approved in April 2001. According to this classification, Estonia is one single unit at NUTS II level and 5 regions at NUTS III level.

### **Slovenia:**

Slovenia has agreed with the EC on its territorial organization corresponding to NUTS III and II levels. According to this agreement, Slovenia is divided into 12 regions at NUTS III level in 2000 and one single region at NUTS II level in 2003.

### **Lithuania:**

Lithuania reached a formal agreement with the EC on the provisional NUTS classification in December 2001. In this classification there are one single unit at NUTS II level and 10 counties at NUTS III level.

**Latvia:**

In 1999, the government of Latvia approved the NUTS division, which was prepared by the Central Statistic Bureau of Latvia and Ministry of Environmental Protection and Regional Development. According to this division, Latvia is divided into one single unit at NUTS II level and 5 regions at NUTS III level.

**III.1.3. Progress of Programming Capacity**

All of the candidate countries have fulfilled National Development Plans in the last 5 years' period but there are still a lot of insufficiencies. In the programming capacity, the countries are concerned with implementing these insufficiencies by constituting national programmes, single programming document, regional development plans and so on. Some of them (Bulgaria, the Czech Republic, Hungary, the Slovak Republic and Estonia) constituted the regional development programmes to support especially underdeveloped regions.

After the year of 1997 the candidate countries have progressed important development in the field of programming. This shows the increasing effect of the European Union.

Main Developments of Programming System:

**Bulgaria:**

Bulgaria has made significant studies on National and Regional Development Plans from 1999. The Law on Regional Development (1999) defines the National Development Plan and its relation with the regional development plan. This act determines the various types of areas for purposeful impact: planning regions, areas of growth, areas for cross-border cooperation and areas with specific problems and priorities (underdeveloped rural areas and declining industrial areas). Planning regions are spatial units created for the purpose of regional development on the basis of agreements between district governors. According to this system, Bulgaria divides the country into 6 planning regions (North-West Region, North-Central Region, North-East Region, South-East Region, South-Central Region, South-West Region).

In October 1999, the Bulgarian Government submitted a preliminary National Development Plan (pNDP) for Bulgaria 2000-2006.

### **The Czech Republic:**

The Czech Republic has carried out significant developments in the field of programming from the beginning of 1990s. In 1992, the government approved the Principles of Regional Economic Policy. This document described two priorities for regional policy: Regions with high unemployment and regions undergoing major restructuring. A series of programmes for the promotion of SMEs were constituted for the development of these problem-regions.

Since 1996, regional development initiatives have been implemented through sectoral policies at a national level. In this context, the Czech Government presented the revised National Development Plan (NDP) to the European Commission in July 2001. The NDP provides for 6 Sectoral Operational Programmes (SOPs) and 8 Regional Operational Programmes (ROPs) at NUTS II level.

### **Hungary:**

The National Regional Development Concept, which was adopted by the government in March 1998, formed a basis for National Development Plans. This constituted a first step towards comprehensive planning.

In 2000, the preliminary National Development Plan (pNDP) was approved by the government. The pNDP identified three target regions (similar to NUTS II level), which received a contribution from the Phare Programme as well as national and local funding to develop the capacity to implement integrated regional development programmes and to prepare Hungary's participation in the Structural Funds. The three target regions are Northern-Hungary, the Northern Great Plain and Southern Great Plain.

### **Poland:**

In 2000s, Poland has realized significant progress on programming capacity. The preliminary National Development Plan (pNDP) 2000-2002 was approved by the Polish Government in December 1999 and in December 2000, Poland adopted a National Strategy for Regional Development for 2000-2002 and also adopted the Support Programme for 2001-2002 to start implementing this strategy. In June 2002, Poland submitted the first draft of its National Development Plan 2004-2006 to the European Commission. The NDP includes six Sectoral Operational Programmes, one Integrated Regional Operational Programme and one Technical Assistance Operational Programme.

### **The Slovak Republic:**

The Preliminary Integrated Plan for Regional and Social Development of the Slovak Republic (National Development Plan) was approved in October 1999. The plan identified Eastern-Slovakia as the target region where joint financing should be provided by Phare Programme, the Slovak Government and local authorities for integrated regional development projects.

The National Development Plan for 2002-2006, which was adopted in March 2001, aims six priorities: development of human resources, support for competitive production activities, infrastructure, development of production and services, protection and improvement of the environment, rural development and agriculture.

### **Romania:**

The establishment of National Development Council (1998) in Romania was a breaking point on programming system because it is responsible for the decision and analysis on the regional development strategy and programmes.

In May 2000, the Romanian Government endorsed the final version of the preliminary National Development Plan. This document is the first plan involving partnership between national and regional authorities as well as the institutions of civil society. In December 2001, Romania submitted its National Development Plan (NDP) 2002-2005 to the European Commission.

### **Estonia:**

In the mid-90s, Estonian Government started to function for the development of programming capacity.

In the end of 1995, Six Regional Policy Programmes were presented as new regional policy instruments. The objective of these programmes was to avoid further polarization of national economy. These six programmes are the peripheral areas programme, the islands programme, the border regions' support programme, the community initiative support programme, the monofunctional settlements programme and the Ida-Viru programme.

In 1998, a new programme was launched, the South-East Estonia programme. Its objective was to support various development projects in the three counties of Southeast Estonia. Additional programme were: a programme for supporting investments related to social infrastructure and a measure targeted at reducing the consequences of the so-called crisis situations.

In 1999, Estonia prepared a first version of the preliminary National Development Plan (pNDP) 2000-2002, which constitutes a first step towards developing a comprehensive

and detailed programming document in line with Structural Funds requirements. The pNDP identifies three target regions: Northeast Estonia, East Estonia and Western Islands Estonia. In October 2001, Estonia started the preparation of the Single Programming Document.

### **Slovenia:**

The preliminary National Development Plan (pNDP) 2000 – 2002 was approved by the government in November 1999. This is an intermediate step towards the development of a comprehensive and detailed National Development Plan 2002 – 2006 (NDP).

Slovenia submitted its National Development Plan 2002-2006 in December 2001. This plan serves as the basis for the establishment of the draft Single Programming Document as required by the Structural Funds Regulations. The preparation of the draft Single Programming Document and the programme complement started at the beginning of 2002.

### **Lithuania:**

In May 1999, the government approved the establishment of the National Agency for Regional Development. The main tasks of this agency are the preparation of the National Development Plan, the regional programmes and planning activities.

In October 1999, the Governmental European Integration Commission approved the preliminary National Development Plan (pNDP) for 2000-2002. The pNDP sets out the priorities and measures for the EC pre-accession instruments in Lithuania.

In 2000, Lithuania prepared a second preliminary National Development Plan for 2001-2003, which was used as a reference document for Phare 2001 Economic and Social Cohesion programming.

In February 2001 the Government approved the “Concept Paper for the Preparation of the National Development Plan”. According to this concept paper the Ministry of Finance has the overall responsibility for programming the preparation and coordination of the National Development Plan and draft Single Programming Document. The Ministry of Economy prepares the national development strategy and is in charge of coordinating sector strategies while the Ministry of Interior is responsible for shaping the national regional policy and for co-ordination of the regional contributions to the National Development Plan. The whole process of preparation of the National Development Plan is coordinated by a Working Group, the members of which were approved by the Prime Minister’s Order of 29 May 2001.

Lithuania submitted its National Development Plan 2002-2004 to the European Commission in January 2002.

### **Latvia:**

A first version of Latvia's National Development Plan was approved in October 1999. The revision of the National Development Plan started in January 2000 under the leadership of the Special Tasks Minister for Cooperation with International Financial Institutions. The National Development Plan 2002-2006 was submitted to the European Commission in January 2002. This plan is used as the basis for the establishment of the draft Single Programming Document by the Structural Funds regulations. The preparation of this draft and of the programme complement started at the beginning of 2002. The NDP sets several priorities in the regional development:

1. *strengthening of regional institutions;*
2. *capacity building for sustainable development of regions;*
3. *improvement of accessibility of regions* (Vet et al, 1999).

### **III.1.4. Evolution of Financial Management**

The majority of the candidate countries have a regional development fund. Especially, Hungary (1991) and the Czech Republic (1993), which started to form a specific fund in the early 1990s, have important experiences on financial instruments. However, the volume of these funds is very limited in comparison with the EU member countries' financial instruments.

While most of these countries do not have a clear administrative system in the field of financial management, all these countries established *the responsible institution on EU financial instruments*. Amongst these countries, Romania has an efficient administrative system that is a dual system at national and regional levels.

### **Bulgaria:**

In Bulgaria, various instruments have been used from the beginnings of the 1990. Since 1991, a series of experiments have been conducted in order to develop measures and economic regulations to solve problems in underdeveloped regions. Until 1998, various tools for interference in the less favored regions were used:

- *Subsidies for transport companies to operate in mountainous and rarely populated regions.*
- *Subsidies for the provision of basic services to remote small villages in the mountains.*
- *Financing of regional programmes and pilot projects by the funds for "Protection of the Environment" and for "Vocational Training and Unemployment",*
- *Promotion of ecological agriculture in mountainous regions by the fund for "Protection of Environment".*

- *Support of cross-border cooperation between the border regions of Bulgaria and Greece under the Phare-CBC* (Kamenova, 1999).

In 1998, a regional development fund was created but the volume of this fund is highly lower than in the EU. The Department for Economic and Social Cohesion within the Ministry of Regional Development and Public Works, which was created in 2000, is in charge of the financial management of programmes and projects (CEC, 2000c).

### **The Czech Republic:**

In the last ten years, the Czech Government has realized significant works on both the development of the financial tools and the constitution of the managerial institutions. Regional development fund, which started its activity in 1993, serves as a programme of certification of economic development of towns and villages. The aim of this fund is to create necessary conditions in Czech towns and villages for presentation of their investment possibilities to potential foreign investors (Homolka, 2001). Regional development fund is allocated in the state budget for the implementation of State Regional Development Programme

In 1996, the Ministry for Regional Development was set up in order to manage pre-accession assistance and to prepare for Structural Funds.

Within the 1999 programme, regional fund was developed in each border regions to finance small infrastructure measures and two other new funds were devoted to socio-economic development.

In 2000s, the Czech Government made legislative regulations in financial system. Firstly, the “Act on Budgetary Rules”, which came into force in January 2000, allows for the compilation of medium-term budgetary outlooks and constitutes the legal basis for multi-annual programming. This act also provides for implementation of the principle of co-financing (CEC, 2001c). Secondly, the “Act on Financial Control”, which was adopted in July 2002, stipulates the setting up of a system of financial control in the public administration. Consequently, internal audit units are being established in all ministries in the implementation of the Structural Funds and the Cohesion Fund (CEC, 2002d).

### **Hungary:**

In the early stages of the transition, a regional development fund was created in Hungary contrary to the other Central and Eastern European Countries. In 1991, the regional development fund was set up to assist a number of regional programmes in areas, which were suffering from handicaps of structural development or from high unemployment. In 1992, the regional development fund was reorganized and the Hungarian Parliament passed

the “Law on Separate State Funds”, to form the condition in the central subsidy system for regional development (Horvatti, 1999).

The Law defined the regional development fund to be a separate state fund having the following aims:

- *to promote the economic reinforcement of underdeveloped areas, the creation of new jobs, the restructuring of places with poor arable land and to rationalize land use,*
- *to promote economic restructuring in those areas worst hit by unemployment and to introduce marketable economic activities,*
- *to facilitate the regional restructuring through inter-settlement infrastructure,*
- *to promote the drafting of regional economic development programmes and the development of business information services and*
- *to support the realization of regional development programmes prepared by the government and parliament (Horvatti, 1999).*

According to the law, the fund was to be financed from ten different sources; the most important ones were state subsidies from the central budget, international aid and loans, and revenues from privatization (Horvatti, 1999).

After the new legislation in 1996, new instruments were added to the regional development fund:

1. The Targeted Budgetary Allocation for Regional Development: It provides grants, loans and interest subsidies to assist the implementation of development efforts in beneficiary regions.
2. The Regional Equalization Framework: It supports the infrastructural development efforts of local governments.

The Ministry of Finance is currently responsible for the financial management and control systems for the EU structural and cohesion funds.

### **Poland:**

In the early 1990s, central government provided only the subsidies for infrastructure developments to the old industrial regions (Sykora, 1999). There is not a specific regional development fund in Poland. However in the late 1990s and the early 2000s, Poland realized some steps towards positive financial management: In 1999, the Law on Public Finance, which was adopted by the government, regulates the principles of budgetary commitment and expenditure control and in 2001, the force of the Ministry of Finance was increased. This ministry is currently responsible for various financial instruments and for the pre-accession funds (Bachtler et al, 1999).



### **The Slovak Republic:**

There is no regional development fund in Slovakia; however there are various regionally differentiated sectoral programmes. In spite of the several administrative regulations, Slovakia has not formed clear financial management system yet:

In April 1998, the Slovak Government approved the establishment of the National Agency for Regional Development, which is not operational yet. However it will act as an umbrella institution for the EU Structural and Cohesion Funds (Ansky and Sirak, 1999 and CEC, 1998b).

In 2000, the Department of Regional Development Management at the Ministry of Construction and Regional Development set up as the operational arm of the ministry until the National Agency for Development is established (CEC, 2000d). Currently, the Ministry of Construction and Regional Development is responsible for the Structural and Cohesion Funds (CEC, 2000d).

### **Estonia:**

According to the Regional Policy Support, a regional development fund was established in 1995. However after the establishment of Estonian Regional Development Agency (ERDA) in 1997, the structure of regional development fund was changed because ERDA acts as a fund manager for a majority of instruments of national regional policy. The main tasks of this agency are the management of regional development fund, the development and coordination of activities carried out through the business support system and technical support to other regional policy instruments (Janikson and Kliimask, 1999). The Regional Development Strategy of Estonia defines the regional funding system; regional policy is funded from the state budget, involving also funds from other sources on the basis of the partnership principle: local budgets; foreign donors; private sector; non-governmental sector etc.

### **Romania:**

The funding system of Romania is different from the other Central and Eastern European Countries. The Law on Regional Development draws out the general funding system. There is a two-tiers system in Romania:

1. The National Fund of Regional Development (NFRD): In 1998, a National Fund for Regional Development was established as the channel for budgetary and EU funds in support of regional programmes. National Agency for Regional Development draws up principles; criteria, priorities and allotment of resources for NFRD and the

National Board for Regional Development approve criteria, priorities and allotments procedures concerning the NFRD.

NFRD is composed of:

- *state budget for regional development policy,*
- *standing financial assistance within the Phare Programme,*
- *amounts from structural type funds,*
- *financial assistance not requiring reimbursement from governments, international organization, banks etc,*
- *other financial resources from funds at the governments disposal.*

2. The Regional Development Fund (RDF): The Regional Development Agencies manages this fund.

RDF is composed of:

- *contributions from local and county budgets,*
- *financial resources from the private sector, banks, foreign investors, the EU and other international organizations,*
- *allocations provided by the NFRD.*

According to the January and April 2001 Government Decisions, the Ministry of Development and Prognosis started to manage the NFRD and EU Pre-accession funds for socio-economic cohesion (CEC, 2002e).

### **Slovenia:**

In the early 2000s, Slovenia realized some progress in the funding system. According to the Act on the Promotion of Balanced Regional Development, three key institutions are implementing structural policy at the national level: the National Agency for Regional Development, the Structural Policy Council, the Fund for Regional Development and Preservation of Rural Settlement.

The Fund for Regional Development was established in 2000. This fund cooperates with the National Agency for Regional Development, the Agency for Agricultural Markets and Rural Development, the Slovenian Development Corporation, regional development agencies and other organizations. The Fund for Regional Development is a financial organization devoted to achieving more long-term public goals in the sphere of regional policy. The Fund is collecting and allocating funds for regional structural policies.

### **Lithuania:**

There is no specific regional development fund in Lithuania. A Regional Development Department at the Ministry of Public Administration Reforms and Local Authorities was established in 1999. One of the main tasks of this department is coordinating the preparation for the administration of programmes financed by the Structural Funds, the Cohesion Fund,

structural assistance initiative and other sources of structural and regional assistance. The National Regional Development Plan and Regional Development Plans are financed from the state and municipal budget funds, by loans taken on behalf of municipalities, from the EU and any other international organizations funds.

The Ministry of Finance is a coordinating body of the programming and implementation of the EC Structural Funds and national co-financing (CEC, 2001b).

### **Latvia:**

According to the Concept of Regional Policy in 1998, a regional development fund was established to promote entrepreneurial activity in the assisted regions (CEC, 1998c). However its financial resources are limited. Regional development support measures are financed from the state budget, local government budgets, foreign financial assistance and contributions of legal and natural persons, including donations.

In 2000, the international assistance (including EU financial assistance) was added to the national budget (CEC, 2002e).

## **III.2. Regional Policy Developments of the Former Candidate Countries**

In the EU candidacy process; different from current candidate countries; Austria, Finland and Sweden, which entered into the EU in 1995, had far better economic conditions in the early 1990s. For example in 1990 according to GDP per capita (ppp) Sweden, Austria and Finland had 17.004 \$, 16.712 \$ and 16.193 \$.

Concerning their regional policies, these countries realized significant development during 1960s. In spite of the 10 years' accumulation of the current candidate countries, Austria, Sweden and Finland had 30 years' regional policy experiences before the candidacy process. In this part, the influences of the EU on the Austria, Finland and Sweden regional policies are depicted in the candidacy process in order to perceive the changing system of EU regional policy.

### **III.2.1. Regional Policy of Sweden**

Sweden started to work on regional policy in the early 1960s. In this 40 years period, Swedish regional policy has realized so many changes (Table 7).

During the 1960s, depend on the *Localization Policy*, Sweden worked to achieve regional economic balance and to encourage private capital investment in underdeveloped regions (McNiven and Plumstead, 1998).

In the beginning of the 1970s, the *Localization Policy* concept was replaced by the *Regional Policy* concept. In this new period, new instruments were introduced in the Swedish regional policy. In the Swedish Plan (Sverigeplanen), the central public sector was added to the regional policy. This was a shift from growth-oriented industrial policy, to policy-oriented towards distributing and transferring public expenditures. Many branches of government services were relocated into towns in the assisted areas, which were supposed to act as growth poles in these areas. One important aim of this growth-pole policy was out-localization of public authorities from Stockholm to the other parts of the country. During the 1970s, 10.000 public jobs and 43 governmental authorities were out-localized from Stockholm (Foss et al, 2000). In the late 1970s and the early 80s, the industrial restructuring caused high levels of unemployment especially in Southern Sweden (Hanell et al, 2002).

During the 1980s, reduced pay roll taxes were introduced in some regions in Northern Sweden. The primary aim for this policy were stimulating labour intensive production in peripheral areas. Actually, this policy was supposed to result in a larger demand for labour and a shift towards more service oriented activities (Foss et al, 2000).

During the 1990s, the Swedish regional policy changed as a consequence of three different factors: the labour market crisis of the 1990s; the EU membership and the new view on the driving forces behind regional and national economic growth.

From the early 1990s, the worst labour market crisis emerged in Sweden after the great depression of the 1930s. This crisis lasted up to the second half of the decade. Every region was affected by high unemployment and the regional problems. Depending on this crisis; there was a reduction of public spending. Instead of the *traditional* regional policy where redistribution, grants and subventions were central ingredients, a more growth-oriented policy was introduced that was more national than regional (Foss et al, 2000).

The Swedish regional policy started to change direction before the membership of EU. The Governmental Bill of 1993/1994 accepted that regional policy should be regarded as a part of a national growth oriented policy. After joining the Union, one of the most concrete results for regional policy was that Sweden now could get access to the Structural Funds, and EU created a new objective (Objective 6 for 1994 – 1999) especially for the sparsely populated areas in Sweden and Finland (McNiven and Plumstead, 1998).

During the 1990s, regional policy became less concerned with equity and became increasingly driven by questions of economic growth across all Swedish regions (Hallin et al, 1999). The main goal of the Swedish regional policy used to be the equal accessibility of

the employment opportunities, community services and healthy environment. Over the last few years, emphasis has shifted to the need to support sustained economic growth across all regions. Cross-sectoral programming and partnership has been introduced to all counties (Hanell et al, 2002).

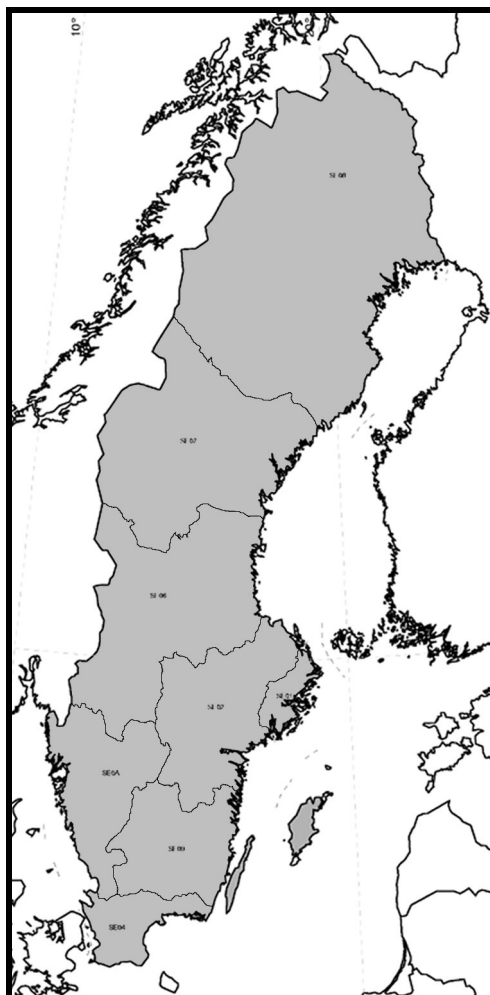
**Table 7.** The Summary of the Swedish Regional Policy Since 1965

<b>1965 – 1972</b>	Localization Policy (industrial and modernization of peripheral areas), Inter-Regional Balance
<b>1972 – 1976</b>	Central Place Policy where regional planning is a central ingredient, Inter-Regional Balance
<b>1976 – 1985</b>	Employment Policy – regional mobilization of jobs, integration of local labour markets, Intra-Regional Balance (integration of regional and labour market policy)
<b>1986 – 1994</b>	Upgrading of Human Capital, Regional Competence Development, Inter-Regional Balance
<b>1994 – 2001</b>	EU Adjustment, Regional Growth Policy, Inter-Regional Cohesion
<b>2001 – &gt;</b>	Regional Development Policy, well functioning and sustainable local labour markets with a good level of sources

The most recent policy bill was adopted in December 2001. Thus, the name of the policy area was changed: Regional Policy was replaced by Regional Development Policy, as a symbol of the shift from a regional cohesion focus to an economic growth focus. The goal of the new regional development policy is to promote well functioning and sustainable local labour markets with a good level of services in all parts of the country. There are three key phrases:

- *well functioning labour markets are described as being so attractive to people and businesses that the potential of all regions are utilized,*
- *a sustainable policy refers to the need for development policies to offer sound economic, social and ecological conditions to current and future generations, and*
- *a good level of services means that people and businesses in all parts of the country shall have access to commercial and public services as required* (Hanell et al, 2002).

Concerning territorial organization, Sweden formed the territorial organization in the mid-1990s. According to this classification, Sweden is divided into 8 regions at NUTS II level and 21 counties at NUTS III level (Figure 13).



**Figure 13.** NUTS II Regions of Sweden

### **III.2.1.1. Sweden's Institutional Structure**

Swedish regional policy has been formed at national level during the 1960s. However, some developments on the decentralization principle were observed in the 1980s.

The three main Swedish institutions involved in the administration of regional policy are the Ministry of Industry, the National Board for Industrial and Technical Development (NUTEK) and the County Administrative Boards (Regional administration of the central government).

Regional policy is the overall responsibility of the Ministry of Industry. The work is divided between two departments. The Division for Growth and Regional Development is responsible for strategic issues such as area designation and Commission negotiations. The Division for Enterprise Development is responsible for the implementation of business aid schemes (Hallin et al, 1999). NUTEK is the main implementing body of the Ministry at the national level. NUTEK continues to be the main body for government funding, as it has since the 1980s and plays a major role in assisting business, which receive regional support funds. NUTEK's primary activities are in the implementation of government policy in the area of technical research and industrial development, promotion of new and existing enterprises, as well as regional development (McNiven and Plumstead, 1998) At the regional level, the main bodies are the 21 County Administrative Boards; these are state agencies which have the main responsibility for implementing and coordinating regional development measures at the local level (McNiven and Plumstead, 1998).

Finally in the case of Sweden, different from the existing candidate countries, the EU was not effective on the regional policy development before the membership. But after joining the union, the EU made significant contribution on Swedish regional policy especially with the Structural Funds (1,1 billion Euros for the period 1995-1999). In this context, the share of regional policy increased in national budget allocations with the support of structural funds.

### **III.2.2. Regional Policy of Finland**

Finland's regional policy, which has grown up since the 1960s, can be divided mainly into three stages (Table 8). However the regional policy showed essential developments especially in the early 1990s.

**Table 8.** The Three Main Stages of Finland's Regional Policy

<b>Up to the mid 1970s</b>	Policy with an industrial focus for developing areas
<b>From mid 1970s to late 1980s</b>	Regional Policy Planning
<b>Late 1980s onwards</b>	Programme-based regional development

In the first period, modernization (infrastructure, education etc.) and industrialization accelerated the development of Finland in many ways in the 1960s. But this extensive industrialization caused a migration wave towards the cities, the rural industrial centers and towards Sweden (almost half million people left the country). In this context, the national regional policy aimed for stopping migration and keeping people in the regions. In the mid 1970s, the dramatic development and introduction of information of technology, the opening of borders and globalization again caused significant changes in the Finnish societal structure (CEMR, 2000).

Regional Planning Associations produced various kinds of plans however the second period started with the formation of “ratified plans” in 1973. In 1979, the Ministry of the Interior standardized regional planning. The planning system was clarified to consist of two major elements: *ratified regional land-use plans* and *integrated comprehensive regional plans*. These comprehensive regional plans were meant to “gather together different kinds of separate plans (structural plans, partial regional land-use plans, central network plans, implementation plans) together with regional development objectives under the same proceedings” (SDTP, 1998).

These comprehensive plans were a first step to have integrated regional planning with the aspect of the regions’ own individual development. Since 1980, comprehensive regional plans were made in the Regional Planning Associations every fourth year. However the nature of comprehensive plans changed significantly during these years and in the 1990s the emphasis has moved towards a more functional-economic direction (SDTP, 1998).

In this second period, there was an economic development, which relied on domestic demand, from the mid 1970s and to the early 1990s. The expansion of welfare services increased public-sector employment throughout the country. In addition, general inputs from the government supported the development of administrative and university centers in developing areas. These developments brought about economic growth in the mid 1970s and the differentiation trend between different parts of the country and the migration trend diminished. But at the same time, the number of industrial jobs in traditional manufacturing decreased. Thus Finland, like other western countries, observed a new kind of regional problem among areas suffering from industrial decline and the distinction between industrial Finland and the developing areas was breaking down (Lehto, 2002).

The Planning and Building Act (1990), which was adopted at the beginning of the third period, aimed to increase participation and to encourage sustainable development. The clear effects of this law were to decentralize planning power from the upper-level authorities to the local-level (municipalities) and to liberalize the processes of planning and development (Balchin et al, 1999).



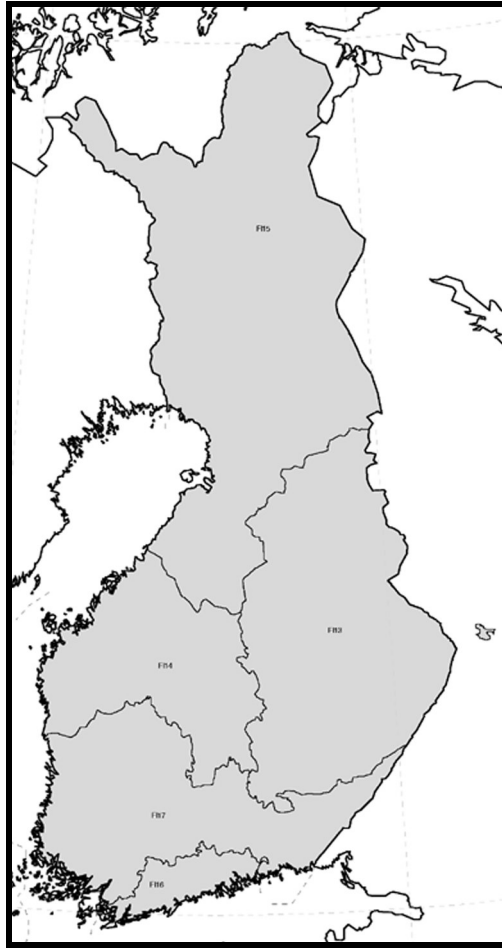
In this third period, the greatest challenge to regional policy in 1990s was the need to restructure the production structure in order to achieve international competitiveness. This objective was pursued by shifting the focus from traditional industries onto the development of knowledge-based production. The geographically extensive network of universities and polytechnics in all parts of the country provided a good basis for this effort (Smith and Persson, 2002).

Especially after the adoption of the Regional Development Act in 1994, the importance of the programme-based regional policy increased. The aim of this act is to support the equitable and independent development of the various part of the country. The principles of regional policy and general guidelines for development are defined in the objective programmes. Regional development funding takes the form of specified budget appropriations allocated to the various administrative sectors. The appropriations can be used to promote regional development targets and the programmes drawn up to achieve them. The government approved a new objective programme in 2000. The Finnish national regional policy is organized around five major programmes covering different aspects of regional problems: Structural Change Area, Rural Area, Archipelago, Border Area and a network programme for Centers of Expertise (Hallin et al, 1999).

Regional Development Programmes are prepared by the Regional Councils, which coordinate and direct development work in the regions in cooperation with local authorities and other bodies. The programmes form specific targets and strategies for regional development.

In the field of territorial organization; after the accession of the EU in 1995, Finland formed a new regional tier; the major regions (“suuralue”, NUTS 2 level). There are six major regions in Finland. This level is based on the division into regions. Major regions are also important units for the regional policy of the EU (Figure 14). The 20 regions (“maakunta”, NUTS 3 level) derived from historically formed counties, are administratively associations of municipalities (Lehto, 2002).

Currently, regional policy aims for balanced regional development throughout Finland. Together with the national regional policy and the European Union promote the equitable and independent development of various parts of the country.



**Figure 14.** NUTS II Regions of Finland

#### **III.2.2.1. Finland's Institutional Structure**

In Finland, the general responsibility for the coordination and implementation of regional policy lies with the Ministry of Interior. Nevertheless, in 1994 the regional structure was changed in more comprehensive terms with the adoption of the Regional Development Law (Hallin et al, 1999). The act increased the importance of local government in regional policy by delegating power from central government to the regions. According to this law both local and central government are responsible for regional development (Smith and Persson, 2002).

In Finland, there are three levels of government: The state (supported by six provinces), 20 Regional Councils and the local authorities (455 self-governing municipalities).

At the national level, the regional policy is still the responsibility of the Ministry of the Interior. A number of ministries deal with the economic measures; the most important is the

Ministry of Trade and Industry, the Ministry of Agriculture and Forestry and the Ministry of Labour (Hanell et al, 2002). These three ministries operate in the context of the joint Employment and Economic Development Centres (TE Centre). These 15 centres make decisions concerning the flow of regional development financing coming through the three ministries, thus providing loans, grants and development services for businesses, entrepreneurs and private individuals (Lehto, 2002).

At the regional level, the responsibility for regional development coordination was transferred from the regional state authorities (the Provincial State Offices), to Regional Councils. The Provincial State Offices were reformed and their number was decreased from twelve to six (Oulu, Lopland, Eastern Finland, Western Finland, Southern Finland and Aland) (Smith and Persson, 2002). Their task is to oversee the local administration. Regional Councils (19 + Aland) have the responsibility for regional development and planning. Their goal is to promote regional development initiatives, a good regional balance and environmentally sustainable activities. The tasks of the Regional Councils are to:

- *draw up regional development programmes and reconcile them with the regional development measures of the regional state authorities,*
- *present objectives for the development of regional infrastructure,*
- *develop the framework for business activity to generate new enterprises and new jobs within the region,*
- *reinforce the regional economy in every possible way,*
- *improve the occupational skills of the population* (Pietilainen, 2003).

Finally the EU was not a directive role on Finland's regional policy in the accession period. After the membership (1995), the EU has started to work actively with the support of Structural Funds. In the structural funding period of 1995-1999, 1,6 billion Euros' funding was directed to the rural and regional policy through the EU's regional objective programs 2, 5b and 6. At present, the EU has continued to support especially the rural areas with the Objective Programme 1 for 2000-2006.

### **III.2.3. Regional Policy of Austria**

The regional policy system of Austria is highly different from the two Nordic countries (Finland, Sweden). Since Austria is a federal country where the approach to economic development was essentially bottom-up. There are two breaking points in the Austrian regional policy in the regional policy process (Table 9).

**Table 9.** Two Turning Points of the Austrian Regional Policy

1.	At the beginning of the 1980s	- Focusing on Endogenous Renewal Processes
2.	In the mid-1990s	- Accession to the EU

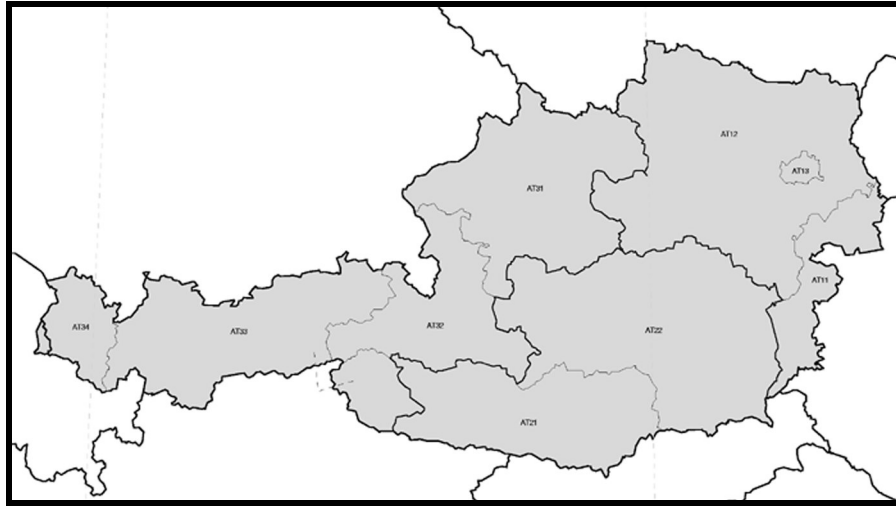
In the 1970s, there was great number of underdeveloped regions, which could not be developed by forcing industrialization on the basis of exogenous growth. At the beginning of the 1980s, regional policy began to concentrate on endogenous renewal processes, improving regional innovation capacity and creating synergies through cooperation between project promoters (Hummelbrunner and Lukesch, 2002). As a result, the endogenous development strategy provided valuable impulse and in the middle of 1990s, economic differences (unemployment, GDP per capita) among the regions highly decreased. Only one region (Burgenland) was a lagging behind the rest of the country (Balchin, et al, 1999).

When Austria joined the EU in 1995, regional policy realized the second turning point:

- *increased competition among localizations, but also new regional development opportunities,*
- *considerably more money for regional policy due to the availability of EU Structural Funds,*
- *less flexibility for regional policy intervention due to rigid administrative Structural Fund* (Hummelbrunner and Lukesch, 2002).

It has been observed some important steps since 1995. For example, 1 Regional Management at Land level (Burgenland) and 20 Regional Managements at NUTS III or district level were established. Currently, the number of the Regional Managements is increasing and the Regional Management System has helped to promote a more bottom-up approach to local development.

In the field of territorial organization, the base of the 9 regions (NUTS II level) was determined after the First World War (Figure 15). In the mid 1990s, 35 regions were established as NUTS III level.



**Figure 15. NUTS II Regions of Austria**

### **III.2.3.1. Austria's Institutional Structure**

In Austria, the power is shared among three tiers of government similar to Germany: federal government, provincial government (Länder) and local authorities.

At the upper level, the federal government is responsible for matters of national importance, for example, finance, foreign policy, defense, education, the national road system etc. The middle tier consists of nine regions (Länder), which were established after the First World War. The nine provinces have a very strong position within the system because only the provinces can pass legislation for spatial planning laws. The provinces are also in overall charge of the fields of regional planning and regional economic development. At the lower-tier, Austria is divided into 99 regional districts and fifteen urban authorities, below which there are 2359 municipalities. Although the regional districts and urban authorities might be subject to sub-regional plans, the municipalities have the responsibility of producing local physical plans setting out the rationale of development (Balchin, et al, 1999).

In addition of the Federal, Länder and local governments, two institutions are also interested in regional policy. First one, the Federal Chancellery is responsible for the coordination of measures in all policy areas at federal level and has separate department for regional policy. It also represents the country in EU level and has a central role in the Structural Funds (Downes, 2000). Second one, the Österreichische Raumordnungskonferenz (ÖROK, Austrian Council on Regional Planning), which was founded in 1971, is based in the Federal Chancellery. It acts as coordinating body of national, regional and local policy actors. The ÖROK is an advisory body for all tiers of government, which can make

recommendations to its members. However, it cannot issue any decree or guidelines. The ÖROK also coordinates the drawing up of the Austrian Spatial Planning Concept (ASP), which takes place every ten years. It is financed by the national government (48 %), the provinces (48 %), the Austrian association and cities (2 %) and associations of communities (2 %). Members of this council are the federal chancellor, all ministers, the heads of provincial governments and 2 representatives of the Austrian association of cities and 2 of the Austrian association of communities (UNIDO, 2001).

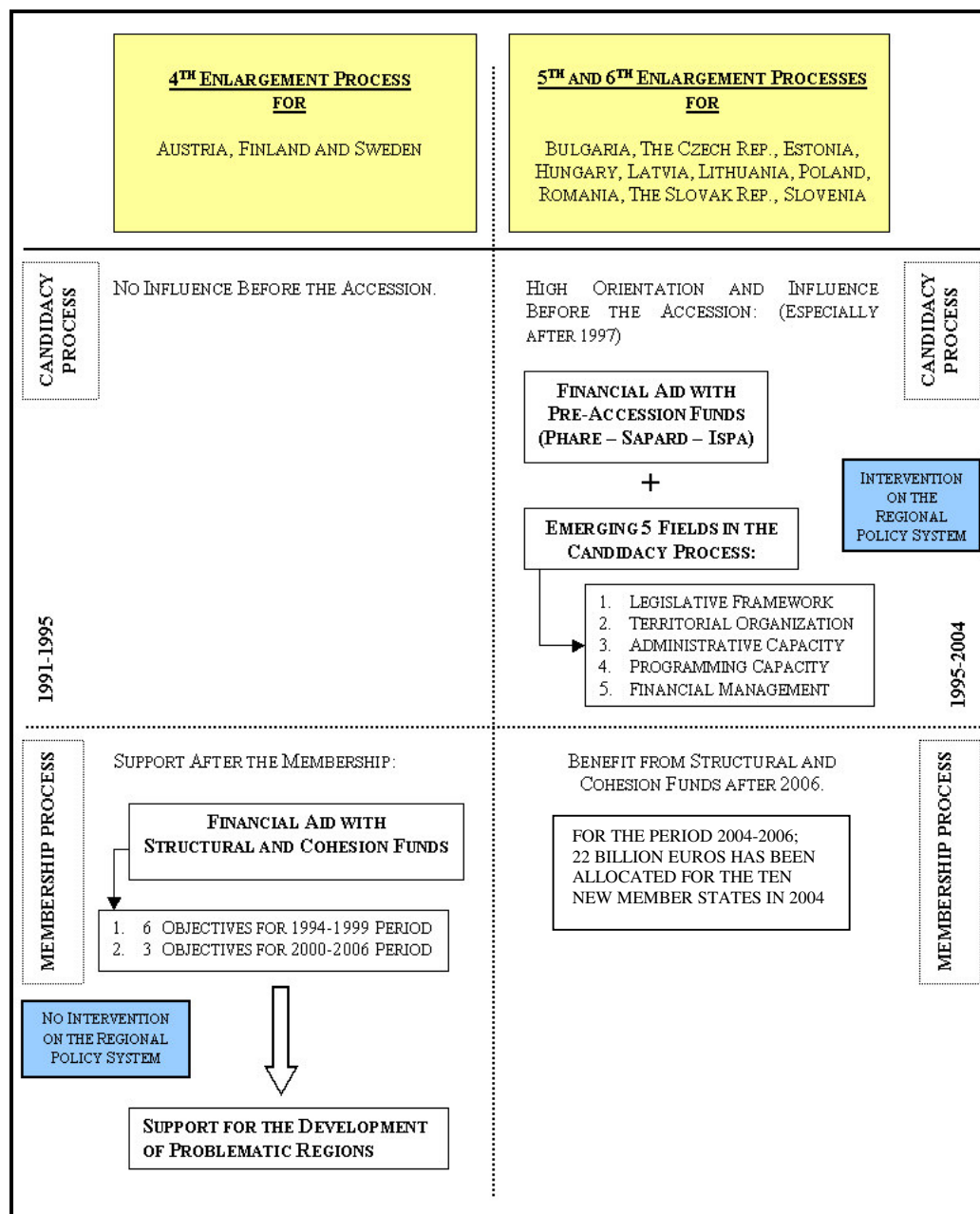
As a result, Austria has used important EU support after the accession. In the period 1995-1999, the country received 1,6 billion Euros in Structural Fund through the Objectives 1,2, 5a and 5b. Actually, similar to Finland and Sweden, Structural Funds achieve significant contribution on Austria regional policy.

### **III.3. Evaluation of the EU Regional Policy with respect to the Past and Current Enlargement Processes**

Although the EU regional policy has been changing continuously, depending on the enlargement processes as it was stated in the previous chapter, the EU did not interfere in the candidate countries' internal process on the first four accession roads. In the past enlargements, the EU had just provided important support after the accession (Figure 16).

The 4<sup>th</sup> enlargement process was completed in a very short time. Austria, Finland and Sweden applied for membership in 1991 and joined the EU in 1995. They were highly developed countries in the early 1990s. In the candidacy process their institutional systems were well arranged and their GDP per capita were above the EU average. However after membership, the EU started to lead Structural and Cohesion Funds for supporting their disadvantaged regions. Except for these financial aids, the EU did not require any regulations for the development of their regional policy systems.

The 5<sup>th</sup> and 6<sup>th</sup> enlargement processes, which started in 1995, are totally different from the previous ones. These processes brought about so many new regulations. Since the CEECs changed from a centrally planned to a market based economic system in the early 1990s, they were faced with a severe economic crisis. Corollary to this, the policymakers of the EC had to devise a strategy to protect and encourage economic and demographic reforms in the CEECs. After their applications of membership, the EU has concentrated on priorities for accession and determines each country's weakness with various tools, especially from 1997. In this regard the EU sees Regional Policy and Coordination of Structural Instruments as an important chapter and on the accession road the EU actively requires the regulations in five fields:



**Figure 16.** The Changing System of Regional Policy in European Union Enlargement Processes

- In the legislative framework, adoption of the regional development law that is harmonious with the EU system,
- In the territorial organization, formation of the EU NUTS system,
- In the programming capacity, preparation of national development plans, multi-annual programming documents, regional operational programmes and so on,

- In the financial management, establishment of an appropriate institution that is harmonious with the EU and formation of working financial system, especially regional development funds.
- In the administrative capacity, establishment of the new institutional structure. The development of the candidate countries' institutional structures will be detailed in the next chapter.

After membership, these 12 countries will have an effect on the future of EU regional policy, because of its present concentration in the regions whose development is lagging behind (Objective 1 regions). The CEECs' accession will imply a counteractive effect on the statistical threshold of GDP per capita defining Objective 1 regions, due to the fact that these countries have the lowest levels of development. Most of the current Objective 1 regions will be placed in upper levels to 75 % of average GDP per capita EU-25 and lose their Objective 1 condition. All in all, it can be claimed that the EU's main channel to support the economic catch-up process will change after 2006; as for the period 2000-2006 the total budget for the structural funds was determined as 195 billion Euros. For the period between 2004-2006, an amount of 22 billion Euros has been allocated as the structural instruments in areas such as regional policy, environmental protection, financial management and control for the ten new member states in 2004.

In this context, the EU is currently considering four options for applying the Community Cohesion Policy to those regions lagging behind after the year 2006:

1. continue to use the current threshold of 75 %.
2. use the same threshold of 75 %, however offer temporary support to those regions that currently qualify under Objective 1, with funds phasing out over time.
3. set the GDP per capita threshold higher than 75 % of the average. This would be increased to such a level that those EU-15 regions that are currently lagging behind would no longer qualify for funding within Objective 1 before enlargement.
4. use two defined threshold, one for the regions in EU-15 and one for the new member states.

Within these four options, the second and the last approaches are more suitable for supporting the regions lagging behind in order to attain a goal of solidarity. However the discussions will continue with the EC and candidate countries to reach the best possible solution.

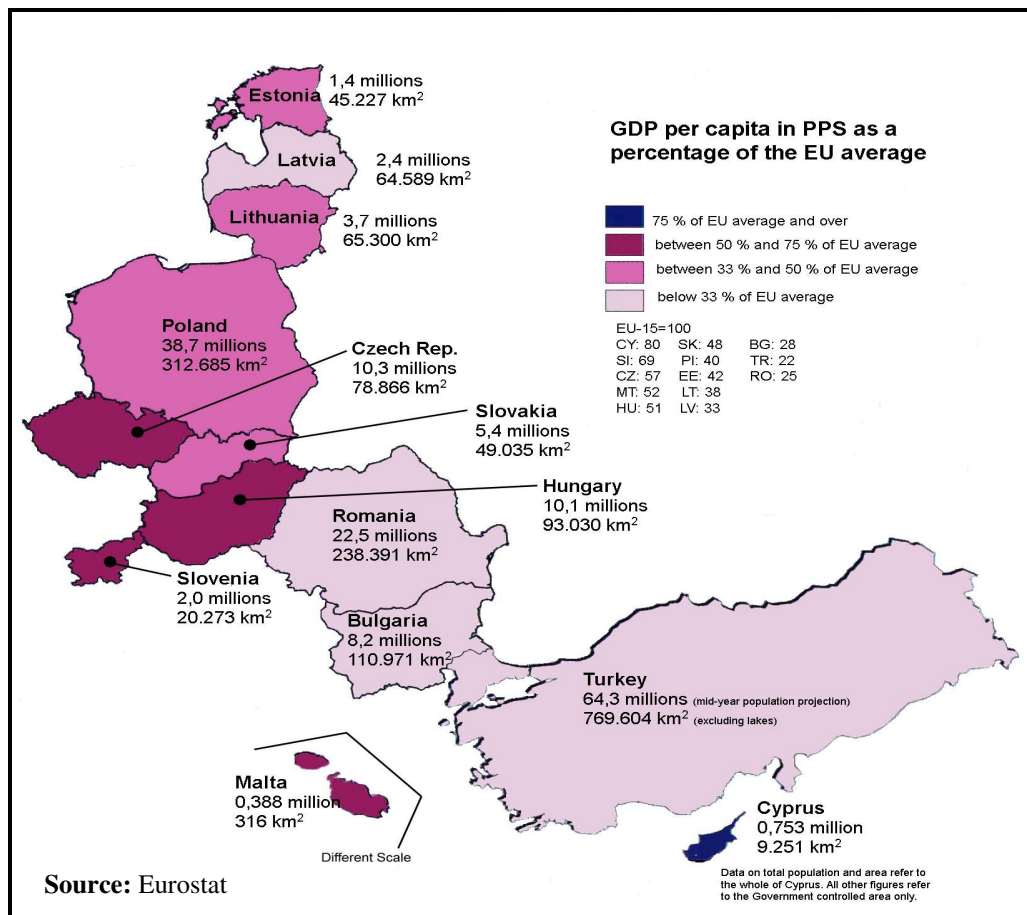


## CHAPTER IV

### INSTITUTIONAL STRUCTURE OF REGIONAL POLICY IN EUROPEAN UNION CANDIDATE COUNTRIES

The institutional structure for regional policy in the EU Candidate Countries has been developing at an accelerating rate especially since 1997. At national and regional levels new structures, agencies and authorities are being created.

In this chapter the development of the institutional structure for regional development is examined detailed. Malta and Cyprus, which are very small territories, are excluded in this research (Figure 17).



**Figure 17.** Average Population, Surface Area and GDP in 2001

Other ten countries are collected into the two groups. The territorial organization (NUTS II level) is used for this classification. Because NUTS II level is essential for the EU financial instruments and influences on the formation of the developing institutional structure in the field of regional policy:

1. *More than one NUTS II level Countries*<sup>8</sup> (*Medium-Sized Countries*): Hungary, Poland, the Czech Republic, Bulgaria, the Slovak Republic and Romania.
2. *Single NUTS II level Countries* (*Small-Sized Countries*): Estonia, Lithuania, Slovenia and Latvia.

#### **IV.1. Institutional System of Medium Sized Countries**

Both the national and sub-national level institutions are highly effective in the institutional system for regional policy of the medium-sized countries. At the national level, Responsible Ministry for Regional Development and National Development Agency / Council are the leading institutions and at the regional level, Regional Development Councils and Regional Development Agencies can be determined as the main directive bodies.

