

**Efficiency versus equalisation? An examination of strategies for regional policy in the Czech Republic, Poland and Hungary after EU accession**

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**Abstract**

This paper includes an analysis which regional policy strategies in the Czech Republic, in Hungary and Poland, i. e. in three of the new EU member states are conducted after EU accession, and whether these regional policy strategies give priority to the growth objective or whether they place emphasis on the equalisation objective. This question is of great importance for the respective member states when they are trying to cope with the balancing act between rapid convergence towards the EU level and avoiding marginalisation of less developed regions. The paper starts with a brief survey on regional disparities in the countries under consideration. Then, the general objectives of the respective regional policy strategies laid down in the context of using the EU Structural Funds are examined regarding the weighting of growth and equalisation objectives. To gain a first indication, how the general objectives are treated in regional policy practise, finally, the criteria are examined according to which eligible regions are selected. For the purpose of this paper, documents of the central governments of the countries under consideration as well as thematically relevant academic literature and regional data provided by EUROSTAT are explored.

## 1. Introduction

The European Union (EU) as a whole tries to conduct a balancing act by improving its global competitiveness while simultaneously not neglecting the intra-European territorial cohesion. The realisation of these two objectives – growth and cohesion<sup>1</sup> – in Europe to a large extent depends on the way how the individual member states weight the growth objective (support for potential growth regions) and the equalisation objective (promotion of the weakest regions). The balance of growth and equalisation within the framework of regional policy is of particular great importance in the new EU member states which joined the EU in May 2004, because the majority of them show a considerable gap in terms of GDP per capita compared with the EU-15. Therefore, these countries have the attempt to catch-up rapidly in economic terms. However, despite the necessity of catching-up, these countries simultaneously are aware of not neglecting the most disadvantaged regions. Doubtless, a bias might arise between the two objectives mentioned.

In order to shed some light on the question how the new member states handle in their regional policy strategies the relationship between growth and equalisation objectives, which is full of conflicts, the respective policies for the period after accession in selected new EU member countries are examined. To keep the investigation manageable, the research is focused on three of the new EU member states: Czech Republic, Hungary and Poland (abbr. – CZ, HU, PL). The research is based on the exploration both of governmental documents prepared for the use of EU structural funds (especially the Community Support Framework [abbr. CSF]<sup>2</sup> and the Operational Programmes for Regional Development<sup>3</sup>) and of studies and other academic publications.

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<sup>1</sup> In the