##### **IV.1.1. Hungary**

Hungary is one of the most advanced transition countries with the 1996 Act on Regional Development and Physical Planning, which defines responsibilities among all the administrative levels. The act provides more strong institutional foundations at three levels (Figure 18)

At the national level, Ministry for Agriculture and Regional Development and National Regional Development Council (NRDC) are responsible for the development of regional policy:

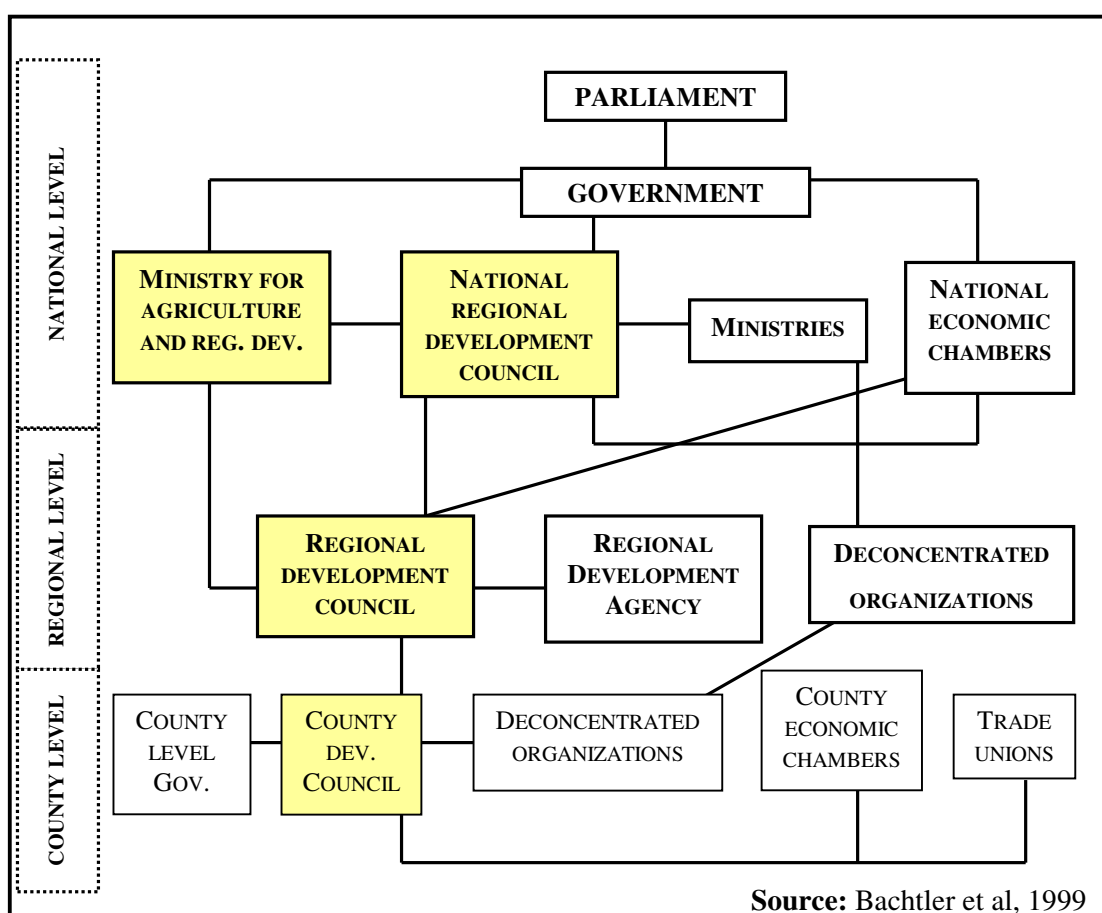
- National Regional Development Council (NRDC, established in 1996):

The mission of the Council is to prepare decisions for the parliament and government and to coordinate activities between national bodies and the development councils in regional policy. The Council has significant input into the national concept for regional development and the implementation of regional policy related resolutions. It also coordinates sectoral aid for regional development. It is composed of one person from each

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<sup>8</sup> Bulgaria: 6 NUTS 2, the Czech Rep.: 8 NUTS 2, Hungary: 7 NUTS 2, Poland: 16 NUTS 2, the Slovak Rep.: 4 NUTS 2 and Romania: 8 NUTS 2.

of the regional development councils, the mayor of Budapest, chairmen of the national chambers of commerce, the employer and employee's representative, ministers from several ministries, one representative from the national self-government federations and the chairmen of the national committee of technical development. The president of the council is the minister for agriculture and regional development. It has a 12 member secretarial called the National Regional Development Centre (OECD, 2001 and Bachtler et al, 1999):



**Figure 18.** Hungarian Regional Development Organizations after 1996 Act

- National Regional Development Centre:

It is responsible for regional coordination, promotion and harmonization of national and regional development initiatives and for the provision of technical support and help to County and Regional Development Councils. It also assists in the organization of Cross-Border Cooperation (CBC) and initiatives in line with the structural fund policies of the European Union (Bachtler et al, 1999).

- Ministry for Agriculture and Regional Development (1998):

After the 1998 general election, the new government reorganized the management centre of regional policy. The Ministry of Environment and Regional Policy was abolished and regional tasks were given to the created Ministry of Agriculture and Regional Development (Horvatti, 1999).

Its main responsibilities are to form government recommendations for national regional development policy, to prepare regional development plans and regional planning schemes for the whole country and for problem areas and administrate regional and spatial development tasks. It includes EU Integration Unit, which covered the EU-funded programmes (Phare, Sapard and Ispa) (Bachtler et al, 1999).

Inter-ministerial Committee for Development Policy Coordination, established in 2000, realizes inter-ministerial coordination.

At the regional level (NUTS II level), there are seven Regional Development Councils:

- Regional Development Councils (RDCs, established in 1997):

The RDCs main tasks include the formulation and adoption of the regional development concept and programme, the coordination of territorial economic development, the preparation of financial plans and the decisions regarding the implementation of the programmes. The RDCs comprise representatives from County Development Councils, the ministry for agriculture and regional development and other relevant national ministries, the economic chambers and local government partnerships (OECD, 2001 and Bachtler et al, 1999).

After the 1999 amendment of Act XXI, the executive bodies of RDCs, - the Regional Development Agencies (RDAs) were strengthened. They were created as public service companies with permanent staff to help the councils in their work (OECD, 2001).

At the county level, the County Development Councils are responsible for the coordination of regional development:

- County Development Councils (CDCs, established in 1996):

They are in many ways analogous to a regional planning and information organization, responsible for analyzing the social and economic situation in the county and coordinating development plans at county level, and making decisions regarding the use and distribution of development funds (OECD, 2001). They include the president of the general assembly of the county, the mayors of any towns of county status, the ministerial representative of the ministry for agriculture and regional development, the head of the county's agricultural office, the chair of the local regional tourism committee and three representatives from associations of municipalities (Bachtler et al, 1999).

Finally in spite of the establishment of the institutional structure at different levels, the operation of these institutions is still highly weak. However important development are observed in the field of coordination. At regional and county levels, there are a lot of organizations and agencies, many of which comprise the deconcentrated administrative bodies of sectoral ministries. The 1990 local government reform increased the number of these organizations. In this context, the coordination activities of RDCs and CDCs have to be increased in order to provide effective role.

#### **IV.1.2. Poland**

After collapsing the Soviet Block, the need for regional development policy institutions at the national and regional level began to be addressed in the early 1990s. However the important stages, such as the adoption of Regional Development Law and the establishment of the Ministry of Regional Development, were realized in the early 2000s and Polish Government placed the decentralization principle in the institutional system. But the institutional structure and the tasks & responsibilities of the institutions are not still formed completely (Figure 19).

At central government level, the Ministry of Regional Development and Polish Agency for Regional Development (PARR) are responsible for the regional policy:

- Ministry of Regional Development (established in 2000):

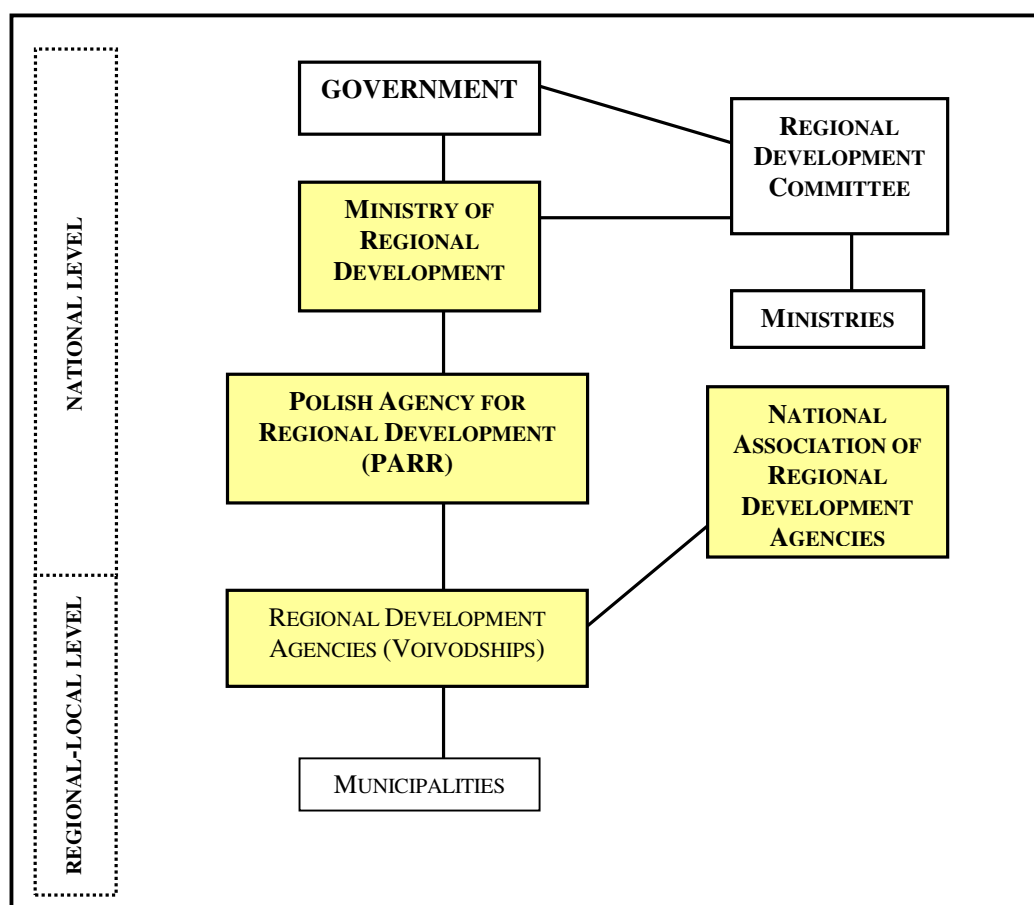
The Ministry plays a principal role in regional development programming. It is also in charge of monitoring and evaluation of programmes.

- Polish Agency for Regional Development (PARR, established in 1993):

PARR, a State Treasury foundation, was established in 1993 in order to support the regional development in Poland, and in particular to:

- *assist and promote all types of initiatives launched for the benefit of the economic development of regions,*
- *support the development of information on regional development,*
- *participate in the establishment of financial institutions promoting regional development* (Bachtler et al, 1999).

PARR Supervisory Board is currently composed of the representatives of the related ministries. PARR operations comprise two interrelated segments, broadly the promotion of regional and local development and the implementation of specific regional development programmes.



**Figure 19.** Institutional Structure of Regional Policy in Poland

Other institutions at central level, which are responsible for regional development, are:

- National Association of Regional Development Agencies (NARDA, established in 1993):

The NARDA was established at the end of 1993 by initiative of Regional Development Agencies, which recognised the need for co-operation, exchange of experience and co-ordination of activities at national level. The Association is a voluntary organisation, consisting of 18 regional development agencies, supporting members. NARDA is a non-profit organisation, a non-governmental, independent organisation, supported by its members (fees) and partly by the projects carried out.

The main objective of the Association is the support of regional development in Poland by:

- *experience exchange between the agencies,*
- *co-operation initiatives for people and institutions acting for regional development*
- *creation and implementation of regional policy in co-operation with the governmental institutions*
- *promotion of foreign investments in regions (NARDA, 2003).*

- Industrial Development Agency (IDA):

This body is a shareholder in many regional and local agencies. IDA created the Regional Development Agencies in cooperation with the local authorities and with the support from chambers of commerce and industry, local firms, banks and business associations. The state represented by the Industrial Development Agency usually contributes to the initial capital, but the agencies should be self-supporting (Sykora, 1999).

At the regional & local level, the Regional Development Agencies are very important and active organizations:

- Regional Development Agencies (RDA):

There are approximately 70 Regional Development Agencies, which operate in Poland. The majority of these organizations were set up between 1991 and 1994 and a few were established in 1995 (Sykora, 1995). The majority of these RDAs are joint-stock companies and they usually undertake three types of activity – business activity, activity conducted for non-profit motives and development activity. They also play a key role in creating a network of business-related institutions such as Technology Parks, Enterprise Zones and Business Incubators. The RDAs are also involved in other direct actions, which may benefit their local economies such as economic promotion, inward investment or tourism (Halkier et al, 1998).

Polish Agency for Regional Development is engaged in cooperative activity with these agencies operating in the regions. It provides financial support for restructuring and growth. Local economic development activity is undertaken by the RDAs alongside a number of local organisations or foundations who concentrate their regeneration work within their communes. Local self-government is another important main partner operating alongside the RDAs (Halkier et al, 1998).

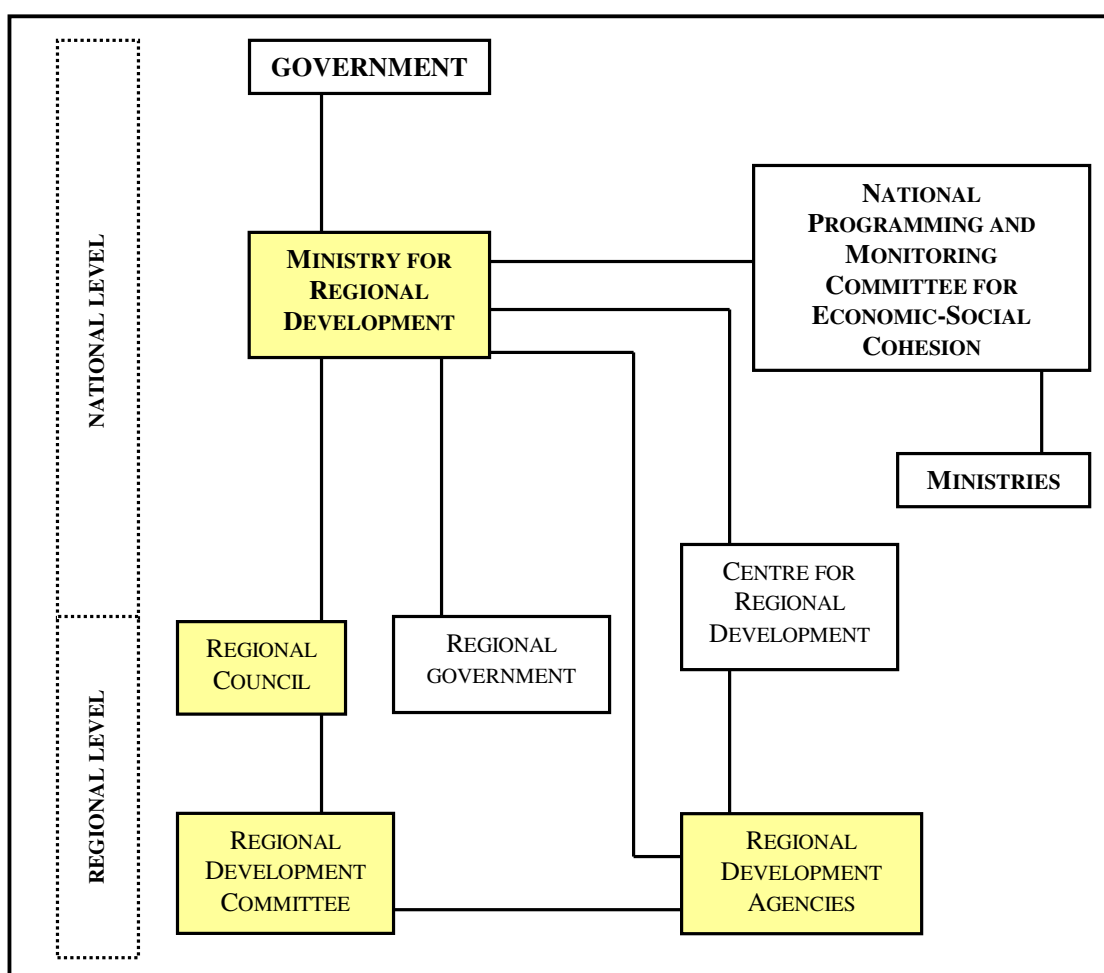
The staff are often highly skilled and qualified operating within a stable management structure. Many of the personnel are made up of economists, engineers and lawyers. Since 1998 the profile of the RDAs has changed slightly as more emphasis is given to their role in capital and investment activities whereas their responsibilities for developing business exchanges, technology parks and enterprise incubators has been downgraded (Halkier et al, 1998).

The Polish RDAs were not a very popular policy measure when they were first introduced. Initially they were not very well supported by the authorities and local elite. However over time most of the RDAs have established their identity and found their place on the institutional system.

### IV.1.3. The Czech Republic

In 1990, the old hierarchically organized system of National Committees; which represented the state power in regions, districts and municipalities; was abolished and a new system of local government started to form by an amendment to the Constitution and through the new Municipal Act and District Office Act. In autumn 1990, Regional National Committees were also abolished (Sykora, 1999).

In the late of 1990s and early 2000s, it was observed significant progress at both national and regional levels. At the national level, the Ministry for Regional Development was established in 1997 as the main administrative body to regional policy (Figure 20):



**Figure 20.** Institutional Structure of Regional Policy in Czech Republic



- Ministry for Regional Development (MRD):

According to the Act on Support to Regional Development, the main responsibilities of the Ministry are to:

- *coordinate the activities of all the concerned state administration bodies and the NUTS III regions and implementation of the regional development strategy and State Regional Development Programmes, prepare analysis evaluating the development of the individual NUTS III regions and districts and proposals to define regions; for the purpose of carrying out this task, the MRD is entitled to request necessary data, prepared within the range of authority of the concerned administrative bodies, from such bodies;*
- *prepare the regional development strategy and the State Regional Development Programmes in cooperation with the concerned central bodies of state administration and the NUTS III regions and submit them to the Government for approval;*
- *ensure and monitor the implementation of the State Regional Development Programmes;*
- *ensure international cooperation in the field of support for regional development and cooperation with the European Communities in relation to economic and social cohesion, including coordination of the factual content of the instruments of assistance and related programming, programme implementation and evaluation of programme implementation,*
- *assist in the NUTS III regions' involvement in the European regional structures.*

- Centre for Regional Development:

The centre was established earlier than the Ministry for Regional Development. The main task of the centre is to initiate the development of economic activities in the regions through its direct and indirect support, particularly in the area of information services. As the centre functions as an operational arm of the Ministry for Regional Development, it established a system of regional branch offices (Bachtler et al, 1999).

At the central level, there are also 14 ministries and 8 administrative bodies (such as Statistical Office, the Czech National Bank etc.). The Government Committee for European Integration is the central coordinating body for EU accession related matters.

At the regional level, highly rooted Regional Development Agencies (RDAs) and the newly created Regional Councils, Regional Development Committees are effective institutions in the institutional system:

- Regional Development Agencies (RDAs):

RDAs were first established in 1993. RDAs are the responsibility of the Ministry for Regional Development, but the Centre for Regional Development coordinates their daily activities. There are 14 RDAs (at NUTS III level) functioning in the Czech Republic. In most cases, RDAs are the result of a bottom-up initiative and operate with Phare support. In contrast there are several examples (RDAs in North Moravia and Silesia) of the result of top-down initiative (Bachtler et al, 1999). RDAs essentially operate as joint-stock

companies with shareholders from both the public and private sectors. Their main objectives are:

- *the promotion of public-private partnerships,*
- *attracting inward investment,*
- *the coordination of regional development activities,*
- *improving the regional image and its promotion outside the region* (Halkier et al, 1998).

- Regional Councils:

All Regional Councils were established at NUTS II level in 2001. According to the Act on Support to Regional Development; the Councils are to

- *collect statistical and financial data necessary for evaluating programme implementation,*
- *ensure the implementation of computerized management and evaluation system indispensable for the management and evaluation of the programme implementation, and for the exchange of data among relevant bodies,*
- *carry out modifications and change to programming documents and submit them for approval to the “Regional Development Committee”,*
- *carry out on-going evaluation of programme implementation, produce annual and final evaluation reports on the programmes, which it submits to the European Commission after approval by the “Regional Development Committee”,*
- *ensure awareness-raising about the programmes and help provided in the field of economic and social cohesion,*
- *ensure compliance of the programmes and their implementation with EC policies especially in relation to the rules of public procurement.*

- Regional Development Committees:

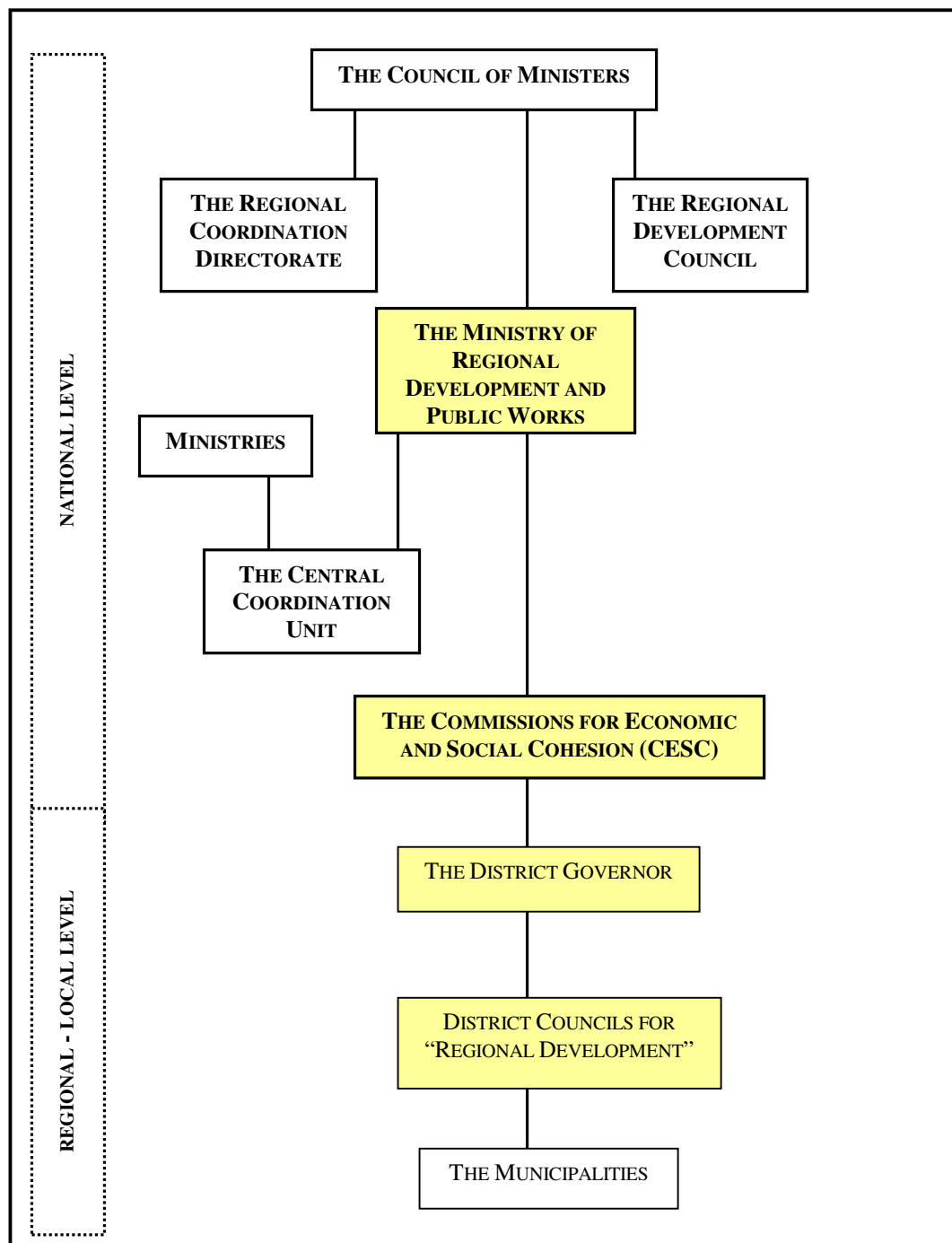
The majority of the Regional Development Committees was set up in 2002. The Regional Councils establish Regional Development Committees. These committees monitor and evaluate the implementation of aid provided from and submit proposal for solution and further steps to be taken to the Council. The members of the Committees are representatives of NUTS III regions elected by the Council, delegated representatives of the municipalities, administrative offices, entrepreneurs, trade unions and non-governmental and non-profit organizations (Act on Support to Regional Development of the Czech Republic).

- Regional Governments (“Hejtmanství”, established in 2001):

The Regional Governments ensure tasks relating to the process of support to regional development. In particular, they are obliged to provide the necessary cooperation in preparing the proposals and in the implementation of the regional development programmes and the NUTS III regional development programmes (Act on Support to Regional Development of the Czech Republic).

#### IV.1.4. Bulgaria

Actually, Bulgaria has a simple institutional system. At national level, the Ministry of Regional Development and Public Works and at regional level, the District Governors that are appointed by central government are very effective actors (Figure 21).



**Figure 21.** Institutional Structure of Regional Policy in Bulgaria

- The Council of Ministers:

The Council adopts the National Regional Development Plan (NRDP), the National Economic Development Plan (NEDP), the annual report on the performance of NRDP and carries out the coordination of central and territorial bodies of executive power and their administrations. The Council appointed the district Governor and defines the structure and the size as well as the functions and the tasks of the district administration. Within the Council of Ministers, there are two institutions that are interested in regional affairs:

1. The Regional Coordination Directorate:

The function of this directorate is described as assisting the interaction between central and regional authorities, providing methodological support to them and preparing statements on regional development strategies and projects (Sklavounos, 2002).

2. The Regional Development Council:

This Council coordinates the preparation of the NRDP prior to its submission to the Council of Ministers, the activities of all ministries and agencies with a regional nature. It includes ministers, district governors and representatives of the National Association of the municipalities (Sklavounos, 2002).

At the national level, the Ministry of Regional Development and Public Works has a leading role in defining and implementing regional development policy:

- The Ministry of Regional Development and Public Works (established in 1994):

The Ministry carries out the central level of regional development management. The main functions and tasks of the Ministry are in the area of:

- *regional development and planning,*
- *administrative-territorial development,*
- *territorial and population center development,*
- *technical infrastructure,*
- *registration and management of state property,*
- *construction and the construction industry* (CSD, 1999).

Within the Ministry, the Directorate General of Regional Development and Administrative and Technical Organization is responsible for the coordination of the preparation of regional policy, assistance in preparing legislation and programming and implementation of economic and social cohesion (CEC, 2000c).

Inter-ministerial coordination is ensured by the Central Coordination Unit in the Ministry of Regional Development and Public Works.

- The Commissions for Economic and Social Cohesion (CESC):

These Commissions are instruments for approval of regional development plans and programmes prior to their submission by the Minister of Regional Development and Public Works. The members of the CESC are representatives of the local authorities in the regions,

representatives of the regional structures of business organizations, trade unions and non-governmental organizations (Sklavounos, 2002).

Since 1990, a reform process has been observed in local government. A number of laws have been passed; the creation of administrative-territorial units and the implementation of administrative and territorial changes (1995), issues of local government and local administration as well as the functions and tasks of the local authorities (1995), acquisition, management and disposal of immovable and movable property which is municipal property, as well as the type of municipal property (1996), the formation of the municipal budgets act (1998).

Currently at the regional level, the District Councils for Regional Development are very important institutions in order to provide partnership and participation principles. However, the 28 District Governors, which are appointed by the Council of Ministers, are responsible for general management.

- The District Governor:

The district governor leads state policy within the district, coordinates the activities of the decentralized executive authorities at the district level and their relations with local authorities, organizes the preparation and implementation of district regional development strategies and programs and establishes relations with local government bodies (Sklavounos, 2002).

- The District Councils for Regional Development:

These Councils that are instruments for coordination and partnership at district level are charged with harmonizing national and local interests with the participation of local authorities. The members of the Councils are the mayors of the districts and one representative of the respective municipal councils (Sklavounos, 2002).

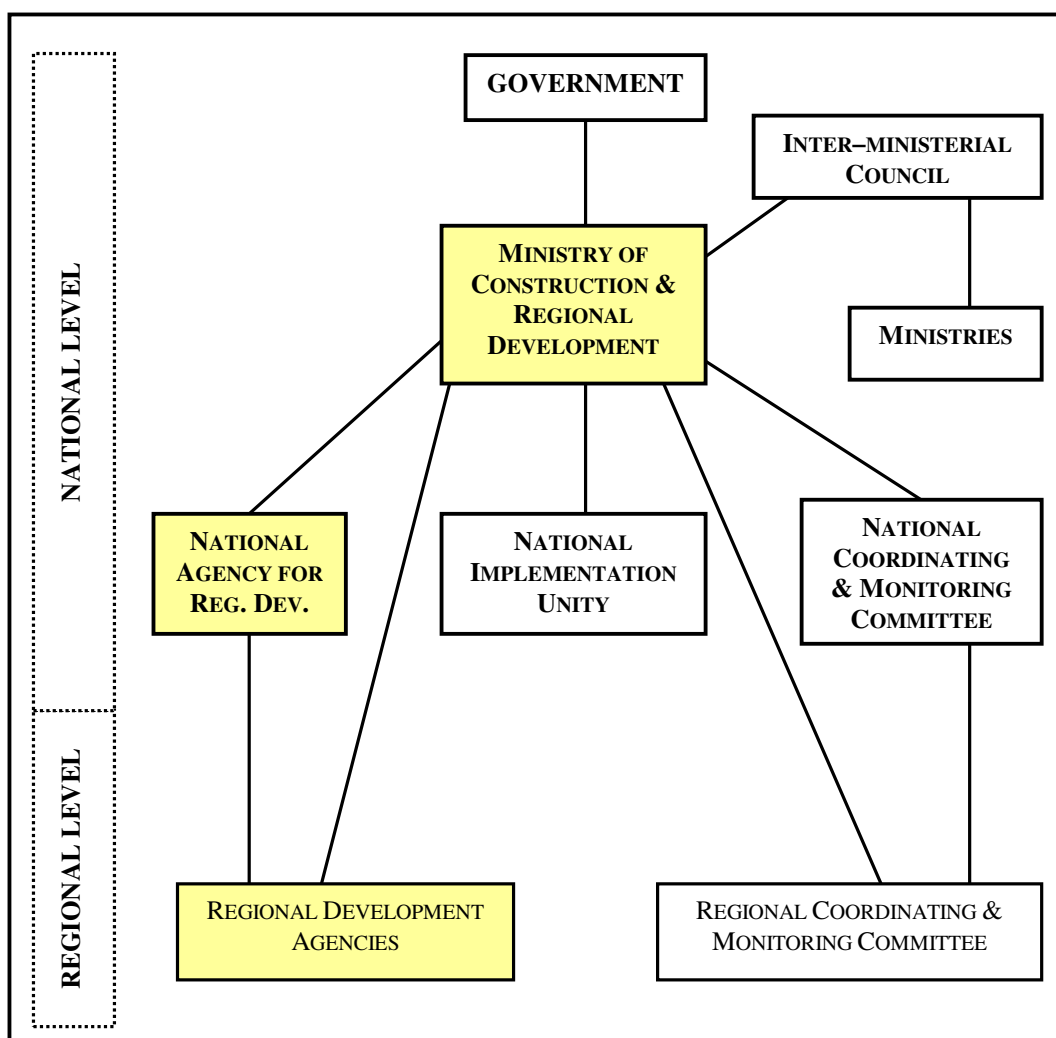
- The Municipalities:

They have a specific role in regional planning and in the implementation of regional development policies. As self-governing administrative territorial units, they are relatively independent and have their own financial resources. Local authorities are the basic generators of ideas, initiatives and projects for development, and are the main partners of the central authorities in the process of elaboration of regional development plans. This function includes participation in the District Councils for regional development, in the CESC's and, in the Regional Development Council at the Council of Ministers. They are also especially suitable partners for involving the private sector and NGOs in the process of regional development (Sklavounos, 2002).

#### IV.1.5. The Slovak Republic

The Slovak Republic has realized significant progress in institutional structure after the 1997 breaking point. On 1 December 1999, the Ministry of Construction and Regional Development was established as the main central state administration authority for regional development and regional policy. On 18 October 2001, the Act on Support of Regional Policy was adopted by the Slovak Government.

In this brief process, many institutions that are interested in regional policy were established at national level but the leading institution is the Ministry of Construction and Regional Development (Figure 22):



**Figure 22.** Institutional Structure of Regional Policy in Slovak Republic

- The Ministry of Construction and Regional Development:

The Ministry is the central state administration body for regional development and regional policy. For the purposes of coordinating assistance provided by the EU at the central level, the Ministry established three institutions:

1. National Agency for Regional Development (established in 2001):

This agency acts as an umbrella institution for the EU structural and cohesion funds. The agency forms the core of a network of Regional Development Agencies (RDAs) and ensures the implementation of regional development priorities (Ansky and Sirak, 1999).

2. National Implementation Unity (NIU):

NIU, which was established in 2001, is the central implementation unit for the use of pre-accession and structural funds (CEC, 2001a).

3. National Monitoring Committee (established in 2002):

The Ministry of Construction of Regional Development set up the National Monitoring Committee for coordinating activities connected with the preparation, management and monitoring of the implementation of the National Development Plan.

At regional level, the main effective bodies are Regional Development Agencies:

- Regional Development Agencies (RDAs, established since 1997):

There are currently 18 RDAs in the Slovak Republic. RDAs are non-profit organizations, which play the role of executive units in regions for the support of less advanced regions in particular. They are regional implementation agencies and their aim is the development of regions through regional operational programmes, which form a part of the National Regional Development Plan and development projects implemented within the programmes.

The RDAs have the following tasks:

- *prepare project plans to be financed in the framework of ISPA, SAPARD and PHARE programmes,*
- *development of projects which create conditions for internal and external investments in the region;*
- *activate the region to apply for domestic and foreign grants, develop transborder co-operation and interregional co-operation;*
- *co-ordinate activities and cooperate with the entities participating in regional development (whenever EU programmes and projects need to be implemented);*
- *support the development of regional development studies;*
- *create regional information systems and databases;*
- *organise expert training dealing with regional development and EU integration (Van Der Straaten, 2002).*

- Regional Coordinating and Monitoring Committees (RCMC):

In NUTS II regions, the Ministry of Construction and Regional Development established Regional Coordinating and Monitoring Committees, which secure tasks related to the use of finance from funds and are responsible for the preparation, management and monitoring of the implementation of regional operational programmes (ROP) under the National Regional Development Plan. The members of the RCMC are the state administration authorities, self-government and other entities (the entrepreneurial sphere, representatives of universities and scientific units, etc).

#### **IV.1.6. Romania**

The fundamentals of the institutional structure were formed firstly with the adoption of the Law on Regional Development in 1998. In this law, the national structures for regional development are the National Board for Regional Development and the National Agency for Regional Development.

However, the national institutional level changed with the effects of the EU. In 2001, National Agency for Regional Development was disbanded and the Ministry of Development and Prognosis was established. Currently, the Ministry has highly effective role in regional policy and development (Figure 23).

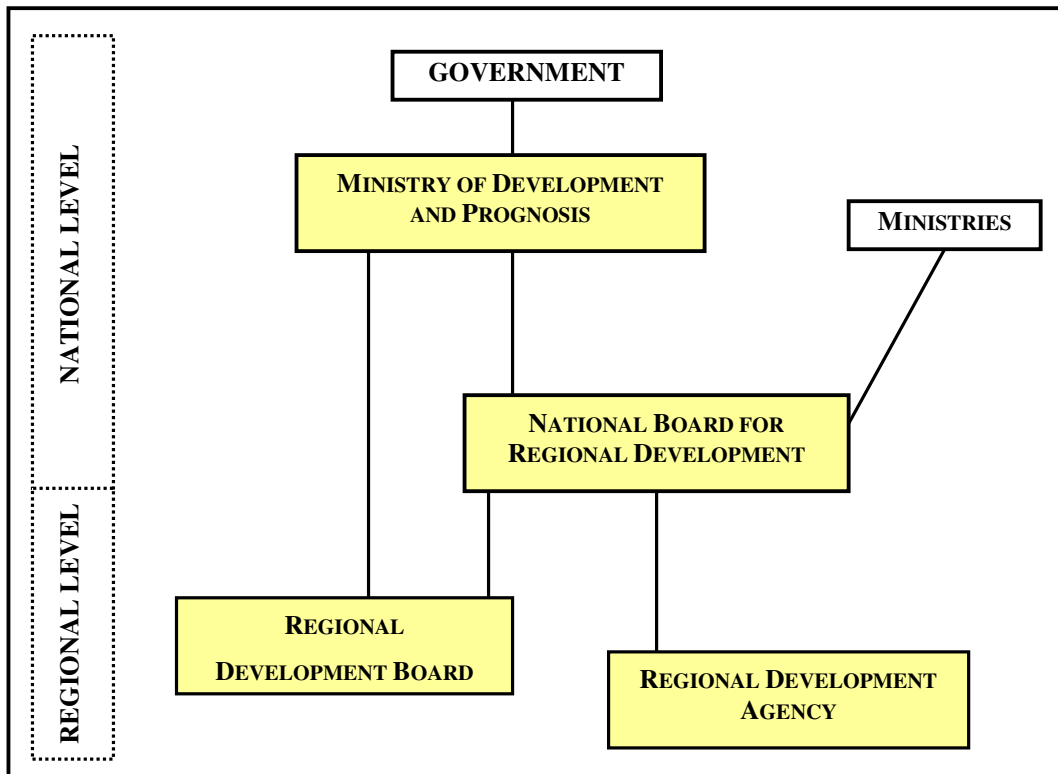
- National Board for Regional Development:

The Board is responsible for coordination between ministries and regional bodies. The Minister of Development and Prognosis chairs the National Board for Regional Development. The members of the Board are the presidents and vice-presidents of the Regional Development Councils and an equal number of representatives of the Government.

The main attributes of the Board are:

- *approval of the National Strategy for Regional Development and of the National Programme for Regional Development;*
- *proposals presented to the Government regarding the resources of the National Fund for Regional Development;*
- *approves the criteria for the priorities and ways of allocations of the National Fund for Regional Development;*
- *approves the use of the structural type funds, allocated to Romania from the European Commission in the pre-accession period and of the structural funds after the accession;*
- *monitors accomplishment of regional development objectives, including the external cooperation activities of development regions in terms of cross-border, inter-regional and Euro-regions actions (Regional Development Law of Romania, 1998).*





**Figure 23.** Institutional Structure of Regional Policy in Romania

- National Agency for Regional Development:

In order to promote and coordinate the regional development policy, the National Agency for Regional Development was established as an executive body of the National Board for Regional Development. Its main attributes were to:

- *elaborate the National Strategy for Regional Development and the National Programme for Regional Development;*
- *elaborate the principles, criteria, priorities and allotment of resources from the National Fund for Regional Development;*
- *propose to the National Board for Regional Development the resources for the National Fund for Regional Development;*
- *ensure the financial and technical management of the National Fund for Regional Development;*
- *promote different forms of cooperation between counties, cities, towns and villages;*
- *ensure assistance for the Regional Development Councils in the field of institutional building;*
- *propose to the National Board for Regional Development the nomination of some areas as disadvantaged areas;*
- *act as the National negotiations in the relations with the Section of Regional Politics and Cohesion of the European Commission for the European Fund for Regional Development and the Cohesion Fund;*
- *manage the funds allocated to Romania from the European Fund for Regional Development, and Cohesion Fund;*

- *coordinate the application of the National Plan for Regional Development which provides the basis for negotiations with the European Commission and the financing of different EU programmes (Regional Development Law of Romania, 1998).*

The National Agency for Regional Development was disbanded following the change of government in 2001, and the main responsibilities for regional development were moved to the newly created Ministry of Development and Prognosis.

- The Ministry of Development and Prognosis (established in 2001):

The ministry was set up to give a more effective response to the priorities regarding the economic restoration, the guarantee of a lasting economic growth and the strengthening of the institutional capacity and the elaboration and application of prognosis and projects for regional development. The Ministry is a synthesis ministry, which has the role to elaborate analysis and prognosis regarding the development of the Romanian economy, to apply the governmental strategy and programs, to promote policies of economic and social development, as well as foreign investments in Romania.

At regional level, Regional Development Board and Regional Development Agencies are main institutions for the progress of regions:

- Regional Development Board:

The Regional Development Board is the deliberative body, which coordinates the activities promoting the objectives implied by the regional development policies, at regional level.

The Regional Development Board is made up of:

- *the Presidents of the County Councils within the development region;*
- *a representative of the city local boards within every county of the region;*
- *a representative of the municipal local boards within every county of the region (Regional Development Law of Romania, 1998).*

Main responsibilities:

- *analyses and decides over the regional development strategy and the annual and multi-annual regional development programs;*
- *analyses and decides over the regional development projects selected and submitted by the Regional Development Agency;*
- *analyses and approves the criteria and selection priorities of the regional development projects, as well as the allotment and destination of the resources of the Regional Development Fund;*
- *analyses and approves the project for the budget of the Regional Development Agency, designated to the organization and functioning expenses;*
- *coordinates the activity of the Regional Development Agency, makes sure that the objectives of the regional development policy are obeyed and ensures an equal and fair treatment towards all the counties that make up the region;*
- *appoints, through a contest and releases from duty, under law, the head of the Regional Development Agency;*

- *approves the documentation elaborated by the Regional Development Agency in view of obtaining for some areas of the region, the status of disadvantaged area;*
- *solicits to the Regional Development Agency to present studies, analysis and make recommendations concerning the ways of accomplishing the objectives of the strategies of regional development (Regional Development Law of Romania, 1998).*

- **Regional Development Agencies:**

The Agencies for regional development are non-governmental organisms, non-profit, for public use, with legal personality, which act in the area specific to the regional development. They are organized and function according to the Law of Regional Development (1998) and to the organization and functioning status, approved by the Regional Development Board.

The Manager of the Regional Development Agencies is appointed by the Regional Development Board on the basis of competition and the latter may also dismiss him.

Main responsibilities:

- *designs and submits for approval to the Regional Development Board the regional strategy and programs and the planning of the management of the funds;*
- *implements the regional development programs and the planning of the management of the funds, in accordance with the decisions adopted by the Regional Development Board, observing the legislation in force, and is also responsible for their accomplishment;*
- *identifies the disadvantaged areas within the development regions, together with the local or county councils, and submits the necessary documentation, previously approved by the Regional Development Board, to the Ministry of Development and Prognosis and the National Board for Regional Development;*
- *provides specialized technical assistance, together with the local or county councils, for the natural or legal persons, with either state or private capital, investing in the disadvantaged areas;*
- *submits to the Ministry of Development and Prognosis proposals to finance the approved development projects out of the Fund for Regional Development;*
- *acts to attract financial contributions to the Regional Development Fund;*
- *manages the Regional Development Fund in order to achieve the objectives settled by the regional development programs;*
- *is held responsible by the Regional Development Board and the legal competent bodies for the correct management of the allotted funds (Kolumban, 2001).*

## **IV.2. Institutional System of Small Sized Countries**

Estonia, Lithuania, Latvia and Slovenia have only one NUTS II level. In these countries, national level institutions are more effective than regional level institutions on regional policy and “regional development and policy” concepts take part in the national

development. Despite the national level institutions include the representatives of regional and local authorities, the regional level institutions are limited power and depend on the central government especially in the field of finance.

#### **IV.2.1. Estonia**

The first document of the regional policy of Estonia, the Guidelines of Regional Policy, approved by the government in 1994. This document formed the basis of the institutional structure in the regional policy. In 1999, the Estonian Government adopted the Regional Development Strategy, which establishes the basic priorities for Estonia's regional policy with a view to accession and participation in EU Structural Funds (CEC, 1999b). The Regional Development Strategy constitutes current administrative structure (Figure 24).

At the national level, there are three main institutions which effect regional development and policy:

- The Ministry of Internal Affairs:

The ministry responsible for regional policy is the Ministry of Internal Affairs. The Ministry of Economic Affairs is also actively involved in national regional policy, as it is responsible for supporting small and medium-sized enterprises. The Ministry of Agriculture is responsible for rural planning. The Minister without portfolio for Regional Affairs is responsible for coordination of the activities of the Central Government affecting regional development. These ministries are the main partners as far as regional policy concerned (Janikson and Kliimask, 1999).

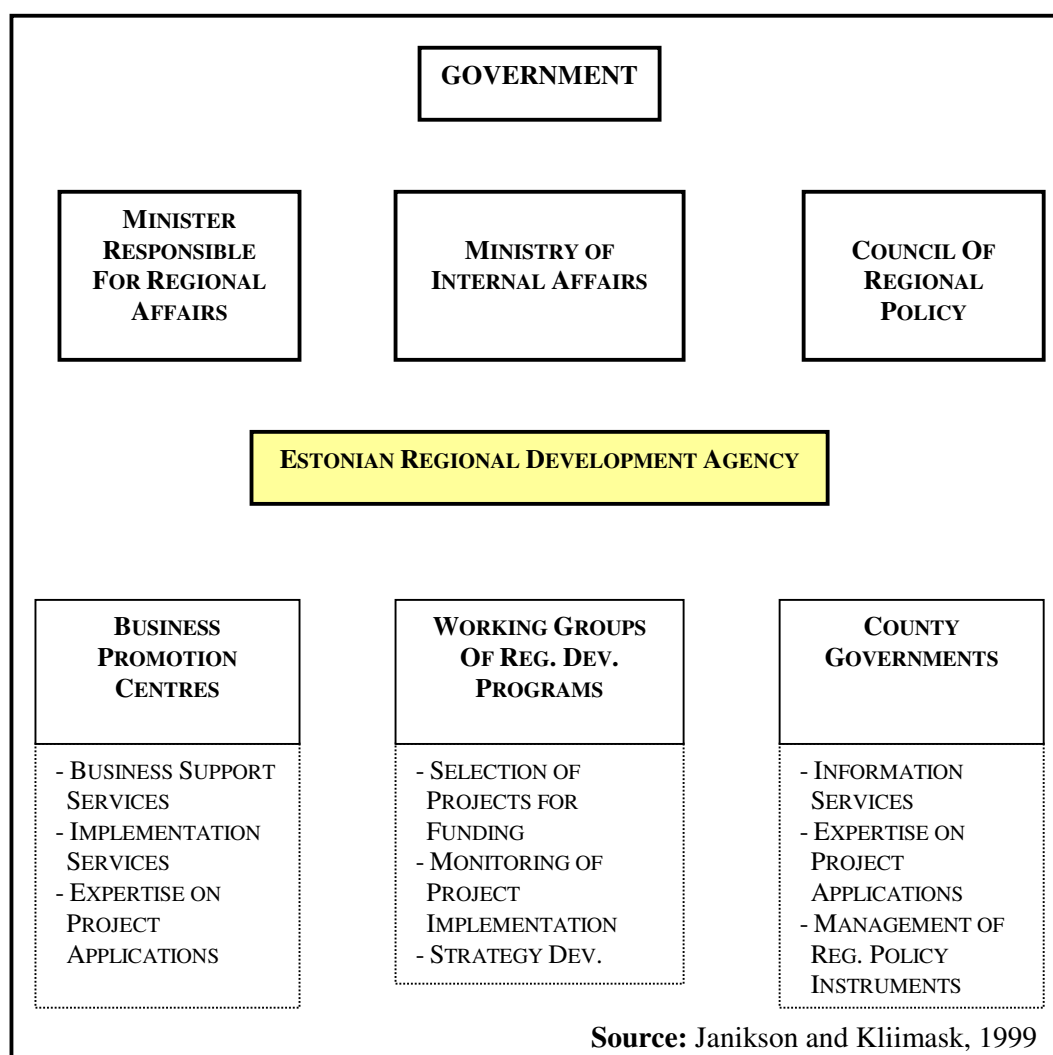
- The Council of Regional Policy:

According to the 1994 Guidelines of Regional Policy, the Regional Policy Council was formed in 1995. The Council is the main body for inter-ministerial coordination. However, the Council of Regional Policy was reformed in 2000. The Minister for Regional Affairs chairs the council. Its members are representatives of all ministries, 2 elected County Governors and representatives of the Association of Cities, the Association of Rural Municipalities, the Union of Associations of Local Governments and the Offices of European Integration. Its tasks include monitoring the effectiveness of regional development measures and organizing the evaluation of their impact (CEC, 2001d).

- The Estonian Regional Development Agency (ERDA):

This Agency was established in 1997, as an executive branch in the field of regional policy and business support. ERDA is managed by the board. The board members represent the four key ministries, the county governments, local self-governments and business

associations. The Agency acts as a fund manager for a majority of the instruments of national regional policy. The main tasks of the Agency are the development and coordination of activities carried out through the business support system and technical support to other regional policy instruments (Janikson and Kliimask, 1999 and ERDA, 2003).



**Figure 24.** Institutional Structure of Regional Policy in Estonia

Although there are some institutions such as County Government, Business Promotion Centres at regional level, their authorities are limited and they depend on central government especially in the field of finance.

- County Governments:

County Governments are responsible for coordination of sectoral policy activities (strategic planning, tourism and business development, public services etc.) at regional level (Janikson and Kliimask, 1999). Although County Governments have limited formal competencies in the field of regional development, they can be characterized as active bodies, which play a crucial role in linking local initiatives with state actions. The budget for county economic development, however, is very low and fully depends on state funding.

- Business Promotion Centres:

Business Promotion Centres are the most important components of the business support system. The Centres mediate between entrepreneurs and consultants (Development of Regional Policy in Estonia). Estonian Business Promotion Network includes 16 Regional Centres with contractual obligation to provide service package to new private small and medium sized firms. Regional Business Promotion Centres Network covers all Estonian Counties (ERDA, 2003).

- Working Groups of Regional Development Programmes:

In 1995, 8 different regional programmes were formulated in order to avoid the polarization of national economy and the appearance of macro-regions problems. The responsible ministry (Interior Affairs, Economic Affairs and Agriculture) appointed a manager (ERDA) and a working group for these programmes. Working Groups keep the responsibility to make financing proposals and the Board of ERDA decides whether to finance or reject a project (Janikson and Kliimask, 1999).

#### **IV.2.2. Lithuania**

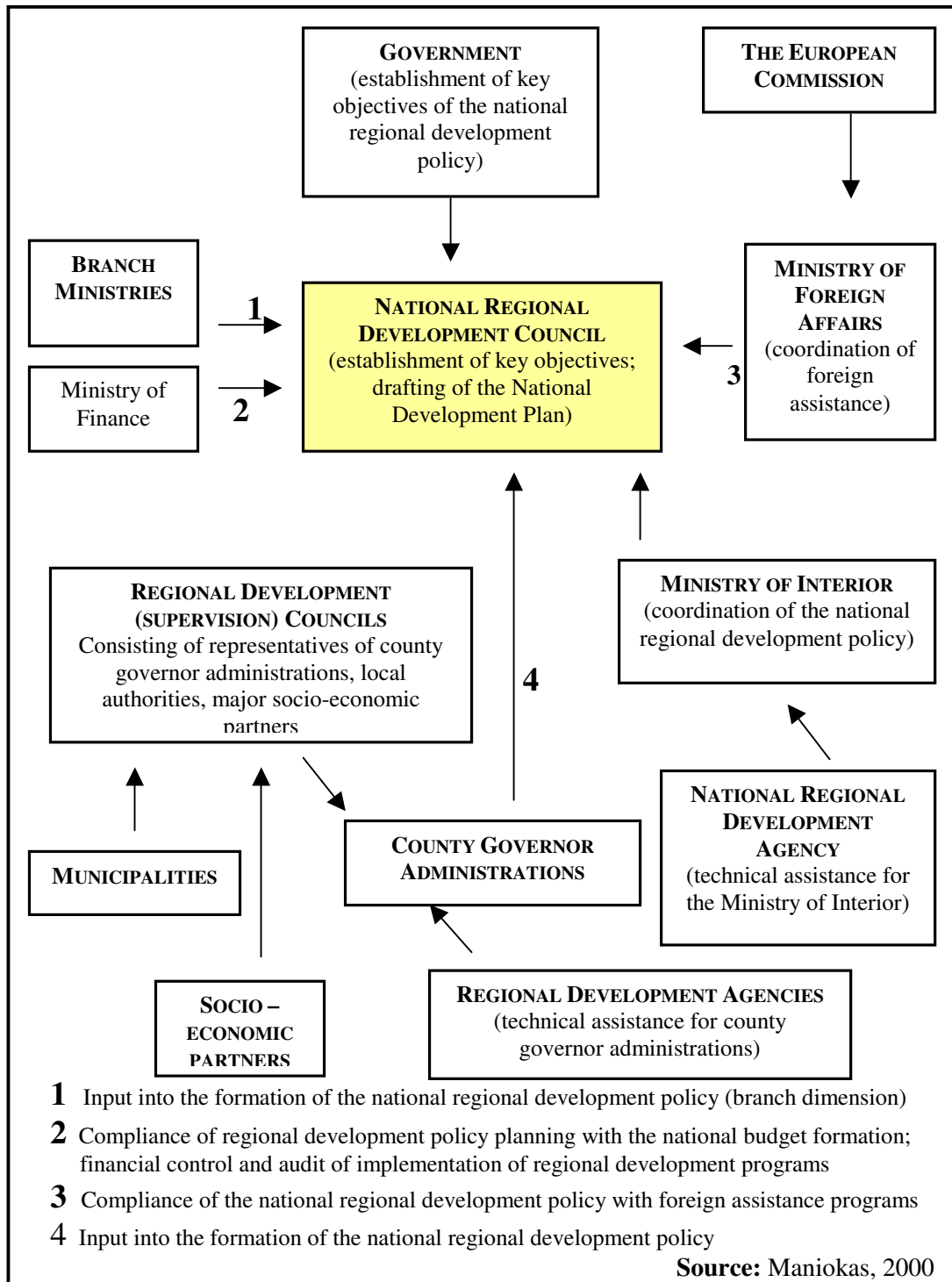
After the adoption of Regional Development Law (2000), it was observed significant progress in the institutional structure of regional policy (Figure 25). At the central level, the Ministry in charge of regional policy is the Ministry of Interior:

- The Ministry of Interior and ex-Ministry of Public Administration Reforms and Local Authorities (MoPARLA):

Until 2001, the MoPARLA was responsible for the general coordination of all actions necessary for the successful implementation of regional and structural policy. In order to assume the role of general coordination, MoPARLA established a Regional Development Department in 1999. The main tasks of the Department include:

- *coordination of activities of administrations of county governors;*
- *participation in the formation and implementation of the regional development policy and strategy of the Lithuanian Government;*

- coordinating the preparation for the administration of programmes financed by the Structural Funds, Cohesion Fund, structural assistance initiatives and other sources of structural and regional assistance (Vet et al, 2000).



**Figure 25.** Formation of the National Regional Development Policy in Lithuania

From 1 January 2001, after the abolishment of the MoPARLA, the Ministry of Interior carried out its functions and the Department of Regional Development was established within the Ministry of Interior.

- The Ministry of Interior and ex-Ministry of Public Administration Reforms and Local Authorities (MoPARLA):

Until 2001, the MoPARLA was responsible for the general coordination of all actions necessary for the successful implementation of regional and structural policy. In order to assume the role of general coordination, MoPARLA established a Regional Development Department in 1999. The main tasks of the Department include:

- *coordination of activities of administrations of county governors;*
- *participation in the formation and implementation of the regional development policy and strategy of the Lithuanian Government;*
- *coordinating the preparation for the administration of programmes financed by the Structural Funds, Cohesion Fund, structural assistance initiatives and other sources of structural and regional assistance (Vet et al, 2000).*

From 1 January 2001, after the abolishment of the MoPARLA, the Ministry of Interior carried out its functions and the Department of Regional Development was established within the Ministry of Interior.

- The National Regional Development Council (established in 2001):

The council is an inter-institutional collegial institution that was set up under the Law on Regional Development. It organizes monitoring and evaluation of the implementation of regional development planning documents (National Regional Development Plan and Regional Development Plans). The members of the council are representatives of ministries, other state institutions, the Association of Local Authorities, the Chamber of Commerce and other social and economic partners (Law on Regional Development, 2000).

- The National Regional Development Agency (established in 1999):

The National Regional Development Agency (NRDA) is a public non-profit company owned by the Lithuanian Association of Chambers of Commerce. This Agency coordinates the preparation of the programmes for regional development and the National Regional Development Plan (Maniokas, 2000).

In Lithuania, it does not provided exactly the decentralization principle at regional level because the administrators that are appointed by central government are effective at that level. Regional Development Agencies, active non-governmental institutions, have not completed their developments yet.

- County Governor Administrations:

The counties do not have a self-governing system because the county governance is organized by the central government through the County Governor and Governor's



Administration. The Law on the Governing of the Counties provides that the county governor implements state policy in the area of education, culture, health care, territorial planning, agriculture, environment etc.

The governor also implements state and interregional programmes within the county, coordinates the activities of the county's ministerial structural subdivisions, envisages priorities for county development and prepares its programmes, coordinates the activities of executive self-government institutions in implementing regional programmes, and handles legal oversight of municipal activities (Vet et al, 2000).

- The Regional Development Councils:

The Regional Development Council is composed of county governors, mayors of municipalities, members of municipality council and socio-economic partners. The main tasks of the council are to:

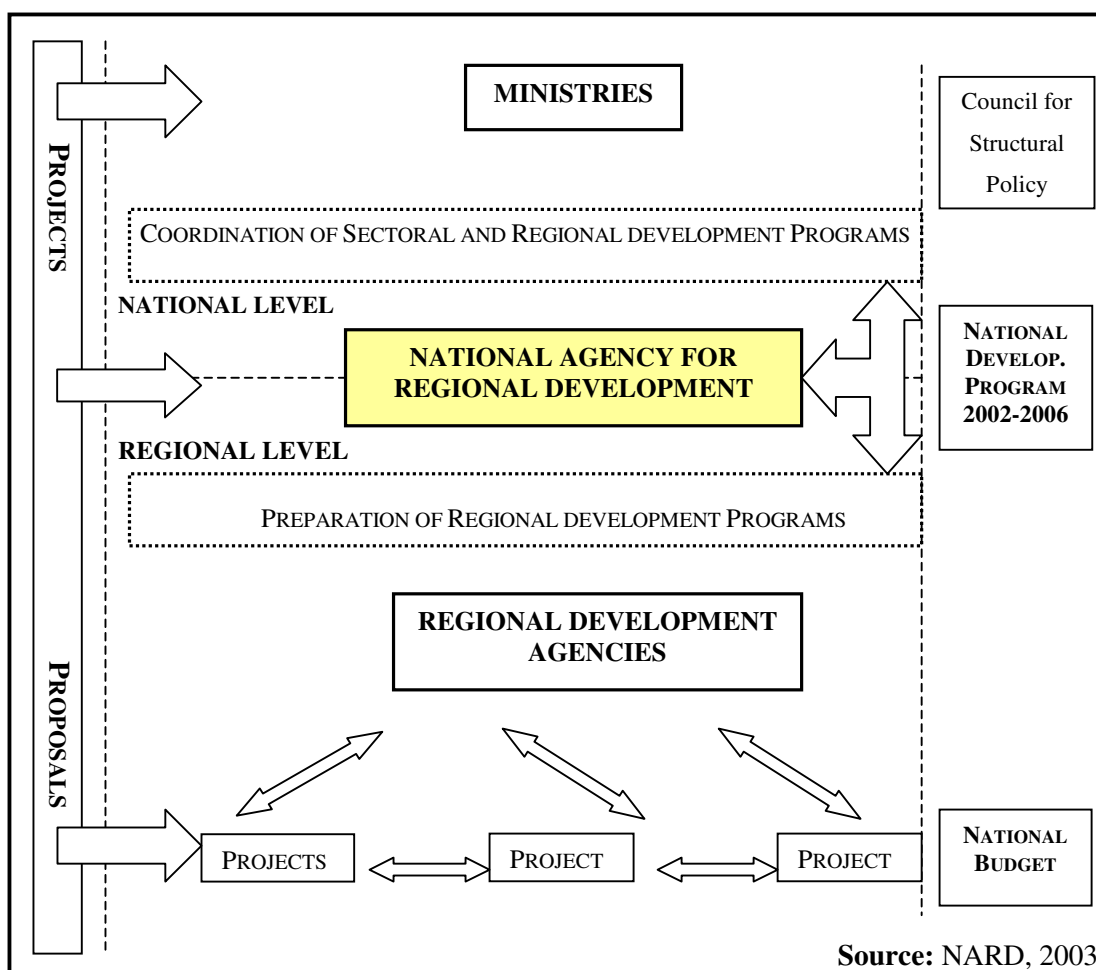
- *consider and approve a Regional Development Plan;*
- *consider proposals and deliver options on implementation projects, co-financed from the EU structural funds and state funds and-or municipalities;*
- *consider and submit proposals on the draft National Regional Development Plan to the National Regional Development Authority;*
- *draw up and approve statute and rules of procedure of a Regional Development Council;*
- *set up working groups to draw up Regional Development Plans and to monitor and evaluate their implementation;*
- *elect a Chairman of a Regional Development Council;*
- *carry out any other functions provided by the Laws (Law on Regional Development of Lithuania, 2000).*

- Regional Development Agencies (RDAs):

The Lithuanian Regional Policy Guidelines provides for the establishment of RDAs at the county level. RDAs are non-governmental, non-profit organizations. The founders of the RDAs differ from county to county (Chamber of Commerce, County Governor, County Administration, Local Authorities etc.) (Elsing, 1999).

#### **IV.1.3. Slovenia**

Under the Promotion of Balanced Regional Development Act (1999), the regional structural policy authorities are: At national level: The Council for Structural Policy, The National Agency for Regional Development and Concerned Ministries and at regional level: Regional Development Agencies (Figure 26).



Source: NARD, 2003

**Figure 26.** Institutional Structure of Regional Policy in Slovenia

- The Ministry of Economic Relations and Development (MoERD):

At central level, the MoERD and its Department for Regional Development are interested in regional policy. This department is responsible for the budget used in support of demographically endangered areas and commissioned the drafting of the new regional strategy for Slovenia. The Institute of Macroeconomic Analysis and Development, part of the MoERD, is also of central importance to the development of regional policy in the country. The main tasks of the Institute include:

- the macroeconomic analysis of economic, social and regional development;
- the analysis and coordination of the direction and tasks of economic policy;
- the provision of advice on economic and regional policy;
- the elaboration of the strategy for Economic Development for Slovenia;
- policy evaluation.

- Council for Structural Policy:

This is a cross-sectoral coordinating body of the government, represented by the key ministers that coordinate structural and cohesion policy of EU. It approves National Development Programme and Regional Development Programmes and forms decision on policy and development priority issues. Members of the Council are ministers or state secretaries allocating incentives of importance for balanced regional development. The minister responsible for development heads the Council (Promotion of Balanced Regional Development Act, 1999).

- National Agency for Regional Development (NARD, established in 2000):

NARD, a key body within the ministry responsible for development, aims at coordinating implementation of the regional development policy on various levels and will be the central institution for the implementation of Structural and Cohesion Funds after accession.

On National and International levels NARD coordinate and implements:

- preparation of regional development strategy
- preparation of National Development Plan 2002-2006
- preparation and implementation of Phare program-economic and social cohesion; (Phare program including Cross-Border Cooperation which is complementary to Interreg IIIA)
- advise to the Council for structural policy on RD policy issues.

On Regional level:

- cooperates with the preparation of the regional development programs
- assists with setting up regional development agencies on NUTS III level
- assess the impacts of funding instruments for regional policy
- monitors regional, state and international aids
- assures conformity with the EU and national requirements
- prepares reports for the relevant national and EU institutions on progress made in the regions.

The institutional structure at regional level is highly limited in Slovenia. The regional administrative entities have not been set yet. The 1999 Regional Development Act includes the formation of regional institutions:

- Regional Development Agencies (RDAs, established firstly in 1999):

According to the Promotion of Balanced Regional Development Act, municipalities and public and civil legal entities may found regional development agencies for the preparation of regional development programmes and other agreed tasks in the sphere of

regional structural policies, especially the promotion of economic, social, spatial and environment development. The main tasks of RDAs:

- *preparation of Regional (RDP) and Joint Development Programs (JDP)*
- *coordination of activities of local development organisations involved in the preparation of RDPs*
- *evaluation, reporting and supervision of the implementation of RDPs, including projects*
- *advice and assistance with the project proposal preparation and submission of proposals to public tenders for national / EU development programs and incentives*
- *organization and coordination of other activities in the field of regional structural policy*
- *involvement in preparation of national development planning documents, strategy of regional development of Slovenia and National Development Program.*

It was planned the establishment of 12 RDAs and the majority of these agencies have been established since 1999.

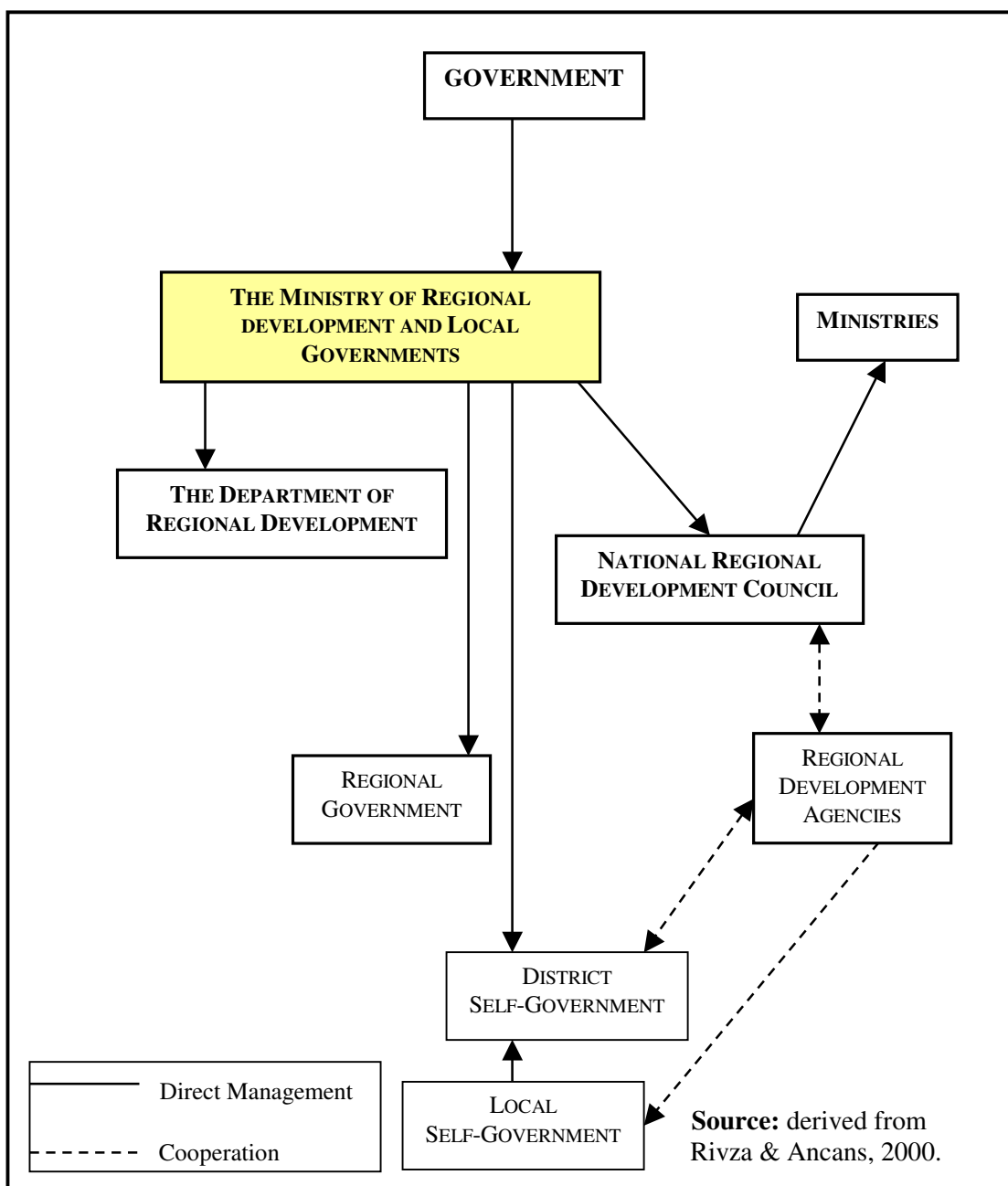
#### **IV.1.4. Latvia**

According to the Law on Regional Development (2002), the competent institutions are: Directorate of Regional Policy and Planning within the Ministry of Environmental Protection and Regional Development, National Regional Development Council at national level and Regional Governments, Regional Development Agencies at regional level (Figure 27). However the Cabinet of Ministers on January 16, 2003 made a decision to establish the Ministry of Regional Development and Local Governments (MRDLG).

- The Ministry of Regional Development and Local Governments (2003):

It carries full responsibility for three main sectors: Regional development (Department), Construction and housing (Department), Local government affairs (Department).

The Department of Regional Development encourages local regional planning processes, international co-operation etc., and is responsible for National Development Plan and Strategic Plans. All other Departments also deal with regional development issues according to their specific areas of responsibility. The Ministry as a whole is responsible for drafting of the National Programme of Regional Development as well as the National Spatial Plan (MRDLG, 2003).



**Figure 27.** Institutional Structure of Regional Policy in Latvia

- National Regional Development Council (2002):

Inter-ministerial coordination is ensured by the National Regional Development Council. It is coordinating regional development matters at central, regional and local government levels (CEC, 2002c). After the latest changes, this body will include six Ministers, three Deputies of Saeima and a representative of Local Government Association. The Council assesses the four parts (multisector programs) of the national spatial plan and

national planning (Vet et al, 2000). The Council is chaired by the Minister for Regional Development and Local Governments involving other relevant ministers and chairpersons of the regions.

Like other small-sized countries, the institutions at regional level in Latvia are highly weak both in field of finance and in the field of authority.

- Regional Governments:

In Latvia, there are 26 regional governments. Regional governments in general are not tied to local governments in a subordinated system, however sometimes they play the role of a “*higher level*” institution.

Regional governments in Latvia have limited functions and dependent financing, as they do not have tax-based income. Regions receive financing from the local government equalization fund according to a formula, which is based on objective criteria adjusted to functions, and some other small income.

Regional governments are interested in economic development in their territories by tradition and by the Law on local governments, but their influence is limited, as they do not have tax income. Regional governments have restricted possibilities (financial, institutional, organizational) to influence regional development, because the state policy encourages that all main processes in designing of regional policy are carried out at the lower level (Vet et al, 2000).

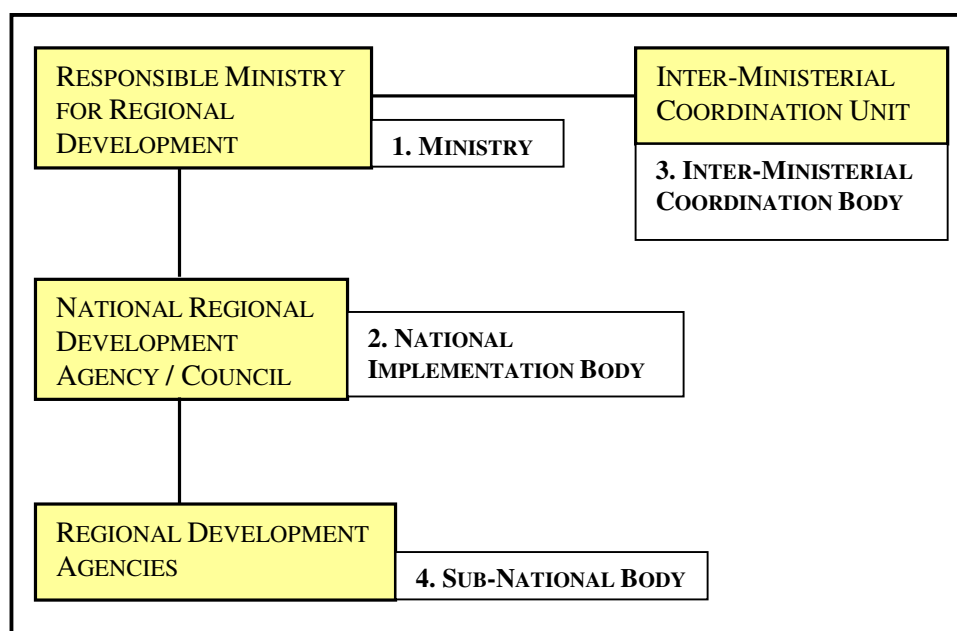
- Regional Development Agencies:

After the adoption of the Law on Regional Development in 2002, 5 RDAs were established in Latvia. According to this law, the main tasks of the RDAs are:

- *formulating the development programme and spatial plan of the planning region in co-operation with local and district governments and with territorial offices of state institutions, ensuring their compliance with the National Spatial Plan, the National Development Plan and national or sectoral development programmes, as well as ensuring the management of their implementation;*
- *preparing opinions about the compliance of the national level development planning documents with the development programme and spatial plan of the planning region;*
- *coordinating and promote the formulation, implementation, monitoring and evaluation of regional development support measures of the planning region;*
- *evaluating its opinion on the project applications submitted by local governments and legal and natural persons for receiving the regional development state support;*
- *performing other functions prescribed by legislative acts.*

### IV.3. General Evaluation of the Institutional System for Regional Policy in the Candidate Countries

After the mid-1990s, the regional policy formulation of the candidate countries has been strongly driven by the EU. In the institutional context of regional policy, the initiation of enlargement negotiations has accelerated the process with the need to prepare institutional arrangements for managing EU structural assistance. The institutional structures of the candidate countries are highly varied in terms of the number and size of administrative organizations. In spite of the divergent institutional arrangements of the candidate countries that evolve at national and regional levels, four principal institutions emerged clearly with the direction of the EU during the development of regional policy (Figure 28).



**Figure 28.** Four Main Institutions in the field of Regional Policy

The candidate countries established most of these institutions in the late 1990s. Although ministries are sometimes weak and inclined to being reorganized in line with political shifts, every candidate country has developed regional policy-making capacity at national level. At the central government level, the Ministry for Regional Development and the National Regional Development Agency have shared the responsibilities in the field of regional policy. All the medium-sized countries have a separate ministry for regional

development. The Ministry for Regional Development has especially three main responsibilities:

- preparing national regional development plans, programmes and regional planning schemes.
- ensuring international cooperation in the field of support for regional development.
- monitoring regional development plans and programmes.

In small-sized countries only Latvia has a ministry for regional development. In the other small-sized countries the national agencies for regional development undertake some of the above-mentioned responsibilities.

Apart from the Czech Republic and Bulgaria, most countries have a National Regional Development Agency / Council. The main responsibilities of the National Regional Development Agencies are as following:

- to coordinate activities between national and regional bodies.
- to support the development of economic activities in the regions.
- to ensure the implementation of regional development priorities.
- to manage the national fund for regional development.

The Center for Regional Development in the Czech Republic and the Commissions for Economic and Social Cohesion in Bulgaria have undertaken some of these responsibilities.

Besides the central government authorities, National Regional Development Agencies / Councils, that strengthen the *partnership principle* are generally composed of;

- representatives of the local authorities,
- representatives of business organizations and trade unions,
- non-governmental organizations and so on.

However there are some examples of centralized body, i.e. in Poland, Slovenia and the Czech Republic, under the related ministry.

Formal inter-ministerial coordination mechanisms are becoming an important component of the institutional arrangements for administering regional policy. The creation of the inter-ministerial coordination body is highly positive for coordinating regional policy. All the candidate countries established similar institutions for this aim.

The final institutions, which are dealing with the regional development at sub-national level, are the regional development agencies (RDAs). The concept of the RDA was imported from the EU; indeed most of the RDAs were originally set up and financed through the work of the European Community. For example the Czech and Slovak Republics established their RDAs with the help of Phare Programme. The candidate countries except Bulgaria and Estonia established their RDAs at NUTS II or NUTS III levels. Regional Governors and Councils in



Bulgaria and Business Promotion Centers in Estonia have undertaken the functions of the RDAs. The main duties of the RDAs are:

- to prepare regional development programmes.
- to promote public and private partnerships.
- to attract inward investment.
- to coordinate regional development activities in the region.
- to manage the regional development fund.

The RDAs, which are generally non-public and non-profit organization, are established in different formations. Most of these agencies are organized as joint stock or limited liability companies; some have the legal form of a foundation.

As one of the important statement in terms of RDAs number, RDAs were established generally at NUTS III levels. Besides in the examples of Poland, the whole country that is divided into 16 NUTS III level regions, has approximately 70 RDAs and of the Slovak Republic, the whole country that is divided into 8 NUTS III, has 18 RDAs. This can be important output for the numbers of Turkish RDAs.

In all the candidate countries, there are some effective institutions in the formation of regional policy at various levels. Amongst these countries, Bulgaria has relatively centralized system and remains a little backward status.

In conclusion, there is a general agreement that an intermediate *regional level* is highly required and important in the regional policy development of the candidate countries and the evolution of the institutional arrangements for regional policy both at regional and national levels is directed by the EU. There is a top-down strategy in this process but this time, the EU is placed at the top level and the candidate countries are located at the level below. In this context, four principles of the EU play a very effective role. The EU give an emphasis on devolution (decentralization) in decision-making and assuming responsibilities (the principle of subsidiarity), including the co-financing requirements (the principle of additionality) and also the cooperation with various institutions in addressing regional problems (partnership principle).

Any consideration towards the Turkish case should take the contingent characteristics into account at all levels of the potential institutional arrangements. The position of the Turkish regional policy and institutional structure with reference to these candidate countries will be examined detailed in the next chapter.

## **CHAPTER V**

### **AN EVALUATION OF THE INSTITUTIONAL STRUCTURE IN TURKEY WITH REFERENCE TO OTHER EU CANDIDATE COUNTRIES**

#### **V.1. The Regional Policy in Turkey since the 1960s**

From the beginning of the proclamation of Republic in 1923 until the end of 1970s, Turkey followed an inward-oriented, mixed economic policy. During the late 1970s, Turkey underwent a series of important economic problem. A high inflation rate, growing unemployment and lack of foreign resources enforced a radical change in the economic and industrialization model. At the beginning of 1980, the import substitution model was abandoned in favour of the export-oriented growth; in addition Turkey adopted a comprehensive stabilization and adjustment programme in order to adopt free market economy in the country. Since then, Turkey has been implementing some major economic policies in this context. As opposed to the experience of CEECs, Turkey has twenty years' of experience in the field of liberal economy.

The Turkish Republic was in an exhausted situation in the period of 1923-1950, due to the Independence War and the industrialization efforts were inevitably realized with the assistance of state investments. In the period of 1950-1960, the investments of the private sector were accumulated in Marmara Region and especially in İstanbul. In this way, the state tried to decentralize public investments especially towards the east of the country but it could not be successful in this attempt (Kuruç, 1999).

Since the beginning of the 1960s, Turkey has been trying to manage her economic, social and regional development by means of development plans. The development plans, prepared on the basis of five-year periods, are put into action through annual programmes and public investment programmes. While these plans and programmes are imperative for the public sector, they are indicative for private sector. Five-Year Development Plans are prepared under the responsibilities of the State Planning Organization (SPO), which operates under the Prime Ministry. The First Five-Year Development Plan was into action in 1963 and the latest plan, the Eight Five-Year Development Plan, covers the period 2001-

2005. From the establishment of the SPO in the early 1960s, the SPO has led the Turkish regional development policy at the central level.

#### **V.1.1. Programming Capacity**

Since 1966 the State Planning Organization issues Five Year Development Plans. The First Five Year Development Plan, drawn up in conformity with the condition contained in the 1961 Constitution covered the period of 1963-1967. This Development Plan outlined the strategy as follows: *"The activities of the government will be planned to achieve a high economic growth and a balanced economic development"* (DPT, 1963). In this development plan the main components of the regional policy were explained as to manage economic development in such a way to decrease regional inequalities, to solve the problems of over urbanization, to distribute public investments in order to reduce income differentials and to lead the development process of regions with potential growth (Eraydın, 2001). In this perspective the plan determined *Potential Growth Regions* (Eastern-Marmara, Çukurova, Antalya and Zonguldak) within the country. The main sectors were selected for the development of four growth regions:

- Industry: Eastern-Marmara and Zonguldak Regions
- Agriculture and Industry: Çukurova Region
- Agriculture and Tourism: Antalya Region:

Some progresses were observed in Eastern-Marmara, Çukurova and Antalya Regions but in Zonguldak Region the only development was the completion of the Karadeniz Iron-Steel Foundation. The distribution of regional development projects showed that most of the planned regions were either relatively prosperous ones or the regions with certain potential for development (Eraydın, 2001). As another application of the first plan, the possibility of the income tax reduction was provided for the investments in underdeveloped areas. In this sense, Turkey established *Priority Regions for Development* (PRD), as a part of central planning, covering mostly eastern and southern provinces (22 provinces) in late 1960s.

In the Second Five Year Development Plan (1968-1972) a new understanding emerged and *Growth Poles* were proposed. It was regarded that these centers would spread the economical and social development to their peripheries. It was thought that the investments of the private sector could be attracted towards these regions by concentration of the public investments and by completion of infrastructure projects within these regions. The reduction of income tax for the investments in underdeveloped areas was continued in this second

period. In regional planning activities, the second plan did not provide different approach from the first FYDP.

In the Third Five Year Development Plan (1973-1977) regional development and planning approaches were more superficial with respect to the first two development plans. Trying to overcome the regional disparities within a short time would result economically ineffective distribution of resources so capital accumulation and general economic development would slow down was the essential idea of the third development plan.

In the Third FYDP, it was declared that the economic criteria should be taken into account in the determination of investment location at national scale. Also, the regional inequalities were assumed to be removed by the effective studies of the local administrations and activate the regional resources in the long term.

In the 4<sup>th</sup> Five Year-Development Plan (1979-1983) the regional development and planning regained the importance. In order to provide economic development it was proposed to make labour division, to bring space dimension in the planning decisions, to provide balanced distribution of the industry, services and the infrastructure at national scale and to use the local resources of underdeveloped areas for regional development. The importance of PRD increased and PRD would have been started as a development project for the potential of agriculture and stock raising and transportation in the Southeastern and Eastern Anatolia in order to develop these regions economically. In the application period of the development plan, the government changed two times and the plan lost its importance.

In the 5<sup>th</sup> Five-Year Development Plan (1985-1989) the importance of regional development increased in the development and planning process and it was stressed the necessity of the regional plans' preparation. *16 Functional Regions*<sup>9</sup> were defined in the country and the regional planning studies would be prepared according to these new regions.

In the 5<sup>th</sup> FYDP, public sector produced many studies in order to progress infrastructure services, for example it was started the study of urban development project in Çukurova Metropolitan Region for the development of urban infrastructure possibilities and for aiming at serving to local administrations effectively.

The State Planning Organization undertook the authority of preparing regional plans with the Construction Law no: 3194 in 1985 and the legislative framework of the Southeastern Anatolia Project was constituted in the end of the 5<sup>th</sup> Development Plan.

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<sup>9</sup> 16 Functional Regions: Adana (Adana, İçel, Hatay), Ankara (Ankara, Çankırı, Çorum, Kırşehir), Bursa (bursa), Diyarbakır (Diyarbakır, Mardin, Siirt, Bitlis, Van, Hakkari), Elazığ (Elazığ, Tunceli, Bingöl), Erzurum (Erzurum, Erzincan, Kars, Ağrı, Muş), Eskişehir (Eskişehir, Bilecik, Kütahya), Gaziantep (Gaziantep, Kahramanmaraş, Adıyaman, Şanlıurfa), İstanbul (İstanbul, Edirne, Kırklareli, Tekirdağ, Çanakkale, Kocaeli, Sakarya, Bolu, Zonguldak, Kastamonu), İzmir (İzmir, Balıkesir, Manisa, Aydın, Muğla, Antalya, Isparta, Burdur, Afyon, Denizli, Uşak), Kayseri (Kayseri, Nevşehir, Yozgat), Konya (Konya, Niğde), Malatya (Malatya), Samsun (Samsun, Amasya, Tokat, Sinop, Ordu, Giresun), Sivas (Sivas) and Trabzon (Trabzon, Gümüşhane, Rize, Artvin).

In the 6<sup>th</sup> Five-Year Development Plan (1990-1994), *Regional Planning* concept left its place to the concept of *Regional Development*. The idea of *16 Functional Regions* was quitted and the principle of increasing the importance of regional planning at PRD was adopted. For the first time the national-regional policies were determined according to the EU regional policies.

In the 6<sup>th</sup> Development Plan the principles and policies with regard to PRD, which had been determined in the 5<sup>th</sup> Development Plan, were continued. Also new principles and policies, such as the establishment of the special fund for increasing private sector investment in PRD and the preparation of the regional and sub-regional plans for developing detailed studies, were constituted.

The 7<sup>th</sup> Five-Year Development Plan (1996-2000), different from previous plans, contained regional development, urban planning, and regulations about the metropolis under the chapter of *Providing the Regional Balances*. The plan aimed to satisfy a balanced regional development by encouraging sustainable development as a consistent process covering economic, social, political and cultural aspects and contributing to national development and integrity. With this aim, it was projected to prepare regional development plans for relatively underdeveloped regions of the country, for the Southeastern and Eastern Anatolia, by considering their resources and development potential. In this respect, *Action Plans* were established at regional and sub-regional basis for the provinces in these regions and also *Emerging Support Programmes* were applied to meet the urgent needs of these provinces.

In the 8<sup>th</sup> FYDP (2001-2005), the current development plan, the main objectives of the regional policies aimed at achieving economic, social and cultural development and strengthening the unity of the country, are the minimization of inter-regional differences in terms of development, avoidance of disorder in the processes of urbanization, and the development of metropolitan areas countrywide. In this respect, the implementation of regional development policies are based on the principles of sustainability, minimizing inter-regional differences in terms of development, maintaining economic and social balances, improving the quality of life, equal opportunities, cultural development and participation. The speeding up the pace of steps necessary for the harmonization with the EU policies and the intensification of activities related to cooperation in the regional policies are the other targets of the plan.

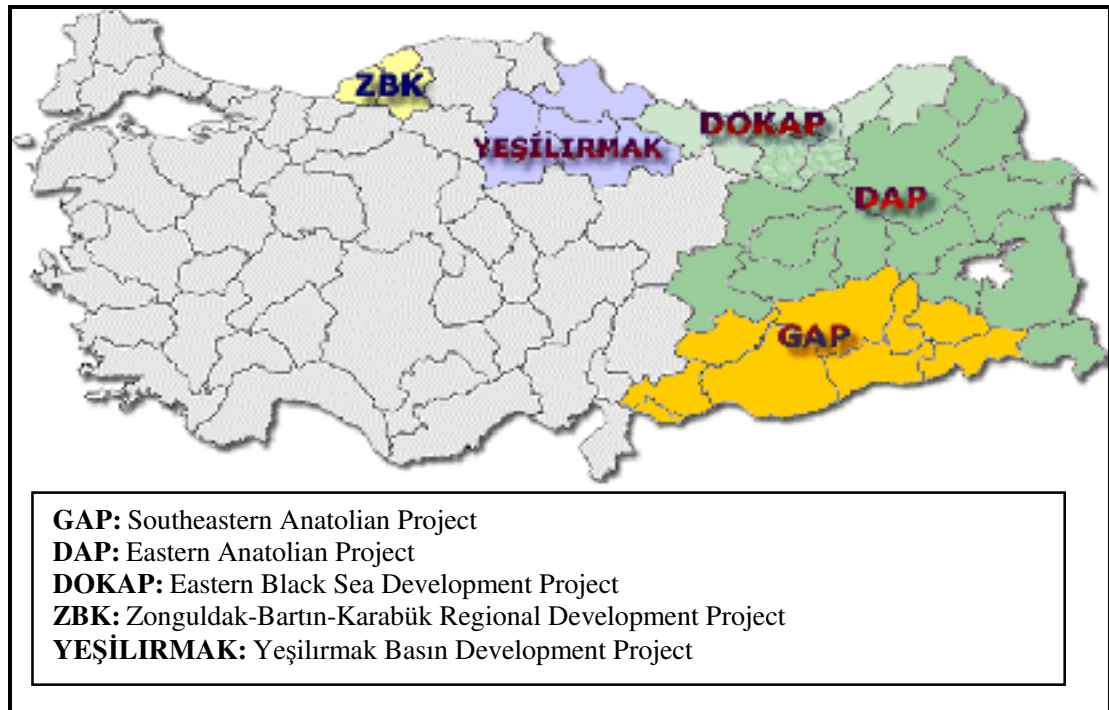
Finally, in the forty years' planning period Turkish Governments have not followed a systematic approach in the field of regional policy and development. However the regional policy and development are becoming important especially in the last two development plans. In this continuing planning period, the existing regional planning studies

(Southeastern Anatolian Project, Eastern Anatolian Project, Eastern Black Sea Development Project) have continued and besides this, the new planning studies were initiated such as the Marmara Region Plan, the Eastern Mediterranean Regional Development Plan.

Turkey has prepared the preliminary National Development Plan for 2004-2006 with the request of the EU. Regional and institutional capacity developments are the main topics of this plan.

#### **V.1.1.1. The Experiences of Regional Planning in Turkey**

Although the first regional planning initiatives in Turkey were started in 1950s, significant progress has been made during the course of the planned period after 1960s. In the early 1980s, the biggest regional planning studies, the Southeastern Anatolian Project (GAP), initiated and many regional planning studies; Eastern Anatolian, Eastern Black Sea, Zonguldak-Karabük-Bartın Regional Development Projects and Yeşilırmak River-Basin Development Project; followed this project in the mid-1990s. However none of these projects have not completed yet.



**Figure 29.** Regional Development Projects

### The Southeastern Anatolian Project (GAP):

The Southeastern Anatolian Project had originally been planned in 1970s consisting of projects for irrigation and hydroelectric energy production on the Euphrates and Tigris, but transformed into a multi-sector social and economic development programme for the region in the 1980s. The GAP region, one of the less developed regions in Turkey, covers 9 administrative provinces (Adıyaman, Batman, Diyarbakır, Gaziantep, Kilis, Mardin, Siirt, Şanlıurfa and Şırnak).

The task of addressing the whole region within the framework of an integrated regional planning and ensuring the coordination of ongoing activities was assigned to the State Planning Organization in 1986 but the Government Decree established the Southeastern Anatolia Project Regional Development Administration (GAP-RDA) in November 1989 to carry out these tasks.

The 1989 GAP Master Plan which draws the general framework for regional development paid particular attention to linking investments for the development of water and land resources to a time schedule by considering both financial and technical capacities, projected for changes in economic and social sectors, employment, population and its spatial distribution induced by this development; asserted at macro level the needs for education, health, housing and urban infrastructure and expressed annual need for funds up to year 2005. The Master Plan formulates the basic objective as *raising the development indicators of the regions up to country standards in shortest possible time*, defines economic and social targets serving to this objective and adopts the basic strategy of *transforming the region into an export center for agriculture based goods*. The water resources programme of the Master Plan envisages the construction of 22 dams and 19 power plants and irrigation schemes on an area over 1,7 million hectares (GAP, 2003).

During the time elapsing since the preparation of the GAP Master Plan in 1989, rather rapid changes have taken place in the region, country and in Middle East and these led to delay in reaching targets. The United Nations (UN) embargo on Iraq and terrorist activities in the region had their negative effects on development efforts. Furthermore, imbalances in public financing in Turkey caused problems in meeting huge financing needs of the project sufficiently. Meanwhile, the international community has added some new concepts to the definition of *development*. Coming to the fore during this period were such concerns and concepts as the environment, sustainability, participation and human development which were either overlooked or totally absent in the original Master Plan. All these developments and urgent needs of the region for development made it necessary to revise the GAP Regional Development Plan with a new understanding (GAP, 2002).

In this new plan for the period 2002-2010, the GAP is a human centered and integrated regional development project carried out along with the principle of sustainable human development. The development envisaged under the GAP has the goal of creating opportunities for the people.

#### The Eastern Anatolian Project (DAP):

Eastern Anatolia Region is the least developed region with respect to all socio-economic indicators in Turkey. DAP covers 16 provinces in the Eastern part of Turkey. These provinces are Ağrı, Bingöl, Bitlis, Elazığ, Erzincan, Erzurum, Gümüşhane, Hakkari, Kars, Malatya, Muş, Tunceli, Van, Ardahan, Bayburt and Iğdır. Gümüşhane and Bayburt, outside the Eastern Anatolia Region, have same characteristics to this region. The State Planning Organization initiated the study of the Eastern Anatolia Regional Development Project in 1998 due to the underdeveloped status of the region. Master Plan was prepared by a consortium comprised of representatives of the five universities of the region and submitted to the SPO in 2000.

The main target of the DAP Master Plan is to create an environment in which the potentials of the Region can be mobilized. The major objectives of the project are

- *to define the policies and practices which will accelerate the socio-economic development of the region, currently very low in comparison to that of other regions,*
- *to conduct sectoral analyses and define priorities so as to accelerate sectoral developments,*
- *to realize regional development in cooperation with the public sector, local government, private institutions and other non-governmental organizations,*
- *to present concrete proposals to the entrepreneurs of the region and/or to those outside of the region (including foreign capital investment) on matters such as defining the areas for investment, preparing and implementing investment projects, enterprise management, technology, financing, developing marketing opportunities and providing qualified personnel, and to propose institutional arrangements to achieve coordination on the above given issues,*
- *to prepare feasibility studies on selected investments for the purpose of assessing the existing potential and to guide investors,*
- *to propose sectoral policies and measures, and to prepare proposals towards the realization of major projects, within the principle of participation,*
- *to conduct sector and area analysis for labour supply and demand, important in terms of developing regional employment, and to propose new sectoral projects on developing human resources in the region (DPT, 2000a).*

The DAP Master Plan has determined four main target groups:

1. *Economic Main Target: To increase income per capita and employment*
2. *Social Main Target: To extent the activities that would speed up development.*



- 3. Environmental Main Target: To protect and improve the environment and to ensure the sustainability of development.*
- 4. Spatial Main Target: To develop sub-regional centers as industrial and service centers, thereby creating a filter in front of the east to west migration route (DPT, 2000a).*

The DAP Master Plan also emphasizes social strategies and programmes such as improvement of human resources, elevation of the women's status, provision of social assistance and protection for the poor, organization and expansion of small-scale income generating activities for the low income and poor people, and increasing the variety of the rural economy.

In this plan, the role assigned to the public sector is to provide technical and social infrastructure services such as transportation, communication, energy, education, health and irrigation, which are the prerequisites for development, and to protect and improve the natural and cultural assets. However, this role should not be limited to the public sector. It is essential to ensure the participation of the private sector, local people, as well as non-governmental organizations in and out of the Region to the provision of technical, economic and social structures and services as well as to their operation and development through various models. Public sector should not undertake industrial investments directly. However, it is inevitable for the public sector to support the private sector with various instruments in the Region in which capital, entrepreneurship culture, management information, and competitive power are limited (DPT, 2000b).

#### The Eastern Black Sea Regional Development Plan (DOKAP):

The Eastern Black Sea Regional Development Plan was prepared by Japanese International Cooperation Agency (JICA) under the coordination of the SPO for the Eastern Black Sea Region, one of the underdeveloped regions of Turkey and one from which large number of people emigrate according to 1997 census. DOKAP covers seven provinces (Artvin, Bayburt, Giresun, Gümüşhane, Ordu, Rize and Trabzon) of the region.

Development projects and plans are being identified in the framework of a master plan in order to find a solution to the chronic problems of the Black Sea Region such as unemployment and migration from the region, the low level of Gross Domestic Product per capita, the dependence on mono-sector and few products.

Objectives for the DOKAP regional development are defined to address the most critical problems in economic, social and environmental aspects. They are expressed as follows:

- 1. To strengthen the economic structure, responding to emerging opportunities, in order to diversify employment opportunities, raise income levels, and contribute to capital accumulation within the region.*

2. *To promote regional integration or social cohesiveness through minimizing intra-regional disparities and out-migration.*
3. *To restore and sustain resource and environmental capacity as a basis for diversifying socio-economic activities (JICA, 2000a).*

In the DOKAP Master Plan, there are 10 programmes related to different sectors and 53 projects. It is aimed to improve transportation, telecommunication and urban infrastructure, accelerate the development of less developed inner regions and enhance the soil productivity and environmental quality through these programmes. (JICA, 2000b)

#### The Zonguldak-Bartın-Karabük Regional Development Project:

A multi-sectoral regional development project based on the cooperation between the public and the private sector is foreseen in order to determine the possible economic and social consequences of the downsizing of the Turkey Coal Institution and the privatization of the Karabük-Ereğli Iron and Steel enterprises. The major objectives of the project are as follows:

1. *To analyze the economic and social impact on the region of the capacity decrease of the Turkey Coal Institution and the privatization of the Karabük Iron and Steel Enterprises,*
2. *To determine new investment opportunities for the purpose of promoting private sector involvement,*
3. *To design a feasible medium and long term regional development plan,*
4. *To define potential investments in the region (NPAA, 2001).*

#### The Yeşilırmak River-Basin Development Project:

Due to irregularities in the flow of the river, the problems of overflowing, erosion, water and environmental pollution in the Yeşilırmak basin area increased to a greater extent. With this project, the most suitable and economic area usage plan, which will not disturb the ecological balance, daily supervision and administration of the natural resources, are aimed. The geographical area of the project covers 5 provinces (Amasya, Çorum, Samsun, Tokat, Yozgat).

In 2003, the studies of the Kayseri-Sivas-Yozgat Region, Konya-Karaman Region, Eastern Mediterranean, Western Mediterranean, Aegean and Central Black Sea Regional Development Projects have started besides these five regional development projects.

Since the early 1970s, Turkey has interested with the rural development. The implementation of rural development projects started by the end of 1970s in one or two provinces. Five of these plans are prepared to cover 8 cities:

- Çorum-Çankırı Rural Development Project (1972-1976)
- Erzurum Rural Development Project (1982-1989)
- Bingöl-Muş Rural Development Project (1990-1999)
- Yozgat Rural Development Project (1991-2001)

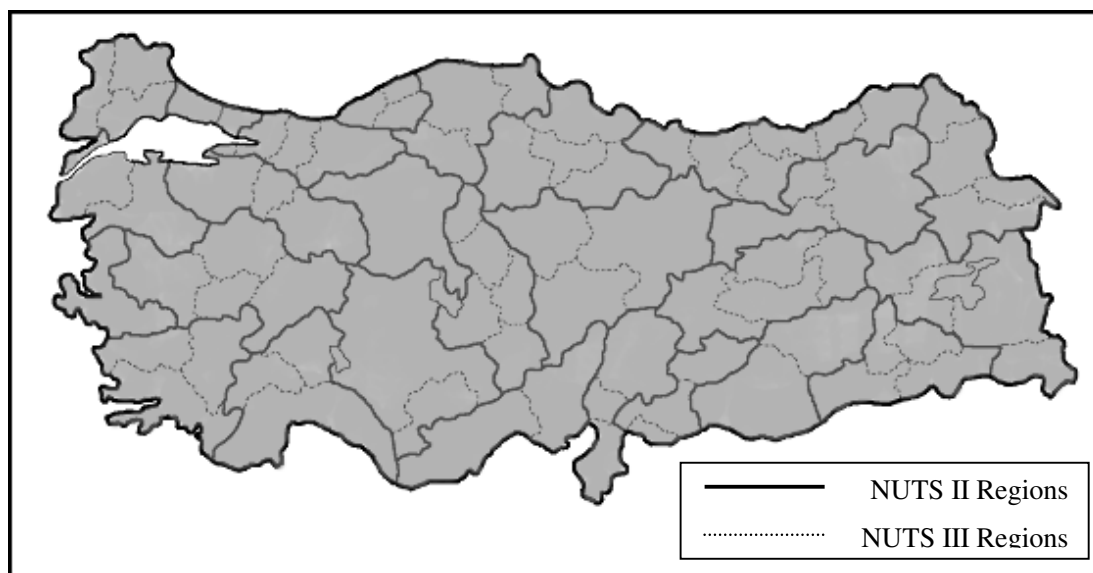
- Ordu-Giresun Rural Development (1995-2003)

The objective of rural development projects is to improve the income levels of people by increasing the capacity of agricultural activities in underdeveloped regions.

### V.1.2. Territorial Organization

In 1941, the First Geography Congress divided Turkey into seven geographical regions. These are Black Sea, Marmara, Aegean, Mediterranean, Central Anatolian, Eastern Anatolian and Southeastern Anatolian Regions. Various territorial organizations have been realized since the 1960s but no any systemic and continuous approaches were applied.

In September 2002, Turkish Government established Turkish Statistical Regions (corresponding to NUTS levels) at 3 levels with the influence of the EU: Level 1 (12 regions), Level 2 (26 regions) and Level 3 (81 Provinces)<sup>10</sup>. This represents a first substantial step towards comparability of Turkish regional statistics with statistics from other regions in Europe. 26 smaller NUTS 2 level (Figure 30) is the level at which future EU structural funds projects will be implemented after the membership.



**Figure 30.** Turkish NUTS II Regions

<sup>10</sup> Turkish NUTS classification is presented in the Appendix 4.

### V.1.3. Legislative Framework

While the regional development studies in Turkey initiated in the early 1960s and accelerated in the mid-1990s, Turkey has no regional development law that contain the goals, objectives and principles of the regional development, the duties of the regional policy authorities, funding of regional development.

There are only two laws that contain the Regional Development concept: First one, the Decree-Law on the Establishment and Duties of the State Planning Organization, which was adopted in 1994 by the Council of Ministers. According to this law, as the determination of one important duty in Article 2, the SPO is responsible for preparing regional development plans. Second one, the Decree-Law Concerning the Establishment and Duties of the Southeastern Anatolia Project Regional Development Administration (GAP-RDA), which was adopted in 1989. The purpose of this law is to ensure a rapid development of the region with the establishment of the GAP-RDA.

### V.1.4. Financial System

Same as the legislative framework, Turkey does not have a specific regional development fund. Necessary sources for the regional development projects are allocated by public budgets. For example, in the context of Southeastern Anatolian Project, Turkey has allocated very important sources in the 15 years' period (Table 10). In spite of this allocation, it is not observed necessary development in the region yet and the project is needed to revise for the period 2002-2010.

**Table 10.** GAP Project Cost and Cash Realizations by Sectors as of the end of the year 2001 (Billion TL at 2002 Prices)

<b>ECONOMIC SECTORS</b>	<b>Total Cost (Required Funds)</b>	<b>Cumulative Investments by the end of 2001</b>	<b>Realization (%)</b>
Agriculture	6.811.714	1.144.319	16,8
Mining	522.393	530.243	100
Manufacturing	1.005.673	408.021	40,6
Energy	7.236.872	5.696.882	78,7
Transportation + Communication	4.982.234	1.677.455	33,7
Tourism	37.823	9.495	25,1
<b>TOTAL</b>	<b>20.596.708</b>	<b>9.446.416</b>	<b>46</b>

**Table 10. Cont.**

<b>SOCIAL SECTORS</b>			
Housing	217.702	76.730	35,2
Education + Health	597.004	507.231	85
Other Public Services	1.094.444	781.478	71,4
<b>TOTAL</b>	1.909.150	1.369.288	71,7
<b>GRAND TOTAL</b>	<b>22.505.859</b>	<b>10.831.855</b>	<b>48,1</b>

**Source:** GAP, 2003

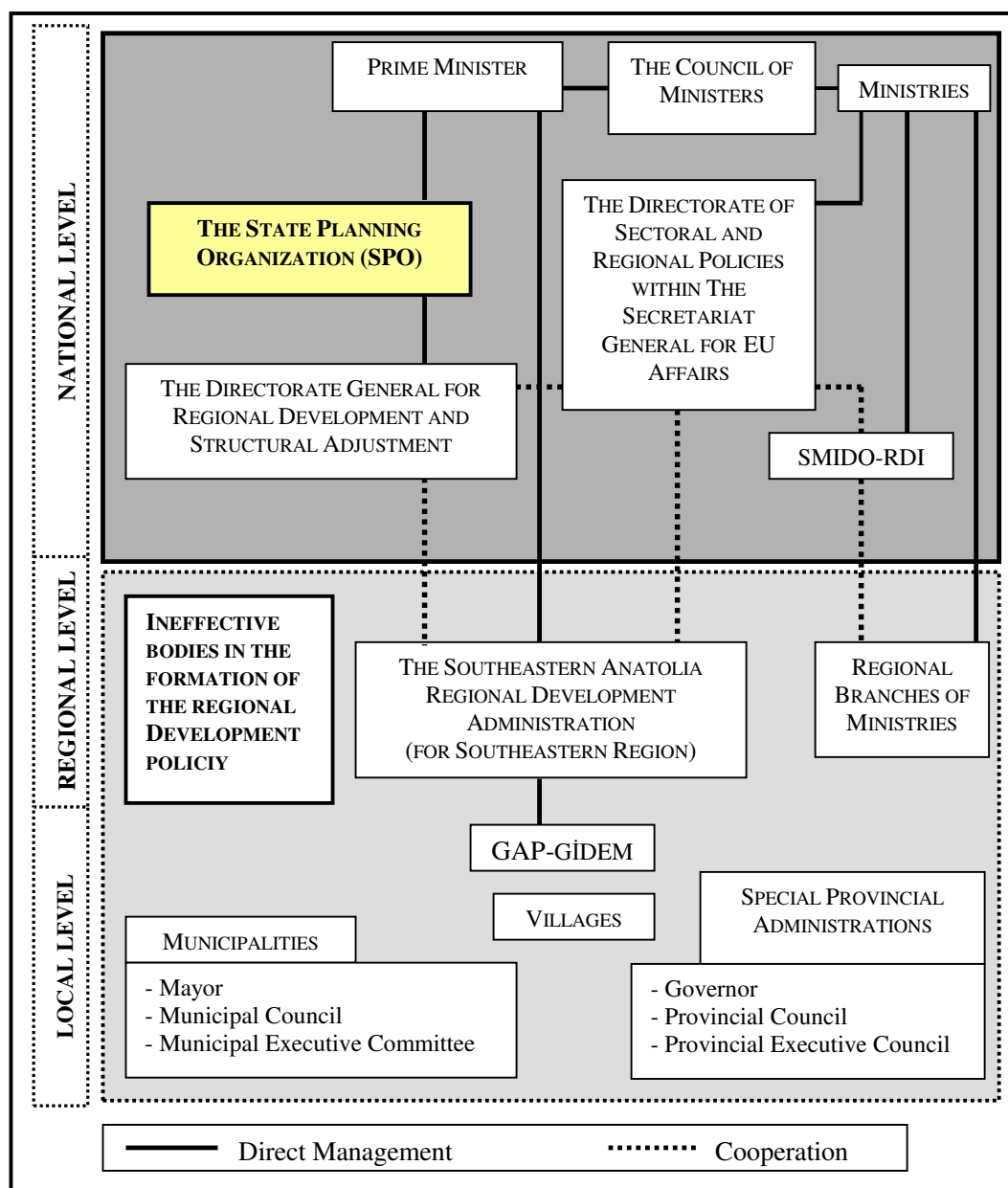
Actually, Turkish financial system for regional development is based on tax reductions in the underdeveloped regions: In Turkey, provinces are classified according to their level of regional development as *Priority Regions for Development* (PRD), *Normal Regions* and *Developed Regions* by State Planning Organization. Since 1971, Turkey has used *Priority Regions for Development* in order to provide socio-economic development. In 1998, 49 provinces and 2 districts<sup>11</sup> are granted the status of PRD by the Council of Ministers. In these provinces, the investors have benefited from income tax, corporation tax exemption, adjournment of taxes retained from employees, allocation of non-cost investment areas, machinery and equipment support, laboratory and employment support etc. Since the large part of the country (55 percent of the country area) is within this classification, the use of this assistance is highly ineffective.

## **V.2. Institutional Structure at National, Regional and Local Levels**

The development planning and institutional structure in Turkey is highly centralized, despite the renewed emphasis on regional development in recent years (Figure 31).

The State Planning Organization that was established in 1960 is fully responsible for regional development and policy at national level. According to the Decree-Law on the Establishment and Duties of the SPO, it is responsible for the preparation, coordination, monitoring of the national, regional and sectoral development plans. In this perspective, beginning from the early 1960s, the SPO has prepared eight Five-Year Development Plans and accelerated the studies of regional planning in association with different agencies, especially for the last decade.

<sup>11</sup> These provinces are Adıyaman, Ağrı, Aksaray, Amasya, Artvin, Bartın, Batman, Bayburt, Bingöl, Bitlis, Çanakkale, (districts of Bozcaada and Gökçeada), Çankırı, Çorum, Diyarbakır, Elazığ, Erzincan, Erzurum, Giresun, Gümüşhane, Hakkari, Iğdır, Kahramanmaraş, Karabük, Karaman, Kars, Kastamonu, Kırıkkale, Kırşehir, Kilis, Malatya, Mardin, Muş, Nevşehir, Niğde, Ordu, Osmaniye, Rize, Samsun, Siirt, Sinop, Sivas, Şanlıurfa, Şırnak, Tokat, Trabzon, Tunceli, Van, Yozgat and Zonguldak.



**Figure 31.** Institutional Structure of Regional Policy in Turkey

The Directorate General for Regional Development and Structural Adjustment of the SPO is directly involved in the regional policy issue within the central administration. The responsibilities of the Directorate General are:

- to do research and planning at city and sub-city levels;
- to provide uniformity between studies conducted by other public institutions pertaining to these subjects and the Development Plan and Annual Programme;
- to develop projects towards solving problems to emerge during the implementation of structural adjustment policies and to coordinate studies made within this sphere;

- *to generate policies towards solving problems of small and medium scale industrial enterprises, problems of the tradesman and artisans and of the rural areas within the framework of enhancing local employment and entrepreneurship;*
- *to put forward views on institutional and legal arrangements;*
- *to direct implementation; identify priority development areas and their necessities;*
- *to do the required work in order to accelerate development in these areas by taking into consideration the peculiarities of this region, to coordinate regional development projects and to deliver opinions on the issues within its scope;*
- *to participate in discussions and negotiations with international institutions* (OG, 1994).

The second national level institution, which is interested in regional development and policy, is the Regional Development Institute of Small and Medium Industry Development Organization (SMIDO-RDI). The SMIDO-RDI was established in 1998 to encourage small and medium-sized enterprises and investors in order to ensure regional development. The SMIDO-RDI is authorized the following duties: to minimize the inter-regional differences prevailing in Turkey, to increase the national and inter-national activities of enterprises on a regional / sectoral basis, to develop programmes towards a more balanced regional development and to conduct its projects and activities strategically in order to activate local resources in the regional development process.

The SMIDO-RDI conducts these activities and projects in cooperation with the Central Directorates for Developing Small Sized Enterprises located in the provinces of Erzurum, Şanlıurfa, Van, Diyarbakır, Malatya and Trabzon, designated as main points in the primary target regions of Eastern and Southeastern Anatolia Regions and the Eastern Black Sea Region and in the provinces of Çorum, Nevşehir, Zonguldak designated as the main points in the secondary target regions of Central Anatolia and Western Black Sea Region.

The third national level institution, which is especially interested in EU regional policy, is the Directorate of Sectoral and Regional Policies within the Secretariat General for EU Affairs. The duties of this institute are:

- *monitoring and evaluation of the EU developments in the fields of regional and sectoral policies and,*
- *providing necessary coordination among the Turkish governmental institutions to realize the harmony within these sectors.*

At regional level, with the exception of the Southeastern Anatolian Project Regional Development Administration (GAP-RDA), there are no real structures that are interested in regional development outside the capital. Even though GAP-RDA is seen as a regional authority, the central administration of the GAP-RDA is located in capital city Ankara. There is only a regional office of the GAP-RDA in the region. GAP-RDA was established in 1989 for 15 years temporary period in order to realize some important objectives:

- *to rapidly develop areas within the scope of GAP.*
- *to make plans for investments in housing, industry, mining, agriculture, energy and transportation and to conduct other related services.*
- *to take necessary measures to improve education level in the region.*
- *to ensure coordination among agencies and projects (GAP, 2003).*

The duties of the Southeastern Anatolia Project Regional Development Administration are as follows:

- *to prepare the necessary research and implementation projects for the GAP region covering the provinces of Adıyaman, Batman, Diyarbakır, Gaziantep, Kilis, Mardin, Siirt, Şanlıurfa and Şırnak;*
- *to guide, assess the progress of, and monitor the activities conducted in the region;*
- *to conduct and coordinate the activities related to investments undertaken in agriculture, mining, manufacturing industry, energy, transport, communications, construction, tourism, other public works, human resources, social economy, science, research, development, technology, environment, urbanism, regional development and culture in order to achieve rapid development in the region under long-term plans and annual programmes;*
- *to carry out regional planning in such a way so as to achieve intersectoral integration in the region;*
- *to conduct the necessary work in the areas of resource utilization, foreign economic relations, financial balance, credit, banking, prices and capital markets;*
- *to prepare all or some of the master and implementation land use plans, including amendments to the same, up to the level of block and parcel;*
- *to organize road, water and power supply, sewerage, housing, industry and transport services;*
- *to ensure coordination in the construction of all types of buildings and facilities for governmental bodies;*
- *to ensure, in coordination with the Ministry of National Education and other concerned governmental bodies, that the people's level of education in all areas including agricultural is raised and that educational institutions at all levels are established; and*
- *to carry out other duties that may be assigned by the Prime Ministry in this regard (OG, 1989).*

In the GAP Region, the GAP-GİDEMs (Entrepreneur Support Center) aim to channel the potentials of the region into productive investments. GAP-GİDEMs are a joint programming of the GAP-RDA, Small and Medium Industry Development Organization, the Development Bank of Turkey and TOBB (Union and Chambers and Stock Exchanges of Turkey). These offices were initially set up in Adıyaman, Diyarbakır, Gaziantep, Mardin and Şanlıurfa on 15 September 1997 and are supported by United Nations Development Programmes under the GAP Umbrella Programme. The EC decided to financially support activities of GAP-GİDEMs in 2001 and was included in the EU-GAP Regional Development Programme. Currently, there are four GAP-GİDEMs in Adıyaman, Diyarbakır, Mardin and Şanlıurfa. The strategy of GAP-GİDEMs attaches significant importance to internationalization and clustering of local SMEs and utilization of tools of



new economy in economic development. GAP-GİDEMs provide professional information, consultancy (advice and direct support) and training services to the GAP region entrepreneurs (GAP, 2003). However, these offices have no any role in the formation of GAP regional policy development.

At the local level, the Turkish administrative system, which is no any influence in the formation of the regional policy, has three levels:

1. Special Provincial Administration (SPA),
2. Municipalities,
3. Village.

These administrations are responsible for serving within their own boundaries. Currently, the Ministry of Interior has continued the preparation of a draft law on local administration reform. In this context, it can be seen some positive developments with the realization of participation, devolution and subsidiarity principles in the regional policy field.

#### Special Provincial Administration:

Special Provincial Administrations are field administrations established to carry out tasks in the regions beyond the municipal boundaries, within these respective provinces.

Among the local administrations, in terms of size, Special Provincial Administrations have the widest area for which they are responsible and contain many municipalities and villages within their own boundaries.

The Law on Special Provincial Administration (Law no: 3030) in 1987 gives a lot of duties and responsibilities, which are in the fields of health, education, agriculture, animal husbandry, environment, sports, social service, culture, tourism, public works, economy, infrastructure etc.

Special Provincial Administration has three organs:

- Governor,
- Provincial Council, and
- Provincial Executive Committee.

The Governor, which acts as an executive organ and represents SPA, is appointed by the Council of Ministers. The Governors also represent the central government. Aside from their duties in relation with the central authority, Governors' tasks concerning provincial administration include the implementation of decisions taken by Provincial Councils.

The decision-making authorities of SPA are the Provincial Councils, which are elected for a period of five year. Its executive organ is the Executive Committee whose members

are elected by the Provincial Councils among their members. Both of these two organs are headed by governor. The main duties of the Provincial Council are to take decisions concerning duties assigned to the Special Provincial Administration by legislation, to accept the budget and final account belonging to the Special Provincial Administration, to elect Provincial Executive Committee from among its members. The main duties of the Executive Committee are to take decisions in cases of urgency on behalf of the Provincial Council, to submit opinions in some cases to consideration of the Provincial Council, to examine the draft budgets and state its opinion, to take prohibitive and preventive measures on the issues concerning the duties of Special Provincial Administration and to implement punishments when there is a violation and to establish price tariffs.

#### Municipality:

Municipalities are the local administrative units that meet the common local needs of people and that carry out municipal services in settlements with dense population. Municipalities are established in the settlements of more than 2000 inhabitants and in the provincial and district centers regardless of their populations.

Municipalities have three organs:

- Mayor,
- Municipal Council, and
- Municipal Executive Council.

Mayors are elected by public voting in every five years. They represent municipality and act as an executive body. The main duties of mayor are to perform municipal duties and services within his power and responsibility; to implement the decisions of Municipal Council and Executive Committee; to carry out municipal duties of local nature regarding health, welfare, public works, economy and public order; to manage municipal property etc.

Municipal Council is the ultimate decision-making organ of this body. It is composed of members elected amongst the municipal population. The period of function is five years. The duties of the Municipal Council are:

- Discussing of and deciding on the municipal budget and final account;
- Deciding of realizing the future form of the district, general construction programmes, sewerage, natural gas, water, electric and illumination service facilities,
- Deciding on and determining the schedule of charges to apply for municipal procurements against tax and duty payment obligations and rent and concession agreements, payment and collection of debts,

- Taking decisions about allocations of immovable properties of the municipality,
- Discussing of and deciding on the issues sent by the mayor and offered by one or several of the members on the condition that the task will be performed within the framework of duties and powers assigned to the municipalities by laws.

The Municipal Executive Committee is both the decision taking and execution and the counseling organ of the municipality. It is composed of mayor, heads of municipality service units and members elected by the municipal council from among its own members. It prepares transport tariffs and fees, sets commodity prices, determines municipal fines, checks budgets and decides on the hiring, firing and promotion of city employees etc.

#### Village:

Village is a small settlement formed up by usually fewer than 2000 inhabitants. The Village Act divides duties of village into two groups: compulsory duties and discretionary duties. Compulsory duties are services mainly concerning health, cleanliness, road, water and school works. Discretionary duties are services such as building of public baths, laundries, bazaars and marketplaces.

Organs of Village Administration have three organs:

- Village Society,
- Council of Elderly, and
- Headman.

Village Society is a kind of decision taking and electing organ of the village administration. Village society is a council composed of all the voters that have the right to elect the headman and the members of council of elderly.

Council of Elderly is an organ that provides the carrying out of village works, takes decisions regarding their implementation and supervises them. The council is headed by headman.

Headman is the highest-ranking administrative person of village and head of legal personality of village. Headman, together with the Council of Elderly, assumes duty after being elected by village society for a term of five years. Headman represents the central administration and supervises the planning and operation of village projects and services.

In summary, different from the other candidate countries, in Turkish case it is clear that the centralized system is responsible of all the developments of regional policy.

### **V.3. Expectations of the EU, Commitment of Turkey and Main Findings in the field of Regional Policy**

Since 1997, the EU has determined each country's weakness with different tools such as Regular Reports, Accession Partnerships and Strategy Papers.

The European Commission has prepared for the member states the Regular Reports on the progress of the candidate countries towards membership of the EU every autumn since 1998. These reports provide the basis for decisions to be made by the member states in the framework of the enlargement process. The reports are accompanied by a Strategy Paper that makes recommendations to the member states regarding these decisions.

The Accession Partnerships (APs) are the key feature of the reinforced pre-accession strategy, together with pre-accession strategy aid (Phare, Sapard and Ispa) and participation in Community programmes. The AP provides an assessment of the priority areas in which the candidate country needs to make progress in order to prepare for accession and outlines the ways in which the Phare Programme will support such accession preparations.

In reply to the expectations of the EU, all the candidate countries have drawn up a National Programmes for the Adoption of the Acquis (NPAAAs). The NPAA sets out in detail how the candidate country in question intends to fulfill the priorities of the AP and to prepare for their integration into the EU. In this way, the NPAA complements the AP. It contains a timetable for achieving the priorities and objectives and indicates the human and financial resources to be allocated.

For Turkey, the EC has prepared the Regular Reports since 1998 and the Accession Partnership, the Strategy Paper were firstly adopted by the EC in 2000. A revised AP was adopted by the Council in 2003. Its purpose is to assist the Turkish authorities in their efforts to meet the accession criteria with particular emphasis on the political criteria. It also forms the basis for programming pre-accession assistance from Community funds (CEC, 2003a).

Recently, the EC has determined the evaluation of the whole developments on Turkey with the last Regular Report 2003. In this document, the EC criticized the applications of Turkey in the field of regional policy. The EC stressed that the only output had been the formation of the territorial structure and that Turkey had not been realizing significant development in the other four fields (Table 11).

**Table 11.** Evaluation of the Regional Policy and Coordination of Structural Instruments in 2003 Regular Report

<p><b>1. Evolution of Legislative Framework on Regional Policy:</b></p> <p>- No any legal texts have been adopted yet.</p>
<p><b>2. Development of Territorial Structure:</b></p> <p>- The law establishing 26 new regions to form the provisional NUTS level 2 classifications was passed in September 2002. The new provisional NUTS regions group the 81 provinces into clusters with geographical or economic similarities.</p>
<p><b>3. Progress of Programming Capacity:</b></p> <p>- The SPO is drafting a National Development Plan that will cover the period 2004-2006 and that will be submitted to the European Commission by the end of 2003.</p>
<p><b>4. Evolution of Financial Management on Regional Policy:</b></p> <p>- No any developments on monitoring, evaluation and financial management have been realized yet.</p>
<p><b>5. Institutional Structure:</b></p> <p>- Turkish regional policy is carried out in the framework of a centralized planning system, for which the State Planning Organization is responsible. Although regional problems are serious and of considerable dimensions, there is no efficient policy addressing them and there are no regional development authorities.</p> <p>- In late 2002, the SPO set up a new department that, among other tasks, will specifically deal with EU pre-accession regional development programmes. SPO has established Service Unions between the provinces that form a provisional NUTS II unit.</p> <p>- The SPO is currently preparing the establishment of RDA at 26 NUTS2.</p>

**Source:** CEC, 2003b.

The EC published two times the Accession Partnerships and emphasized the necessary development for Turkey in the periods of short and medium term. Here again, the EC put forward clearly their requests on regional policy (Table 12).

**Table 12.** Requests of the EU on Regional Policy and Coordination of Structural Instruments in Accession Partnerships

Accession Partnership 2000	Accession Partnership 2003
<b>Short Term (for 2001)</b> <ul style="list-style-type: none"> <li>- Prepare a NUTS classification in accordance with community rules.</li> <li>- Adopt a strategy for the development of an effective regional policy.</li> <li>- Start introducing regional policy criteria in the selection of projects in Turkey's planning process.</li> </ul>	<b>Short Term (for 2004)</b> <ul style="list-style-type: none"> <li>- Start to develop a national policy for economic and social cohesion aimed at reducing regional disparities through a National Development Plan, and the establishment of regional development plans at NUTS 2 level.</li> <li>- Adopt a legislative framework that facilitates the implementation of the acquis under this chapter.</li> <li>- Establish pluri-annual budgeting procedures setting out priority criteria for public investment in the regions.</li> <li>- Strengthen the administrative structures for managing regional development</li> </ul>
<b>Medium Term</b> <ul style="list-style-type: none"> <li>- Develop a national policy for economic and social cohesion with a view to diminishing internal disparities including pluri-annual budgeting procedures and establishing structures for monitoring and evaluation.</li> </ul> <p><i>Under the title of the Reinforcement of Administrative and Juridical Capacity:</i></p> <ul style="list-style-type: none"> <li>- Complete territorial reform and develop concept of regional and municipal management.</li> <li>- Set up operational structures on regional level and reinforce existing administrative structures dealing with regional development.</li> </ul>	<b>Medium Term</b> <ul style="list-style-type: none"> <li>- Set up regional branches at NUTS 2 level to implement regional development plans.</li> </ul>

**Source:** OJEC, 2001 and OJEC, 2003.

In reply to the requests of the EC, the Turkish Government prepared the NPAA in 2001 and 2003. In NPAA 2001, Turkey determined that the territorial organization (NUTS) would be defined statistically according to the EU criteria in the short term and the Regional Units of the SPO would be established in the medium term. In NPAA 2003, the Turkish Government has prepared more detailed study. In the field of regional policy, Turkey has determined ongoing activities (Table 13).

**Table 13.** Ongoing Activities in the Field of Regional Policy according to the NPAA-2003

<p><b><i>AP 1. Development of a national policy for economic and social cohesion aimed at reducing regional disparities through a National Development Plan, and the establishment of regional plans at NUTS 2 level.</i></b></p> <ul style="list-style-type: none"> <li>- Preparation the Preliminary National Development Plan (2004-2006) and Regional Development Strategy has been carried out by the SPO.</li> <li>- Regional development projects in Samsun (Samsun, Tokat, Çorum, Amasya), Kastamonu (Kastamonu, Çankırı, Sinop) and Erzurum (Erzurum, Erzincan, Bayburt) NUTS 2 regions are being developed within the context of the 2003 Pre-accession Financial Assistance Programme.</li> <li>- The Eastern Anatolia Development Programme will be implemented in 2003-2006.</li> <li>- The implementation of regional development projects for Kayseri (Kayseri, Yozgat, Sivas) and Konya (Konya, Karaman) NUTS 2 regions are planned to be started in 2004.</li> <li>- Master plans prepared for the Southeastern Anatolia Project, the Eastern Anatolia Project, the Eastern Black Sea Regional Development Project and the Zonguldak-Bartın-Karabük Regional Development Projects will be converted to regional operational programmes.</li> </ul>
<p><b><i>AP 2. Adoption of a legislative framework that would facilitate the implementation of the acquis under this chapter.</i></b></p> <ul style="list-style-type: none"> <li>- The Decision of the Council of Ministers No. 2002/4720 on the definition of NUTS in order to collect and develop regional statistics was published in the Official Gazetta No. 24884 on 22 September 2002.</li> <li>- The preparation of a draft law on local administration reform by the Ministry of the Interior continues.</li> <li>- The Ministry of Agriculture and Rural Affairs has been carrying out a study for the Rural Development Programme in relation to Regulation No. 1280/1999. A Draft Law on this programme is planned to be completed by the end of 2005.</li> <li>- To formulate necessary administrative changes for implementing the EU legislation in the field of Regional Policy and Coordination of Structural Instruments and to determine a legal framework, a working group has been established under the coordination of the Secretariat General for EU Affairs, which work on the aforementioned issues with the participation on relevant public institutions.</li> </ul>
<p><b><i>AP 3. Establishment of a pluri-annual budgeting procedures setting out priority criteria for public investment in the regions.</i></b></p> <ul style="list-style-type: none"> <li>- The allocation and monitoring of public aids in NUTS 2 Regions in line with the pluri-annual budgeting procedures will be realized within the context of the Preliminary National Development Plan prepared for 2004-2006 by the SPO.</li> <li>- Within the framework of Public Administration Reform and Local Administration Reform, transfer of some competencies to the provincial administrations regarding public investments of a local nature is envisaged.</li> </ul>
<p><b><i>AP 4. Strengthening the administrative structures for managing regional development.</i></b></p> <ul style="list-style-type: none"> <li>- In order to ensure coordination between central institutions and between regions in regional development and cross-border cooperation programmes, the Department of EU Regional Programmes has been established within the Directorate General of Regional Development and Structural Cohesion of the SPO.</li> <li>- The Yeşilirmak Basin Provincial Special Administration Service Union was established by the governorships in Samsun NUTS 2 region in 1997.</li> <li>- The Central Black Sea Development Union was established in 2003. The establishment of a similar Union in 2003 in Erzurum NUTS 2 region is envisaged. Within the context of the Eastern Anatolian Development Programme (Van, Muş, Bitlis, Hakkari) a Project Coordination Unit and a Regional Development Institute will be established in Van.</li> <li>- Strengthening the institutional capacity at central and local level is indicated in regional development programmes prepared for NUTS 2 regions.</li> <li>- A Draft Law is being prepared for establishing RDAs in NUTS 2 regions.</li> </ul>

In the preliminary National Development Plan (2004-2006), the SPO indicates the *regional development* as one of the priority areas and focuses on the development of 10 relatively underdeveloped NUTS 2 regions<sup>12</sup>. In line with the pNDP (2004-2006), the Directorate General for Regional Development and Structural Adjustment of the SPO forms the National Regional Development Strategies (2004-2006) with various documents:

- preparation of integrated regional development programmes in order to reduce the inequalities of the income distribution,
- implementation of necessary legislative framework and institutional structure in the field of regional policy,
- spread of the industry sector from metropolitan areas to relatively underdeveloped areas,
- establishment of the industrial clusters by means of organized industrial regions and small industrial estates,
- creation of the development axes to strengthen networks among the medium sized cities,
- taking into consideration of the socio-economic structures and potentials of the regions in the determination of the public assistance policies,
- preparation of projects and programmes for strategic sectors in order to strengthen the competitive advantage of the regions in the direction of EU harmonization policy,
- restructuring of the administrative system and increasing of local partnerships,
- increasing of the application of small-sized local projects to provide progress in underdeveloped regions in coordination of RDAs and Service Unions and in participation of NGOs, local and public administrations,
- encouragement of the SMEs' activities in underdeveloped regions (DPT, 2003a and DPT, 2003b).

Despite these documents detail these strategies; they do not contain any main principles different from the other candidate countries applications'.

Depending on all of these studies, it can be beneficial to make some statements for Turkey within the framework of the EU four main principles:

#### Concentration:

The pNDP focuses on the development of 10 underdeveloped NUTS 2 regions, but in fact these 10 regions are all the *Priority Regions for Development* (49 provinces) and in

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<sup>12</sup> These NUTS 2 Regions are Gaziantep TRC-1, Trabzon TR-90, Erzurum TRA-1, Kastamonu TR-821, Amasya TR-83, Ağrı TRA-2, Malatya TRB-1, Van TRB-2, Şanlıurfa TRC-2 and Mardin TRC-3.



addition, the new financial resources are currently unclear for the development of these NUTS 2 regions. Turkey will provide 55 million euro for regional development in the pNDP (2004-2006). These financial aids are allocated for four priority areas:

- strengthening and supporting of SMES,
- supporting of the small sized infrastructure constructions,
- supporting of the local initiatives,
- establishment and strengthening of the institutional capacity.

Programming:

Turkey is continuing its programming studies. In the direction of National Programme (2003), the preliminary National Development Plan (2004-2006) was prepared and was submitted to the EC in the end of 2003 and the draft Regional Development Strategy, Target and Operational Programmes for the period of 2004-2006 was also prepared by Turkish Government.

GAP, DAP, DOKAP and ZBK Regional Development Plans will be converted to the regional operational programmes with the request of the EU. In this context, the EC indicated that the EU financial aids would be provided according to the Turkish priority regional operational programmes.

Partnership:

There are important development in the field of cooperation on regional policy between Turkish Government and the EC. However, local authorities are highly weak in terms of participating cooperation. Continuing studies on *Local Administration Reform* may be positive effects on this principle.

In the preparation process of the SPO main documents' at national level (pNDP), the SPO stated that the partnership principle had been realized, but it did not reach sufficient level. They were just 200 people participated in the workshops during the development processes of pNDP (2004-2006).

Additionality:

The EU is interested in Turkish regional development and will provide significant assistance. The pNDP (2004-2006) determined clearly financial contribution of Turkish public/private institutions and the EU in the field of regional development:

- Turkish public / private institutions: 55 million euro.
- The European Union: 152 million euro.

### **V.3.1. Recent Developments and critical Evaluation on Turkish Institutional Structure**

In 2003, Turkey represented some important steps in the institutional framework on regional policy. Firstly, the draft Regional Development Strategies, Target and Operational Programmes paper of the SPO includes the institutional framework on regional policy. The institutional framework has two levels:

#### **1. National Level:**

- National Fund: It is a central treasury unit, in which the EU Structural Funds will be transferred, under the Undersecretariat of Treasury.
- Central Finance and Contract Unit (CFCU): It is the only responsible institution of the overall financial control in the using of EU financial instruments.

The establishment procedure of these two institutions is currently continuing.

- State Planning Organization: The SPO is responsible for coordination, monitoring and reporting of the regional development projects and programmes, which are financed from national budget and EU financial instruments.

#### **2. Regional Level:**

- Service Unions: They are establishing at NUTS II level and they will provide local participation partnerships and will be responsible for the application of regional projects. In this direction, the Yeşilırmak Basin Provincial Special Administration Service Union and the Central Black Sea Development Union were established.
- Regional Development Agencies: RDAs will be established at NUTS II level. They will be responsible for preparation of regional plans and projects, promotion of public and private partnerships and coordination of regional development activities among the counties. They will be financially and administratively autonomous.

Due to the legislative deficiency of these regional institutions, the responsibilities and duties have not determined exactly yet.

Secondly, Turkey prepared a document of the current state of the administrative capacity building and measures that need to be taken to strengthen the existing capacity. According to this document, Turkey stressed the required regulations in the field of regional policy (Table 14).

**Table 14.** Required Regulations to Strengthen the Administrative Capacity in Regional Policy

<i>Main Administrative Structures Required for the Implementing the Acquis</i>	<i>Corresponding Administrative Structures in Turkey</i>	<i>Measures to be Taken to Strengthen the Administrative Capacity</i>
1. Establishment of inter-ministerial co-ordination body.		- An inter-ministerial coordination body should be established.
2. Designation of a Managing Authority for each programme.		- A Managing authority for each programme should be established.
3. Designation of a payment agency.		- A payment agency should be designated. - Turkey still needs to develop the structures necessary for the implementation of the Structural Funds
4. Establishment of monitoring committees.		- Monitoring committees should be established.
5. Existence of; - Adequate budgetary procedures. - Capacity to prepare adequate statistical data at NUTS II and III levels for the determination of eligible areas by the Commission. - Clear ministerial responsibilities, and responsibilities of other state bodies for Structural Funds and Cohesion Fund. - Independent auditing capacity. - Capacity to prepare projects. - Functioning financial control, independent from final beneficiaries.	- First stage of the NUTS study for Turkey is completed. Concerning the regional classification, the State Institute of Statistics has presented to Eurostat a proposal for a classification of regional units for statistics according to NUTS criteria. Eurostat has accepted the proposal. This proposal will be submitted to the Council of Ministers. The classification has been approved by the Decision of Council of Ministers and published in the Official Gazette no: 24884 on 22 September 2002. - Under Secretariat of Treasury, The Ministry of Finance, Under Secretariat of State Planning Organization and the Secretariat General for EU Affairs are main bodies to be involved in the usage of EU Funds.	- In administrative terms, Turkey should strengthen its structures for managing regional development, both at central level (either through the SPO or a specific department given responsibility for regional policy) and at regional level (setting up regional development authorities). Turkey has not yet begun to develop the necessary structures and operational arrangements to implement the European Social Fund. - Independent auditing capacity should be developed. - Capacity to prepare projects should be strengthened. The provision of training on the drafting of project fiches as well as the drafting of NDP has been envisaged for SPO and other relevant public institutions within the 2003 Financial Cooperation Programming.

**Source:** ABGS, 2002.

In comparison with the other candidate countries, some important differences are emerging in the Turkish institutional structure of regional policy:

- None of the candidate countries, even small-sized countries, are not as centralized as Turkish institutional structure. The SPO undertakes alone all the responsibilities of emerged quartet institutional system (inter-ministerial coordination body, responsible ministry for regional development, national regional development agency / council and regional development agencies) in the medium-sized countries.
- Turkey accepted the establishment necessity of Inter-ministerial Coordination Body on regional policy.
- The establishment studies of the RDAs are continuing by the SPO. The number and structure of RDAs are highly different from the other candidate countries. In Turkey, 26 RDAs can be inadequate in the context of serviced area. Some of the candidate countries (Hungary, the Czech Republic, Latvia and so on.) formed their RDAs at NUTS 3 level in order to take effective responsibilities. Besides, while Turkish RDAs are established simply by the SPO, various organizations (local administrations, NGOs, universities and chambers of industry and commerce) of the other candidate countries undertook important responsibilities in the establishment processes of their RDAs.
- There are no studies on the establishment of Responsible Ministry for Regional Development and National Regional Development Agency / Council yet. In the 2001 Regular Report, the EC stressed that *“Turkey should strengthen its structures for managing regional development, both at central level either through the SPO or a specific department given responsibility for regional policy and at regional level setting up regional development authorities”*. In this context, after the initiation of the negotiation process, the EU can request the structural change of the SPO.
- The management of the EU financial instruments and national financial instruments for regional development are shared by various organs such as the SPO, Under Secreteriat of Treasury, the Ministry of Finance and the Secreteriat General for EU Affairs. This duty is undertaken by the National Regional Development Agency / Council in most of the candidate countries.
- Some positive institutional applications exist in Turkey. For example, GAP-GİDEMs are successful in the development process of GAP Region. Since 2002, the EU has also supported GAP-GİDEMs. They should take place in the emerging new institutional system. GAP-GİDEMs can be regarded as the small RDAs and can be important examples for the formation and function of RDAs.

**Table 15.** Turkish Regional Development Policy

<b>Regional Development Law</b>	-
<b>Responsible Ministry</b>	-
<b>Inter-Ministerial Coordination</b>	-
<b>- National Level RDA</b>	-
<b>- Regional Level RDAs</b>	The Studies for the establishment of RDAs at NUTS 2 level are continuing.
<b>Territorial Organization (Similar to NUTS level)</b>	26 NUTS 2 adopted in 2003 81 NUTS 3 adopted in 2003
<b>Specified Fund for Regional Development</b>	-
<b>National Development Plan</b>	The Preliminary National Development Plan (2004-2006) is adopted.
<b>Regional Statistics</b>	Regional Data is limited. However the State Statistical Institute is currently dealing with collecting the necessary data.

In short, same as the other candidate countries, all the regulations of Turkey in the field of regional policy are realized in the direction of the EU but Turkey has been in the first phase in comparison with the other candidate countries (Table 15). In the last few years, the studies on regional policy and development have accelerated but it is clear that they have not followed any systematic approaches.

## CHAPTER VI

### CONCLUSION

The end of the 20<sup>th</sup> and the beginning of the 21<sup>st</sup> century are accompanied by significant social phenomena as globalism process and beside this also processes of regionalism. On the one hand, borders of states become unsubstantial in the world political and economical context, and on the other hand, specific features and the character of smaller regional units, *regions*, are emphasized. In this system, not all regions have the same advantages and chances of success and there has been increasing competition between different regions. In Europe, the countries have faced significant regional disparities. That is why the member states are implementing a European regional policy financed by the EU financial instruments. In addition, the EU changed its behaviour for the Central and Eastern European Countries in the development of regional policy from demand-driven to accession-driven after the year 1997. For the first time, the EU is now implementing policies for candidate countries in order to develop their economic, social and physical structure before their accessions by utilizing several tools such as Accession Partnerships, Regular Reports and so on. In this process, the EU has drawing more attention to regional policies and the appropriate institutional settings.

Actually, there are a variety of approaches to regional and local policy and planning across Europe. No universal or single model exists, which could be automatically transferred to apply in candidate countries. However, the EU has attempting to form some general principles on regional policy in order to provide the cohesion of candidate countries:

- Legislative framework (appropriate legal framework),
- Territorial organization (EU NUTS classification),
- Programming capacity (national–regional development plans and monitoring procedures),
- Financial management (funding system and responsible institution),
- Administrative capacity (tasks and responsibilities of all bodies and institutions).

In the field of legislative framework, all the CEECs produced the legislative documents on regional development (Appendix 3). These documents detail the goals, objectives and principles of the regional development, the duties of the regional policy authorities and funding system for regional development. Actually, all these documents indicate the same main objectives and similar principles:

- 1.promotion of balanced socio-economic and regional development,
- 2.providing sustainable development of the regions and
- 3.diminishing regional differences.

Additionality, concentration, partnership and programming are some main principles (the EU main principles) of these legislative frameworks.

All the CEECs formed their NUTS classifications, similar to the EU territorial system, between the years of 1997-2001.

The CEECs are concerned with implementing the insufficiency of programming capacity. All the candidate countries defined their National Development Plans and most of these prepared regional operational and development programmes.

In the field of financial management, most of the candidate countries do not have a clear administrative system for structural and cohesion funds yet. However seven of the candidate countries established a special fund for regional development and determined the responsible administrative body.

In this context, although there were important differences in the CEECs' approach to regional policy and planning during the early 1990s, the CEECs are now heading for the same destination governed by EU requirements. Here, in providing structural policy assistance to candidate countries, except for Turkey, the EU has effectively heightened the profile and political priority of regional policy; some of the recent progress made in establishing regional policy institutions, legislation and instruments would not have taken place so speedy without the prospect of EU resources.

In the early 1990s, institutional arrangements for regional policy in CEECs were not arranged with central government responsibility for regional development, a lack of intermediate regional or local administrative units capable of exercising economic development functions and highly fragmented map of municipalities. In the last decade, the situation has changed rapidly with the establishment of the responsible ministries for regional policy and the creation of formal inter-ministerial coordination mechanisms for regional policy. Specific agencies and centers at various levels have been established to support the design and implementation of regional policy and finally an increasingly dense network of sub-national regional development bodies is emerging (see figure 28).

Concerning to the development of the Turkish regional policy, Turkey has not realized significant steps yet in the field of regional policy in comparison with the other candidate countries. In summary, the following elements could be viewed as strengths of the Turkish regional policy:

- Turkey has forty years' experience in regional policy practices.
- At national and regional levels, Turkey has a responsible institution for regional policy and development (SPO) that has an important knowledge accumulation especially with five-year development plans.
- Turkey has realized major regional development studies, i.e. the size of the Southeastern Anatolian Project is bigger than most of the candidate countries' area.
- These regional planning studies are financed especially by its resources.

Main weakness in the regional policy set-up would include:

- Regional disparities have continued as an acute problem.
- There is no any legal regulation on regional policy.
- There is highly centralized structure in comparison with the other candidate countries.
- Regional policy is implemented via central body of the state administration.
- The SPO is a static body and resists the institutional changes.
- There are many missing institutions at various levels in the field of regional policy.
- Basically, all the studies in the field of regional policy have been realized with the top-down approach.
- There is no efficient institutional structure at regional level.
- Highly limited development of partnership and networking.
- Local governments are excluded in preparation and implementation of regional policy.
- There is no special regional development fund or similar financial system.
- There is no any regional development programmes yet, whereas there are some regional development plans.
- The regional development plans have to be revised in the process of EU integration.

Turkey is highly different status according to the other candidate countries, especially in terms of the size, location of the country and the emerging regional policy problems. However Turkey can benefit from the other candidate countries' regional policy experiences.

Turkey has recently prepared the preliminary National Development Plan for 2004-2006. *Regional development* and *institutional capacity development* take priorities in this



plan. The EU will contribute 1,050 billion euro during the plan period and 65 % of these resources are aiming for the development of institutional capacity and for providing the harmony with the EU legislation. In addition, approximately 200 million euro, most of which will be provided by the EU financial instruments, will be allocated for regional and rural developments.

Essentially, Turkey is not utilizing actively the EU pre-accession funds at present. After beginning of the negotiation process, this channel will be opened and the essential studies will be formed during this process. But before this development, Turkey has to begin with the studies of legal framework and institutional structure in the field of regional policy. The recent regional development on the area of institutional structure in the EU has emerged three issues: The reorganization of regional administration, the debate on the competition between *top-down* and *bottom-up* systems, and the competition in economic development among regional and local economic development organizations (Bachtler and Yuill, 2001). In spite of these developments, Turkish regional and local bodies and institutions are still waiting for everything from the state, although they are aware of the lack of resources and capabilities of the central governments. The main reason of this situation is that the decision-making processes are realized at the central level and sub-levels institutions are not taking part in these processes (Eraydın, 2002). But similar to the other candidate countries, Turkey has to realize seven phases in the formation of successful regional policy:

1. Determination of regional development strategy and policy,
2. Determination of national and sub-national institutions' roles,
3. Establishment of suitable development agencies,
4. Determination of territorial framework (NUTS systems)
5. Determination of suitable regional development policy instruments (Technical and Financial Instruments),
6. Preparation of regional development plans and programmes,
7. Establishment of vertical and horizontal networking system.

In the development of Turkish regional policy, some important steps are observing within the last few years. The EU NUTS classifications were formed, the pNDP and draft document of Regional Development Strategies, Target and Operational Programmes were prepared and the establishment procedures of RDAs are continuing. However, in the basis of this formation, subsidiarity, partnership and transparency principles should be provided. Local public / private institutions, universities, non-governmental organizations should take part in all these phases.

In the other candidate countries, the EU has been deeply involved in the creation of the new institutions on regional policy. In Turkey, there are not realizing any important progress in the institutional structure except the establishment procedures of 26 RDAs and the responsible management body for Structural and Cohesion Funds. In comparison with the other candidate countries, the number of RDAs can be inadequate in terms of serviced areas. In the future in addition to RDAs, County Development Agencies can be established at county level in order to remove these insufficiencies. Currently, the RDAs are seen as the regional branches of the SPO. However, the central level institutions are not active in the other candidate countries, alike the Turkish case, especially in the formation and management of the RDAs.

Besides the RDAs, the Service Unions are being established at NUTS II level in order to undertake some responsibilities at regional level. Mainly, These institutions will be responsible for the application of regional projects. But the EU is not considering important the establishment of Service Unions because these unions are formed by appointed persons of Special Provincial Administrations, not elected persons.

At present the SPO, which is the only responsible institution, is realizing the studies on most of the above seven phases by itself. Therefore, it can be claimed that the main aim is to respond the EU requests' and that these studies are not developed systematically.

After the commencement of the negotiation process, same as the other country applications', the EC can request structural change of the SPO and it can be divided into two institutions:

1. Responsible Ministry for Regional Development, and
2. National Agency for Regional Development.

In this system, the National Agency for Regional Development should compose of the representatives of local authorities, NGOs, business organization and trade union; in addition of central government representatives.

As a final statement, the adoption of regional policy institutions and procedures to implement the EU cohesion policy may be necessary but will certainly not be a significant precondition to achieve balanced and sustained regional development. EU requirements on regional policy are clear but the important thing in the process of meeting its requirements is that Turkey should make the regulations, which is corresponding its structure and local characteristics.

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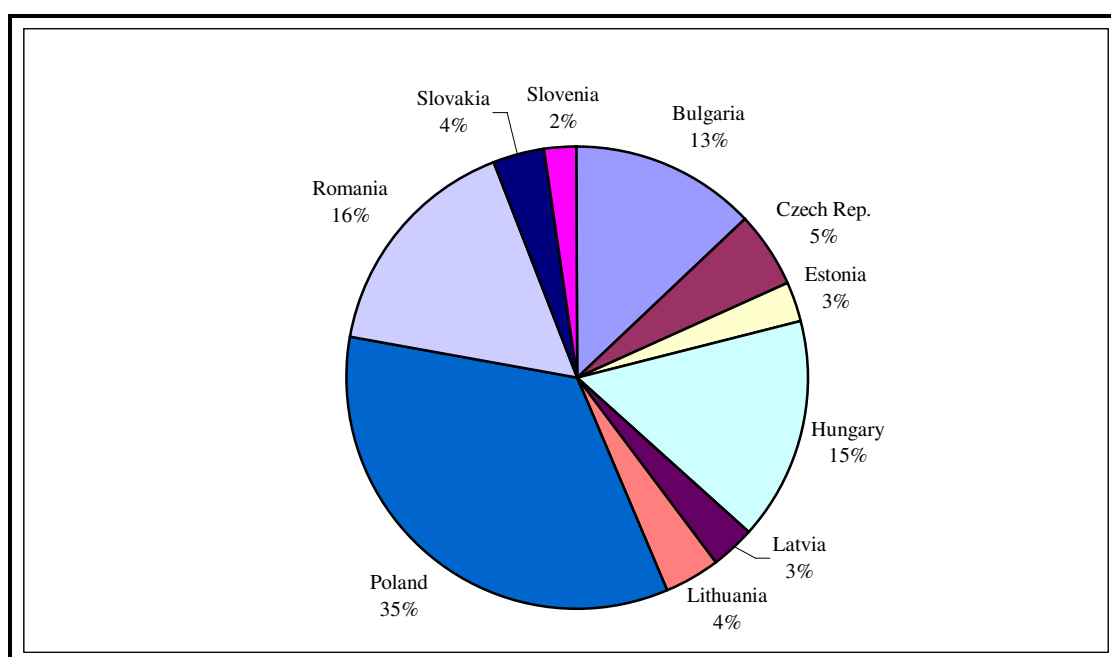
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## APPENDIX 1

### PHARE PAYMENTS BY COUNTRY



**Figure 32.** PHARE Payments by Country (% / 1990-1998)

### PHARE Payments by Country (1990-1998 in million Euros)

BULGARIA	479,44
CZECH REP.	196,46
ESTONIA	95,48
HUNGARY	566,52
LATVIA	115,07
LITHUANIA	146,46
POLAND	1251,3
ROMANIA	598,13
SLOVAKIA	132,95
SLOVENIA	77,65
<b>TOTAL</b>	<b>3659,46</b>

## **APPENDIX 2**

### **THE MAIN REGIONAL POLICY DEVELOPMENTS OF THE CANDIDATE COUNTRIES SINCE 1989**

#### **1. BULGARIA**

- \* After 1989, fundamental changes in the policy approach towards regional economic development took place. The new principles of regional policy are decentralization, functional appropriateness, long and medium-term planning and stable development.
- \* The new approach of regional development policy envisages that sectoral policies will be integrated into a long-term National Plan for Regional Development (7 years) and financial resources will be concentrated on specific regional programmes.
- \* Since 1991, a series of experiments have been realized in Bulgaria in order to develop measures and economic regulators to prevent problems in underdeveloped regions. Until 1998 various instruments for interventions in the less favored regions were used. The examples are:
  - Subsidies for transport companies that operate in mountainous and rarely populated regions.
  - Subsidies for the provision of basic services to remote small villages in the mountains.
  - Financing of regional and pilot projects by the funds for “Protection of the Environment” and “Vocational Training and Unemployment” which aim at creating alternative jobs in regions affected by the restructuring of mining industry.
  - Promotion of ecological agriculture in mountainous regions by the fund for “Protection of the Environment”.
  - Support of cross-border cooperation between the border regions of Bulgaria and Greece under Phare-CBC and Interreg-2 programs which includes 46 Bulgarian municipalities.
- \* In 1998, the Regional Development Fund was created.
- \* In 1999, the Regional Development Act was adopted. This act regulates the specific objectives, tasks, priorities and instruments of regional development policy. The basic objectives of the regional development policy are:
  1. The creation of prerequisites for sustainable development of regions.
  2. The reduction of interregional differences in the field of employment and incomes.
  3. The implementation of interregional and cross-border cooperation and European Integration.
- \* In 1999, the Law on the Administrative – Territorial Division was adopted. 28 regions (NUTS III level) were established with this law. This law also defines the authority of regional administrations concerning the implementation of regional policy.
- \* In June 1999, the 28 Bulgarian regions were combined into 6 macro-regions (NUTS II level).
- \* In October 1999, the Bulgarian authorities submitted a Preliminary National Development Plan for Bulgaria 2000 – 2006.
- \* In November 1999, a decree created a new administrative structure in the Council of Ministers and established a new Regional Coordination Directorate.
- \* In January 2000, an inter-ministerial coordination body, the Central Coordination Unit (CCU), was set up. The Ministry of Regional Development and Public Works (MRDPW) at Deputy Minister Level chair the CCU.

- \* In 2000, the Department for Economic and Social Cohesion at the MRDPW was set up to become responsible for the financial management of programmes and projects.
  - \* In February 2000, a separate division responsible for regional statistics was set up in the National Statistics Institute (NSI). It carries out methodological coordination concerning the collection, analysis and supply of data at regional level and ensures Eurostat requirements are met.
  - \* In December 2000, the Regional Development and Sector Monitoring Sub-Committee for cross-border cooperation at central level were created.
  - \* In March 2001, the Law on Spatial was adopted.
  - \* In April 2001, the Law on the Social Investment Fund entered into force. The fund will provide financial assistance for the implementation of projects given priority in the National Economic Development Plan.
  - \* In June 2001, the Secondary Legislation was adopted to revise the structure and functions of Ministry of Regional Development and Public Works.
  - \* In March 2002, a new department of programming and coordination was established within the General Directorate for Regional Policy of the Ministry of Regional Development.
- 

## 2. CZECH REPUBLIC

- \* In 1990, the Czech Government adopted the Regional Policy concept.
- \* In 1992, the government prepared a bill on regional policy, which stated “the basic goal of the regional policy on the level of the republic is support of economically problematic territorial units and regulation of spatial arrangement of socio-economic activities in individual regions”. However the bill was not put into effect until the elections of June 1992.
- \* In December 1992, the new government adopted principles of regional economic policy. But it did not realize fundamental changes.
- \* In November 1997, the Ministry for Regional Development was established. The ministry was awarded a coordinating role in securing regional policy of the state. EU Phare Programme assisted financially the creation of the ministry.
- \* In March 1998, the transitional government passed a resolution, which aimed at aligning Czech Regional policy with principles of EU structural policy. According to this resolution the main objectives of regional policy were:
  1. to support a balanced and harmonious development of regions.
  2. to decrease differences in development between regions and
  3. to activate the economic and social potentials of regions.
- \* The Constitutional Act on the Formation of the Regions was adopted by the end of the year 1997. According to this act, the country was divided into 14 regions (NUTS III level). This act came into force on 1<sup>st</sup> January 2001.
- \* In 1998, the pilot projects of the EU were started. The first one, financed from the programme Phare CBC, for the structurally afflicted region of North West Bohemia (NUTS II region) led to the preparation of the Regional Operational Programme. Other two programmes for the agriculture area centred on Jeseník and the growth pole area centred on Olomouc are financed from the National Phare Programme 1998. The aim of these projects is to provide investment support for micro-regional projects.
- \* In 1998, 14 Regional Coordination Committees were formed at NUTS III level to manage the preparation of regional development strategies and work closely with Regional Development Agencies.
- \* In the end of 1998, the Czech Statistical Office agreed that there would be 8 NUTS II statistical units created by the grouping of 14 administrative regions.

- \* In January 2000, the government adopted the National Development Plan 2000 – 2006. The NDP provides for 6 Sectoral Operational Programmes and 8 Regional Operational Programmes at Nuts II level.
  - \* In June 2000, an Act on Support for Regional Development was adopted. The act provides the legal basis for Czech Regional Development as well as the institutional structure. The act covers the competencies in terms of development support at national, regional and local level, and defines the areas and conditions for support of regional development. The act defines 8 NUTS II regions as “Cohesion Regions”.
  - \* In 2000, in addition to the regional development act, the Act on the Regions (NUTS III) was adopted. The act establishes the legal status, organizational structure and competencies of the 14 administrative regions (Kraj), and extends delegation of state administration to NUTS III regions. Besides, the Act on Municipalities was adopted.
  - \* In 2001, the Regional Councils were established at NUTS II level and In January 2001, the new Regional Governments (Hejtmanstvi) at NUTS III level were created.
  - \* In January 2001, in the field of financial management and control, the Act on Budgetary Rules came into force in order to allow for the collection of medium-term budgetary outlooks and to constitute the legal basis for multi-annual programming. The act on Financial Control was adopted in August 2001.
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### **3. HUNGARY**

- \* More so than in other Central and Eastern European Countries, Hungary has pre-reform experience of operating a type of regional development policy, and a distinct regional development strategy can be identified from 1971 onwards.
- \* In 1985, a Parliament Resolution defined the long-term tasks of regional policy in Hungary, and a resolution for more rapid development of backward areas was passed by the Council of Ministers to achieve the targets specified.
- \* In 1989, Hungarian regions changed economic and social manners with the passing of liberal economy.
- \* Since 1990, the EU has had a significant role in the development of administration and of the regional policy in Hungary. The Phare Programme started in 1989 for Poland and Hungary. Between 1990 and 1992, the programme was extended to include more countries in CEE. Phare supports the restructuring process of the area towards market economy and democracy.
- \* In 1990, the government created a separate Ministry of Environment and Regional Policy.
- \* In 1991, a Regional Development Fund was established for the financing of regional development.
- \* In 1991, a Government Decree on the provision of state for regional development and for the creation of new jobs was passed. The Decree gave the following interpretations for the overall aims of state grants for regional development:
  1. The grant should promote the reinforcement of the economic base of backward areas.
  2. The effective creation of new jobs facilitating economic restructuring and the promotion of ventures should be stimulated in areas worst affected by unemployment.
- \* In 1992, the Regional Development Fund was reorganized. The Hungarian Parliament passed the Law on Separate State Funds to comply with the stipulation that the management of central funds must be based on legal regulation. This Law created a new situation in the central subsidy system for regional development.
- \* The Parliament passed a new Resolution on Regional Development at the end of 1993. This resolution is important, as it is the first document that gives a definition of the main tasks and the means of regional policy.

- \* In order to assist the balanced regional development of the country and the socio-economic development of its regions, to implement a comprehensive regional development policy, in accordance with the content of the European Regional and Spatial Planning Charter and taking into account of the regional policy principles of the European Union, Hungarian Parliament adopted the Law on Regional Development and Land-use Planning on 19 March 1996.

The Objectives of the law:

1. To assist the development of a market economy in every region of the country and to improve economic conditions.
  2. To create the conditions for self-sustaining development.
  3. To reduce adverse differences in terms of living conditions, economic, cultural and infrastructural conditions between Budapest and the rest of the country.
  4. To encourage initiatives by regional and local communities.
- \* The Law of 1996 created a Euro-compatible system of regional development.
  - \* After the 1998 general election, the new government reorganized the management center of regional policy. The Ministry of Environment and Regional Policy was abolished and regional tasks were given to the newly created Ministry of Agricultural and Rural Development.
  - \* In March 1998, the Hungarian Parliament adopted “the National Concept on Regional Development” which lays down the long-term objectives for Hungary’s regional policy and constitutes a basis for the National Development Plans.
  - \* In 1998, seven statistical planning regions similar to NUTS II were introduced. Regional Development Councils will lead the seven regions. Five Regional Development Councils established in 1998 without the regulation of the law. The Regional Development Councils are responsible for the preparation of regional development programmes and for the evaluation of the county development plans.
  - \* In October 1999, the Law on Regional Development and Physical Planning was amended to confirm the establishment of the seven Regional Development Councils at NUTS II level and define their role in programming and implementing regional development programmes.
  - \* In April 2000, the government approved the Preliminary National Development Plan. The plan was a first attempt towards the development of a comprehensive and detailed National Development Plan in line with Structural Funds principles.
  - \* The Ministry of Economic Affairs was responsible with the task of overall coordination of regional policy. A new Regional Development Department within the ministry was set up at the beginning of 2000, to take charge of ensuring the link between internal economic cohesion and regional development policy.
  - \* Concerning funding aspect of regional development in 2000, the State Budget Law introduced two new financial instruments for regional (€ 44 million) and rural development (€ 14 million).
  - \* In 2001, within the Ministry of Agriculture and Regional Development, the Regional Development Department, in charge of coordinating the regional elements of the programming process, was being strengthened.
  - \* In January 2001, under the responsibility of the Ministry of Economy, the preparation of a development plan (National Development Plan) started. In order to ensure to the application of the partnership principle, the Economic Council, the National Regional Development Council and the National Environment Protection Council are being consulted in the preparation of the plan.
  - \* In April 2001, Hungary submitted the final version of the preliminary National Development Plan. This document is effectively used as a basis for programming and coordinating pre-accession assistance.
  - \* In 2001, the legal framework for the financial control for public expenditure was established and the necessary internal and external control bodies were set up.
  - \* In January 2002, Hungary confirmed the NUTS classification designating the whole country as one single and corresponding to NUTS level I, with seven regions corresponding to NUTS level II.
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#### **4. POLAND**

- \* New period in the development of Poland came with transformation in 1990s. The basic ideological assumption of transformation policies was that market mechanisms would replace central planning system. The first years of transformation was characterized by widening regional disparities.
- \* Regional policies of the early 1990s were characterized by low activity due to the priority given to macro-economic policy, unclear responsibilities and little coordination between various government ministries and other agencies and very limited funding.
- \* In 1993, Poland created the National Regional Development Agency. The main function is to implement the Phare-Struder programme, which aims at supporting business and infrastructure development projects in Polish problem regions.
- \* Regional Development Agencies, which were established in 1993/1994, are active actors in regional development. They are created by the Industrial Development Agency in cooperation with the regional administration and local authorities and with the support from chambers of commerce and industry, local firms, banks and business associations etc.
- \* In July 1998, the Polish Parliament approved new territorial division of Poland to 16 regions (NUTS II). The reform brings a radical decentralization of political power from the central state to regional governments. Elected regional assemblies govern the regions and an appointed governor represents the state administration. The regional self-government plays an important role in education, health care, social services and importantly, in the implementation of regional planning and regional development policies. Regions became operational on the 1<sup>st</sup> January 1999. Regional authorities are a part of the state administration and they do not conduct their own policies. However, they influence the development of regions by claiming funds and assistance from central government.
- \* In 1999, The Law on Public Finance was adopted. This law regulates the principles of budgetary commitment and expenditure control.
- \* In December 1999, in the field of programming the Preliminary National Development Plan (2000 – 2002) was approved by the government. This is an intermediate step towards the development of a comprehensive and detailed National Development Plan (2000 – 2006).
- \* In June 2000, a Council of Ministers Ordinance created a Ministry of Regional Development in Poland. This new ministry should play a leading role in regional development programming. It is also in charge of monitoring and the evaluation of programmes.
- \* In 2001, the 16 newly created self-government provincial (voivodship) authorities are now effectively carrying out regional policy functions.
- \* In June 2001, in application of the Law on Regional Development, “regional contracts” were concluded between contracts determine, for the years 2001 and 2002, the amount of support provided to each regional self-government in the pursuit of its development priorities, under the supervision of the voivod (representative of central government).

#### **5. SLOVAK REPUBLIC**

- \* In 1990s, the country was geared to democracy and market economy with political and economic reforms. Aiming at integration into the European Union, these reforms have gradually begun to change the form and direction of regional policy in the Slovak Republic.
- \* In the first half of 1991, the Ministry for the Economic Strategy conducted a survey of the socio-economic standard of the districts of Slovakia in collaboration with district and city authorities competent in the area of regional development. The results were collected in a report, which formed the basis of the Principles of Regional Economic Policy adopted by the government in July 1991.  
This document set fourth seven crucial principles:

1. Harmonious regional development,
  2. Coordination of the individual activities of regional policy (the government, regions, communities, associations, etc.),
  3. Combining government support with the regions' own resources,
  4. Support of territorial administrative units and specifically delineated regions,
  5. Regional support via market-conform instruments,
  6. Regional development programming,
  7. Interlinking regional policy with territorial planning.
- \* In May 1994, the Centre for Strategic Studies, an agency charged with regional policy planning tasks, elaborated these principles in a document entitled "The Regional Policy of the Government", adding further principles and emphasizing the principle of subsidiarity.
  - \* In 1991, with the Government Resolution, the government identified 13 micro-regions with persisting socio-economic problems. In 1994, their number was reduced to nine. In 1996, the new territorial-administrative divisions, which became effective, divided the whole country into 16 micro-regions (counties).
  - \* From 1996 to 1998, special attention was paid to the legislative, administrative and institutional framework of regional policy at the central level. In 1996, the reform step of local public administration was made:
    - far-reaching change of the territorial state administrative structure,
    - uniform two-tier system of territorial state administration offices at the local and regional level, concentrating a wide range of tasks and powers;
    - efficient arrangement of local state administration authorities.
  - \* In 1997, the government approved "the State Regional Policy Concept". This document set up the institutional framework for the formulation and implementation of regional policy and harmonious EU structural fund mechanism. According to this document;  
The government:
    - approves the Strategy of the Regional Development of Slovakia,
    - approves the State Regional Policy Concept,
    - approves the Concepts of the Socio-Economic Development of Regions,
    - approves the Criteria for the Evaluation, Approval and funding of Projects promoting regional development.
    - approves Regional Support Programmes.
  - \* In 1997, with the adoption of the State Regional policy Concept, the territorial-administrative structure was elaborated and in early 1998, the proposal of the regional classification levels of the Slovak Republic elaborated in collaboration with the European Commission; 4 aggregation of new regions (similar to NUTS II), 8 new regions (similar to NUTS III), 79 new counties (similar to NUTS IV) and 2871 communes (similar to NUTS V).
  - \* In April 1998, the Slovak Government approved the establishment of the National Agency for Regional Development as well as a net of regional development agencies.
  - \* In September 1998, the Government approved a rural development concept submitted the Ministry of Agriculture. The concept spells out the fundamental principles of rural policy, strategic and specific goals and priorities of the rural development in Slovakia.
  - \* The dominant characteristics of the economic structure and potential of the Slovak regions is the centre – periphery relationship. In the majority of economic activities and indicators, the central position of Bratislava is given prominence and followed by Kosice. Bratislava that is a capital of Slovakia has the border with the EU.
  - \* Through a Parliament Resolution of November 1999, the Ministry of Construction and Regional Development was established on 1<sup>st</sup> December 1999 as the central state administration body for regional development.
  - \* In March 2001, the Slovak Government adopted a draft National Development Plan (NDP) for 2002-2006. The plan sets out six priorities:
    1. Development of human resources,
    2. Support for competitive production activities,

- 3. Infrastructure,
  - 4. Development of production and services,
  - 5. Protection and improvement of the environment,
  - 6. Rural development and agriculture.
- \* In July 2001, the Slovak Parliament adopted a changed territorial organization similar to NUTS III with 8 regions.
  - \* In October 2001, the Act on Regional Development Support, specifying the eligibility conditions and the competence of the relevant state administrative bodies, was adopted.
  - \* In February 2002, the Slovak Government adopted the 4 statistical territorial units at NUTS II level and the European Commission agreed this classification.
  - \* The Slovak Government established Regional Development Agencies with the help of Phare Programme.

## **6. ROMANIA**

- \* Since 1990, the government had tried a number of special programs to support economic development in certain under-developed regions but unfortunately all of them were unsuccessful.
- \* In 1996, the European Union and the Romanian Government initiated a program to prepare the regional development policy of Romania, a program that had as a result the Green Paper of the Regional Development Policy in Romania. One of the main tasks of the program was to propose a list of fundamental principles for the regional development policy of Romania. The document includes the proposals of the Inter-Ministerial Working Group on the implementation of the regional development policy in Romania.  
The main objectives of the proposed policy are:
  - Preparation of Romania for the accession in the European Union and for becoming eligible for the support from the structural funds;
  - Reduction of the regional differences between the various regions of Romania;
  - Integration of the activities of the public sector in order to achieve a higher level of development of the regions.
- \* A Law on Regional Development, drafted with EU assistance and approved in July 1998, has created a framework for the development and implementation of regional policies. The law constitutes the legal basis for Romania's regional policy, and defines national and regional level policy and programming structures.
- \* In 1998, the National Board for Regional Development was established.  
The main tasks of this institution are:
  - to approve the National Strategy and the National Programme for Regional Development,
  - to submit to the government proposals concerning the formation of the National Fund for Regional Development (NFRD),
  - to approve criteria, priorities and allotment procedures concerning the NFRD,
  - to monitor the use of funds allotted to the RDAs from NFRD,
  - to approve use of structural type funds allocated to the country by the Commission for the pre-accession period,
  - to monitor accomplishment of regional development objectives, including the external cooperation activities of development regions in terms of cross-border, inter-regional and Euro-regions actions.
- \* In 1998, the National Fund for Regional Development was set up.
- \* In 1998, Regional Development Council was formed as a deliberative organ for the coordination of the activities and the promotion of the objectives of the regional development policies in each development region.  
The main attributions of the Regional Development Council are:
  - analysis and decision on the regional development strategy and programs;

- approval of the regional development projects;
  - proposals on the establishment of the Regional Development Fund;
  - approves the criteria setting the priorities, allocation and destinations of the resources of the National Fund for Regional Development;
  - assures the follow-up of the funds allocated for the regional development agencies from the National Fund for Regional Development;
  - follows up the implementation of the regional objectives.
- \* As an executive organ of the Regional Development Council in each macro-region was established a Regional Development Agency. The agencies are responsible for the coordination of regional development in the macro-regions by preparing the regional development programs, proposals for priority intervention areas and financial schemes. The most important instrument of the RDA is the Regional Development Fund.
  - \* In May 2000, The Romanian Government approved the final version of the National Development Plan. This document is the first plan involving partnership between national and regional authorities as well as the institutions of civil society. The National Agency for Regional Development was appointed as the coordinator of the National Development Plan and as the implementing authority for Cross Border Cooperation. This agency, the National Agency for Small and Medium-Sized Enterprises and the Romanian Development Agency were merged into a single Agency, in an attempt to reduce overlaps between administrative bodies and to increase administrative efficiency.
  - \* In 2000, Romania set up a clear legislative and administrative framework for running regional policy, including territorial organization. A provisional classification was introduced consisting of 42 judets (similar to NUTS 3) and of 8 groupings of judets, the so-called macro-regions (similar to NUTS 2).
  - \* In 2001, the National Agency for Regional Development was disbanded following the change of government, and the main responsibilities for regional development were moved to the newly created Ministry of Development and Prognosis.
  - \* In 2001, the Ministry of Development and Prognosis developed its own payment and accounting procedures for financial management and a Payment Directorate Office was established as a separate function from the General Directorate for Regional development.
  - \* Government decisions of January and April 2001 defined the Ministry of Development and Prognosis's role as the central body responsible for coordinating the national development policy, drawing-up the National Development Plan, managing the National Fund for Regional Development, and managing EC pre-accession funds for social and economic cohesion. The Minister of Development and Prognosis chairs the National Board for Regional Development.
  - \* The Law on Local Public Administration, which was passed in April 2001, defines new responsibilities for local authorities and gives a coordination power to the local representative of the central government.
  - \* The Law on the State Budget, which was passed in July 2001, provides for state co-financing of pre-accession funds.
  - \* In December 2001 Romania submitted its National Development Plan (NDP) 2002-2005 to the Commission - which presented its comments in March 2002.

## **7. ESTONIA**

- \* In the early 1990s, the transformation period has led to changes of political, social and economical realities.
- \* In 1989, the principles of regional policy were first formulated in the Conception of the Self-financing of Estonia. These objectives of regional policy were to compensate for shortcomings in the preconditions for economic activities in regions and prevention of the undesirable social consequences of such shortcomings. The primary aim was to enable the inhabitants of all regions to

- earn their living, secure the basic level of the social infrastructure and ensure a suitable living environment.
- \* In 1989, the Regional Development Department was formed in the Ministry of Economic Affairs, with the task to establish a regional policy.
  - \* In 1990, the first Regional Policy Concept was prepared.
  - \* In 1994, the Estonian Government approved Regional Policy Conception. In this concept, regional policy is a determined activity of the public government aimed at creating premises for development for all the regions of the state and the balancing of social-economic development proceeding from the interests of the regions and the state as a whole. The Regional Policy Conception contains the establishment of the Estonian Regional Development Agency, the regional development fund and the regional development programmes.
  - \* In 1994, the Regional Development Fund was set up.
  - \* In 1995, 8 different regional programmes were formulated. The goal was to avoid a further polarization of the national economy and the appearance of accompanying macro-regions problems (inflation, ineffective use of resources, emigration from peripheries, etc.)
  - \* In 1995, the Regional Policy Council was formed. It represents all ministries as well as representatives of the county governments and local self-governments. Its main tasks are to develop the principles of regional policy and coordinate their application.
  - \* In 1997, the Ministry of Internal Affairs as a central institution engaged in regional policy started to administer the regional policy measures.
  - \* In May 1997, Estonian Regional Development Agency was established. The main tasks of the Agency are the management of the regional development fund, the development and coordination of activities carried out through the business support system and technical support to other regional policy instruments.
  - \* In 1998, a new programme was launched the South-East Estonia Programme. Its objective was to support various development projects in the counties of Southeast Estonia.
  - \* In 1998, the work of harmonizing regional policy with the principles of EU Structural Funds began.
  - \* In autumn 1999, Estonia prepared a first version of the preliminary National Development Plan (pNDP), which constitutes a first step towards developing a comprehensive and detailed programming document in line with Structural Funds requirements.
  - \* In October 1999, the amendments to the Local Government Organization Act entered into force establishing that local budgets must be based on a multi-annual plan of at least three years.
  - \* In November 1999, the government adopted the Regional Development Strategy establishing the main priorities in the accession of EU Structural Funds.
  - \* In 2000, the State Statistic Act, which forms the legal status of NUTS level, entered into force.
  - \* In December 2000, the State Regional Policy Council was established. The Minister responsible for Regional Affairs chairs the council. Its tasks include monitoring the effectiveness of regional development measures and organizing the evaluation of their impact.
  - \* In 2001, the 1999 National Development Plan was revised.
  - \* In 2002, the provisional NUTS classification was agreed with the European Commission. The classification designates the whole country as one single unit corresponding to NUTS level II and 5 regions corresponding to NUTS level III.
  - \* In February 2002, Estonia revised the government decision on management structure of the Structural Funds, which designates the following structure for the implementation of the Structural Funds and the Cohesion Fund: the Ministry of Finance was appointed as the Managing Authority for the Single Programming Document as well as for the Cohesion Fund; the Ministry of Finance as the Paying Authority for ERDF; the Ministry of Social Affairs as the Paying Authority for ESF

and Agricultural Registers and the Information Board as the Paying Authority for EAGGF guidance and FIG.

## 8. SLOVENIA

- \* Slovenia is a unitary state comprising two principal tiers of administration – central government and municipalities. The constitution of the Republic of Slovenia guarantees the right to local self-government and a series of laws was passed at the start of the 1990s, which formed the basis for the reform of local self-government and national administration. The first stage of this reform was undertaken in 1994 with the creation of 147 municipalities and 11 city municipalities.
- \* In 1990, the focus of regional policy shifted towards ‘demographically endangered areas’ in an attempt to halt out-migration and the de-population of highland and peripheral areas. This move was related in part to the fact that high inflation and considerable hidden unemployment masked the difficulties in industrial regions. New areas were designated and measures were promoted to stop or minimize the out migration of people from these areas.
- \* In 1995, the Regional Development Fund was created. It offers low interest loans and guarantees in demographically endangered areas for production investment by SMEs and small agricultural businesses. It also provides short-term bridging loans for municipality infrastructure projects.
- \* In July 1999, Slovenia adopted the Law on Balanced Regional Development, which envisages the establishment of a council for Structural Policy to act as national coordinating body, together with the establishment of a National Regional Development Agency as well as individual local Regional Development Agencies. These institutions are designed to co-operate with the Fund for Regional Development and the Preservation of Rural Settlements in the implementation of structural policy.
- \* In September 1999, The National Agency for Regional Development (NARD) was officially established by the Act Amending the Organization and Competence of Ministries for coordinating the government’s policy for regional development.
- \* In November 1999, the government approved the preliminary National Development Plan (pNDP) 2000 – 2002. This is an intermediate step towards the development of a comprehensive and detailed National Development Plan (NDP) 2000 – 2006.
- \* By the end of 1999, The Phare Cross Border Co-operation Implementation Unit is designed to form the basis of the National Regional Development Agency.
- \* In March 2000, Slovenia proposed a new NUTS classification with the adoption of the Decree on the Standard Classification of Territorial Units. This classification divides Slovenia into two regions similar to NUTS II. But this NUTS classification was not accepted by EC. EC wants single NUTS II for Slovenia territorial classification.
- \* In May 2000, Slovenia adopted the Rules on the composition, organization and tasks of the Regional Development Agency. The NARD is part of the Ministry for Economic Relations and Development. The NARD is responsible for the actual implementation, monitoring and evaluation of programmes. At regional level, only just two of 12 Regional Development Agencies were established.
- \* In May/June 2000, Slovenia adopted six regulations this year implementing the 1999 Act on the Promotion of Balanced Regional Development. These concern the organization and tasks of the National Agency for Regional Development and the Regional Development Agencies, the minimum obligatory structure of regional development plans, the establishment of the Structural Policy Council, the criteria for defining territories with special development problems as well as criteria for granting development incentives.
- \* In June 2000, the Government adopted a Decision on the establishment, composition, organization and tasks of the Structural Policy Council. The Structural Policy Council is an inter-ministerial coordination body responsible for programme co-ordination at national level.
- \* In April 2001, a unit to handle future European Social Fund (ESF) interventions was set up in the Ministry of Labor and Social Affairs.

- \* In February 2001, a supervisory board for the preparation of the National Development Plan was set up by the Structural Policy Council in order to ensure the application of the partnership principle.
- \* In November and December 2001, Slovenia adopted two government decisions, which designated the management structures for the implementation of the Structural Funds and the Cohesion Fund. The Ministry of Economy was designated as the Managing Authority for the Single Programming Document and for the Cohesion Fund. The Ministry of Finance was designated as the future Paying Authority for all the Funds. The Ministry of Labor, Family and Social Affairs have the leading role for the European Social Fund. Slovenia also appointed the intermediate bodies for the individual Structural Funds and for the Cohesion Fund.
- \* In December 2001, Slovenia submitted its National Development Plan (NDP) 2001-2006 to the Commission. This plan serves as the basis for the establishment of the draft Single Programming Document as required by the Structural Funds Regulations. The preparation of the draft Single Programming Document and the programme complement started at the beginning of 2002.
- \* In March 2002 the National Agency for Regional Development in the Ministry of Economy launched a project on monitoring regional development, in cooperation with the Institutes for Geography, Town Planning and Economic Research. Its aim is to establish the methodology for setting up a system of Single Programming Document and programming complement indicators.

## 9. LITHUANIA

- \* In July 1998, regional policy guidelines were approved. The guidelines determine principles, objectives as well as basic institutional structures and financial instruments for Lithuania's regional policy.
- \* Further to the Government decree of 1998, which defined the basic objectives and implementation principles, the Government took a resolution on the implementation of Lithuania's regional policy in May 1999. This resolution sets out measures for the implementation of regional policy guidelines including a plan which lays down the priorities for the years to come and gives to the Ministry of Public Administration and Local Authorities the overall responsibility for the general co-ordination of regional and structural policy in Lithuania.
- \* In October 1999, the Governmental European Integration Commission approved the preliminary National Development Plan (NDP) for 2000-2002. The NDP sets out the priorities and measures for the EC pre-accession instruments in Lithuania.
- \* In November 1999, The National Regional Development Agency became operational. It is responsible for the preparations of the NDP and is in charge of coordinating the preparation of Regional Development Plans.
- \* In July 2000, the Law on Regional Development was adopted. This law aims to establish the legal basis for the formulation and implementation of regional development policy as well as for the application and administration of EC structural funds.
- \* In October 2000, the Parliament decided to abolish the Ministry of Public Administration and Local Authorities, and to transfer all its functions (including the responsibility for the preparation for Structural Funds) as of 1 January 2001 to the Ministry of the Interior.
- \* In October 2000, the Government Resolution on the Approval of the Programme of Internal Control and Internal Audit System Set Up in the Public Sector was adopted.
- \* In January 2001, The Ministry of Public Administration and Local Authorities was abolished and subsequently the Department of Regional Development was established in the Ministry of Interior. The department is responsible for the co-ordination of the preparation of regional development programmes and for the implementation of the national regional development policy. The other functions was transferred to the Ministry of Finance in its capacity of future managing authority and coordinating body of the programming and implementation of the EC Structural Funds and national co-financing.

- \* In February 2001, the Government approved the Concept Paper for the Preparation of the National Development Plan. According to this concept paper the Ministry of Finance shall now have the overall responsibility for programming the preparation and co-ordination of the National Development Plan and draft Single Programming Document.
  - \* In May 2001, the Government Resolution on implementation of the European National Account System was adopted; it aims at enforcing the application of the NUTS classification.
  - \* In December 2001, Lithuania reached a formal agreement with the European Commission on the provisional NUTS classification (the whole country at level I and II, the ten counties at level III, municipalities at level 4 and neighborhoods at level 5).
  - \* Lithuania adopted the Law on Approval of Financial Indicators for State and Municipal Budgets for 2002, which allows the Government or its designated institution to transfer funds between different budget lines during the implementation of programmes or projects co-financed by the EC. This will provide the basis for a subsequent amendment to the Law on Budget Structure for the same purpose by the end of 2003.
  - \* Lithuania submitted its National Development Plan 2002-2004 to the Commission in January 2002. This document was established with a view to pre-accession instruments and the respective national co-financing. Its preparation followed, however, some of the principles of programming under the Structural Funds regulations and did, therefore, represent a useful experience with a view to preparing the draft Single Programming Document (SPD).
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## 10. LATVIA

- \* In January 1998, the government adopted the Concept of Regional Policy, which consists of objectives and basic implementation procedures for Latvia's regional policy.
- \* In May 1998, legislation was adopted with the aim of accelerating the development of regions of special concern. It provides a legal basis for state support to the regions and includes criteria for identifying targeted regions, financial instruments and cooperation between central and local authorities.
- \* In 1998, the Regional Development Fund was established to promote entrepreneurial activity in the assisted regions.
- \* In October 1998, Legislation on territorial reform was adopted to provide the basis for reform, which should be completed by 2004. Until its completion and to address regional disparities within the country during the pre-accession period, Latvia is divided up in five planning regions.
- \* According to a government decision of March 1999, the Structural Funds Coordination Division, within the Foreign Assistance Programs Coordination Directorate has the leading role in the preparation process for Latvia's implementation of EU structural funds support.
- \* In October 1999, a first version of Latvia's National Development Plan (NDP) was approved. The revision of the National Development Plan started in January 2000 under the leadership of the Special Tasks Minister for Cooperation with International Financial Institutions, and in April 2000, a National Development Plan Steering Group was formed to monitor and manage the preparation of a revised Plan in close co-operation with regions and partner institutions.
- \* In April 2000, the Government decided to establish five planning regions by January 2001, which correspond to the NUTS III level. The main functions of the planning regions would be regional development planning, project implementation and monitoring. In each planning region, decisions would be taken by Regional Development Council, which would include representatives of the participating districts and/or city councils.
- \* In June 2000, a Regional Policy Working Group was established to prepare a conceptual proposal on harmonization of competencies, institutional framework and legislation. The group is chaired by the Special Tasks Minister for Cooperation with International Financial Institutions. This is a first



- step towards coordination and co-operation between all the national actors involved in regional policy and towards the designation of an entity that would be responsible for EC Structural Funds.
- \* In December 2000, the government adopted a conceptual document on the changes in the legislation necessary to implement structural adjustments for regional policy and coordination of EC structural funds.
  - \* In December 2000, the government approved a conceptual document for the establishment of a National Regional Development Council (NRDC), in which several ministries as well as the chairmen of the Councils of the 5 planning regions are to be represented. It ensures coordination of programming and implementation activities.
  - \* In 2001, the government decided to treat the whole territory as a single region corresponding to NUTS II level, split up in five regions, which correspond to NUTS III level. In July 2001, the government then decided to entrust the Ministry of Finance with the task of managing the Structural Funds in the future.
  - \* In April 2002, an agreement was reached with Eurostat on NUTS classification for the purpose of collecting and disseminating regional statistics at Community level. According to the agreement, the whole of Latvia corresponds to NUTS I and II level.
  - \* In March 2002, Latvia adopted the Regional Development Law, which lays down the general system for regional policy. The new law includes provisions linked to the planning and co-ordination of the EC Structural Funds regarding regional development.
  - \* In February 2002, the main institutions to be involved in the process of management of the Structural Funds and the Cohesion Fund were designated. The Ministry of Finance will become the Managing Authority for the future Single Programming Document and the Cohesion Fund. The State Treasury is designated as the paying authority for the Structural Funds and the Cohesion Fund.
  - \* The National Development Plan (2002-2006) was submitted to the Commission in January 2002. This plan will serve as the basis for the establishment of the draft Single Programming Document as required by the Structural Funds regulations. The preparation of this draft and of the programme complement started at the beginning of 2002. In July 2002, the Government reached an agreement on the priorities of the draft SPD.

## **APPENDIX 3**

### **REGIONAL DEVELOPMENT LAWS**

#### **1. BULGARIA LAW FOR REGIONAL DEVELOPMENT (Prom.SG. 26/23 Mar 1999)**

##### **Chapter One.**

##### **GENERAL PROVISIONS**

**Art. 1.** This law shall provide the planning, the management and the resource ensuring of the regional development.

**Art. 2.** The objectives of the law shall be:

1. the creating of prerequisites for sustainable and balanced development of the different regions of the country
2. decrease of the differences of employment and incomes between the regions;
3. implementation of the regional transborder cooperation and European integration.

**Art. 3.** The regional development shall be implemented through:

1. creating and development of transborder, national and regional infrastructure;
2. creating of favourable regional and local investment ambience;
3. using of local, national and foreign resources;
4. increase of the quality of the human resources;
5. realisation of economic initiatives;
6. coordination of the sector policies and activities;
7. participation of non government organisations.

##### **Chapter Two.**

##### **MANAGEMENT OF THE REGIONAL DEVELOPMENT**

**Art. 4.** The Council of Ministers shall approve:

1. criteria for determining the regions for purposeful impact and their territorial scope accounting for the level and the dynamics of the economic development, the employment and unemployment, the structure of the economy, the extent of construction of the technical and social infrastructure, the demographic and settlement structure, the geo-strategic location, the available potential for achieving the objectives for the corresponding kind of regions and other important criteria;
2. The National plan for regional development as well as the amendments and the supplements thereof;
3. Annual report for the implementation of the National plan for regional development which shall be submitted as information to the National Assembly.

**Art. 5.** (1) At the Council of Ministers shall be established Council for regional development.

(2) Chairman of the Council for regional development shall be the Minister of Regional Development and Public Works and its members - the Minister of Finance, the Minister of Industry, the Minister of Transport, the Minister of Trade and Tourism, the Minister of Agriculture, Forests and Agrarian Reform, the Minister of Environment and Waters, the Minister of Labour and Social Policy, the Minister of Health, the Minister of Education and Science and the Minister of Culture.

(3) In the sessions of the Council for regional development shall participate with consultative vote the regional governors and a representative of the National association of municipalities in the Republic of Bulgaria. The chairman of the council shall be able to invite at its sessions also other persons with attitude to the regional development.

**Art. 6.** The Council for regional development shall:

1. assess the initiatives of the ministries and the other administrative bodies in the field of the regional development;

2. coordinate the National plan for regional development;
3. express statement about the annual report for implementation for regional development;
4. coordinate the activities with regional character of the ministries and the other administrative bodies within the framework of the National plan for regional development;
5. approve National strategy and National report for sustainable development and decide other issues of the sustainable development of national importance;
6. coordinate the annual plan - accounts of the off budget funds of the state bodies and the budget organisations at state maintenance.

**Art. 7.** The Minister of Regional Development and Public Works shall:

1. conduct the state policy for regional development;
2. organise the working out, the implementation and the control over the fulfillment of the National plan for regional development;
3. submit the coordinated by the Council for regional development national plan for approval to the Council of Ministers;
4. submit the annual report for the fulfillment of the national plan for approval to the Council of Ministers;
5. organise the scientific, the expert and the information ensuring of the activity of the Council for regional development;
6. render methodical cooperation and conduct training in connection with the development and the fulfillment of the National plan for regional development.

**Art. 8.** The regional governor shall:

1. organise the working out, the public discussion and participate in the fulfillment of the regional plan for development;
2. present the regional plan for development and the annual report for its fulfillment to the Minister of Regional Development and Public Works.

**Art. 9.** (1) Established shall be regional council for regional development, which shall assist the regional governor in the implementation of his functions under this law.

(2) Chairman of the regional council for regional development shall be the regional governor and its members - the mayors of the municipalities in the region and one representative of the municipal council of each municipality.

(3) The regional governor shall be able to invite for participation in the sessions of the regional council representatives of the regional association of municipalities and other persons with attitude to the regional development.

(4) For implementation of activities for regional development with importance and scope above the region the regional governor shall be able to conclude agreements for association with other regions.

(5) On the basis of the agreements of para 4 shall be formed regions for planning for which could be developed joint plans for regional development and shall be implemented their joint fulfillment.

**Art. 10.** The regional council for regional development shall express statement about the worked out regional plan for development and the annual report for its implementation by an order determined with the regulation of art. 11.

**Art. 11.** The organisation of the activity of the Council for regional development at the Council of Ministers and of the regional councils for regional development shall be determined with a regulation approved by the Council of Ministers.

### **Chapter Three.**

#### **PLANS FOR REGIONAL DEVELOPMENT**

**Art. 12.** (1) The National plan for regional development shall be a combination of initiatives for development of the regions and the municipalities in compliance with the objectives of art. 2.

(2) The National plan for regional development shall contain:

1. the principles, the objectives and the priorities of the regional development of the country;
2. the regions for purposeful impact: regions for growth, regions for development, regions for transborder cooperation and development, regions with specific problems and priorities;
3. the instruments for achieving the objectives of the regional development;
4. the initiatives for regional development;
5. the concrete projects for regional development, including projects of interregional importance, programmes for research, training, regional and municipal information systems; the projects shall be mainly for the development of the infrastructure, for economic development and

opening of new working places as well as for services connected with encouragement the realisation of the projects;

6. the necessary resources for realisation of the projects for the seven years period, allocated for years, regions, municipalities and ministries and other administrative bodies and regions for purposeful impact;

7. for the regions with specific problems and priorities shall be possible to be developed national programmes which shall be included in the National plan or regional development.

(3) The National plan or regional development shall be developed for seven years period with breaking down for years.

(4) The annual fulfillment of the National plan or regional development shall be implemented in compliance with the Law for the structure of the state budget.

**Art. 13.** The Council of Ministers at proposal by the Minister of Regional Development and Public Works shall approve the basic parameters for the working out of the National plan or regional development till the end of March of the year preceding the seven year period of effect of the plan.

**Art. 14.** The regional governors shall organise the development out of the regional draft plans for development on the basis of the approved parameters and present them till June 1 of the same year to the Minister of Regional Development and Public Works.

**Art. 15.** (1) On the basis of the projects of the regional plans for development the Minister of Regional Development and Public Works shall organise the working out of the draft National plan or regional development and present it for coordination to the Council for regional development.

(2) The Minister of Regional Development and Public Works shall submit the coordinated draft to the Council of Ministers till September 1 of the year preceding the seven years period of effect of the plan.

(3) The National plan or regional development shall be coordinated with the National plan for economic development.

(4) The National plan or regional development shall be promulgated in State Gazette.

**Art. 16.** (1) The regional plan for development shall specify the objectives, the priorities, the instruments and the initiatives from the National plan or regional development for the territory of the region and contain projects developed in compliance with them.

(2) The regional plan for development shall include also projects contained in the municipal plans for development as well as projects of other corporate bodies.

#### **Chapter Four.**

#### **ENSURING THE RESOURCES FOR REGIONAL DEVELOPMENT**

**Art. 17.** The projects included in the plans for regional development shall be financed from:

1. the state budget;
2. the municipal budgets through purposed subsidies and own incomes;
3. international programmes, projects and agreements and other foreign sources;
4. other sources, including off budget funds of the state bodies and the budget organisations and the municipalities.

**Art. 18.** (1) At development of the annual plan - account of the off budget funds with priority shall be ensured projects included in the National plan or regional development.

(2) The off budget funds shall announce every year publicly the procedure for applying for financing of municipal and regional projects for development.

**Art. 19.** The resources of art. 17, items 1, 2 and 4 shall be possible to be spent for joint financing of coordinated projects and programmes ensured from the sources of art. 17, item 3.

**Art. 20.** The state shall be able to assist the implementation of the National plan or regional development undertaking state guarantees or warrant before foreign financial institutions and Bulgarian banks.

**Art. 21.** (1) For the realisation of projects included in the plans for regional development shall be possible to be conceded immovable properties and unfinished construction sites - private state or municipal property as well as to be established construction right or right to use properties- private state or municipal property, by the order of the Law for state property and the Law for municipal property.

(2) When for the realisation of the projects of para 1 is established a commercial company, the state and the municipality shall be able to participate in it with assets.

## **Chapter Five.**

### **ENSURING INFORMATION FOR REGIONAL DEVELOPMENT**

**Art. 22.** The National Statistics Institute shall collect, process and supply the statistical data for the regional development to the Council of Ministers, the Minister of Regional Development and Public Works, the regional governors and the municipalities.

#### **Additional provisions**

§ 1. In the sense of this law:

1. "Regional development" is a process of achieving sustainable and balanced development directing resources, infrastructure construction and economic activities to certain regions.

2. "Policy for regional development" is an element of the structural policy implemented with purposeful, planning and financially ensured impact of the state and the municipalities over the regional development.

3. "Region for growth" is a region for purposeful impact comprising the territory of a municipality or a group of municipalities of a big town with developed economic functions, technical and social infrastructure, chosen to be stimulated with regard to the realisation of sustainable economic growth with national effect (in extent more than two times the average rate of growth of the gross domestic product in the country). The region for growth shall be possible to comprise the territory of a region or a group of neighbouring regions.

4. "Region for development" is a region for purposeful impact comprising the territory of a municipality or a group of municipalities of a town with existing technical and social infrastructure, chosen to be stimulated for achieving economic development (increase of the gross domestic product in extent bigger than the average for the country), with regard solving regional problems. The region for development shall be possible to comprise the territory of a region or a group of neighbouring regions.

5. "Region for transborder cooperation and development" is a region for purposeful impact comprising territory by the border of a group of municipalities where are implemented projects for transborder cooperation with regard to improvement of the economic development and solving regional problems. The region for transborder cooperation and development shall be possible to comprise the territory of a region or a group of neighbouring regions.

6. "Region with specific problems and priorities" is a territory for purposeful impact comprising the territory of a municipality or a group of municipalities which is determined for regional impact or support with regard to solving of urgent regional problems and/or restriction of degradation processes in the economic and social sphere (region in industrial decline, backward rural region, mountainous region). The region with specific problems and priorities shall be possible to comprise the territory of a region or a group of neighbouring regions.

7. "Investments" are expenses for acquisition of long term material assets in this number buildings, land, forests, perennial plantations, machines and facilities.

8. "Instruments" are investment subsidies, taking part of the interest rate, direct investments, state and local fees, guarantees and warrants.

9. "Initiatives" of art. 12, para 2, item 4 shall be grounded measures and activities in the field of improvement of the infrastructure, increase of the economic activity, creating new working places, increase of the quality of human resources, development of the transborder cooperation and other activities with regard to solving of regional problems in the economic, the social and the culture spheres.

10. "Infrastructure" is:

1. "technical infrastructure" - combination of buildings, facilities, and linear engineering networks of transport, communications, electricity supply, water supply and sewerage, gas supply, hydromeliorations, treatment of solid waste and fostering of banks with national and regional importance;

b) "social infrastructure" - system of sites with national and regional importance for ensuring the public services, guaranteed by the state in the sectors of education, culture, health care and social services.

11. "Services" include the working out of financial-economic analyses, technical - economic researches, projects for realisation of investments, marketing and information ensuring.

12. "Unfinished construction site" is a construction which has not been approved by commission and for which has not been issued a permission to be used by the order established in the Law for territorial and urban development and the Regulation for its implementation.

13. "National plan for economic development" is a combination of sector and regional programmes based on analysis of the overall development of the country and general strategy for

development. The plan shall be developed by an order determined by the Council of Ministers in compliance with the agreements with the European Union in connection with the Special preparatory programme for the structural funds of the Republic of Bulgaria.

#### **Concluding provisions**

§ 2. In two months term after the law enters into force the Council of Ministers shall approve:

1. criteria for determining the regions for purposeful impact and their territorial scope;
2. regulation for the organisation and the activity of the Council for regional development at the Council of Ministers and of the regional councils for regional development.

§ 3. In art. 14, para 2 of the Law for the support of agricultural producers (prom. SG 58/98, suppl. SG 79, 153/98, SG 12/99) shall be created item 4:

"4. Financing of projects and activities determined in the plans for regional development."

§ 4. In art. 10, para 1 of the Law for protection at unemployment and encouragement of employment (prom. SG 120/97; amend. SG 155/98) shall be created item 13:

"13. Financing projects and activities determined in the plans for regional development."

§ 5. In art. 1, para 1 second sentence of the Law for the fees for liquid fuels for fund "Republican road network" and for the National fund for protection of environment (prom. SG 16/96; amend. and suppl. SG 104/96, SG 51, 87/97, SG 147/98) at the end shall be made the following changes:

1. Item 6 shall be changed to:

"6. Financing of projects and activities determined in the plans for regional development;"

2. The previous item 6 shall become item 7.

§ 8. In art. 3, para 2, first sentence of the Law for territorial and urban development (prom. SG 29/73; amend. SG 32/73; amend. and suppl. SG 87/74, SG 3, 102/77, SG 36/79, SG 3/80, SG 45/84, SG 19/85, SG 36/86, SG 14/88, SG 31/90; amend. SG 32/90; amend. SG 15/91; amend. and suppl. SG 63/95, SG 104/96, SG 41, 79/98; corr. SG 89/98; amend. SG 124, 133/98) after the words "Supreme council for territorial and urban development, construction and architecture" shall be added "and regional policy".

§ 9. The implementation of this law shall be assigned to the Minister of Regional Development and Public Works.

§ 10. The law shall enter into force on the day of promulgation in State Gazette.

The law is passed by the 38th National Assembly on March 11, 1999 and is affixed with the official seal of the National Assembly.

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## **2. THE CZECH REPUBLIC ACT ON SUPPORT TO REGIONAL DEVELOPMENT NO: 248/2000**

### **PART ONE**

#### **GENERAL PROVISIONS**

##### **§ 1 SUBJECT OF REGULATION**

This Act lays down the conditions for the provision of support to regional development with the objective of reaching balanced development of the state or a NUTS III region and the related tasks and authority (powers and responsibilities - translator's note) of the administrative bodies, NUTS III regions and municipalities as well as creates conditions for coordination and implementation of economic and social cohesion.

##### **§ 2 BASIC CONCEPTS**

For the purposes here of the following terms are understood to mean:

- a. region: a territory defined within the existing administrative borders of NUTS III regions, districts or municipalities, development of which is supported in accordance with this Act;
- b. strategy of regional development: a medium-term document for a period of 3-7 years which formulates the approach of the state to the support provided to regional development, provides the necessary basis for it, determines its development objectives and the principles for elaboration of regional development programmes;
- c. state development programme: a medium-term document which formulates the focus of support to regional development for one supported region and/or joint focus for more than one supported region;
- d. economic and social cohesion: measure for reducing regional disparities among the regions of the European community.

## **PART TWO**

### **SUPPORT TO REGIONAL DEVELOPMENT**

#### **§ 3 AREAS OF SUPPORT TO REGIONAL DEVELOPMENT**

Support to regional development shall be mainly focused on:

- a. development of economic activities with the objective of improvement of economic structure and creation of new jobs or ensuring stability of endangered jobs;
- b. development of human resources (improvement of skills, provision of education and re-qualification, harmony between the achieved education and qualifications and the needs of the labour market and the socio-economic development of the regions) and other measures in the labour market area;
- c. research and technological development contributing to the overall development of a region, with respect to support for the introduction of new technologies and innovation, and to the strengthening of research and development facilities where necessary for regional development;
- d. development of tourism;
- e. improvement in the infrastructure of the territory, including conditions for transportation services;
- f. development of sport and youth activities and culture, including the preservation of monuments, in so far as suitable job opportunities are thereby provided;
- g. development of public amenities, including facilities for sport, youth, leisure activities and public services, for the purposes of meeting the needs of the population within bearably accessible distances;
- h. development of services for social care and social assistance;
- i. ensuring accessibility and improvement of medical services;
- j. measures to protect the environment and reduce the factors adversely affecting the environment and to maintain a cultivated landscape;
- k. establishment of legal persons and increase in the number of programmes on the level of the regions serving the general development thereof;
- l. support to land consolidation;
- m. for the regions defined in § 4 para 2 letter b): also achievement of other objectives if any such other objectives comply with the reasons for which the region was defined;
- n. achievement of other objectives stipulated by a relevant NUTS III<sup>n</sup> regional development program.

#### **§4 STATE SUPPORT TO REGIONAL DEVELOPMENT**

(1) The Ministry of Regional Development (hereinafter the "MRD"), in cooperation with other central bodies of state administration concerned and NUTS III regions and on the basis of ongoing analysis of economic and social development of the country, proposes regions, the development of which needs support in order to ensure a well-balanced development of the country and reduction of regional disparities. It is for this purpose that the state prepares the regional development strategy.

(2) The MRD proposes definition of the following types of regions to be supported:

- a. regions with concentrated state support which are further subdivided depending on the nature of how far they lag behind:

the structurally affected regions are regions with cumulating adverse manifestations of structural changes, with decline in industrial production and increasing unemployment. The structurally affected regions are defined by indicators characterising, in particular, the labour market and development of enterprise;

the economically weak regions are regions, which, based on indicators of economic and social development, are at a significantly lower level than the national average in the Czech Republic. The economically weak regions are defined mainly by indicators characterising the labour market, the economic level and its structure and the income level of inhabitants and municipalities;

the rural regions are regions with low population density, decline in number of inhabitants and higher share of employment in agriculture. The rural regions are defined mainly by indicators characterising development of population, structure of its jobs and share of population in villages;

- b. other regions which are regions which do not demonstrate the traits of economically weak or structurally affected regions, but need support for other objective reasons (e.g. border regions, former military territories, regions afflicted by natural disasters, regions with heavily spoilt or damaged environment, regions with less favourable conditions for agriculture development, regions where the average unemployment rate is higher than the national average).

#### **§5 REGIONAL DEVELOPMENT STRATEGY**

(1) The regional development strategy will contain mainly an analysis of the state of regional development, characteristics of the strengths and weaknesses in the development of the individual NUTS III regions and districts, the strategic objectives of regional development of the Czech

Republic, definition of the regions with concentrated state support and recommendations for the central bodies of state administration concerned and NUTS III regions as to the focus of development of the fields within their authority.

(2) The MRD, when working out the regional development strategy, uses mainly statistical data, the relevant basic planning documents and territorial planning documentation based on a specific legal regulation<sup>3)</sup>, land-use limits and the principles of organisation thereof, the principles of environmental protection and programmes for the development of NUTS III regions.

(3) The MRD submits the regional development strategy to the Government for approval.

#### **§6 STATE REGIONAL DEVELOPMENT PROGRAMME**

(1) The regional development programme will be drawn up by the MRD in agreement with those central bodies of state administration concerned<sup>3)</sup>, NUTS III regions, and, if needed, other entities involved. The State Regional Development Programme will be thereby drafted on the basis of the approved regional development strategy.

(2) The State Regional Development Programme shall contain, in particular, the targets to be reached by support of its development, definition of the areas to which the support applies including proposed measures, conditions, forms and method of support implementation, and financial means needed for individual measures including the distribution of these means to the central administrative bodies concerned and the NUTS III regions as well as term of its validity.

(3) The MRD submits the State Regional Development Programme to the Government for approval.

#### **§7 FINANCIAL SUPPORT TO STATE'S REGIONAL DEVELOPMENT PROGRAMME**

(1) Funds for the support to regional development are allocated in the state budget for the implementation of State Regional Development Programme to an extent approved by the House of Deputies of the Czech Parliament following the proposal submitted by the Government.

(2) Implementation of the measures included in the approved State Regional Development Programme shall be ensured by the relevant central bodies of state administration and the NUTS III regions within the framework of their responsibilities, by means of financial contributions up to the level of the funds reserved for that State Regional Development Programme in the state budget.

(3) The provided financial contributions shall be represented as additional assistance. Before receiving the support, beneficiaries will be obliged to demonstrate their ability to secure their own part of the necessary funds co-financed from their own or other financial resources. There shall be no legal claim in respect to the support provided on the basis hereof.

(4) A beneficiary shall be understood as meaning NUTS III regions, association of municipalities, municipalities and legal persons established by them, businessmen<sup>4)</sup>, non-governmental non-profit organisations and other legal persons which submit applications to obtain the support and projects which implement measures included in the State Regional Development Programme.

(5) The financial contributions to the support measures, as specified in State Regional Development Programme, shall be provided, in particular, in the form of:

- a. subsidies, for example, subsidies to companies and other legal persons for investment development which provide new jobs or subsidies to municipalities for the technical and investment preparation of industrial areas;
- b. credits with advantageous interest rates and dates of maturity, or otherwise advantageous forms;
- c. returnable financial assistance.

(1) The relevant central bodies of state administration and the NUTS III regions will, within the range of their authority, perform the monitoring and evaluation of the effectiveness of the projects implemented under the State Regional Development Programmes.

#### **§8 SUPPORT TO REGIONAL DEVELOPMENT PERFORMED BY NUTS III REGIONS**

(1) A NUTS III region, within the range of its self-governing authority, supports development of regions defined by the NUTS III regional development plan. This support is provided in accordance with concrete needs of the NUTS III region while considering the balanced development of the NUTS III region.

(2) Provisions of §3 and §5 (2) apply correspondingly to the basis for defining regions in the NUTS III regional development plans and for areas to which support is directed.

#### **§9 NUTS III REGIONAL DEVELOPMENT PROGRAMME**

NUTS III regional development programme contains in particular:

- a. the analysis of the economical and social development of the NUTS III region, characteristics of the weak and strong aspects of its individual parts and the main directions of its development;
- b. definition of the regions development of which needs to be supported, considering balanced development of the NUTS III region. It includes definition of areas to which support should be directed as well as the suggested measures;



- c. tasks and priorities in location and development of public amenities, infrastructure, environment, social policy, education and other areas within the range of its self-governing authority.

#### **§ 10 FINANCIAL SUPPORT TO THE DEVELOPMENT OF THE KRAJ**

- (1) The allocation and scope of resources for financial support to the development of the *kraj* from the budget of the *kraj* is subject to approval of the board of representatives of the *kraj*, the funds are used for the implementation of the development programme of the *kraj*. In view of this, the *kraj* can set up monetary funds<sup>9</sup>.
- (2) The financial support provided by the *kraj* is complementary financial assistance; the beneficiary is obliged to submit proof of financial coverage of his share by his own or by other resources.
- (3) The beneficiaries can be associations of municipalities or municipalities and legal entities created by them, entrepreneurs 4). and other legal entities who apply for financial support and submit a project by which the measure contained in the development programme of the *kraj* is implemented.
- (4) Financial support for measures contained in the development programme of the *kraj* is provided as:
  - a. subsidies, for example to businesses and other legal entities for investment development creating new jobs, or to municipalities for technical and investment preparation of industrial spaces,
  - b. credits with advantageous interest rates and dates of maturity, or otherwise advantageous forms
  - c. collectable financial assistance
- (5) The *kraj* ensures the control and evaluation of the effectiveness of the projects implemented in the framework of the development programme of the *kraj*.

### **PART THREE**

#### **RESPONSIBILITIES OF ADMINISTRATIVE OFFICES, NUTS III REGIONS AND MUNICIPALITIES IN SUPPORT OF REGIONAL DEVELOPMENT**

##### **§11 CENTRAL BODIES OF STATE ADMINISTRATION**

- (1) MRD
  - a. co-ordinates the activities of all the concerned state administration bodies and the NUTS III regions in preparation and implementation of the regional development strategy and State Regional Development Programmes, prepares analysis evaluating the development of the individual NUTS III regions and districts and proposals to define regions; for the purpose of carrying out this task, the MRD is entitled to request necessary data, prepared within the range of authority of the concerned administrative bodies, from such bodies;
  - b. prepares, in co-operation with the concerned central bodies of state administration and the NUTS III regions, the regional development strategy and the State Regional Development Programmes and submits them to the Government for approval;
  - c. ensures and monitors the implementation of the State Regional Development Programmes;
  - d. carries out other tasks listed in paragraph 2;
  - e. ensures international co-operation in the field of support for regional development and co-operation with the European Communities in relation to economic and social cohesion, including co-ordination of the factual content of the instruments of assistance and related programming, programme implementation and evaluation of programme implementation.
  - f. assists in the NUTS III regions' involvement in the European regional structures.
- (2) Central administrative bodies within the range of their authority:
  - a. contribute, by implementation of tasks relating to support to regional development as per §3 above, to the reduction of disparities in the levels of individual territorial units' development;
  - b. analyse the regional and district disparities mainly by using the indicators provided for in §4 (2); the conclusions of such analyses provide supporting material for the elaboration of regional development strategy and the regional development programmes;
  - c. co-operate with each other and with the NUTS III regions in the elaboration of the regional development strategy and State Regional Development Programmes;
  - d. co-operate, if so requested by a NUTS III region, in preparing the NUTS III regional development programme.

##### **§12 DISTRICT AUTHORITIES**

The district authorities will ensure tasks relating to the process of support to regional development. In particular, on request of the MRD or a NUTS III region, they are obliged to provide the necessary co-operation in preparing the proposals and in the implementation of the regional development strategy, the regional development programmes and the NUTS III regional development programmes.

##### **§ 13 NUTS III REGIONS**

- (1) Within the range of its self-governing authority, a NUTS III region:

- a. assesses and evaluates the level of development of its territory and parts thereof;
  - b. approves the NUTS III regional development programme.
- (1) The kraj can also:
- a. support entrepreneurship beneficial for the kraj;
  - b. allocates funds from its budget for the removal of drawbacks and discrepancies in the areas within the range of its responsibility, including the removal of undesirable disparities inside the NUTS III region;
  - c. participates in the fulfilment of the tasks of regional development support as per § 3 above and co-operates, during the process, with the respective central bodies of state administration, especially in the drawing up and implementation of the regional development strategy and regional development programmes as far as they concern the territory of such NUTS III region;
  - d. co-operates with other NUTS III regions in fulfilment of the joint regional development objectives and tasks.

#### **§14 MUNICIPALITIES**

- a. The municipality co-operates with the *kraj* on which territory it is situated, in the sphere of its independent activities relating to preparation and implementation of the development of the *kraj*.
- b. The municipality can, in the sphere of its independent activities:
  - a. supports the development of business activities necessary for the development of the region, for example in the form of technical and investment preparation of land for the investors - entrepreneurs;
  - b. pools its funds with the neighbouring municipalities and other legal persons to secure joint development intentions aimed at meeting the needs of more than one local municipality.

#### **PART FOUR**

#### **CO-ORDINATION OF ECONOMIC AND SOCIAL COHESION**

##### **§15**

For the purposes connected with the coordination and implementation of economic and social cohesion, meaning, in particular, use of financial means from the pre-accession and structural funds of European community (hereinafter the "funds"), the following regions are hereby established. The territory of these regions corresponds to the NUTS II territorial statistical units<sup>6)</sup> (hereinafter the "cohesion regions"). The cohesion regions are:

- a. Prague, defined by the territory of the capital of Prague;
- b. Central Bohemia, defined by the territory of the Central Bohemia NUTS III region;
- c. Southwest, defined by the territory of the České Budějovice and Plzeň NUTS III regions;
- d. Northwest, defined by the territory of the Karlovy Vary and Ústí nad Labem NUTS III regions;
- e. Northeast, defined by the territory of the Liberec, Hradec Králové and Pardubice NUTS III regions;
- f. Southeast, defined by the territory of the Brno and Jihlava NUTS III regions;
- g. Central Moravia, defined by the territory of the Olomouc and Zlín NUTS III regions;
- h. Ostravsko, defined by the territory of the Ostrava NUTS III region.

##### **§ 16 REGIONAL COUNCIL**

(1) In a cohesion region, a Regional Council shall be established (hereinafter the "Council"). The Council secures the programming and implementation of programmes co-financed by the funds, and ensures the tasks connected with the use of financial means from the funds, in particular, it shall decide on their use for individual measures and activities and it is responsible for effective usage of such means, for their monitoring and for carrying out effective measures of control. The boards of representatives of NUTS III regions within one cohesion region may delegate authority to the Council to discuss and decide upon other issues upon which they may agree within the scope of co-operation of NUTS III regions, in accordance with the separate legal regulation<sup>7)</sup>. In the case of such an agreement, the boards of representatives shall also specify the financial sums, which shall be allocated from the budgets of the individual NUTS III regions for fulfilling these tasks.

- (2) The Council:
- a. collects statistical and financial data necessary for evaluating programme implementation;
  - b. ensures the implementation of a computerised management and evaluation system indispensable for the management and evaluation of the programme implementation, and for the exchange of data among relevant bodies;
  - c. carries out modifications and changes to programming documents and submits them for approval to the 'Regional Development Committee';

- d. carries out on-going evaluation of programme implementation, produces annual and final evaluation reports on the programmes, which it submits to the European Commission after approval by the 'Regional Development Committee';
- e. ensures awareness-raising about the programmes and help provided in the field of economic and social cohesion;
- f. ensures compliance of the programmes and their implementation with EC policies especially in relation to the rules of public procurement.

(3) In the cohesion regions defined by the territory of more than one NUTS III region, the Councils will be elected by the boards of representatives of the NUTS III regions from among those boards' members so that each NUTS III region is represented by ten members on the Council. In cohesion regions coinciding with one NUTS III regions, the function of the Council shall be fulfilled by the boards of representatives of the NUTS III regions under transferred authority.

(4) The Council makes decisions by the majority of votes of its members. In case the cohesion region is defined by more than one NUTS III regions, this majority must be reached among the representatives of each NUTS III region separately. If agreement is not achieved in this way, the Council sets up a commission, which will propose a solution to the issue to be discussed at the next meeting.

(5) The Council shall elect its chairman from amongst its members. The chairman shall oversee the work of the Council and preside over its meetings. In order to elect the chairman, majority of votes of the representatives of each NUTS III region separately must be reached. The chairman shall be removed from his function if the majority of all Council members from a NUTS III region of the cohesion region vote for such a removal.

(6) Provisions of the Act on NUTS III regions concerning transferred authority apply correspondingly to the relation of the state and the Council in performance of the tasks as per para 1 above.

#### **§ 17 REGIONAL DEVELOPMENT COMMITTEE**

(1) The Councils shall establish Regional Development Committees (hereinafter the "Committee"). The Committee monitors and evaluates the implementation of aid provided from the funds and submits proposals for solution and further steps to be taken to the Council.

(2) Representatives of NUTS III regions elected by the Council, delegated representatives of the municipalities, administrative offices, entrepreneurs, trade unions and non-governmental, non-profit organisations and other partners will be members of the Committees.

(3) Details of the membership, organisation and the activities of the Committee shall be specified in its statute which will be approved by the Minister for Regional Development upon the proposal submitted by the Council.

(4) The details of the Committee meetings shall be specified by its rules of procedure which shall be approved by the Council.

#### **§ 18**

For the purposes of co-ordination of the assistance provided by the European Community on the national level, the MRD shall establish Managing and Co-ordination Committee. Members of the Managing and Co-ordination Committee shall be from among the delegated representatives of the concerned ministries, NUTS III regions, entrepreneurs, trade unions, non-governmental, non-profit organisations and other legal persons. Details of the membership, authority, organization and activities of the Managing and Co-ordination Committee shall be specified by its statute and the rules of procedure, which shall be approved by the government upon the proposal submitted by the MRD.

#### **PART FIVE**

#### **FINAL PROVISIONS**

#### **§ 19**

(1) Monitoring of the use of budgetary funds and the record keeping of the returnable financial assistance in compliance with the State Regional Development Programmes adopted by the government shall be performed on the basis of a specific legal regulation<sup>9)</sup>.

(2) The law No. 59/2000 Coll., on public support shall be applicable in cases where this Act does not apply or applies partially.

#### **§ 20**

This Act shall enter into force on 1 January 2001.

### **3. HUNGARY ACT OF XXI OF 1996 ON REGIONAL DEVELOPMENT AND REGIONAL PLANNING**

In the interest of promoting the well-balanced regional development of the country, as well as the social, economic and cultural development of its regions, furthermore, implementing a comprehensive regional development policy and co-ordinating the national and regional duties related to regional development and regional planning, also taking into account the regional policy of the European Union, as well as the requirements of joining its basic principles, system of means and institutions, Parliament hereby passes the following Act:

#### ***Chapter I***

#### ***GENERAL PROVISIONS***

#### **Purpose and Scope of the Act**

##### ***Section 1***

- (1) The purpose of the Act is to establish the fundamental objectives and rules of regional development and regional planning and to set up its institutional system.
- (2) The scope of the Act shall extend to the fulfillment of the national and regional duties related to regional development and regional planning. The natural persons and legal entities, as well as unincorporated organizations participating in, or affected by, the above activities shall come under the scope of the Act.
- (3) The provisions of a separate Act shall apply to settlement development and settlement planning.

#### **The Goals and Duties Related to Regional Development and Regional Planning**

##### ***Section 2***

The goals of regional development and regional planning are:

- a)* to promote the development of the social market economy in all regions of the country, to create conditions for sustainable development, to promote the spatial spread of innovation, to develop a spatial structure which is suitable for the social, economic and environmental goals;
- b)* to reduce the considerable differences between the capital and the provinces, towns and villages, as well as the developed and underdeveloped regions and settlements, manifesting themselves in living, economic, cultural and infrastructure conditions, and to prevent the formation of further areas of crisis in the interest of providing for social equality of chances;
- c)* to promote the harmonic development of the spatial structure and settlement system of the country;
- d)* to preserve and strengthen the national and regional sense of identity.

##### ***Section 3***

(1) The objectives of regional development and regional planning are:

- a)* to promote the regional development and regional planning initiatives of the regional and local communities, and to co-ordinate them with national objectives;
  - b)* to work out, define and implement development conceptions, programmes and plans for the maintenance or improvement of the dynamic balance in the society, the economy and the environment;
  - c)* to promote the harmonization with the regional policy of the European Union within the framework of international co-operation, as well as to utilize the mutual advantages inherent in regional co-operation and to promote the co-ordinated development of the border regions (particularly the underprivileged ones).
- (2) The objectives of regional development are, in particular:
- a)* to work out, co-ordinate and implement a development policy which promotes social and economic reforms in the regions of the country with various characteristic features, and utilizes regional resources;
  - b)* to promote the catching up and the development of underdeveloped regions;
  - c)* to promote the structural reforms in the economy in certain industrial and agricultural regions and to reduce unemployment;
  - d)* to improve the conditions for innovation in centres with adequate production and intellectual background, and to promote the regional spread of innovations;
  - e)* to promote the peculiar development of regions of priority;
  - f)* to develop an entrepreneurial environment which is attractive for investors.
- (3) The objectives of regional planning are, in particular:
- a)* to explore and evaluate the environmental characteristic features;

b) to establish the land use that takes into account the loading and loadability of the environment and the development goals, and to establish the regional structure and location of infrastructure networks in accordance with the sectoral conceptions;

c) to co-ordinate the national and regional settlement planning goals and those which are in connection with regional planning.

(4) The regional development duties of the state are, in particular:

a) to make underdeveloped regions catch up with more advanced ones;

b) to develop the regions concerned by restructuring;

c) to reduce the regional differences in public services;

d) to support European integration and innovative regional development objectives and to promote the attainment of regional land use goals.

#### **Section 4**

The duties related to regional development and regional planning shall be fulfilled by the state organs, local governments, natural persons and their organizations, business organizations, organizations safeguarding various interests and other institutions in harmony and co-operation with each other.

#### **Basic Definitions**

#### **Section 5**

For the purposes of this Act:

a) *regional development*:

aa) the monitoring and evaluation of the social, economic and environmental processes in the regions and the definition of the necessary and planned directions of intervention,

ab) the definition, co-ordination and implementation, within the framework of development programmes, of short, medium and long-term comprehensive development goals, conceptions and measures, and their implementation in other sectoral decisions,

in respect of the country and its regions;

b) *regional planning*: the establishment of the order and rules of land use in respect of the country and its regions, within this sphere:

ba) the exploration of resources, the determination of the loading and loadability of the land, the joint evaluation thereof and the preparation of prognoses,

bb) the elaboration of proposals for the expedient utilization of the regional characteristic features,

bc) the definition of the spatial and technical-physical system of development conceptions and programmes,

bd) the co-ordination of the European and border-area regional planning activities within the framework of international co-operation and conventions;

c) *regional plan*: a plan document that determines and influences the long-term technical and physical structure of the country or its individual regions, which provides for the long-term utilization and conservation of the regional characteristic features and resources, the realization of ecological principles, the co-ordinated siting of technical and infrastructure networks, and the system and the optimum, long-term regional structure of land use;

d) *regional development policy*: the definition for the long term and the implementation of the main directions of the regional development of the country and its individual regions, as well as of their strategic development goals and the most important means promoting the attainment thereof;

e) *region*:

ea) *planning and statistical (large) region*: a contiguous planning and/or statistical regional unit, covering several counties (the capital) and bordered by the administrative boundaries of the counties concerned,

eb) *development region*: a regional unit covering one or more counties (the capital), or a particular area thereof, which shall be managed jointly from social, economic or environmental aspects;

f) *region of priority*: a regional unit covering one or more counties (the capital), or a particular area thereof, which shall be managed jointly from social, economic or environmental aspects, to the unified planning or development of which national interests or goals defined in other legal rules are also attached (the metropolitan conurbation, recreation areas of priority, regions of landscape conservation areas or national parks shared by several counties, border or other peculiar regions);

g) *environs*: a small region with a town centre, a self-organized unit of area established for the co-ordination of developments;

h) *small region*: a unit of area which can be delimited on the basis of the totality of functional relationships between communities, the aggregate of self-organized adjacent communities maintaining intensive relationship with each other;

- i) region:* summarizing description of various units of area (region, county, region of priority and small region);
- j) entrepreneurial zone:* a delimited production and servicing area established for the development of a region, providing for peculiar financial benefits to be used for the activities carried out on its area;
- k) underdeveloped region:* where the value production ability, infrastructure development and social indices of the economy are considerably less favourable than the national average;
- l) favoured region:* a group of regions defined on the basis of statistical characteristics, taking into account the prevailing regional development goals, whose local governments or the programmes and developments planned to be carried out in the administrative areas thereof may be supported by financial and economic incentives;
- m) regional development conception:* a plan document establishing and influencing the comprehensive and long-term development of the country or a region, which defines the long-term and comprehensive development goals of the region, furthermore, the guidelines required for the elaboration of the development programmes, and provides information for the participants in the sectoral and related regional planning and regional development;
- n) regional development programme:* a medium-term action plan worked out on the basis of the regional development conception, which is built on strategic and operative programmes;
- o) regions affected by restructuring:* labour market areas with disproportionate industrial structure, where the unemployment rate considerably exceeds, and the ratio of industrial employees and its reduction exceed the national average;
- p) regions affected by agricultural rural development (rural regions):* regions where the ratio of agricultural employees and those who are engaged in farming is considerable in the employment structure, or the ratio of the population living in villages and small towns;
- r) innovation centres:* communities with appropriate production and intellectual background or system of relations, which promote economic growth, restructuring and reforms, and social development in larger regions, or where a conscious development policy is implemented in the interest of achieving all these;
- s) underprivileged border regions:* the totality of settlements, the development and operation of which is unilaterally determined and adversely affected by their connection to international borders.

## **Chapter II**

### **SCOPE OF DUTIES AND POWERS OF CENTRAL STATE ORGANS RELATED TO REGIONAL DEVELOPMENT AND REGIONAL PLANNING**

#### **Duties of Parliament**

##### **Section 6**

Parliament shall

- a)* adopt a resolution on the national regional development conception, and shall establish, within the framework thereof, guidelines, goals and long-term priorities defining regional development policy;
- b)* make the Government report on the implementation of the regional development policy;
- c)* determine the group of regions of priority and shall adopt the comprehensive rules of the means and the institutional system of regional development;
- d)* adopt the regional plans prepared for the country and the regions of priority, and shall define, in an Act, their components which are also compulsory for local governments;
- e)* define principles for the subsidization of regional development and for decentralization, as well as the conditions of the classification of favoured regions;
- f)* make a decision on the funds serving regional development and, simultaneously, on certain financial benefits, in the course of passing the annual Act on the Budget;
- g)* make the Government report on the use of funds serving regional development;
- h)* make the Government report on its international and border-area regional development and regional planning activities;
- i)* define the duties of local governments related to regional development and their resources.

#### **Duties of the Government**

##### **Section 7**

The Government shall provide for the implementation of regional policy in its decisions, and within the framework thereof it shall

- a)* prepare and submit to Parliament
- aa)* the national regional development conception, guidelines, goals and long-term priorities defining regional development policy;
- ab)* regional plans prepared for the country and the regions of priority, as well as their components which are also compulsory for local governments;

- ac)* guidelines for the subsidization of regional development and for decentralization, and the conditions of the classification of favoured regions,
- ad)* funds and certain financial benefits serving regional development in the annual Act on the Budget;
- b)* co-ordinate government funds serving various regional development goals;
- c)* grant financial assistance to the implementation of the regional development programmes defined in the national regional development conception;
- d)* decide on the proportions of central and regional funds as defined in Section 20, subsection (2), point *a)* and subsection (4), point *a)* of this Act, serving regional development.
- e)* define the rules of use of funds serving regional development and the benefits available;
- f)* may initiate the establishment of a regional development council;
- g)* adopt, on the basis of the proposal of the national development council or the regional development council, the regional development conceptions and programmes for regions of priority;
- h)* promote the organization of the associations of settlement local governments for regional development, and shall encourage the preparation of development programmes and developments to be implemented through regional collaboration;
- i)* promote and support the co-operation of the border regions of the country with the neighbouring countries, as well as European regional co-operation;
- j)* report to Parliament biennially on the trends in the regional processes of the country and the implementation of regional development policy;
- k)* provide for the operation of a national regional information system, and within the framework thereof, for keeping records of the plans;
- l)* take a stand on the regional plans of the counties in advance in the interest of the harmonization of the national and county regional plans;
- m)* define in a decree the detailed scope of duties and powers of its members in connection with regional development and regional planning.

#### **National Regional Development Council**

##### **Section 8**

(1) The National Regional Development Council (hereinafter: Council) shall take part in the fulfilment of governmental duties related to regional development and regional planning, and shall make decisions in the cases defined in this Act.

(2) The following shall participate in the work of the Council:

- a)* one person per region, but not more than six persons, on behalf of the county regional development councils,
- b)* the presidents of the national chambers of economy,
- c)* one representative on behalf of both the employers' and employees' sides in the Interest Reconciliation Council,
- d)* the Ministers of Agricultural and Regional Development, Environmental Protection, Interior, Economic Affairs, Transportation, Communications and Water Management, Health, Social and Family Affairs, Education, Finance, the Minister directing the Prime Minister's Office and the Minister of National Cultural Heritage.
- e)* the Lord Mayor or his representative,
- f)* the joint representative of the national associations for the protection of the common interests of local governments, as a member,
- g)* chairman of the Board of the Hungarian Entrepreneurial Development Fund, the president of the Hungarian Investment and Development Bank and the president of the Hungarian Academy of Sciences or his representative, with voice but no vote.

(3) The Council shall

- a)* participate in the development and implementation of the regional development policy, and in the scope of duties of decision preparation, proposal making, expressing of opinion and co-ordination,
- b)* participate in the co-ordination of the national and regional development programmes, as well as the central, sectoral and regional conceptions,
- c)* express opinion on the guidelines for the subsidization of regional development and for decentralization, as well as the conditions of the classification of favoured regions,
- d)* make a proposal for the co-ordination of sectoral means allocated for regional development purposes,
- e)* make a proposal for the appropriation of the funds serving regional development and for the use of the central fund,

- f) examine and evaluate the harmony between the development objectives of the ministries and agencies with nation-wide competence concerned, as well as the regional development councils and the goals of regional policy,
  - g) express opinion on the sectoral development conceptions entailing by significant regional impacts,
  - h) co-ordinate the fulfillment of the duties compulsorily prescribed by Parliament for the local governments on the basis of Section 6, paragraph d),
  - i) make a proposal for the joint fulfillment of certain regional development duties, extending beyond the border of the county,
  - j) participate in the co-ordination of the planning of national infrastructure (siting of facilities and networks), infrastructure of national significance and transboundary infrastructure.
- (4) The Council shall unanimously establish its own rules of procedure. In the case of non-agreement, the rules of procedure shall be adopted at the reconvened meeting of the Council, by a qualified majority, that is, with the votes cast by at least 50% of the members of the Council plus one person.
- (5) The chairman of the Council shall be the Minister in charge of the fulfillment of regional development and regional planning duties (hereinafter: Minister).
- (6) The Minister shall fulfill the duties of the Secretariat of the Council through his office organization.
- (7) In case the Council accepts the objection of the Minister contained in Section 14, subsection (8), it may annul the provision of the county regional development council, found injurious in respect of the means indicated in Section 20, subsection (4), paragraphs a) and b), and may request the council to make a new decision.

### **Duties of the Minister and Other Ministers**

#### ***Section 9***

- (1) The Minister shall
- a) prepare conceptions and proposals for the establishment of the national regional development policy, and shall implement its objectives in his duties of planning, co-ordination, organization and information;
  - b) work out the national regional development conception, shall co-ordinate the regional development conceptions and programmes of the country and the regions; shall participate in the elaboration of development programmes for the regions of priority and shall organize the fulfillment of the duties related to their implementation, and the use of the financial assets serving the above goal;
  - c) organize the development of joint national regional planning conceptions and plans, those of national significance and those with transboundary international scope, and shall provide for their preparation.
- (2) In the course of the fulfillment of their duties, the ministers shall implement the goals laid down in this Act and shall take part in the fulfillment of governmental duties related to regional development and affecting their special fields. They shall, in particular:
- a) take part in the elaboration and implementation of the regional development conceptions and programmes, as well as the sections of the regional plans which affect their scope of duties;
  - b) inform the Government annually on the major indices of the development carried out within their scope of duties;
  - c) take part in the work of the county regional development councils and the regional development councils.

### ***Chapter III***

#### ***REGIONAL AGENCIES PERFORMING REGIONAL DEVELOPMENT AND REGIONAL PLANNING, AND THEIR DUTIES***

#### **Association of Local Governments for Regional Development**

#### ***Section 10***

- (1) The Bodies of Representatives of local governments of settlements may establish, on the basis of an agreement, a regional development association operating as an independent legal entity for the co-ordinated development of communities, the development of joint regional development programmes and a joint fund serving the implementation of developments.
- (2) The agreement shall contain:
- a) the name and seats of the participants in the association,
  - b) the scope of joint duties of planning and development to be fulfilled in the association,
  - c) the manner of fulfilment of the duties and the proportion of bearing their costs,
  - d) the rules of joining and leaving the association.
- (3) Having requested the opinion of the regional development council of the county regionally concerned or the Budapest Conurbation Development Council or the Lake Balaton Development



Council, the regional development conception and programme prepared by the association of local governments for regional development shall be approved by the association.

**Duties of the County Local Government Related to Regional Development and Regional Planning**  
**Section 11**

(1) Duties of the county local government:

- a)* to prepare a regional plan for the area or region of the county, in accord with the plan defined in Section 6, paragraph *d)* and on the basis of the substantial requirements defined in Section 27, subsection (2), paragraph *b)*;
- b)* to co-ordinate regionally, on the basis of long-term prognoses, its duties to be fulfilled on a compulsory basis, in particular the educational, cultural, health-care and social duties, as well as the duties related to the conservation of the built and natural environment, tourism and public service, and to ensure their conformity with the economic development and employment policy conceptions of the county;
- c)* to co-ordinate, on the basis of the request of the settlement local governments of the county, the development activities of the settlements;
- d)* to co-operate with the local government of the town of county rank and with the local governments of the settlements concerned for the co-ordination of the regional plans affecting the environs of the town;
- e)* to co-operate with those who play an economic role in the county;
- f)* to take part in the establishment and operation of a regional information system, in co-operation with the county directorates of the Central Statistical Office and other regional data collection organizations, and to provide information for the preparation of regional plans;
- g)* to promote the organization of the associations of local governments for regional development on the basis of the request of settlement local governments;
- h)* to provide for harmony between the settlement plans and the regional plans of the county.

(2) The General Assembly of Representatives of the county shall:

- a)* take a stand on the long-term regional development conception of the county prior to the decision of the county regional development council, and shall accept the part of the decision of the county regional development council which concerns the local government, after the decision is made;
- b)* approve the regional plans of the county in accordance with the contents of Section 6, paragraph *c)*;
- c)* express opinion on the plans concerning its area of jurisdiction, defined in Section 6, paragraph *d)*;
- d)*, taking into account the opinions of the settlement local governments concerned;

**County Regional Development Council**

**Section 12**

(1) A county regional development council shall operate in the county to co-ordinate the regional development duties. The county regional development council shall be a legal entity seated in the county town.

(2) The agencies (local governments, chambers, Government) which are members of the county regional development council shall provide for the financial cover required for the operation of the county regional development council.

(3) The Government shall contribute to the operating costs defined in subsection (2) proportionally, to the extent defined in the Act on the Budget.

(4) The county regional development council shall establish its own work organization which shall fulfil the duties related to the preparation of the decisions of the regional development council.

(5) The county regional development council shall fulfil its duties related to employment policy in co-ordination with the County Labour Council.

**Section 13**

(1) In the course of fulfilling its duties, the county regional development council shall co-operate with the settlement local governments, the regional administrative agencies which participate in the development of the county directly and indirectly, the public and professional organizations concerned and with the county labour council.

(2) The county regional development council shall co-ordinate, in the territory of the county, the development conceptions of the Government, the local governments and their associations for regional development, as well as the economic organizations. Within the framework thereof, it shall

- a)* study and evaluate the social and economic situation and characteristic features of the county, and shall make available the information used in the course of the studies, as well as the results of examinations to the regional information system;

*b)* work out and approve, in accordance with the national regional development conception [Section 6, paragraph *a)*], the long-term regional development conception of the county (hereinafter: county regional development conception), and the development programme of the county and certain subprogrammes;

*c)* prepare a financial plan for the implementation of the development programmes;

*d)* may conclude an agreement with the ministries concerned on the financing of the individual county development programmes;

*e)* take part, pursuant to separate legal rules, in the preparation of the decisions on the appropriation of estimates serving regional equalization and of separated state funds, as well as in the evaluation of their use;

*f)* express opinion on the conceptions affecting its area of jurisdiction and defined in Section 6, paragraph *a)* and Section 7, paragraph *g)*;

*g)* participate in the management of social and economic crises that may arise in the county;

*h)* may collect resources for the operation of the council and the implementation of the development programmes.

(3) The county regional development council shall decide on the use of funds delegated to its competence and on the implementation of development within the framework of a competition system, taking into account the regional development conception of the county.

(4) The county regional development council may establish a committee with the participation of its members and those who are directly affected in crises management, on the basis of its own decision or the proposal of the Minister or other ministers, for the management of the social and economic crises in small regions.

(5) The county regional development council may conclude agreements for the purpose of fulfilling certain regional development duties extending beyond the border of the county.

#### **Section 14**

(1) The members of the county regional development council shall be as follows:

*a)* chairman of the General Assembly of Representatives of the county,

*b)* mayor(s) of the town(s) of county rank located in the territory of the county,

*c)* representative of the Minister,

*d)* representatives of the regional chambers of economy,

*e)* one representative of each statistical area of the associations of local governments for regional development, operating in the county,

*f)* one representative of the county labour council.

(2) Upon the initiative of the Minister, the county regional development council may also request another minister to take part as a member in the county regional development council, taking into account the social and economic characteristics of the county.

(3) The chairman of the General Assembly of Representatives of the county shall be the chairman of the county regional development council, its vice-chairman shall be elected for two years by the county regional development council itself. The county regional development council shall be represented by the chairman, or in his absence, by the vice-chairman.

(4) The organizational and operational regulations of the county regional development council shall be established by the council itself. The unanimous vote of all members shall be required for adopting the organizational and operational regulations. In case no consensus is reached, the decision-making shall be repeated once more following a new debate. If there is no unanimous decision in the second case either, the organizational and operational regulations shall be adopted by a qualified majority (50% of all members 1 person). Within the framework thereof, the organizations to be granted the right of consultation at the meetings of the body shall also be defined.

(5) The county regional development council shall regulate, within the framework of the organizational and operational regulations, the right of consultation at the meetings of the body, as well as the scope of duties and powers of the officers of the council.

(6) The representatives of the regional administrative agencies concerned by regional development and regional planning shall be invited to the meetings of the county regional development council on a permanent basis.

(7) The county regional development council shall have a quorum if more than one half of the members are attending.

(8) In the case of the non-content of the representative of the Minister, the Minister may initiate the renegotiation of the given issue within ten days. He may, however, exercise this right only on one occasion in the same matter. If he is outvoted on two occasions in the issue affecting Section 13, subsection (3), the Minister may require the decision of the National Regional Development Council.

(9) The following persons shall report, on a regular basis, on the work of the county regional development council and the position represented by it:

- a) the chairman of the General Assembly of Representatives of the county to the General Assembly of Representatives of the county,
- b) the mayor of a town of county rank to the General Assembly of Representatives of the town of county rank,
- c) the representative of the Minister to the Minister,
- d) the representative of the regional chamber of economy to the presidium,
- e) the representative of the association of local governments for regional development to the representatives of local governments participating in the association,
- f) the representatives of the county labour council to the county labour council.

### **Regional Development Council**

#### ***Section 15***

(1) The county regional development councils may establish a regional development council for the purpose of fulfilling certain regional development duties extending beyond the borders of the county. The regional development council shall be a legal entity.

(2) The elaboration of the regional development conception, the participation in the preparation of the regional plan and other joint regional development duties shall be fulfilled

- a) in the region of the metropolitan conurbation, by Budapest Conurbation Development Council,
- b) in the recreation area of priority of Lake Balaton, by the Lake Balaton Development Council.

(3) On the establishment of the regional development council, the county regional development councils concerned or the metropolitan local government shall agree, in respect of the duties defined in subsection (1), taking into account the duties listed in Section 13, on the scope of duties to be fulfilled within the framework of the regional development council.

(4) The agreement defined in subsection (3) shall also provide for

- a) the cover of operating costs,
- b) the name of the regional development council,
- c) its seat,
- d) its detailed activities.

(5) With regard to the regional councils contained in subsection (2), the statutes shall provide for the contents of subsection (4), paragraphs a), c) and d). The council of a large region contained in subsection (2) shall approve the statutes on the basis of the contents of Section 14, subsection (4).

#### ***Section 16***

The regional development council shall agree with the county regional development councils and with the other participants in the regional development programmes on the financing of the programmes and developments.

#### ***Section 17***

(1) Members of the regional development council shall be:

- a) the chairmen of the county regional development councils operating in the area of jurisdiction of the council (representative of the metropolitan local government),
- b) representatives of the Minister, the Ministers of Finance, the Interior, Environmental Protection, Economic Affairs, Transportation, Communications and Water Management, Social and Family Affairs, Health, Education, Finance and the Minister of National Cultural Heritage,
- c) one representative of each chamber of economy, furthermore,
- d) not more than six representatives of the associations of local governments for regional development concerned, furthermore, in respect of the Budapest Conurbation Development Council:
- e) appointed representative of the Government,
- f) Lord Mayor, and in respect of the Lake Balaton Development Council:
- g) appointed representative of the Government.

(2) The representatives of the associations of local governments for regional development may participate in the regional development council with voting rights in the course of negotiating the development programmes affecting their regions. The Minister directing the Prime Minister's Office shall participate in the council's work with the right of consultation

(3) The regional development council shall elect a chairman from among its members, shall unanimously establish its rules of procedure itself and shall set up its work organization. In the case of non-agreement, the council shall adopt the rules of procedure at the repeated meeting of the council, with a qualified majority, that is, with the votes cast by at least 50% of the members of the council plus one person.

(4) The Budapest Conurbation Development Council and the Lake Balaton Development Council shall make a decision on the use of the funds delegated to their competence, and may conclude an agreement with the ministries concerned on the financing of individual development programmes.

#### **Duties of Regional Administrative Agencies**

##### ***Section 18***

The regional administrative agencies shall participate in the execution and the control of implementation of the governmental duties related to regional development and regional planning, as well as in the co-ordination of regional development and regional planning by providing professional assistance and information and carrying out official inspection.

##### ***Section 19***

(1) Certain regional planning duties falling within the scope of duties of the Minister shall be fulfilled by regional chief architects.

(2) The regional chief architect shall

a) express preliminary opinion on the regional and settlement plans concerning his area of jurisdiction, shall follow up their implementation on a continuous basis and shall initiate the modification of the above plans in justified cases,

b) express opinion on the national regional development programmes and the regional development programmes affecting his jurisdiction, as well as their harmony with the regional plans.

#### ***Chapter IV***

#### ***MEANS OF REGIONAL DEVELOPMENT AND REGIONAL PLANNING***

#### **Funds Promoting Regional Development**

##### ***Section 20***

(1) The regional development goals shall be guaranteed by the co-ordinated operation of the general economic regulations and the normative funds, as well as the special funds applicable to the region.

(2) The central means of regional development, as indicated in a separate legal rule, are in particular as follows:

a) not more than 50 % of the total of budget estimates serving regional development goals (duties taken over from the Regional Development Fund) as well as of revenues specified in the annual budget act, originating from the privatisation of state property, available for regional development purposes,

b) financial benefits supporting entrepreneurs which may be used in particular areas.

(3) The following systems support regional development in the manner defined in a separate legal rule:

a) funds and budget estimates serving the development of the economy, employment and infrastructure,

b) fund determined in the annual Act on Budget, provided for the regional development programmes and goals of the budget resources of ministries,

c) funds of individual separated funds which may be used for regional development programmes and goals,

d) earmarked and target subsidies supporting settlement development by local governments.

(4) Regional means of regional development:

a) not less than 50% of the total of central budget estimates serving regional development goals (duties taken over from the Regional Development Fund) as well as of revenues specified in the annual budget act, originating from the privatisation of state property, available for regional development purposes,

b) funds for regional equalization operating within the framework of local government regulations and supporting the development of the infrastructure of local governments,

c) resources provided by the local governments of the region and local tax benefits.

(5) Other means of regional development:

a) grants and loans for regional development purposes,

b) voluntary contributions of business organizations and the organizations safeguarding the interests of all these, chambers of economy and other institutions.

##### ***Section 21***

In the interest of the effective implementation of the regional development goals, the goals of regional development shall be taken into account on the approval of the central budget and the individual programmes and developments:

a) in the course of the development of the national infrastructure systems,

b) in industrial and agricultural crisis management and professional political programmes,

c) in employment policy,

- d)* in the establishment of funds providing incentives for investments and undertakings, as well as serving project development,
- e)* in the equalization mechanisms of local government regulations,
- f)* in tourism,
- g)* in tax policy,
- h)* in social policy and health care,
- i)* in cultural and public educational policy.

#### ***Section 22***

- (1) In the interest of the objectives of regional development goals, the Government may establish entrepreneurial zones in the regions concerned by industrial restructuring (in regions with permanent structural difficulties) or in regions which are determinant with regard to economic restructuring.
- (2) Financial and other benefits, defined in a separate Act, shall be provided in the interest of regional development goals.
- (3) Local governments and small regional associations may establish industrial parks and other development units in the interest of their special regional development goals.

#### ***Chapter V***

### ***SPECIAL RULES APPLICABLE TO REGIONAL PLANNING***

#### ***Section 23***

- (1) The regional development conception, the regional development programme and the regional plan shall serve as the basis of regional planning.
- (2) The regional plan shall define the land use forms applicable to the region in harmony with the goals established in the regional development conceptions.
- (3) The regional plan shall, furthermore, contain:
  - a)* the spatial order of the technical and infrastructure systems of the region;
  - b)* the long-term regional structure of the region;
  - c)* the expedient utilization of the characteristics of the individual regions;
  - d)* the regional duties related to the environmental protection and landscape and nature conservation;
  - e)* an environmental, social and economic impact assessment.
- (4) In the course of the preparation, co-ordination and approval of regional development and sectoral programmes, as well as settlement plans, the contents of the national, regional and county regional plans shall be also taken into account.
- (5) The objective of the regional plan, as defined in subsection (3), paragraph *c)*, shall contain the regional aspects of sustainable development, the management of the environmental components and the quality of the environment.
- (6) The detailed rules applicable to regional planning are defined in separate legal rules.

#### **Regional Information System**

#### ***Section 24***

- (1) In the interest of monitoring and predicting the regional characteristics and changes in the society, the economy and the environment, a regional information system shall be established and operated between the national, regional, county and settlement levels, with the provision of the exchange of information.
- (2) The data collecting and processing organizations shall supply information on a regular basis for the Minister, the county local governments and the towns of county rank in a regional breakdown in accordance with the provisions of a separate legal rule.

#### **Publicity and Public Participation**

#### ***Section 25***

- (1) The regional development plans and regional plans shall be public.
- (2) Fact disclosing and general information shall be published with regard to the planning process and the approval of the plans in the mass media of the region concerned, or in the national mass media if required.
- (3) The detailed rules related to planning, in particular, the professional rules applicable to the preparation of the plans and the rules of their approval shall be established in a legal rule. The assessment of the professional contents of the regional plans shall be performed by plan councils defined in a separate legal rule.

**Chapter VI**  
**CLOSING PROVISIONS**  
**Section 26**

(1) This Act shall come into force on the 60th day following its promulgation. Section 2, paragraph *a*) of Act III of 1964 on Construction (hereinafter: CA) shall be simultaneously replaced by the following provision, and Section 4 of CA shall cease to be in force:

*(Section 2 The following shall fall within the scope of the construction administration:)*

"a) establishment, enforcement and control of application of the rules applicable to the planning of towns and villages;"

(2) Section 51, subsection (2) of Act XXXIII of 1991 on Transferring Some State Owned Assets Into the Ownership of Local Governments shall be replaced by the following provision and shall be complemented by the following subsections (3) and (7), while subsections (3), (4) and (5) shall simultaneously change to subsections (4), (5) and (6), respectively.

"(2) The manager of the real property shall inform the settlement local government competent where the land is situate, in the capital the district local government, as well as the Ministry of the Environment and Regional Policy about the value of the land situated in the inner area of the settlement shown in the balance sheet of assets."

"(3) The land office competent where the land is situate shall send a copy of the decision certifying the entry of the land situated in the inner area of the settlement included in the balance sheet of assets in the real estate register to the Ministry of the Environment and Regional Policy."

"(7) The other 50% of the purchase price part indicated in subsection (1) shall be paid to the account defined in a separate legal rule. In case the above obligation is not fulfilled, the provisions of Act XCI of 1990 on the Rules of Taxation shall apply."

(3) Resolution No. 84/1993 (XI. 11.) OGY on the Guidelines of the Subsidization of Regional Development and the Conditions of the Classification of Favoured Areas shall cease to be in force simultaneously with the coming into force of this Act.

(4) The county local government shall initiate the establishment of the county regional development council and the convening of the statutory meeting within thirty days reckoned from the coming into force of this Act.

(5) The regional development councils defined in Section 15, subsection (2) shall be established by 31 December 1996. The Minister shall perform the relevant organization work.

(6) The Minister shall provide for the conditions of the background institutions supporting the fulfilment of the state duties of regional planning and regional development by 31 December 1996.

(7) The provisions contained in Section 6, paragraph *e*) of the Act shall apply as of 1 January 1997. The contents of Section 27, subsection (1), paragraph *g*) shall govern with regard to the year 1996.

(8) The conception defined in Section 7, paragraph *a*), subparagraph *aa*) shall be submitted in 1996, simultaneously with the submission of the National Programme for Environmental Protection. Its supervision and renewal shall take place every six years, and the Government shall report to Parliament biennially on its execution.

**Section 27**

(1) The Government is hereby granted authorization to establish in a decree

*a*) the duties of the ministries and the agencies with nationwide competence related to regional development and regional planning;

*b*) the classification of the favoured areas;

*c*) the classification of the regions and the delimitation of the regions of priority;

*d*) the order of the coordination and approval of the regional development conceptions, programmes and regional plans;

*e*) the rules of the establishment and operation of the entrepreneurial zones;

*f*) the information system related to regional development and regional planning and the rules of compulsory provision of data;

*g*) the differentiated regional distribution of means as defined in Section 20, subsection (4), points *a*) and *b*) by taking into consideration principles as defined in Section 6, point *e*) of the Act, established by Parliament.

(2) The Minister is hereby granted authorization to establish in a decree

*a*) the substantial requirements of the regional development conceptions, programmes and regional plans, and the rules applicable to the keeping records of the plans;

*b*) the group of those who are entitled to make regional development and regional plans and the conditions of qualification;

*c*) the rules of operation of the plan council.

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#### **4. THE SLOVAK REPUBLIC ACT ON SUPPORT OF REGIONAL DEVELOPMENT**

18 OCTOBER 2001

##### **PART ONE**

##### **BASIC PROVISIONS**

##### **Article 1: Scope of Regulation**

The Act regulates the terms and conditions for the support of regional development and the operation of authorities of state administration, municipalities and higher territorial units being self-governing regions by a special act<sup>1</sup> in rendering the support.

##### **Article 2: Definitions**

##### **For the purpose of the Act**

- a) A region shall mean a territorially defined area for the development and implementation of regional and structural policy on the second or third level according to classification of statistical territorial units,
- b) Regional development shall mean permanent growth of economic potential and social potential of the region whereby its economic standard, performance, competitiveness and the living standard of its population are enhanced, and so the region contributes to the economic development and social development of the country,
- c) Socio-economic partners shall mean state administration authorities, authorities of local state administration, municipalities and self-governing regions, business entities, non-governmental non-profit organisations, representative employer associations<sup>2</sup>, representative labour union associations<sup>3</sup> and other legal entities and natural persons operating in the field of regional development on the national, regional and local levels,
- d) Programming shall mean a process of planning, organising, decision-making and funding the support of regional development on the national, regional or local levels aimed at achieving economic development and social development during an identified period,
- e) Partnership shall mean an active collaboration of socio-economic partners in the preparation, implementation, monitoring and evaluation of programming documents, taking into account the necessity to support equality of males and females,
- f) Concentration shall mean pooling the means for the support of development particularly of those regions where the lower economic performance and living standard of the population is lower in the long run,
- g) Complementarity shall mean financial assurance of the support of regional development from the European Union pre-accession funds, European Union structural funds and the European Union Cohesion Fund (hereinafter the European Union funds). The means from the European Union funds may not substitute public or any other equivalent expenditures of the state,
- h) A sector shall mean a field of types of activities defined by the Government of the Slovak Republic (hereinafter the Government).

##### **PART TWO**

##### **SUPPORT OF REGIONAL DEVELOPMENT**

##### **Article 3: Main Objectives of Support of Regional Development**

- (1) The main objectives of the support of regional development are the following
  - a) Provide for a well-balanced economic development and social development of the Slovak Republic,
  - b) Remove or mitigate the disparities in the level of economic development and social development of regions,
  - c) Prevent the origination of new regions with lower economic performance and living standard of population,
  - d) Sustainable economic development and social development of regions.
- (2) The support of regional development under paragraph 1 shall in particular focus on
  - a) Development of economy and business environment aimed at increasing its productivity, improving the structure of economy, creating new jobs and stabilising threatened jobs,
  - b) Human resource development aimed at achieving a good balance in the demand and supply development on the regional labour market and creating equal working opportunities for males and females,

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<sup>1</sup> Act No. 302/2001 Coll. of Laws on Self-Government of Higher Territorial Units (Act on Self-Governing Regions)

<sup>2</sup> Article 2 paragraph 2 of the Act No. 106/1999 Coll. of Laws on Economic and Social Partnership (Act on Tripartism)

<sup>3</sup> Article 2 paragraph 3 of the Act No. 106/1999 Coll. of Laws

- c) Permanent development of research and development contributing to the overall development of regions underlining the support to the introduction of new technologies and innovations,
- d) International, cross-border and inter-regional cooperation in the area of regional and development to the benefit of a sustainable regional development,
- e) Development of tourism,
- f) Improvement of the region's social infrastructure,
- g) Improvement of utilities in the region,
- h) Public works<sup>4</sup> supporting the development of the region,
- i) Development of culture, cultural activities and services, including the development of art-related activities, care for the cultural heritage and for the restoration and revitalisation of the stock of sights,
- j) Development of public amenities and development of services in the region,
- k) Measures to protect and shape the environment and restrict the impacts damaging the environment,
- l) Support to an efficient exploitation of natural resources in the region.

#### **Article 4: Supported Regions**

- (1) The supported regions under Article 2 letter f) shall be
  - a) Economically weak regions, which – according to their indicators of economic development and social development – report a significantly lower level of development than is the average level in the Slovak Republic; they are determined by indicators characterising in particular the labour market, the standard and structure of the economy, the incomes of self-governing regions, municipalities and population that lives in their territories, as well as the density of population,
  - b) Regions with unfavourable structure where negative consequences of structural changes concentrate, sectors and production enterprises become inactive and unemployment increases; they are determined by indicators characterising in particular the labour market and the development of enterprise.
- c) The supported regions under paragraph 1 shall be determined by the Government following a proposal by the Ministry of Construction and Regional development of the Slovak Republic (hereinafter the Ministry).
- d) While supporting regional development from the European Union funds, economically weak regions shall be considered the second level regions according to the classification of statistical territorial units, with their share of gross domestic products per capita compared to the purchasing power is less than 75 % of the value of the gross domestic product per capita in the European Union in the purchasing power parity achieved during the preceding three years on average.

#### **Article 5: Basic Documents of Support of Regional Development**

##### **The support of regional development shall be implemented in compliance with programming based on the following documents**

- a) National Plan of Regional Development of the Slovak Republic (hereinafter the National Plan),
- b) Regional operating programme,
- c) Sectoral operating programme,
- d) Programme of economic and social development of a self-governing region,
- e) Programme of economic development and social development of a municipality.

#### **Article 6: National Plan**

- (1) The National Plan is the basic medium-term document of strategy and planning for the development of regions prepared – as a rule – for five to seven years. It contains an analysis of the economic situation and social situation in the regions and the potential necessary for their development, identification of development objectives and priority assignments necessary to achieve those objectives, including a strategy, planned activities and environmental impact. The National Plan also includes a framework draft of financial and administrative provision for the support of regional development.
- (2) The National Plan shall be prepared by the Ministry in collaboration with socio-economic partners. Following its recommendation by the National Monitoring Committee (Article 15), it is submitted by the Ministry for adoption by the Government.

#### **Article 7: Regional Operating Programme**

- (1) The regional operating programme is a medium-term document prepared on the second classification level of statistical territorial units containing an analysis of the economic situation

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<sup>4</sup> Article 2 letter a) of the Act No. 254/1998 Coll. of Laws on Public Works



and social situation of the region, the objectives and priority needs in the region's development, a summary description of measures intended to achieve the objectives and priority needs in the region's development, a framework financial plan and provisions for its assurance.

- (2) The regional operating programme shall be prepared by self-governing regions in mutual collaboration within a second level region according to the classification of statistical territorial units, based on partnership and compliant with the objectives and priority needs laid down in the National Plan.
- (3) Following a recommendation of the regional monitoring committee (Article 18) and of the National Monitoring Committee and following a proposal of the Ministry, the regional operating programme shall be adopted by the Government.

#### **Article 8: Sectoral Operating Programme**

- (1) The sectoral operating programme is a medium-term document prepared for earmarked sectors; it shall contain the sector's priorities, a summary description of measures intended for the implementation of priorities, an informative financial plan and provisions for its implementation coverage. The number and focus of sectoral operating plans shall be determined by the Government.
- (2) The sectoral operating programme shall be prepared by the central state administration authority in collaboration with socio-economic partners on the principle of partnership, compliant with the objectives and priorities laid down in the National Plan.
- (3) After its adoption by the National Monitoring Committee, the sectoral operating programme – following a proposal of the Ministry – is adopted by the Government.

#### **Article 9: Programme of Economic Development and Social Development of a Self-Governing Region**

- (1) The programme of economic development and social development of a self-governing region is a medium-term programming document that contains in particular
  - a) An analysis of the economic development and social development in the region's territory, major trends of its development and identification of its objectives and priority needs,
  - b) Identification of districts and municipalities whose development needs to be supported with a view to the need of a good balance in the development of a self-governing region,
  - c) Assignments and priority needs in the development of utilities, social infrastructure, in the care for environment, in education, culture and other areas under Article 3 paragraph 2,
  - d) A proposal of financial and administrative coverage.
- (2) The programme of economic development and social development of a self-governing region shall be compliant with the objectives and priority needs laid down in the National Plan and a source material for preparing the respective regional operating programme.
- (3) The source material for preparing a programme of economic development and social development of a self-governing region shall also be the programmes of economic development and social development of municipalities in its territory. The state shall provide financial means to self-governing regions on expenditures relating to the preparation of a programme of economic development and social development of a self-governing region and programmes of economic development and social development of municipalities.

#### **Article 10: Programme of Economic Development and Social Development of a Municipality**

- (1) The programme of economic development and social development of a municipality is a medium-term programming document that contains in particular
  - a) An analysis of the economic development and social development of a municipality, major trends of its development, identification of objectives and priority needs,
  - b) Assignments and primary development needs of utilities, social infrastructure, in the care for environment, in education, culture and other areas under Article 3 paragraph 2,
  - c) A proposal of financial and administrative coverage.

#### **Article 11: Financial Assurance of Support of Regional Development**

- (1) To assure the support of regional development, the means from the state budget, state funds, budgets of self-governing regions, budgets of municipalities, means of natural persons, means of other legal entities, loans and contributions of international organisations may be used.
- (2) A complementary source of financial assurance of support of regional development may be the means from the European Union funds.
- (3) Beneficiaries of the means from financial assurance of the support of regional development may be business entities, municipalities and legal entities established by the same or associations of municipalities, self-governing regions and legal entities established by the same, non-profit

organisations<sup>5</sup> and other legal entities, which may apply therefor and submit a project, according to which measures contained in the regional operating programmes, sectoral operating programmes, programmes of economic development and social development of a self-governing region and in programmes of economic development and social development of a municipality are to be performed.

- (4) To the management of financial means extended from the state budget, state funds and the European Union funds, provisions of a special regulation<sup>6</sup> shall apply.
- (5) Auditing of financial assurance for the support of regional development from the means of state budget, state funds and European Union funds shall be governed by a special regulation.<sup>7</sup>

### **PART THREE**

## **COMPETENCIES OF AUTHORITIES OF STATE ADMINISTRATION, MUNICIPALITIES AND SELF-GOVERNING REGIONS IN THE SUPPORT OF REGIONAL DEVELOPMENT**

### **Article 12: Ministry**

- (1) The Ministry shall
  - a) Co-ordinate the operations of authorities of state administration, municipalities and self-governing regions participating in the preparation and execution of the National Plan, regional operating programmes and sectoral operating programmes,
  - b) Monitor and analyse the economic situation and social situation in the individual regions of the Slovak Republic,
  - c) In collaboration with the socio-economic partners prepare a draft National Plan, submit the same to the Government for adoption, evaluate its achievements and annually submit a report on its achievements to the Government,
  - d) Manage the preparation, execution and evaluation of regional operating programmes,
  - e) Annually submit a report on achievements of regional operating programmes and a report on achievement of sectoral operating programmes to the Government,
  - f) Provide for selection of projects under the implementation of regional operating programmes and – in collaboration with the authorities of state administration, with municipalities and self-governing regions – provide for their independent expert reviewing,
  - g) Prepare source documents for the operation of regional monitoring committees and of the National Monitoring Committee,
  - h) Provide for co-operation with the European Union bodies in the area of economic and social cohesion and cross-border cooperation, co-ordinate the exploitation of financial means from the European Union funds in the area of economic and social cohesion and cross-border co-operation,
  - i) Establish the Agency for the Support of Regional Development, regional monitoring committees and the National Monitoring Committee,
  - j) Request information necessary to perform the competencies under letters a) to g) from the authorities of state administration, municipalities and self-governing regions,
  - k) Provide for co-operation with other central state administration authorities.

### **Article 13: Other Central State Administration Authorities**

- (1) Within their competence, other central state administration authorities shall
  - a) Execute assignments related to the main objectives of the support of regional development under Article 3,
  - b) Collaborate in the preparation and implementation of the National Plan and regional operating programmes within the scope to be determined by the Government,
  - c) In collaboration with socio-economic partners prepare sectoral operating programmes, which they – at the same time – implement and regularly evaluate; that evaluations are submitted to the Ministry on a half-year basis,
  - d) Provide for a selection of projects compliant with the priority needs laid down in the sectoral operating programmes and their independent expert reviewing,

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<sup>5</sup> For instance, Act No. 83/1990 Coll. On Association of Citizens, as amended, Act of the National Council of the Slovak Republic No. 207/1996 Coll. of Laws on Foundations, as amended by the Act No. 147/1997 Coll. of Laws, Act No. 147/1997 Coll. of Laws on Non-Investment Funds and Amendment of the Act of the National Council of the Slovak Republic No. 207/1996 Coll. of Laws, Act No. 213/1997 Coll. of Laws on Non-Profit Organisations Rendering Generally Beneficial Services.

<sup>6</sup> Act of the National Council of the Slovak Republic No. 303/1995 Coll. of Laws on Budgetary Rules, as amended

<sup>7</sup> Act of the National Council of the Slovak Republic No. 303/1995 Coll. of Laws, Act No. .../2001 on Financial Audit and Internal Audit and on the Modification and Amendment of Certain Acts, Act No. 440/2000 Coll. of Laws on Reports of Financial Audit, as amended by the Act No. 150/2001 Coll. of Laws

- e) Collaborate in the preparation programme of economic development and social development of a self-governing region,
  - f) Within their competences, provide for collaboration with the European Union authorities and for exploitation of financial means from the European Union funds (save Article 12 letter h).
- (2) If requested by central state administration authorities, all state administration authorities shall collaborate in achieving those assignments.

#### **Article 14: Agency for Support of Regional Development**

- (1) The Agency for Support of Regional Development shall provide for the exploitation of financial means from the European Union funds in the area of economic and social cohesion and cross-border cooperation.
- (2) The Agency for Support of Regional Development shall
  - a) While exploiting financial means from pre-accession funds of the European Union in the area of economic and social cohesion and cross-border cooperation, shall fulfill assignments related in particular to public procurement<sup>8</sup>, contracting, disbursements, financial reporting, technical implementation of projects as well as comprehensive monitoring and auditing of the use of financial resources,
  - b) While exploiting financial means from the structural funds of the European Union in the area of economic and social cohesion and cross-border cooperation, shall provide for financial resources and the regime of payments.

#### **Article 15: National Monitoring Committee**

- (1) The National Monitoring Committee shall
  - a) Deliberate and recommend the National Plan, regional operating programmes and sectoral operating programmes for adoption to the Government,
  - b) Monitor the achieving of objectives and priority needs defined in the National Plan and propose measures for their accelerated and efficient assurance,
  - c) Deliberate and recommend annual reports and the final report on achieving objectives and priority needs defined in the National Plan for adoption to the Government,
  - d) Deliberate and recommend annual reports and the final report on achieving objectives and priority needs defined in the regional operating programmes and sectoral operating programmes for adoption to the Government,
  - e) Deliberate draft changes in the scope of the National Plan, regional operating programmes, sectoral operating programmes and recommend the same for adoption to the Government.
- (2) The membership on the National Monitoring Committee is based on partnership, with representatives of
  - a) State administration authorities,
  - b) Municipalities and self-governing regions,
  - c) Regional Monitoring Committees,
  - d) Other socio-economic partners,
  - e) Institutions of public law.
- (3) The National Monitoring Committee is chaired by the Minister of Construction and Regional Development of the Slovak Republic.
- (4) The National Monitoring Committee shall be established for a planning period covered by the National Plan.
- (5) Details concerning the membership, assignments, organisation and operations of the National Monitoring Committee shall be regulated by its statutes, adopted by the Government following a proposal of the Ministry.

#### **Article 16: Self-Governing Region**

For the general development of its territory and for the assurance of its population needs in the execution of self-administration, a self-governing region shall in particular

- a) Prepare, adopt and regularly evaluate achievements of the programme of economic development and social development of the self-governing region or its parts, participate in their implementation and regularly evaluate its achievements,
- b) Prepare a regional operating programme in collaboration with other self-governing regions making a second-level statistical territorial unit (Article 4 paragraph 3), participate in its implementation and regularly evaluate its achievements,

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<sup>8</sup> Act No. 263/1999 Coll. of Laws on Public Procurement and on Modification and Amendment of Certain Acts

- c) Cooperate with the Ministry and other central state administration authorities in the preparation of the National Plan, in the preparation of sectoral operating programmes, cooperate with the competent central state administration authority and other socio-economic partners (Article 2 letter c); participate in a regular evaluation of their achievements,
- d) Provide for sustainable economic development and social development in the territory of a self-governing region,
- e) Procure and adopt the individual development projects of regional nature, participate in their implementation and evaluate their achievements, carry its own investment operations and business operations,
- f) Prepare, adopt and evaluate achievements of the individual programmes of international cooperation on regional level (Article 3 paragraph 2 letter d) and participate in their implementation,
- g) Regularly monitor and evaluate the development of the territory of the self-governing region and regularly prepare reports on the economic development and social development of a self-governing region,
- h) Provide for means within the scope of its competence to remove undesirable disparities in the territory of the self-governing region,
- i) Provide for mutual cooperation with other self-governing regions and the development of cooperation with territorial units or with authorities of other states<sup>9</sup> executing regional functions in the execution of self-government,
- j) Be allowed to establish legal entities for the support of regional development of the territory of a self-governing region, in particular an agency for regional development,
- k) Keep record of programmes of economic development and social development of a self-governing region and municipalities,
- l) Fulfil further assignments imposed by special acts.<sup>10</sup>

#### **Article 17: Municipality**

For the universal development of its territory and to provide for its population needs in the execution of self-government, the municipality shall in particular:

- a) Prepare, adopt and regularly evaluate achievements of the programme of economic development and social development of the municipality and provide for its achievements,
- b) Provide for collaboration in the preparation and implementation of the programme of economic development and social development of a self-governing region, in the territory of which the municipality is situated,
- c) Provide for collaboration in the preparation of regional operating programmes,
- d) Cooperate in providing for development intents common for several municipalities,
- e) Together with other municipalities, establish an association of municipalities<sup>11</sup> with a scope of activities fostering the economic development and social development of the municipality as well as of the self-governing region,
- f) Prepare a position to the programmes of regional development (Article 5 letter a) through d).

#### **Article 18: Regional Monitoring Committee**

- (1) The Regional Monitoring Committee shall
  - a) Deliberate and recommend the regional operating programme for adoption to the Government,
  - b) Monitor the fulfilment of assignments of the regional operating programme,
  - c) Adopt annual reports and the final report on achievements of the regional operating programme to be submitted to the National Monitoring Committee,
  - d) Determine the regional criteria for the selection of projects funded under the regional operating programme and acknowledge the selection of those projects,
  - e) Deliberate draft changes in the scope of the regional operating programme and submit the same to the National Monitoring Committee.
- (2) The membership on a regional monitoring committee shall be based on partnership, with the representative of
  - a) State administration authorities,
  - b) Municipalities and self-governing regions,
  - c) Other socio-economic partners operating in the region concerned.

<sup>9</sup> Article 5 paragraph 1 of the Act No. 302/2001 Coll. of Laws

<sup>10</sup> For instance, Act No. 302/2001 Coll. of Laws

<sup>11</sup> Article 20b of the Act of the Slovak National Council No. 369/1990 Coll. on Municipal System, as amended

- (3) The regional monitoring committee shall be established for a planning period covered by the National Plan.
- (4) Details concerning the organisation, operations, assignment, composition and the number of members of the National Monitoring Committee shall be regulated by its statutes to be adopted by the Ministry.

#### **PART FOUR CLOSING PROVISION**

##### **ARTICLE 19: EFFECTIVENESS**

The Act shall come in effect as of 1 January 2002.

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## **5. ROMANIA REGIONAL DEVELOPMENT LAW NO: 151/1998**

### **CHAPTER I GENERAL PROVISIONS**

#### **Article 1**

The present law shall establish the institutional framework, the objectives, the competencies and the instruments specific to the regional development policy in Romania.

#### **Article 2**

The main objectives of the regional development policy in Romania shall be as follows:

- to reduce the existing regional disparities by stimulating the well-balanced development, accelerating the recovery of delays in the development of the disadvantaged areas as a consequence of historical, geographic, economic, social and political circumstances and by preventing the emergence of new imbalances ;
- to prepare the institutional framework in order to comply with the integration criteria into the EU structures and to ensure access to the Structural Funds and the Cohesion Fund of the EU ;
- to correlate the governmental sector policies and activities at the level of regions by stimulating the initiatives and using the local and regional resources in order to achieve a lasting economic and social development as well as a cultural development of the regions ;
- to stimulate inter-regional, internal and international, cross-border cooperation, including that within the Euro-regions, as well as to encourage the participation of the development regions to the European structures and organizations which promote their institutional and economic development, in order to accomplish some projects of mutual interest, in accordance with the international agreements to which Romania is a party.

#### **Article 3**

In order to achieve the objectives under Article 2, the financing of the programmes shall be provided from the National Fund for Regional Development, which is to be established in accordance with the provisions of the present law.

### **CHAPTER II THE DEVELOPMENT REGIONS**

#### **Article 4**

The county councils and the General Council of Bucharest City may decide, if the interested local councils agree, that the area comprising the territory of the respective counties and that of Bucharest City should form the development regions.

The development regions are not territorial-administrative units and have no legal status.

#### **Article 5**

In order to form a development region, a convention shall be signed by the representatives of the county councils and that of the General Council of Bucharest City.

The development regions thus constituted shall become, with the endorsement of the Government, the implementation and evaluation framework of the regional development policy.

### **CHAPTER III THE TERRITORIAL STRUCTURES FOR REGIONAL DEVELOPMENT**

#### **Article 6**

In order to co-ordinate the activities promoting the objectives implied by the regional development policy, a Regional Development Board shall be established as a deliberative body at the level of each development region, within a 60 days term since the entering into force of the present law.

The Regional Development Board shall have its main responsibilities as follows:

- it analyses and decides over the regional development strategy and the regional development programmes;

- it approves the regional development projects;
- it submits to the National Board for Regional Development proposals concerning the formation of the Regional Development Fund;
- it approves the criteria, priorities, allotment and destination of the resources of the Regional Development Fund;
- it checks the utilisation of the funds allotted to the regional development agencies from the National Fund for Regional Development;
- it checks the observance of the regional objectives.

The Regional Development Board shall be made up of the Presidents of the County Councils and, for each county, a representative of the municipal, town and village councils appointed for the term of their mandate. In the case of Bucharest City, a representative of the General Council of Bucharest City and a representative of each local sector council shall be appointed for the Regional Development Board.

The Regional Development Board shall have a President and a Vice-president. Those two positions shall be filled for one-year term by the representatives of the counties thus designated, each in its turn.

The prefects of the counties may participate, without voting rights, at the meetings of the Regional Development Boards. As well, representatives of the municipal and local councils and of other organizations and institutions with competence in the regional development field may participate at the meetings, depending on the topic under discussion.

The Regional Development Board shall adopt its own operating regulation, on the basis of the framework regulation drawn up by the Government.

#### **Article 7**

An Agency for Regional Development, co-ordinated by the Regional Development Board shall be established in each development region, within 30 days since the establishment of the Regional Development Board.

The Regional Development Agencies are legal entities, non-governmental, non-profit, of public utility and shall act in the specific field of regional development. The Agencies shall be organised and operate in accordance with the present law and with their own status of organization and operation, approved by the Regional Development Boards.

The Manager of the Regional Development Agency is appointed by the Regional Development Board on the basis of competition and the latter may also dismiss him.

The financing of the organizational and operational expenditures of the Regional Development Agency is provided from the Regional Development Fund, the amount being approved by the Regional Development Board.

The Regional Development Boards shall approve the organizational structure, so that each county should be equally represented.

#### **Article 8**

The Regional Development Agency shall have the main responsibilities as follows:

- it designs and submits for approval to the Regional Development Board the regional development strategy and programmes and the planning of the management of the funds;
- it implements the regional development programmes and the planning of the management of the funds, in accordance with the decisions adopted by the Regional Development Board, observing the legislation in force and is also responsible for their accomplishment;
- it identifies the disadvantaged areas within the development regions, together with the local or county councils, as the case may be, and it submits the necessary documentation (previously approved by the Regional Development Board) for approval to the National Agency for Regional Development and the National Board for Regional Development.
- it provides specialised technical assistance, together with the local or county councils, as the case may be, for the natural or legal persons with state or private capital investing in the disadvantaged areas;
- it submits to the National Agency for Regional Development proposals to finance the approved development projects out of the National Fund for Regional Development;
- it acts to attract financial contributions to the Regional Development Fund;
- it manages the Regional Development Fund in order to achieve the objectives settled by the regional development programmes;
- it is held responsible by the Regional Development Board and the legal competent bodies for the correct management of the allotted funds.

#### **Article 9**

The regional development programmes shall be financed out of the Regional Development Fund, managed by the Regional Development Agency.

The Regional Development Fund shall be annually made up of:

- allotments provided by the National Fund for Regional Development;
- contributions from local and county budgets, within the limits approved by the local or county councils, as the case may be;
- financial resources attracted from the private sector, banks, foreign investors, the European Union and other international organizations.

The financial operations regarding the execution of the investment projects are carried out by the Regional Development Agencies by means of the territorial units of the State Treasury.

The Regional Development Funds shall have only the destination settled by the present law;

The funds which are not used in the current budgetary execution shall be carried out the next budgetary year.

### **CHAPTER IV**

#### **THE NATIONAL STRUCTURES FOR REGIONAL DEVELOPMENT**

#### **Article 10**

Within a 90 days term since the entering into force of the present law, the National Board for Regional Development shall be established, in order to promote the objectives of the regional development policy referred to under Article 2.

The National Board for Regional Development shall be made up of the Presidents and Vice-presidents of the Regional Development Boards and, in equal number, representatives of the Government appointed by governmental decision.

The President of the National Board for Regional Development shall be the Prime Minister.

#### **Article 11**

The National Board for Regional Development shall have the following responsibilities:

- it approves the National Strategy and the National Program for Regional Development;
- it submits to the Government proposals concerning the formation of the National Fund for Regional Development;
- it approves the criteria, the priorities and the allotment procedures regarding the resources of the National Fund for Regional Development;
- it checks the utilisation of the funds allotted to the Regional Development Agencies out of the National Fund for Regional Development;
- it approves the utilisation of the structural type funds allotted to Romania by the European Commission for the pre-accession period, as well as of the Structural Funds after the accession to the EU;
- it checks the accomplishment of the regional development objectives, including the external co-operation activities of the development regions in terms of cross-border, inter-regional, and Euro-regions actions.

#### **Article 12**

The National Board for Regional Development shall operate according to its own regulation of organization and operation, which shall be drawn up within 90 days since the entering into force of the present law.

#### **Article 13**

The National Agency for Regional Development shall be established in order to promote and co-ordinate the regional development policy. The Agency shall be the executive body of the National Board for Regional Development, it shall have legal status and it shall be lead by a President with the status of Secretary of State.

The status, the seat, the organization and operation of the National Agency for Regional Development shall be approved by governmental decision within 30 days since the establishing of the National Board for Regional Development, at its proposal.

The financing of the organizational and operating expenditures of the National Agency for Regional Development shall be provided, annually, out of the National Fund for Regional Development, the amount being approved by governmental decision, at the proposal of the National Board for Regional Development.

#### **Article 14**

The National Agency for Regional Development shall have the following responsibilities:

- It draws up the National Strategy and the National Program for Regional Development;

- it draws up the principles, the criteria, the priorities and the allotment of resources for the National Fund for Regional Development;
- it proposes to the National Board for Regional Development the formation of the National Fund for Regional Development;
- it ensures the financial and technical management of the National Fund for Regional Development;
- it promotes different forms of co-operation between counties, cities, towns and villages;
- it ensures specialised assistance to the Regional Development Boards in the field of institution building;
- it proposes to the National Board for Regional Development the nomination of some areas as disadvantaged areas, in order to be supported economically and financially by means of instruments specific to the regional development policy;
- it acts as the National Negotiator in relation with the Directorate General for Regional Policy and Cohesion (DG XVI) of the European Commission for the European Fund for Regional Development and the Cohesion Fund;
- it manages the funds allotted to Romania out of the European Fund for Regional Development;
- it manages the funds allotted to Romania out of the Cohesion Fund;
- it co-ordinates the implementation of the National Plan for Regional Development, which stands for the basis of the negotiations with the European Commission, and the financing of different community programmes.

#### **Article 15**

In order to finance the regional development programmes in Romania, the National Fund for Regional Development shall be constituted out of the amount annually allotted from the State Budget specially for the regional development policy.

Other internal and international financing resources may be attracted to the National Fund for Regional Development, as follows:

- Standing financial assistance from the European Union, within the Phare Program;
- the amount from the structural type funds, which shall be allotted to Romania by the EU when the former becomes an associate state;
- the amount from the Structural Funds, which shall be allotted to Romania following its accession to the EU;
- financial assistance not to be reimbursed from some governments, international organizations, banks etc. ;
- other financial resources from the funds at the disposal of the Government.

#### **Article 16**

At the request of the local or county councils, as the case may be, and in accordance with the documentation presented by the Regional Development Agencies, the Regional Development Boards may request to the National Board for Regional Development to propose to the Government that some areas should be nominated as 'disadvantaged areas', in order to be supported economically by the means of instruments specific to the regional development policy.

The facilities the disadvantaged areas shall enjoy as well as the criteria and conditions for them being granted shall be established according to a special law.

On the basis of the criteria referred to under the above paragraph (2), at the proposal of the National Board for Regional Development, the Government shall establish the concrete fiscal facilities which each area shall enjoy.

### **CHAPTER V FINAL AND TRANSITORY PROVISIONS**

#### **Article 17**

The National Commission for Statistics shall gather, out of the development regions, constituted in accordance with the present law, the specific data required for the implementation and evaluation of the regional development policies.

#### **Article 18**

The utilization of the amounts received from the Regional Development Fund for the support of regional development projects and if their destination and terms for which they have been allotted to the respective beneficiaries shall be checked and sanctioned, in accordance with the law, by the entitled control authorities.



## **Article 19**

For the year 1998, the financing of the organizational and operating expenditures of the National Agency for Regional Development shall be provided by the state budget, out of the reserve fund at the disposal of the Government, the amount being approved by a governmental decision.

## **Article 20**

Within 30 days since the entering into force of the present law, the Government shall approve by decision, at the proposal of the Council for Reform and of the Department of Local Public Administration, the methodological norms for the implementation of the present law as well as the regulation-framework stipulated under Article 6, paragraph (6).

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# **6. REGIONAL DEVELOPMENT STRATEGY OF ESTONIA - 1999**

## **I. INTRODUCTION**

The first basic document of the regional policy of Estonia were the Guidelines of Regional Policy approved by the Estonian Government in 1994. The Guidelines were drawn up at the time when:

- the regional impacts of the transition to market economy could be forecast only approximately;
- the state had very limited possibilities for funding regional policy;
- the vision of the regional development of Estonia had not been elaborated;
- accession to the European Union was not yet on the agenda.

These conditions have substantially changed by now. New regional development trends have taken a distinctive shape since the beginning of 1990s. The possibilities for funding of regional policy have widened. Several development plans and strategies of Estonian economic and regional development (e.g. Estonian economic development plan 1998-2002, national territorial plan "Estonia 2010", county master plans etc.) have been accomplished or are being accomplished at present. The Estonian Government has also started the accession negotiations with the European Union.

Therefore, preconditions have arisen for the design of a regional policy that can influence the regional development of the state in a more efficient and effective manner. Therefore, the design of the Regional Development Strategy that was already planned in the Guidelines is necessary. The Strategy shall develop further the Guidelines of Regional Policy approved by the Estonian Government in 1994.

The Regional Development Strategy of Estonia establishes the recommendable trends for regional development, the basic principles for the regional policy of the Estonian Government and for the direction of the regional impact of sectoral policies during the period before the accession of Estonia to the European Union.

The Strategy proceeds from the national interests of Estonia. The strategy shall serve as a basis for the regional development part of the national development plan to be drawn up in the course of the preparations for the accession to the European Union, thus securing the linking of the national regional policy with the regional policy of the European Union.

## **II. CONCEPTS**

region - an integral part or area of the national territory defined either for administrative purposes, for the purposes related to national policy or analytical needs on the basis of its internal integration or similar characteristics;

- regional development - change in the socio-economic condition of a state, or a part of its territory, by regions;
- sectoral policy - national policy aimed at a specific domain of social life. Sectoral policies have a regional impact;
- regional policy (or regional development policy) - targeted activities of national authorities for the improvement of preconditions for development in regions and for the direction of regional development in a state. It comprises both conscious direction of the regional effects of sectoral policies and additional specific activities targeted at the development of regions;
- development activities in counties – the part of national regional policy that is implemented through county governments and is aimed at securing the competitiveness and balanced development of the counties proceeding from the interests of the county;
- target - a target region or target field of activity;
- target region - a region that a regional policy measure or regional development programme is targeted at. A target region needs not be an integrated territorial unit and can consist of regions with similar characteristics;

- target field of activity - a sphere of social life that a regional policy measure or regional development programme is targeted at;
- rural area – the territory of all settlements, excluding urban settlements with more than 2500 inhabitants and settlements in the immediate hinterlands of larger cities;
- regional development programme - long-term complex of measures for the development of a target. The programme is implemented through projects;
- project – detailed action plan for the achievement of a set result.

### **III. STARTING POINTS OF THE STRATEGY**

The strategy proceeds from the current situation of regional development and the factors influencing this situation. It takes into account:

- results of regional development in the recent years and its future trends;
- vision of the future of the regional development in Estonia;
- evaluation of the existing regional policy;
- requirements and opportunities arising from the process of approaching the European Union.

#### **III.1. TRENDS OF REGIONAL DEVELOPMENT**

In the course of the structural conversion of the economy in the entire territory of Estonia more and less successful areas can be distinguished. Among other things, it is reflected in the different income levels and unemployment rates of regions, which are some of the most important indicators characterising regional development.

Regional development in the transition period is characterised on the one hand by the great difficulties of most rural areas caused by the restructuring and decline in agriculture. On the other hand, the more successful adjustment of larger cities and towns (except in Ida-Virumaa) to the new economic environment is going on. Development disparities of counties therefore primarily depend on the success of their centres. Larger towns with more extensive growth of the service sector and that have succeeded in reorienting their economy to Western markets have been most successful in their development. Therefore, the most successful counties are primarily Harjumaa, Pärnumaa and Tartumaa, where the development of the strong centre makes it possible to offer additional opportunities also to the inhabitants and businesses of the hinterland. A number of monofunctional industrial settlements from all over Estonia (Aseri, Võhma, Oru, Puhja etc.) and several industrial centres of Ida-Virumaa (Kohtla-Järve, Sillamäe, Kiviõli) have, however, been caught in the restructuring crisis. The counties which have a substantially declined agricultural sector and have not been able to create enough alternative jobs, neither in the centres nor in rural areas, are lagging behind. The counties of South-eastern Estonia (Võrumaa, Valgamaa, Põlvamaa) and Jõgevamaa are in the most disadvantaged situation due to their low income levels and at the same time high unemployment rates.

The most important structural changes resulting from the transition to the market economy have already taken place in Estonia. The forthcoming restructuring of the Ida-Viru power engineering and oil shale industries in the near future can cause additional adjustment problems for the entire county. Regional development will be subsequently influenced by the adjustability of regional economies with the environment of international competition and location of new investments. Success of towns and counties will increasingly depend on the innovativeness of the local society and economy, qualification of labour, research and development activities. These are primarily characteristics inherent to centres and functions that can be performed by centres. In that sense Tallinn plays the dominant role in the network of Estonian centres. Due to the general increasing attachment of importance to the quality of life and attractive living environment, regional differences in education, culture and environment remain important factors influencing regional development, favouring also mainly Tallinn, but also some other larger centres. Larger towns and county centres, transit routes and tourism areas are still more attractive for investments. Regardless of changes in the nature of factors influencing regional development it can therefore be forecast that the disparities in the development levels of regions that have emerged in the course of the transition period tend to increase also in the future.

The self-regulation of the market does not sufficiently secure increases in the competitiveness of underdeveloped regions. Balanced regional development and securing self-sufficiency for underdeveloped regions presumes targeted, consistent and effective regional policy.

#### **III.2. VISION**

The main characteristics of the vision of the regional development of Estonia are as follows:

- The development of counties is balanced. Tartu as the second centre of national importance, county centers and the large industrial towns of the North-eastern Estonia have developed a balance for the

attraction of Tallinn as an abode and workplace. Regional differences in the living standards do not cause one-way concentration of the population to the capital region.

- Successful development of counties is based on skilful and innovative use of local advantages. The centers that possess innovative potential serve as a guarantee for the lasting competitiveness of a county. Successful development of counties is secured by continuous interactive development activities done by various interest groups and institutions as well as by optimal network of cultural, educational and social facilities in order to provide all people regardless their place of residence equal opportunities to participate in cultural and sport activities.

- In counties the jobs, services and population have concentrated more than currently into county centres and other large settlements of the county. The centres located around Tallinn with their favourable living environment or infrastructure suitable for manufacturing activities are developing fast.

- Rural settlement is viable. Efficient farms have emerged. Increasing mobility of the population connects towns with rural settlements. Commuting, teleworking and part time work enable a part of the population to combine rural life with a job in town. Many townspeople have country homes. Settlement, including in the border areas and small islands, is sufficient for the maintenance of the valuable cultural heritage and cultural landscape and for the fulfilment of several state functions (national defence and environmental protection, securing the safety of marine navigation, control over the use of natural resources, etc.).

- Transport, communications and technical infrastructure have been developed as an integer network. County centres are connected with each other and with their hinterland by frequent and reliable public transport. In order to compensate the isolation of islands support to air connection between the islands and the mainland is provided and while determining the tariffs of ferry traffic the principle of road lengthening is implemented. Tallinn-Tartu highway and mutually well-connected county centres are functioning in international competition as an integer co-operation network which improves the competitive position of Estonia as a whole. Transport corridors between county centres as well as corridors of regional importance (ports, airports) will be linked to Trans-European Networks.

- Regional institutions are participating in international co-operation and division of labour among other Baltic Sea regions. Through international co-operation objectives of national as well as European Union regional policy are going to be implemented.

### ***III.3. EVALUATION OF THE EXISTING REGIONAL POLICY***

Regional policy implemented so far has not been able to balance the general widening of regional differences coming from the transition to market economy. The possibilities for remarkable direction of regional development have been hampered by limited financial resources. Although, regardless of the amount of financial resources they can always be used more efficiently. The strategic shortcomings of the Estonian regional policy so far are particularly evident in comparison with certain guiding principles of the regional policy of the European Union.

- Programming has weakly developed. Despite the nominal existence of 7 programmes these programmes have lacked a multi-annual, targeted structure that is characteristic of real programming and is based on the co-ordination of the measures of different government institutions.

- The target areas and target subject fields of programmes have not been clearly defined, which reduces the opportunities for the concentration of resources.

- Implementation of the partnership principle has been insignificant – involvement of all interested parties (incl. private capital, banks, funds) in regional development has not been sufficiently used.

- The monitoring and evaluation mechanisms have been weakly developed; there are no measurable objectives that are required for the monitoring and evaluation of the policy.

Development of regional policy as an independent area of national policy, emergence of the experts and national institutions in this field, activation of the local development work and initiative, gradual introduction of skills in operating on the basis of projects can be regarded as positive results. The aspect of regional policy has been more than ever taken into account in the allocation of state investments and in sectoral policies.

The Strategy seeks to solve the problems mentioned above, at the same time developing further the positive aspects of present experiences in the field of regional policy.

### ***III.4. APPROACHING THE EUROPEAN UNION***

Approaching the European Union sets new requirements for the regional policy of Estonia. On the one hand there will be opportunities to use the resources of the EU Structural Funds for the regional development of Estonia. On the other hand, their successful involvement presumes sufficient

administrative capacity, selffinancing of the national regional policy and its harmonisation with the principles of the EU regional policy.

### **III.5. STARTING POINTS FOR THE FORMULATION OF THE STRATEGY**

As a result of this analysis several starting points to be taken into account in the formulation of the Strategy can be drawn up.

General orientation to local initiative should be maintained and even strengthened. Resources for development activities should be secured to all counties of Estonia, in order to enable each county to strengthen and use its development advantages in the most suitable manner. In doing so the innovativeness of regions should be improved.

Co-ordination of sectoral policies with the objectives of regional policy should be enhanced. However, while taking into account the regional aspects the achievement of the primary objectives of sectoral policies should not be impaired.

The majority of the resources allocated for regional development should be concentrated to clearly defined target regions and used according to programmes, involving all interested parties according to the partnership principle. Measures should be primarily focused on three areas: human resources, business promotion and development of infrastructure. While funding regional development programmes a clear support to local initiatives oriented towards improvement of opportunities for self-realisation should be provided.

Determination of target regions should proceed from the emerging regional development pattern in Estonia that is generally characteristic of market economy and where the following underdeveloped regions can be discerned: regions dependent on agriculture, industrial regions undergoing economic restructuring and isolated regions – primarily islands. Mutual dependence of centres and hinterlands should be taken into account, as well as the leading role of centres in the course of the next period of development.

Principles of the EU regional policy should be introduced, at the same time adjusting them to the national interests.

## **IV. OBJECTIVES**

The **long-term goal of the regional policy** of Estonia is to secure a stable high quality of life (safe and good living conditions, incomes, and opportunities for self-realisation) for the inhabitants of all regions.

When advancing towards this general goal, the **vision of the future** described in Chapter 2 should be kept in mind.

The **short-term objective** of the regional policy of Estonia is the balancing of the regional development of the state through the strengthening and maximum use of the local preconditions for development, which will contribute to the general macroeconomic and social development of the state.

The attainment of the objective of the regional policy of Estonia shall be evaluated on the basis of the two focal indicators: average income level, unemployment rate and municipal tax revenues. Additional indicators will be used according to the specificity of the particular regions. The **expected result** of the implementation of the regional policy of Estonia in influencing regional development by 2003 shall be to balance regional development to such an extent that in no county:

- the average living standards (measured as the average income of a household) would be lower than 75 % of the average of Estonia (in 1998 the lowest indicator of a county constituted 68% of the average level of Estonia); and
- the unemployment rate (measured by the methodology of the ILO) would not exceed by more than 35 % the average of Estonia (as of 1998 the highest indicator of a county exceeded the average level of Estonia by 49%).
- municipal tax revenues (measured as income tax revenues in local budgets) would be lower than 75% of the average of Estonia, of which Tallinn has been excluded (in 1998 the lowest indicator of a county constituted 72% of the average level of Estonia).

The expected results consider the financial resources likely to be available. These funds can be used to reduce remarkably existing regional differences in unemployment rate, while in terms of living standards the goal for next years can only be the avoidance of the increase in regional differences.

## **V. PRINCIPLES**

The general directions of the regional policy of Estonia shall proceed from the following principles:

- **innovativeness.** Development of a capability to learn, support to innovative ideas and activities;

- **focus on self-initiative.** Fostering of the emergence and support to local initiatives;
- **sustainability.** Creation of continuing self-sufficiency and potential for development;
- **integrity of the area.** Development of an area proceeding from the interdependence of its centre and peripheries;
- **decentralised concentration.** Utilisation of economic and settlement concentration processes in strengthening regional centres.

Organisation of the regional policy of Estonia proceeds from the basic principles of the EU regional policy. The organisational principles of Estonian regional policy are:

- **programming.** Complex implementation of measures in the framework of long-term targeted programmes;
- **concentration.** Allocation of measures primarily to limited number of defined target regions and targeted fields of activities;
- **subsidiarity.** Implementation of measures and the management of resources allocated to them is delegated to the lowest competent administrative level;
- **partnership.** Involvement of all interested parties in the design, financing and implementation of measures;
- **complementarity.** Allocation of regional policy funds should not substitute for self-financing by the recipient or be a justification for the reduced financing of the assisted area from other sources;
- **application of monitoring and evaluation.** The effectiveness and efficiency of activities is monitored during the implementation of measures in order to improve the policy;
- **coherence.** Mutual connection of measures and general harmony between development activities of counties, regional policy directed to target areas and sectoral policies.

## VI. IMPLEMENTATION

The regional policy of Estonia shall be implemented through:

- development activities of counties,
- regional policy directed to target areas and,
- sectoral policies.

### VI.1. DEVELOPMENT ACTIVITIES IN COUNTIES

The aim of the development activities of the counties is to secure competitiveness and balanced development of the county. The development activities in the counties include elaboration of the development strategies and master plans of the counties and arrangement of their implementation. The development strategies and master plans of the counties are one of the main basis for the preparation of regional development programmes.

### 6.2. REGIONAL POLICY DIRECTED TO TARGET AREAS

Regional policy directed to target areas is implemented in specifically defined targets through regional development programmes. Strategic action-lines of regional development programmes are targeted at the development of human resources, business activities and infrastructure.

During the EU pre-accession period, seven regional development programmes will be operating:

- Programme for the Agricultural Areas;
- Programme for the Industrial Areas;
- Programme for the Islands;
- Programme for the Network of Centres;
- Programme for the Local Initiative;
- Programme for the Cross-border Co-operation;
- Programme for the Setomaa Region.

The target region of the **Programme for Agricultural Areas** essentially consists of regions with high unemployment rate and low average income that are approximately of the size of counties and depend on the agricultural sector. The programme is primarily directed to raising the competitiveness of agriculture by introducing modern technologies, the diversification of the economic structure with alternative fields of activities, development of various preconditions for business activities, promotion of SME sector, improvement of the qualification level of the labour force and the quality of living environment in the area.

The target region of the **Programme for the Industrial Areas** consists of declining industrial centres (with extensive decrease in industrial employment and high unemployment rates) together with their hinterlands and other regions with the equivalent problems (including former military settlements). The programme is primarily directed at raising the competitiveness of the economy, industrial modernisation, favouring new investments, promotion of SME sector, development of technical

infrastructure, retraining of labour force and increasing its mobility, and the improvement of the quality of the living environment.

The target region of the **Programme for the Islands** consists of islands and other regions with equivalent isolation problems. The programme is mainly directed to the re-population of the islands and maintaining of permanent settlement through the reduction of isolation and through partial compensation of its effects as well as stimulation the development of viable sources of living in insular and peripheral environments and maintaining of unique cultural peculiarities. Development of communications is an important priority.

The target of the **Programme for the Network of Centres** is the development of a balanced network of centres. The programme is targeted at the spatially co-ordinated development of public educational, research, cultural and development institutions and communications, promotion of activities that contribute to the innovation activities and specialisation of regions. Development of county centres offsets the predominant growth of the capital region. In addition to county centres, attention is directed also to other larger towns and more important local centres, proceeding from their national or regional functions.

The target of the **Programme for the Local Initiative** is the development of initiative in individuals and nonprofit organisations in rural areas. The programme is mainly directed to the development of self-realisation opportunities for the rural youth, rural tourism, study of local history and traditions, promotion of local cooperative movements and promotion of the general social and cultural (incl. sports) development of villages.

The target of the **Programme for the Cross-border Co-operation** is the promotion of cross-border cooperation activities of county administrations, municipalities and non-governmental organisations. The programme is mainly directed to the development of infrastructure, improvement of environmental protection, promotion of tourism, institutional co-operation, information exchange and contacts, development of cooperation in the field of (info)technology, promotion of business contacts and regional marketing, as well as promotion of co-operation in the field of development strategies and plans.

The target region of the **Programme for the Setomaa Region** consists of the municipalities of historical Setomaa territory. The programme is primarily directed to the diversification of the economic structure with alternative fields of activities, development of various preconditions for business activities, promotion of SME sector, improvement of the qualification level of the labour force and the quality of living environment in the area, as well as maintaining of unique cultural peculiarities.

### **VI.3. SECTORAL POLICIES**

The role of regional policy is to complement, bind together and co-ordinate sectoral policies. Due to their remarkable impact on regional development sectoral policies have to be in harmony with the objectives of regional policy and with the priorities of the development activities in counties. Besides achieving the primary objectives of sectoral policies also balanced development of Estonia is striven for. In the formation of regional development the following sectoral activities play the central role due to their comprehensive impact:

- development of networks of roads and communications and their operation;
- subsidies to public transport;
- state financial aid to businesses (grants, credits, guarantees);
- development of support services to businesses;
- location of educational, research, sports and cultural institutions;
- location of medical and social welfare institutions;
- location of government institutions;
- establishment of nature protection zones;
- state subsidies to cultural and sports activities in regions;
- further development of local self-government system according to the principle of subsidiarity;
- further development of municipal tax base stimulating the development of local self-government units;
- development of public administrative-territorial division.

The above-mentioned sectoral activities presume evaluation of their regional impact and coherence with general objectives of regional policy. The coherence will be secured through the dialogue between ministries, county administrations and municipalities co-ordinated by the Minister responsible for Regional Affairs by the means of respective institutional co-operation mechanisms (obligation of ministries to estimate the regional effect of their activities, procedure of co-ordination

of the draft legislative acts submitted to the national government, notification of the Ministry of Internal Affairs).

## **VII. INSTITUTIONS AND DIVISION OF TASKS**

### ***VII.1. GENERAL ADMINISTRATION OF REGIONAL POLICY***

The general administration of regional policy is carried out by the **Estonian Government**. The Government is implementing regional policy proceeding from current strategy and legal acts adopted on the basis of it.

**The Minister responsible for Regional Affairs** is responsible for the implementation of regional policy. Ministries are responsible for impacts of the activities on regional development under their jurisdiction within the limits of the tasks set on them. The Minister responsible for Regional Affairs with the Ministry of Internal Affairs co-ordinates the regional policy of Estonia as a whole. Among other things, the fulfilment of the following tasks is the responsibility of the Ministry of Internal Affairs:

- monitoring and analysis of regional development;
- design of regional policy in co-operation with other ministries;
- preparation of draft legislative acts concerning regional policy and obtaining approval on them;
- co-ordination of the co-operation between ministries for the purposes of regional policy;
- general monitoring and evaluation of regional policy;
- informing the Government of Estonia on regional development of the country.

### ***VII.2. DEVELOPMENT ACTIVITIES IN COUNTIES***

The development activities of the counties are organised by the **county governor** through the county government. The development activities of the counties constitute an important part of the competence of the county governor, which consists in taking care of the integer and balanced development of the county as well as participating in the preparation of sectoral policy decisions having comprehensive impact on the development of the county.

The county government organises the design and implementation of the development strategy and master plan of the county in co-operation with ministries, local governments of the county, representatives of the employers and employees of the county, representatives of the non-governmental sector of the county and other interested partners. Whereas the role of the county governor primarily consists in:

- co-ordinates the co-operation of the local agencies of ministries and other institutions of state executive power with local governments in the county;
- makes proposals to the Estonian Government and ministries for the organisation of the work of the local agencies of government institutions and other state agencies located in the county;
- directs and co-ordinates the activities of the government institutions administered by the county government;
- possesses, disposes of and uses state property within the limits of its competence according to the laws;
- fulfils other duties put on him by law or the Government's regulation.

**Local governments** participate as main partners in the development activities of counties, fulfilling the following tasks:

- definition of local development problems and priorities in their own development strategy and master plan;
- initiation and implementation of development projects.

**Ministries and other government institutions** participate within the limits of their competence in the design and implementation of the development strategies and master plans of counties.

On the national level the development activities of the counties are co-ordinated by the **Estonian Government**.

### ***VII.3. REGIONAL POLICY DIRECTED TO TARGET AREAS***

Each regional development programme is implemented on the basis of a programme document. Programme documents are elaborated by the **Ministry of Internal Affairs** in co-operation with other parties concerned (ministries, county governors, local governments, foundations, foreign partners, representatives of employers and employees, representatives of the non-governmental sector and others) on the basis of target regions determined by the decision of the Government of Estonia.

Programme document contains:

- the description and analysis of the regional development of the target area;
- objectives, strategy and expected results;
- development priorities, measures and activities;

- funding schedule of the measures planned;
- organisation of management, monitoring, evaluation and auditing.

The programme document constitutes a framework for the selection of development projects to be supported. Both specific measures of regional policy and measures of sectoral policies will be integrated in the programme document. As an annex to the programme document, the protocol of common interests between the funding institutions, will be made. Programme documents shall be drawn up, taking into account development strategies of counties and local development priorities. Programme documents shall be established for the term of 3 years.

Programme documents are drawn up according to the requirements set to programme documents in the framework of the EU regional policy. It will create preconditions for the involvement of the resources of Structural Funds in the implementation of the national regional policy of Estonia in the case of its accession to the European Union.

Programme documents for regional development programmes are approved by the relevant order of the **Government of Estonia**.

For the administration of programmes, the Estonian Government shall form the Programme Management Committee for each programme and the joint Monitoring Committee for all programmes. For the Programme for the Local Initiative, county governors also form programme steering committees on the part of the counties.

**Programme Management Committees** are formed with the involvement of the representatives of ministries and other funding institutions, county governments and local governments and other partners important for the implementation of the programme. The main tasks of Programme Managing Committees are:

- review of the projects applying financing and giving their opinion to the funding institution;
- organisation of co-operation between the institutions important for the implementation of the programme;
- initiation and design of projects that require multilateral financing and co-operation;
- informing the Monitoring Committee on the implementation of the programme.

Technical assistance and funding of the activities of the Programme Managing Committees is arranged by the institution appointed by the Government of Estonia on the basis of the proposal of the Minister responsible for Regional Affairs.

**The Monitoring Committee of Regional Development Programmes** will be formed of the representatives of ministries, county governors, local governments and programme management committees and experts. If necessary, representatives of foreign countries or the European Commission will be invited to participate in the Monitoring Committee. The Monitoring Committee will have the following tasks:

- monitoring of the implementation of regional development programmes (incl. their conformity with the objectives set in the programme documents);
- giving recommendations to Programme Management Committees for the arrangement of the implementation of the programmes;
- if necessary, submission of proposals through the Ministry of Internal Affairs to the Government for the amendment of programme documents;
- arrangement of the evaluation of programmes.

In order to stimulate local initiative and administrative capacity, **regional development agencies** may be established in the target regions of the programmes in the co-operation between ministries, county governments and local governments. The aim of such an agency will be to initiate and implement development projects and to distribute the respective knowledge. An agency can also be developed on the basis of the existing institution(s).

#### **VII.4. SECTORAL POLICIES**

The regional policy activities of ministries shall be co-ordinated by the **Estonian Government**. For this purpose all **ministries**:

- plan and analyse the regional impact of their activities;
- if necessary, notify the Minister responsible for Regional Affairs and the Ministry of Internal Affairs of any sectoral policy decisions and activities with an extensive regional impact (see also Chapter 6).

#### **VIII. FUNDING**

Regional policy is funded from the state budget, involving also funds from other sources on the basis of the partnership principle:



- local budgets;
- foreign donors;
- private sector;
- non-governmental sector etc.

#### **VIII.1. DEVELOPMENT ACTIVITIES IN COUNTIES**

The development activities of the counties are funded from the state budget primarily through the targeted allocations to county governments for the organisation of the regional development of the counties. In addition to these funds the county governors can use in the development activities of counties also other funds allocated to county governments or to the disposal of the county governor, depending on the purpose of the particular funds allocated (incl. state investments, funds for support joint activities of local governments etc.). Extrabudgetary funds of the state (incl. those obtained from foreign countries and international institutions) can be used by the county governor in the development activities of the county in the framework of partnerships.

#### **VIII.2. REGIONAL POLICY DIRECTED TO TARGET AREAS**

Funding of the regional policy directed to target regions is planned in the programme documents in an indicative manner. Multi-annual funding of programmes will be planned in the programme documents as an approximate total amount gained from the following possible sources:

- specific allocations to regional development programmes from the state budget;
- sectoral funds and the funds allocated to county governments from the state budget, both on the basis of cooperation contracts between the providers of funds to a programme;
- funds of other perspective partners (incl. those of local governments, private sector, foreign countries and international institutions).

Allocations from the state budget are planned by taking into account programme documents when drawing up the state budget. Other partners (incl. local governments) participate in programmes with their own funds either as applicants or co-funding institutions.

A programme will be implemented in the form of concrete projects that will be financed by the institutions that dispose of the funds planned in the programme document according to their competence and considering the funding volumes fixed in the co-operation contract between the providers of funds, as well as the recommendations of the programme management committee.

#### **VIII.3. SECTORAL POLICIES**

Allocation of the funds in the framework of sectoral policies will be made for the development of all regions of Estonia. While doing so, among other priorities also the objectives of regional policy and the priorities of development activities of counties will be taken into account.

The ministries present their sectoral policy strategies to the **Regional Policy Council** for receiving of its opinion.

### **IX. MONITORING, EVALUATION AND AUDITING**

Monitoring, evaluation and auditing have to secure constant observation of regional development and the efficiency and effectiveness of regional policy.

A special database for the **monitoring of regional development** is created in the State Statistical Office. If necessary, the Ministry of Internal Affairs or other government institutions concerned will arrange additional surveys for the monitoring of regional development.

The **monitoring of regional policy** has to secure continuous information on the implementation of policy, use of resources, results acquired and conformity of these results with the objectives.

For the monitoring of the development activities of counties, county governors submit the respective annual reports to the Ministry of Internal Affairs.

For the monitoring of the regional policy directed to target areas, a unified reporting mechanism is arranged with programme documents. Programme Management Committees submit quarterly reports to the Monitoring Committee. The latter informs the Minister responsible for Regional Affairs once a year of the implementation of programmes.

For the monitoring of the regional impact of sectoral policies the Ministry of Internal Affairs will request the respective information from other ministries once a year.

The Minister responsible for Regional Affairs will inform the Estonian Government once a year of the implementation of the national regional policy.

**Evaluation of regional policy** has to ascertain its objective impact on regional development and afford a basis for the improvement of regional policy. At the end of the programming period, the Ministry of Internal Affairs arranges the evaluation of the impact of regional policy involving independent experts. The evaluation report will be submitted to the Estonian Government who will inform the Parliament on the report and will amend the national regional policy, if necessary.

General **auditing** of the use of state funds is performed through the internal control of government institutions and additionally by the State Audit Office. In case the implementation of regional policy is funded by projects, the use of state funds will be regulated with a contract to be made between the provider of funds and the implementing institution of the project. In that case the provider of funds will audit the use of state funds.

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## **7. LATVIA LAW ON REGIONAL DEVELOPMENT**

### **CHAPTER 1. General provisions**

#### **Article 1. Terms used in the Law**

The following terms shall be used in the present Law:

- 1) regional development – propitious changes in economical and social situation in the whole territory of the country or in separate parts of it;
- 2) regional policy – the government position and purposeful action of the government to facilitate regional development through co-ordination of sectoral development according to the development priorities of separate parts of the country and provision of direct aid to the development of separate parts of the country.

#### **Article 2. Purpose of the Law**

The purpose of the present Law is to promote and provide balanced and sustainable development of the country, taking into account characteristic features and development potentials of the whole territory of the country and separate parts of it, to reduce adverse differences between parts of the country, and to retain and develop characteristic features and development potential of the natural and cultural environment of each respective area.

#### **Article 3. Regional development support measure**

The regional development support measure is a programme and a set of projects to be implemented for the achievement of the objectives of the present Law.

#### **Article 4. Basic principles of regional development**

The process of planning, management, financing, monitoring and evaluation of regional development shall be in line with the following basic principles:

- 1) the principle of concentration – financial resources allocated for the support of regional development are concentrated to specific priority objectives;
- 2) the principle of programming – regional development support measures are implemented based on the regional development planning documents, which are elaborated at the national, planning region, district and local government levels and which define of development priorities and a set of support measures;
- 3) the principle of partnership – ensures co-operation among the State administration bodies, international institutions, councils of planning regions, local governments, non-governmental organizations and entrepreneurs;
- 4) the principle of additionality – the priorities defined in the national regional development policy are funded from the state budget with co-funding from the local governments, foreign financial assistance, contributions by legal entities and natural persons, including donations; the priorities set on the level of planning regions, district and local governments are funded from the budget of respective government with co-financing of the State, foreign financial assistance, contributions by legal entities and natural persons, including donations, besides, the funding from various levels to support regional development are mutually complementary and do not substitute each other. The amount of co-funding of a beneficiary in investment and business support programmes is defined and differentiated depending on whether the particular local government or territory belongs to a specially assisted territory where in that case the amount of co-funding for the beneficiary is more favourable;
- 5) the principle of transparency – the process of planning and taking decisions on assistance to regional development is transparent and the society is informed about the accessibility of planning and support measures of regional development and the achieved outcomes;
- 6) the principle of subsidiarity – obligations of the public authority are executed, insofar as it is feasible by the authority, which is located most near to the respective person, and is able to ensure efficient performance of the tasks at a lower administrative level;
- 7) the principle of sustainability – ensures good quality environment, balanced economic development, efficient utilization of natural, human and material resources as well as conservation of the natural and cultural heritage for the existing and coming generations.

**Article 5. Planning regions.**

(1) Kurzeme, Latgale, Riga, Vidzeme and Zemgale planning regions shall be established by local governments to ensure the planning and co-ordination of regional development and co-operation among local governments.

(2) The Cabinet of Ministers shall define the respective territories of the five planning regions according to the proposals submitted by local governments.

**CHAPTER II. Regional development planning documents****Article 6. Regional development planning documents**

(1) Regional development shall be implemented in compliance with the following mutually co-ordinated regional development planning documents:

- 1) The Regional Policy Guidelines;
- 2) The National Spatial Plan;
- 3) The National Development Plan;
- 4) National and sectoral development programmes;
- 5) Development programmes and spatial plans of planning regions;
- 6) Development programmes and spatial plans of district governments;
- 7) Development programmes and spatial plans of local governments.

(2) The procedure for the development, implementation, monitoring and public hearing of the National Spatial Plan, National Development Plan, national and sectoral development programmes shall be established by the Cabinet of Ministers.

**Article 7. Regional Policy Guidelines**

Regional Policy Guidelines is a long-term (10 and more years) regional policy planning document that shall contain the main principles, objectives, priorities and policies of regional development.

**Article 8. National Spatial Plan**

The Law on Spatial Planning shall regulate the national spatial plan.

**Article 9. National Development Plan**

(1) The National Development Plan shall be a medium-term (seven years) policy planning document that analyses the socio-economic situation, defines the regional development objectives and priorities, supporting measures for attainment of the set objectives and the financial resources required to implement those.

(2) The National Development Plan shall be prepared in line with the development objectives and priorities defined in the Regional Policy Guidelines and the National Spatial Plan taking into account the development priorities identified in the development programmes and spatial plans of planning regions.

**Article 10. National and sectoral development programme**

(1) The national and sectoral development programme shall be a medium-term (7 years) regional policy planning document that pertains to a specific area and defines objectives, main tasks and results to be achieved for the development of the particular area.

(2) The national and sectoral development programme shall be prepared and implemented in compliance with the Regional Policy Guidelines, the National Spatial Plan and the National Development Plan.

**Article 11. Development programme of a planning region**

(1) The development programme of a planning region shall be formulated in each planning region and it shall be a medium-term (seven years) regional policy planning document, which identifies development priorities of the particular planning region and includes a set of specific measures.

(2) The development programme of a planning region shall be formulated and implemented in compliance with the Regional Policy Guidelines, the National Spatial Plan, the National Development Plan and the spatial plan of the given planning region taking into account the development programmes and territorial plans of the local governments situated within the planning region.

(3) The development programme of a planning region shall be approved by the Planning Region Development Council.

**Article 12. Development programme of a district government.**

(1) The development programme of a district government shall be formulated in each district government and it shall be a medium-term (seven years) regional policy planning document, which identifies the development priorities of the given district government and includes a set of specific activities.

(2) The development programme of a district government shall be formulated and implemented in line with the spatial plan of the particular district government and the development programme and spatial plan of the planning region where the given local government is situated, taking into account the development programmes and spatial plans of the local governments situated within the territory of the district.

(3) The development programme of the district government shall be approved by the Council of the respective district government.

**Article 13. Local government development programme**

(1) The local government development programme shall be formulated in each local government and it shall be a medium-term (seven years) regional policy planning document, which shall identify the development priorities of the given local government.

(2) The local government development programme shall be formulated and implemented in line with the spatial plan of the particular local government and the development programme and spatial plan of the district government where the given local government is situated.

(3) The local government development programme shall be approved by the respective local government council (board).

**CHAPTER III. Competence of public institutions**

**Article 14. Cabinet of Ministers**

(1) The Cabinet of Ministers shall:

1) approve the Regional Policy Guidelines, the National Development Plan and national and sectoral development programmes ;

2) define the procedure for implementation and evaluation as well as public hearing of the state aid measures for regional development;

3) nominate the minister in charge of regional development.

**Article 15. National Regional Development Council**

(1) The Cabinet of Ministers shall establish the National Regional Development Council for the coordination of regional development and spatial planning at the national level.

(2) The Chairman of the National Regional Development Council shall be the Minister responsible for regional development and the Council shall include the Minister of Economy, the Minister of Finance, the Minister of Welfare, the Minister of Transport, the Minister of Education, the Minister of Agriculture, the Minister of Environmental Protection and Regional Development and chairpersons of the councils of planning regions or their appointed representatives.

(3) The statute of the National Regional Development Council shall be adopted by the Cabinet of Ministers.

(4) The National Regional Development Council shall implement the following functions in respect of regional development:

1) to assess the Regional Policy Guidelines before their approval by the Cabinet of Ministers;

2) to assess the National Development Plan before its approval by the Cabinet of Ministers;

3) to assess the mutual compliance of the National Spatial Plan, the National Development Plan and the development programmes and spatial plans of planning regions and decide on proposals for the coordination of the above plans and programmes;

4) to ensure co-ordination of regional development planning and support measures amongst sectors and regions;

5) to co-ordinate implementation of the regional development planning activities and support measures;

6) assess the allocation of project financing between the regions in the investment and business support programmes;

7) to perform other functions prescribed by legislative acts.

**Article 16. Directorate of Regional Policy and Planning**

(1) Directorate of Regional Policy and Planning is a public administration institution subordinated to the minister in charge of regional development that shall be responsible for the elaboration of regional policy, regional development planning and co-ordination of the implementation of the state support measures for regional development.

(2) The Directorate of Regional Policy and Planning shall perform the following functions in respect of regional development:

1) to develop the Regional Policy Guidelines;

2) to implement the regional policy through planning and coordination of regional development measures including those co-financed by the EU structural instruments as well as provide monitoring of the policy;

- 3) to ensure assessment of the impact of regional development support measures;
- 4) to manage the elaboration of the National Development Plan;
- 5) to coordinate the elaboration of the district and local government development programmes;
- 6) to establish and maintain the data base of the regional development planning documents;
- 7) to ensure the operation of the National Regional Development Council and perform function of its Secretariat;
- 8) to perform other functions prescribed by legislative acts.

(3) The statute of the Directorate of Regional Policy and Planning shall be approved by the Cabinet of Ministers.

#### **Article 17. Planning Region Development Council**

(1) The Planning Region Development Council shall be established in each planning region for the co-ordination of the development of the planning region.

(2) The Planning Region Development Council shall be elected by the general assembly of the heads of self-governments situated in the given planning region out of the elected politicians of the respective self-governments.

(3) The Planning Region Development Council shall elect the Chairperson of the Planning Region Development Council out of the local and district politicians appointed to the said Council.

(4) Meetings of the Planning Region Development Council shall be open and representatives of state administration, international institutions, non-governmental organizations, entrepreneurs and representatives of other self governments included in the planning region may take part with deliberative rights.

(5) The Planning Region Development Council shall perform the following functions:

- 1) to define the basic principles, objectives and priorities of the long term development of the planning region;
- 2) to ensure the co-ordination of the development of the planning region in line with basic principles, objectives and priorities identified in the regional development planning documents;
- 3) to manage and supervise the formulation and implementation of the development programme and spatial plan of the planning region;
- 4) to ensure co-operation of local governments and the co-operation of the planning region with national institutions in implementing the regional development support measures;
- 5) to assess the compliance of the National Spatial Plan, the National Development Plan and the national and sectoral development programmes with the development programmes and spatial plan of planning region and in case of non-compliance decide on proposals to change national level development planning documents or to on changes in the planning documents of the planning region;
- to approve the statute of the Planning Region Development Council and of the Planning Region Development Agency;
- 6) to perform other functions prescribed by legislative acts.

#### **Article 18. Planning Region Development Agency**

(1) The Planning Region Development Council shall establish the Planning Region Development Agency that operates according to the Law on Public Agencies and performs the functions of an agency council as stipulated in the above Law.

(2) The Planning Region Development Agency shall perform the following functions:

- 1) to formulate the development programme and spatial plan of the planning region in co-operation with local and district governments and with territorial offices of state institutions, ensure their compliance with the National Spatial Plan, the National Development Plan and national or sectoral development programmes, as well as ensure the management of their implementation;
- 2) to prepare opinions about the compliance of the national level development planning documents with the development programme and spatial plan of the planning region;
- 3) to co-ordinate and promote the formulation, implementation, monitoring and evaluation of regional development support measures of the planning region;
- 4) to evaluate and issue its opinion on the project applications submitted by local governments and legal and natural persons for receiving the regional development state support;
- 5) to perform other functions prescribed by legislative acts.

(3) The Planning Region Development Agency shall act according the statute adopted by the Planning Region Development Council.

## **CHAPTER IV. Funding of regional development**

### **Article 19. Sources of the funding of regional development**

(1) Regional development support measures shall be financed from the state budget, local government budgets, foreign financial assistance and contributions of legal and natural persons, including donations.

(2) The activities included in the National Development Plan shall be financed from the state budget, local government budgets and foreign financial assistance funds.

### **Article 20. Regional Fund**

(1) The Cabinet of Ministers shall establish the Regional Fund for promoting regional development in the regions. The Minister in charge of regional development shall supervise the performance of the Regional Fund.

(2) The resources transferred into the Regional Fund may be directed to facilitation of the development of specially assisted territories.

(3) The Cabinet of Ministers shall approve the statute of the Regional Fund.

### **Article 21. Allocation of regional development funding**

(1) The regional development funding shall be allocated for those regional development support measures that are in line with basic principles, objectives and priorities identified in the regional development policy planning documents and for the management of the given measures.

(2) The regional development funding, which is deemed to be state aid shall be subject to the Law on Control of State and Local Government Assistance Provided to Entrepreneurship.

(3) The Cabinet of Ministers shall establish the procedure for allocating the regional development funding and for managing the financing from the European Union structural funds.

## **Chapter V. Specially assisted territories**

### **Article 22. Notion of a specially assisted territory**

A specially assisted territory shall be a territory with persisting long-term negative economic and social development trends or one of the said trends and which has been granted the status of a specially assisted territory by law.

### **Article 23. Status of a specially assisted territory**

(1) The purpose of granting the status of a specially assisted territory shall be to create opportunities for economic and social development of economically weak or less advantageous territories in order to stimulate the development of equal socio-economic conditions in the whole territory of the country.

(2) The development of specially assisted territories shall be promoted through a special lending policy, tax discounts and financing from the Regional Fund that would provide additional opportunities to finance projects which facilitate business activities in the given territory, create new and sustain the existing working places and promote the growth of the living standard of the residents of the territory.

### **Article 24. Establishment of a specially assisted territory**

The development councils of planning regions shall grant and revoke the status of a specially assisted territory according to the procedure established by the Cabinet of Ministers.

### **Transition provisions**

1. The Law on Assisted Regions (Saeimas un Ministru Kabineta Ziņotājs (Saeima and the Cabinet of Ministers Informer), 1997, No 13; 1999, No 10) shall become ineffective upon entering into force of the Law hereof.

2. The Regional Development Council established according to the Law on Assisted Regions shall continue to perform its functions until the establishment on the National Regional Development Council.

3. The status of assisted regions granted according to the Law on Specially Assisted Regions shall be valid until 27 June 2004.

4. The Regional Fund established according to the Law on Assisted Regions shall continue to operate until the Regional Fund provided for by this Law is established which is the inheritor of the rights and liabilities of the former fund.

5. The Cabinet of Ministers shall:

1) issue the Regulation and recommendations referred to in the Article 6 hereof give proposals as to the territories of planning regions and establish the procedure of agreement on the issue about the territories of planning regions with local and district governments located within the given territories by 1 September 2002;

2) define the territories of planning regions referred to in the Article 5 hereof by 15 October 2002 and issue the Regulation provided for in Article 14 hereof;

3) approve the statute of the National Regional Development Council referred to in the paragraph 3 of the Article 15 hereof by 1 January 2003.

6. The councils of planning regions referred to in the Article 5 hereof shall appoint their representative to the National Regional Development Council within two months after the borders of a planning region are defined by the Cabinet of Ministers.

7. The regional development policy planning documents referred to in the Chapter III of this Law shall be approved within three years time as from the day of entering into force of the Law.

8. The Cabinet of Ministers shall issue the Regulation referred to in the paragraph 3 of the Article 21 hereof within six months time after the day of entering into force of the Law.

9. Until the planning regions provided for by this Law are established, the planning regions established by Law on Territorial Development Planning shall perform the functions of planning regions.

The Law was passed by the Saeima on 21 March 2002

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## **8. LITHUANIA LAW ON REGIONAL DEVELOPMENT**

20 JULY 2000

### **CHAPTER I**

#### **GENERAL PROVISIONS**

##### **FIRST SECTION**

#### **PURPOSE OF THE LAW AND OBJECTIVES OF THE NATIONAL REGIONAL DEVELOPMENT POLICY**

##### **Article 1. Purpose of the Law**

The current Law shall establish main objectives of the Lithuanian Regional Development Policy, relationship among the Government, ministries, counties, municipality institutions and enterprises, also social-economic partners, in drawing up regional development planning documents necessary to formulate and implement National Regional Development Policy.

##### **Article 2. Main objectives of the National Regional Development Policy**

The main objectives of the National Regional Development Policy shall be:

- 1) to promote economic restructuring and modernisation in regions;
- 2) to promote sustainable development of regions;
- 3) to reduce social-economic differences among regions;
- 4) to reduce unemployment;
- 5) to develop rural areas by converting and restructuring their economies, reforming agricultural production, manufacturing industry and marketing structures, to promote establishment of new businesses and services in rural areas.

##### **Article 3. Basic definitions of the Law**

1. **The EU structural funds** - the funds allocated from the Structural Funds of the European Union to the EU Member States and from the pre-accession structural instruments to the Candidate States.

2. **National Regional Development Policy** shall mean a differentiated country development policy aimed at improving life quality, rational use of territorial peculiarities and existing potential, making favourable conditions for social-economic and environmental development.

3. **National Regional Development Institution** shall mean a ministry, which under this Law is authorised by the Government to carry out the functions of National Regional Development Institution.

4. **National Regional Development Council** shall be an inter-institutional collegial institution set up under this Law, which takes decisions and carries out the functions defined by this Law.

5. **National Regional Development Plan** shall mean a strategic document, which formulates objectives of the National Regional Development Policy, and foresees actions and measures to implement these objectives.

6. **Region** shall mean an integral part of the state territory, where the National Regional Development Policy is implemented and assistance in compliance with regional development objectives is provided.

7. **Regional development** shall mean natural, cultural, social and economic development favourable to both public and environment, which is in compliance with the National Regional Development Policy.

8. **Regional Development Plan** shall mean a strategic document, which foresees objectives of regional development, and actions and measures to implement these objectives.

9. **Regional Development Institution** shall mean county governor's administration entrusted by this Law to carry out the functions pertinent to regional development institutions.

10. **Regional Development Council** shall mean a collegiate body set up from representatives of central government and local self-government located in a region, which takes decisions and carries out the functions defined by this Law.

11. **Social and economic partners** shall mean non-governmental organisations.

12. **Legal and natural persons concerned** shall mean legal and natural persons and companies without legal person's rights, which due to the nature of their commercial-economic activity may be interested in submitting proposals concerning the implementation of the National Regional Development Plan and (or) Regional Development Plans.

13. **Implementation project** shall mean a document, implementing the National Regional Development Plan and Regional Development Plans, which financially (economically), technically and socially justifies investment objectives, assesses return on investments, other efficiency indicators, specifies funds necessary for implementation of the project, financing sources and terms.

## **SECOND SECTION**

### **DRAWING UP AND APPROVAL OF REGIONAL DEVELOPMENT PLANNING DOCUMENTS**

#### **Article 4. Principles of drawing up Regional Development Planning Documents**

1. In order to formulate and implement National Regional Development Policy, National Regional Development Plan, Regional Development Plans and implementation projects shall be drawn up.

2. Order of drawing up and approving the National Regional Development Plan, Regional Development Plans and implementation projects shall be established in accordance to this Law by the Government.

3. All regional development documents shall be drawn up in accordance with the following basic principles:

1) legal and natural persons and companies without legal person's rights concerned shall be notified in accordance with the order established by the Government about drawing up of the National Regional Development Plan and Regional Development Plans and possibility to submit comments and proposals;

2) central government, local self-government institutions concerned, social and economic partners and population shall be provided possibilities to discuss draft National Regional Development Plan, draft Regional Development Plans and implementation projects;

3) measures of the National Regional Development Plan and Regional Development Plans and funds to implement such measures shall be earmarked taking into account sectoral development planning documents, programmes, projects, for implementation of which state, municipal and the EU structural funds are allocated.

#### **Article 5. Drawing up, approval and implementation of Regional Development Planning Documents**

1. The National Regional Development Plan shall be drawn up after analysis of social and economic situation in regions, and taking into account findings of such analysis, also taking into account the Comprehensive Plan of the territory of Lithuania, approved in accordance with the order established by the Law on Territory Planning, taking into account applicable sectoral development planning documents, and Regional Development Plans, being prepared in accordance with the order established by this Law.

2. The National Regional Development Plan shall define:

1) priorities and objectives of developing national and regional social and economic and physical infrastructure;

2) measures to implement priorities and objectives of the National Regional Development Policy and their financing sources;

3) any other components established by the National Regional Development Council.

3. Regional Development Plans shall be drawn up in accordance to the approved National Regional Development Plan, after analysis of social and economic situation in regions, after appraisal of comprehensive plans of the territories of counties and municipalities, and sectoral and other development plans.

4. A Regional Development Plan shall define:

1) priorities and objectives of developing social and economic and physical infrastructure of the region;

2) measures to implement priorities and objectives of developing the region and their financing sources;



- 3) any other components established by the National Regional Development Council.
5. The National Regional Development Plan shall be approved by the Government.
6. Regional Development Plan shall be approved by majority vote of all the members of the Regional Development Council of a given region, after receiving opinion of the National Regional Development Institution concerning consistency of Regional Development Plans and the National Regional Development Plan. If the National Regional Development Institution establishes that draft Regional Development Plan contradicts the National Regional Development Plan, the Regional Development Council of a given region may apply to the National Regional Development Council, which may reject or sustain the opinion of the National Regional Development Institution. If the National Regional Development Council sustains the opinion of the National Regional Development Institution, the Regional Development Plan can not be approved.
7. The National Regional Development Plan and Regional Development Plans shall be binding to central government and local self-government institutions, natural and legal persons, companies without legal person's rights, and to everyone receiving funding to implement measures of the National Regional Development Plan and Regional Development Plans.
8. Implementation of the National Regional Development Plan, Regional Development Plans and their implementation projects shall be supervised by the National Regional Development Institution and Regional Development Institutions accordingly. The National Regional Development Council and Regional Development Councils may set up working groups to supervise implementation of the National Regional Development Plan, Regional Development Plans and their implementation projects.
9. The Head of the National Regional Development Institution shall account annually before the Government for implementation of regional policy.

#### **ARTICLE 6. REGIONS**

1. Main territorial unit – region – within which National Regional Development Policy shall be implemented, is the territory of a county.
2. In order to implement certain objectives of the National Regional Development Policy and to draw up and implement regional development planning documents or projects, the Government may form regions from several counties or municipalities having common administrative borders, after identifying specific problems and conditions of such regions.
3. Before forming regions, the borders of which do not match borders of the territories of counties, the Government or institution authorised by it shall hold consultations on that matter with all county governors and mayors of municipalities, which would belong to that target region.

### **CHAPTER II**

#### **REGIONAL DEVELOPMENT INSTITUTIONS**

##### **FIRST SECTION**

#### **NATIONAL REGIONAL DEVELOPMENT COUNCIL**

##### **Article 7. National Regional Development Council**

1. The National Regional Development Council is an inter-institutional co-ordinating group, the setting up of which shall be initiated by the National Regional Development Institution, and composition and regulations of which shall be approved and amended by the Government.
2. Members of the National Regional Development Council may be representatives nominated by ministries, other state institutions, the Association of Local Authorities of Lithuania, the Chamber of Commerce, and other social and economic partners.
3. In their capacities as chairmen of Regional Development Councils, the latter become members of the National Regional Development Council.
4. The Chairman of the National Regional Development Council shall be the Head of the National Regional Development Institution.
5. Social and economic partners shall participate in the work of the National Regional Development Council with a deliberative vote. Social and economic partners shall be invited into its sessions by the National Regional Development Council.

##### **Article 8. Functions of the National Regional Development Council**

The National Regional Development Council shall:

- 1) consider a draft National Regional Development Plan and, after it is signed by the Chairman of the Council, submit it to the Government for approval;
- 2) consider proposals and deliver opinion on implementation projects, co-financed from the EU structural funds and state funds of the Republic of Lithuania and (or) municipalities, if their implementation is envisaged in the territory of more than one region;
- 3) define structure of the National Regional Development Plan and Regional Development Plans;

- 4) set up working groups to draw up the regional development planning documents adopted in accordance to this Law, and to monitor and evaluate their implementation.
- 5) draw up and approve its rules of procedure;
- 6) approve sample statute of Regional Development Councils;
- 7) carry out any other functions entrusted by laws.

**Article 9. Decision-making and binding effect of decisions of the National Regional Development Council**

1. The National Regional Development Council shall make its decisions by majority vote of all the members of the Council in accordance to the order established in its rules of procedure.
2. Decisions of the National Regional Development Council concerning structure of the National Regional Development Plan and Regional Development Plans, submission of the National Regional Development Plan to the Government for approval, their implementation projects and any other decisions, which may affect national social and economic development or that of separate regions, shall be made only after consultations with social and economic partners and representatives of labour exchanges. For this purpose the National Regional Development Council shall set up an advisory working group comprised of social and economic partners, which shall deliver its opinion on the decision to be made. When making a decision, the National Regional Development Council shall take into account the opinion of this working group.
3. Decisions made by the National Regional Development Council on the structure of the National Regional Development Plan shall be binding to the institutions involved in preparation of the National Regional Development Plan.
4. Decisions made by the National Development Council on the structure of Regional Development Plans shall be binding to the institutions involved in preparation of Regional Development Plans.
5. Opinion of the National Regional Development Council concerning consistency of Regional Development Plans and the National Regional Development Plan shall be binding to Regional Development Councils.
6. National Regional Development Council may authorise the working groups, set up by it, to consider and deliver opinion on certain matters falling under its competence.

**SECOND SECTION**

**NATIONAL REGIONAL DEVELOPMENT INSTITUTION**

**Article 10. National Regional Development Institution**

The National Regional Development Institution shall be designated by the Government, entrusting an appropriate ministry to carry out certain functions specified in this Law.

**Article 11. Functions of the National Regional Development Institution**

The National Regional Development Institution shall:

- 1) in conjunction with other ministries and governmental bodies formulate the National Regional Development Policy and supervise its implementation;
- 2) in conjunction with other ministries and governmental bodies draw up a draft National Regional Development Plan;
- 3) arrange monitoring and evaluation of the implementation of the National Regional Development Plan;
- 4) arrange consultations concerning the National Regional Development Plan, Regional Development Plans and implementation projects with ministries, governmental bodies, other state and local self-government institutions, industrial, business organisations and any other social and economic partners and provide information about drawing up of the National Regional Development Plan;
- 5) co-ordinate drawing up of Regional Development Plans and deliver opinions on the consistency of Regional Development Plans and the National Regional Development Plan to Regional Development Councils;
- 6) store documents approved by the National Regional Development Council and opinions delivered by the working groups set by the latter;
- 7) carry out secretariat functions to the National Regional Development Council;
- 8) carry out any other functions provided in its statute, which relate to implementation of the National Regional Development Policy.

**THIRD SECTION**

**Regional Development Councils**

**Article 12. Regional Development Councils**

1. Setting up of Regional Development Councils according to this Law shall be initiated and the first session of it shall be called by the Head of a Regional Development Institution.

2. Regional Development Council shall be composed of county governor, mayors of municipalities and members of municipality councils, which belong to a given region.

3. Members of municipal councils shall be delegated to a Regional Development Council by municipal boards depending on the number of population within each municipality:

- 1) population of 200 000 and more - 3 members of the Council;
- 2) population between 50 000 and 200 000 - 2 members of the Council;
- 3) population up to 50 000 - 1 member of the Council.

4. Social and economic partners shall participate in the work of a Regional Development Council with a deliberative vote. Social and economic partners shall be invited into its sessions by a Regional Development Council.

#### **Article 13. Functions of Regional Development Council**

Regional Development Council shall:

- 1) in accordance with Article 5, paragraph 6 of this Law, consider and approve a Regional Development Plan;
- 2) consider proposals and deliver opinions on implementation projects, co-financed from the EU structural funds and state funds of the Republic of Lithuania and (or) municipalities;
- 3) consider and submit proposals on the draft National Regional Development Plan to the National Regional Development Authority;
- 4) draw up and approve statute and rules of procedure of a Regional Development Council;
- 5) set up working groups to draw up Regional Development Plans and to monitor and evaluate their implementation;
- 6) elect a Chairman of a Regional Development Council;
- 7) carry out any other functions provided by laws.

#### **Article 14. Decision-making in Regional Development Council**

1. Regional Development Council shall make its decisions by majority vote of all the members of the Council in accordance to the order established in its rules of procedure. Should disagreements concerning the taken decisions arise, the disagreeing members of the Regional Development Council may address the National Regional Development Council, which takes the final decision.

2. Decisions on adoption of Regional Development Plans, implementation projects and any other decisions that may affect social and economic development of a certain region, shall be made only after consultations with social and economic partners and representatives of labour exchanges. For this purpose each Regional Development Council shall set up an advisory working group comprised of social and economic partners, which shall deliver its opinion on the decision to be made. When making a decision, the Regional Development Council shall take into consideration the opinion of this working group.

3. Regional Development Council may authorise the working groups, set up by it, to consider and deliver opinions on certain matters falling under the competence of Councils.

### **FOURTH SECTION**

#### **REGIONAL DEVELOPMENT INSTITUTIONS**

#### **Article 15. Regional Development Institution**

1. Regional Developmental Institution shall be county governor and county governor's administration.

2. When the Government forms a region, the borders of which do not match administrative borders of counties (in accordance to Article 6, paragraph 2), it shall establish the order for setting up Regional Development Council of such region and designate a Regional Development Institution to it.

#### **Article 16. Functions of Regional Development Institution**

Regional Development Institutions shall:

- 1) draw up draft Regional Development Plans;
- 2) arrange monitoring and evaluation of implementation of Regional Development Plans;
- 3) co-ordinate activity of municipality administration institutions, social and economic partners, when the latter implement Resolutions of the Government and decisions of the National Regional Development Council, related to implementation of the National Regional Development Policy in a given region;
- 4) store documents approved by the Regional Development Council and opinions delivered by the working groups set by the latter;
- 5) arrange consultations concerning the documents under preparation with ministries, governmental bodies, other state and local self-government institutions, industrial, business organisations and any other social and economic partners and, according to the order set by the Government, provide information about drawing up and implementation of Regional Development Plans;

- 6) carry out secretariat functions to the Regional Development Council;
- 7) carry out any other functions provided by laws and its statute.

### **CHAPTER III**

#### **Consideration and FINANCING of Implementation Projects**

##### **Article 17. Financing of implementation projects**

Projects implementing the National Regional Development Plan and Regional Development Plans may be financed from the state and municipal budget funds, by loans taken on behalf of municipalities, from the EU and any other international organisations', legal and natural persons' funds.

##### **Article 18. Consideration of the implementation projects, co-financed from the EU structural funds**

1. Implementation projects, co-financed from the EU structural funds and state and (or) municipalities funds of the Republic of Lithuania, implementation of which is envisaged in the territory of one region, shall be considered by the Regional Development Council of that region, which makes the decision on consistency of these plans and the Regional Development Plan.

2. Implementation projects, co-financed from the EU structural funds and state and (or) municipalities funds of the Republic of Lithuania, implementation of which is envisaged in the territory of more than one region, shall be considered by the National Regional Development Council and relevant Regional Development Councils. They take the decision on consistency of these plans and the National Regional Development Plan and Regional Development Plans.

##### **Article 19. Order of financing the implementation projects, co-financed from the EU structural funds**

Implementation projects, co-financed from the EU structural funds and state and (or) municipalities funds of the Republic of Lithuania, shall be financed and accounted for in accordance to the order established by the Ministry of Finance of the Republic of Lithuania.

##### **Article 20. Provision of information**

1. The National Regional Development Institution and Regional Development Institutions shall notify all ministries, government bodies, other state and municipal administration institutions, industrial, business organisations, social and economic partners and population concerned about the possibilities to submit proposals for draft National Regional Development Plan, draft Regional Development Plans and any other documents under preparation and implementation projects, co-financed from the EU structural funds.

2. Such information shall be published in press and directly forwarded to ministries, government bodies, any other state and municipal administration institutions.

3. In accordance to the work programme of the official statistics approved by the Government, the Department of Statistics under the auspices of the Government of the Republic of Lithuania prepares and publishes statistics about social and economic situation in regions.

### **CHAPTER IV**

#### **FINAL PROVISIONS**

##### **Article 21. Suggestions to the Government**

Until October 1, 2000 the Government shall:

- 1) adopt a resolution entrusting an appropriate ministry to carry out functions of the National Regional Development Institution;
- 2) approve the composition of the National Regional Development Council.
- 3) approve order of drawing up and approving the National Regional Development Plan, Regional Development Plans and implementing projects;
- 4) authorise county governors to form Regional Development Councils;
- 6) pass any other documents necessary for implementation of this Law.

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## **9. SLOVENIA PROMOTION OF BALANCED REGIONAL DEVELOPMENT ACT**

### **I. GENERAL PROVISIONS**

#### **Article 1: (Contents of Act)**

(1) This Act defines the aims, principles and organisation of the promotion of balanced regional development, the allocation of development incentives, and eligibility criteria for areas with special development problems.

(2) The promotion of balanced regional development shall be a constituent part of regional structural policy.

#### **Article 2: (Aims of promotion of balanced regional development)**

The promotion of balanced regional development shall be based on the following aims:

- to promote the balanced economic, social and spatial aspects of development;
- to reduce the differences in levels of economic development and living conditions between areas, stressing an integrated approach to the development of rural areas;
- to prevent the emergence of new areas with major development problems;
- to preserve settlement across the whole of Slovenia according to a polycentric concept of development;
- to promote the development of environment-friendly production, and to protect natural resources, natural and cultural heritage and other common good.

#### **Article 3: (Principles of promotion of balanced regional development)**

The promotion of balanced regional development shall be based on the following principles:

- the comprehensive implementation of regional structural policy across the whole of Slovenia;
- partnership in the form of co-operation between the state and local communities, and between the public and private sectors;
- co-ordination between individual ministries and local communities in the planning of incentives for balanced regional development in the context of the national budget;
- subsidiarity, which determines that, in the planning, implementation, monitoring and evaluation of programmes, higher territorial authorities perform only those tasks which cannot be performed more efficiently at a lower level;
- the programming of development incentives for the purposes included in balanced regional development programmes and projects;
- evaluation of the effects of development incentives by monitoring the legality of procedures for their allocation and use, and by evaluating their success according to comparable European statistical methods;
- the co-financing of balanced regional development from municipal budgets, the national budget, private and other sources.

#### **Article 4: (Terms)**

Terms used in this Act shall have the following meanings:

- A region is a functional territorial unit for the implementation of regional policies.  
Until the founding of provinces, the unit for the implementation of regional structural policies shall be a statistical region according to valid statistical methodological definitions.
- Regional structural policies are development activities, programmes and measures by the state, local communities and other organised interests at a regional level aimed at achieving development goals by taking into account balanced regional development.
- A sectoral development programme is a national long-term executive document which defines priority projects and programmes for achieving the goals of the development strategy of a sector.
- A regional development programme is a basic programme and executive document at the regional level containing the development priorities of the region, and financially evaluated projects and programmes. The regional level for which a regional development programme is prepared shall be an inter-municipal area which is geographically homogenous and has similar development problems. It may (although this is not essential) coincide with a statistical region. A larger statistical region may be divided into a number of functionally homogenous areas for which development programmes are prepared together or separately.
- A joint development programme is an executive act at an inter-municipal level prepared for the area of a number of municipalities for resolving individual matters of common interest.
- The National Economic Development Strategy (SGRS) is a long-term national strategic document that: defines the development of factors of economic and social development, goals and target development scenarios, the instruments and policies for achieving these goals, and basic directions for the operation of sectoral development policies; determines, co-ordinates and links development programmes into a unified programme and financial framework; and defines the priority development tasks of the state.
- The National Regional Development Strategy (SRRS) is a long-term national strategic document that, in accordance with the National Economic Development Strategy and the National Spatial Plan, defines the goals of regional development and determines the instruments and policies for achieving these goals.

- Areas with special development problems are as a rule territorially linked areas covering a number of municipalities, which have unfavourable conditions for development and receive special attention in the creation of regional development policies and in the allocation of development incentives.

## **II. CONDUCTING REGIONAL STRUCTURAL POLICY**

### **Article 5: (Basic documents)**

(1) The conducting of regional structural policy under this Act shall be based on the following mutually harmonised documents: the National Regional Development Strategy; sectoral development programmes; regional development programmes; and joint development programmes.

(2) The documents under the previous paragraph shall be publicly accessible.

### **Article 6: (National Regional Development Strategy)**

(1) The National Regional Development Strategy shall articulate and supplement the goals, policies and tasks determined in the National Economic Development Strategy and the National Spatial Plan from the viewpoint of promoting balanced regional development.

The National Regional Development Strategy shall be the basis for preparing regional and joint development programmes.

(2) The goals of the National Regional Development Strategy shall be taken into account in sectoral development programmes for which relevant ministries are responsible, and in appropriate national spatial acts.

### **Article 7: (Preparation of National Regional Development Strategy)**

The National Regional Development Strategy shall be adopted by the Slovenian government at the proposal of the ministry responsible for development, after prior debate in the National Assembly and presentation in the National Council.

### **Article 8: (Reporting to government)**

The ministry responsible for development shall report annually to the government on the realisation of regional structural policy.

### **Article 9: (Reporting to National Assembly)**

The government shall report annually to the National Assembly on the realisation of this Act and of the National Regional Development Strategy.

### **Article 10: (Regional development programmes)**

(1) Regional development programmes shall co-ordinate the development forecasts and tasks of the state and municipalities in the sphere of economic, social, spatial, environmental and cultural development in the regions, on the basis of an analysis of the circumstances and progress in the region and taking into account sectoral development programmes.

(2) Regional development programmes shall contain a strategic and an executive part.

(3) The strategic part of regional development programmes shall be prepared for the area of a number of municipalities in one or more regions.

(4) The strategic part of regional development programmes shall cover analyses of actual conditions and problems, harmonise the envisaged development of sectoral programmes, and determine the common regional development interests, goals and orientations of municipalities.

(5) The executive part of regional development programmes shall include development projects of regional or municipal importance, with a timescale and financial evaluation, including a statement of the envisaged sources of finance and the organisation responsible for implementing the regional development programme. The executive part of regional development programmes shall also include other forms of state and municipal regional development incentives.

(6) The executive part of regional development programmes shall be prepared for areas covered by municipalities involved in their preparation.

(7) Regional development programmes shall be based on the National Regional Development Strategy and the National Spatial Plan.

(8) The minister responsible for development shall prescribe the minimum obligatory structure and methodology for the preparation and implementation of regional development programmes, and shall determine the methods of monitoring and evaluating the effects of regional development programmes.

### **Article 11: (Preparation of regional development programmes)**

(1) The National Agency for Regional Development shall draw up guidelines for the preparation of regional development programmes within the framework of the National Regional Development Strategy.

(2) Municipalities in one or more regions shall be responsible for the preparation of a regional development programme, whereby bordering municipalities in a region may decide to cooperate in

the preparation of the regional development programme of a neighbouring region. A resolution on the preparation of a regional development programme shall be adopted by the municipal councils involved in its preparation, and by other public and civil legal entities willing to cooperate in the preparation of the regional development programme.

(3) The authorities of public and other organised interests at the national and local level shall co-operate in preparation of regional development programmes. The ministries shall co-operate within their responsibilities.

(4) The municipalities shall entrust the conducting of preparations of regional development programmes to regional development agencies under Article 17 of this Act.

(5) If municipalities do not found a regional development agency and the preparation of a regional development programme is determined by the National Regional Development Strategy, preparation shall be conducted by the National Agency for Regional Development under Article 16 of this Act.

(6) Individual regional development programmes shall apply to municipalities which have been involved in their preparation and have adopted them.

#### **Article 12: (Relation to Spatial Plan)**

(1) Municipalities under the previous paragraph shall, when deciding on the preparation of a regional development programme, submit an initiative to the minister responsible for spatial planning for the preparation of corresponding spatial documentation for areas within their region.

(2) A regional development programme may not conflict with spatial planning documentation under the previous paragraph.

#### **Article 13: (Joint development programmes)**

(1) For resolving individual matters of common interest to two or more municipalities, especially problems relating to rural development, the building of public infrastructure, and protection of the environment and natural and cultural heritage, municipalities may organise the preparation of a joint development programme, with the contents and in the manner prescribed in Articles 10 and 11 of this Act.

(2) A joint development programme must accord with the regional development programme.

(3) Municipalities under the first paragraph of this Article shall prepare, along with a joint development programme, the common elements of a spatial plan relating to relevant matters of common interest.

(4) Joint development programmes shall be realised within the framework of regional development programmes.

### **III. REGIONAL STRUCTURAL POLICY AUTHORITIES**

#### **Article 14: (Regional structural policy authorities)**

(1) Regional structural policy authorities under this Act shall be: the Council for Structural Policy; the National Agency for Regional Development; the Fund for Regional Development and for Preservation of the Settlement of Rural Areas in Slovenia; and regional development agencies.

(2) Ministries that allocate incentives of importance for regional development shall also be regional development authorities.

#### **Article 15: (Council for Structural Policy)**

The Council for Structural Policy (hereinafter: the Council) shall be a government coordinating body responsible for the co-ordination of draft documents for the implementation of regional structural policy at the national level, and for the formation and coordination of national development incentives and international financial aid.

(2) Members of the Council shall be ministers or state secretaries allocating incentives of importance for balanced regional development.

(3) The Council shall be headed by the minister responsible for development. Administrative and professional services shall be provided for the Council by the ministry responsible for development.

(4) More detailed conditions for the composition, organisation and operation of the Council shall be prescribed by the minister responsible for development

#### **Article 16: (National Agency for Regional Development)**

**(1) The National Agency for Regional Development shall be a body within the ministry responsible for development.**

(2) The National Agency for Regional Development shall perform national development, advisory, promotional and co-ordination tasks for the promotion of balanced regional development.

(3) The National Agency for Regional Development shall prepare professional bases for co-ordinating sectoral development programmes and for allocating the incentives of regional structural policies of the various ministries during the process of drawing up the national budget. The ministry

responsible for development shall co-ordinate with the ministry responsible for finance and other ministries in the preparation of professional bases.

(4) In performing its tasks the National Agency for Regional Development shall monitor data on regional development incentives, particularly data on:

- types of development incentives and the methods of allocating and implementing them;
- allocated development incentives by form, goal, level and location;
- projects, applications and possibilities for investing in development;
- advisory organisations in the area of development, and the organisation of development promotion work;
- opportunities for professional training.

(5) The National Agency for Regional Development shall also assess the effects of regional development incentives, and shall provide opinions on regional development programmes under Article 10 of this Act and joint development programmes under Article 13 of this Act.

(6) In performing its tasks the National Agency for Regional Development shall co-operate with the Fund for Regional Development and for Preservation of the Settlement of Rural Areas in Slovenia, and with regional development agencies and other institutions of importance for balanced regional development.

(7) The minister responsible for development shall prescribe in more detail the methods of monitoring and evaluating regional development incentives.

(8) The minister responsible for development shall prescribe in more detail the composition, organization and tasks of the National Agency for Regional Development.

#### **Article 17: (Regional development agencies)**

(1) Municipalities and public and civil legal entities may found regional development agencies for the preparation of regional development programmes and other agreed tasks in the sphere of regional structural policies, especially the promotion of economic, social, spatial and environmental development.

(2) A regional development agency may also perform executive tasks in the sphere of regional structural policies.

(3) Municipalities may by contract entrust the performing of regional development agency tasks to an existing company or other organisations.

(4) The minister responsible for development shall prescribe more detailed conditions for the performance of regional development agency tasks.

#### **Article 18: (Fund for Regional Development and for Preservation of the Settlement of Rural Areas in Slovenia)**

(1) The Fund for Regional Development and for Preservation of the Settlement of Rural Areas in Slovenia shall be a financial organization devoted to achieving more long-term public goals in the sphere of regional policy. The Fund shall collect and allocate funds for regional structural policies. The Fund shall be a legal entity.

(2) The statute of the Fund shall determine in more detail the activities under the previous paragraph, which the Fund shall perform.

(3) The Fund shall co-operate with the National Agency for Regional Development, the Agency for Agricultural Markets and Rural Development, the Slovenian Development Corporation, regional development agencies, and other organizations.

### **IV. NATIONAL REGIONAL INCENTIVES**

#### **Article 19: (Sources of incentives for balanced regional development)**

(1) Incentives important for the balanced regional development of Slovenia shall be created by resources allocated from the Fund for Regional Development and for Preservation of the Settlement of Rural Areas in Slovenia and from the budget funds of ministries, including international financial aid, and shall be directed into regional development programmes in a co-ordinated manner.

(2) The government shall determine regional policy within the framework of the budget memorandum and, on the recommendation of the ministries responsible for economic relations and development and for finance, shall determine the level of funds and types of regional development incentives. When projects are financed also from international financial aid, the responsible ministry or the government shall co-ordinate financing from the various financial sources. The level of funds which the government shall devote to regional development incentives in the national budget, in accordance with the budget memorandum, may not be less than 0.5% of gross domestic product in the first budget year following the adoption of this Act, and not less than 1.0% of gross domestic product in each year thereafter.



(3) National regional incentives under the previous paragraph shall be allocated to the following priorities:

- regions or parts of regions where per-capita gross domestic product by purchasing power or the unemployment level deviate from the national average by more than 20%;
- areas with special development problems.

**Article 20: (Allocating incentives)**

(1) Incentives under the previous paragraph shall be allocated to municipalities and to legal and natural entities. Incentives shall be allocated by public tender on the basis of a regional development programme or a joint development programme.

(2) Incentives for areas with special development problems may be allocated to municipalities that have prepared programmes and put them forward at a public tender, and also for the preparation of programmes including the obtaining of relevant documentation for the executive part of a regional development programme.

(3) More detailed terms and criteria for allocating incentives of importance for balanced regional development shall be determined by the government, at the proposal of the ministry responsible for development.

**Article 21: (Goals and forms of incentives)**

(1) Incentives of importance for balanced regional development shall be allocated in conformity with the rules on the provision of state aid and regulations on the financing of municipalities for:

- entrepreneurial investment;
- current operations of companies;
- restructuring of the economy;
- staff training for implementation of regional structural policy.

(2) Incentives shall be allocated in the following forms:

- subsidies;
- soft loans;
- guarantees;
- tax exemptions and reliefs as determined by tax regulations;
- capital investments;
- transfer of state property to the management of state funds with the purpose to invest it in regional development projects;
- awarding of the status of economic zone;
- awarding of the status of region in which employment is being encouraged;
- transfer of state property into the ownership or management of local communities in order to use it for may be used for development purposes.

**V. AREAS WITH SPECIAL DEVELOPMENT PROBLEMS**

**Article 22: (Areas with special development problems)**

(1) Regional development policy in areas with special development problems shall pursue the following aims:

- to reduce differences in the level of development of these areas in relation to the national average;
- to raise the general development level;
- to rectify structural problems and high unemployment;
- to prevent unfavourable demographic trends, especially in border areas and areas with limited development potentials.

(2) Areas with special development problems shall include:

- economically weak areas;
- areas with structural problems and high unemployment;
- developmentally limited border areas and areas with limited potentials.

**Article 23: (Criteria for determining areas with special development problems)**

(1) Areas with special development problems shall be determined by means of various indicators, showing a complex of various types of indicators for urban and rural areas.

The level of intensity of a defined characteristic of a special development problem shall be one of the criteria for awarding the status of area with special development problems.

(2) Areas with special development problems shall be defined on the basis of the following criteria:

1. For an economically weak area or a municipality:

- the taxable gross earnings per capita in the municipality shall be less than or equal to 80 per cent of the national average;
- decreasing population.

2. For an area or municipality with structural problems and high unemployment:

- the registered unemployment rate in the municipality exceeding the national average by more than 20%;
- the proportion of agricultural population exceeding the national average by more than 20%.

3. For a developmentally limited and areas with limited potentials:

- a proportion of the area of the municipality with limited potentials and decreasing population in these areas;
- a proportion of the area of the municipality in a border belt in relation to the entire area of the municipality and decreasing population in the municipality.

#### **Article 24: (Government decree)**

(1) The government shall determine by decree the value of criteria under the previous Article and shall determine those municipalities corresponding to individual groups of areas with special development problems.

(2) The ministry responsible for development or the National Agency for Regional Development shall monitor data in connection with criteria under the previous Article, and shall report to the government.

### **VI: TRANSITIONAL AND FINAL PROVISIONS**

#### **Article 25: (Statutory government regulations)**

(1) Within six months of the entry into force of this Act, the government shall:

1. found the Council for Structural Policy (Article 15);
2. adopt a decree on the values of criteria under Article 24 of this Act, and determine municipalities fulfilling the criteria;
3. adopt a decree on more detailed conditions and criteria for allocating incentives relevant for balanced regional development, and on the forms of such incentives (Articles 20 and 21).

(2) Within one year of the entry into force of this Act, the government shall adopt the National Regional Development Strategy.

(3) Until the adoption of the National Regional Development Strategy, regional development programmes which have already been adopted shall be reasonably used.

#### **Article 26: (Statutory ministerial regulations)**

Within five months of the entry into force of this Act, the minister responsible for development shall prescribe:

1. the minimum obligatory structure and methodology for preparation of a regional development programme (Article 10);
2. the method of monitoring and evaluating regional development incentives (Article 16);
3. the conditions that a regional development agency must fulfil under paragraph 5 of Article 17 of this Act.

#### **Article 27: (Establishing provinces)**

(1) After their establishment, provinces shall be the functional territorial entity for the implementation of regional structural policies and for the determination of areas with special development problems, whereby the government decree under Article 24 of this Act shall be taken into account for areas so determined by this decree and still corresponding to the criteria adopted. Their abolition shall be linked to the meeting of the criteria of this decree.

(2) As a criterion for determining areas with special development problems after the establishment of provinces, per-capita gross domestic product by purchasing power, level of unemployment in the province and other development indicators characteristic of Slovenia shall be used.

(3) Until the establishment of provinces, statistical regions shall be reasonably used.

#### **Article 28: (Temporary use)**

Until the adoption of regional development programmes, but not later than one year after the adoption of the National Regional Development Strategy, conditions and criteria from the Promotion of Development in Demographically Threatened Regions Act (Ur. l. RS, 48/90, 12/92) shall be used for determining areas with special development problems.

#### **Article 29: (Cessation of validity)**

On the day this Act enters into force, the Promotion of Development in Demographically Threatened Regions Act (Ur. l. RS, 48/90, 12/92) and Article 13 of the Act Regulating the Use of Funds Arising from the Proceeds Based on the Transformation of Company Ownership Act (Ur. l. RS, 45/95) shall cease to apply.

#### **Article 30: (Validity of Act)**

This Act shall enter into force 15 days after its publication in the Uradni list Republike Ljubljana, 16 July, 1999

## APPENDIX 4

### TURKISH NUTS CLASSIFICATIONS

CODE	LEVEL 1	LEVEL 2	LEVEL 3
TR	TURKEY		
TR1 TR10 TR100	İstanbul	İstanbul	İstanbul
TR2 TR21 TR211 TR212 TR213 TR22 TR221 TR222	Batı Marmara	Tekirdağ	Tekirdağ Edirne Kırklareli
		Balıkesir	Balıkesir Çanakkale
TR3 TR31 TR310 TR32 TR321 TR322 TR323 TR33 TR331 TR332 TR333 TR334	Ege	İzmir	İzmir
		Aydın	Aydın Denizli Muğla
		Manisa	Manisa Afyon Kütahya Uşak
TR4 TR41 TR411 TR412 TR413 TR42 TR421 TR422 TR423 TR424 TR425	Doğu Marmara	Bursa	Bursa Eskişehir Bilecik
		Kocaeli	Kocaeli Sakarya Düzce Bolu Yalova

TR5 TR51 TR510 TR52 TR521 TR522	Batı Anadolu	Ankara	Ankara
		Konya	Konya
			Karaman
TR6 TR61 TR611 TR612 TR613 TR62 TR621 TR622 TR63 TR631 TR632 TR633	Akdeniz	Antalya	Antalya
			Isparta
			Burdur
		Adana	Adana
			Mersin
		Hatay	Hatay
			Kahramanmaraş
			Osmaniye
TR7 TR71 TR711 TR712 TR713 TR714 TR715 TR72 TR721 TR722 TR723	Orta Anadolu	Kırıkkale	Kırıkkale
			Aksaray
			Niğde
			Nevşehir
			Kırşehir
		Kayseri	Kayseri
			Sivas
			Yozgat
TR8 TR81 TR811 TR812 TR813 TR82 TR821 TR822 TR823 TR83 TR831 TR832 TR833 TR834	Batı Karadeniz	Zonguldak	Zonguldak
			Karabük
			Bartın
		Kastamonu	Kastamonu
			Çankırı
			Sinop
		Samsun	Samsun
			Tokat
			Çorum
			Amasya
TR9 TR90 TR901 TR902 TR903 TR904 TR905	Doğu Karadeniz	Trabzon	Trabzon
			Ordu
			Giresun
			Rize
			Artvin
			Gümüşhane

TRA	Kuzeydoğu Anadolu	Erzurum	
TRA1			Erzurum
TRA11			Erzincan
TRA12			Bayburt
TRA13		Ağrı	Ağrı
TRA2			Kars
TRA21			Iğdır
TRA22			Ardahan
TRA23			
TRA24			
TRB	Ortadoğu Anadolu	Malatya	
TRB1			Malatya
TRB11			Elazığ
TRB12			Bingöl
TRB13			Tunceli
TRB14		Van	Van
TRB2			Muş
TRB21			Bitlis
TRB22			Hakkari
TRB23			
TRB24			
TRC	Güneydoğu Anadolu	Gaziantep	
TRC1			Gaziantep
TRC11			Adıyaman
TRC12			Kilis
TRC13		Şanlıurfa	Şanlıurfa
TRC2			Diyarbakır
TRC21			
TRC22		Mardin	Mardin
TRC3			Batman
TRC31			Şırnak
TRC32			Siirt
TRC33			
TRC34			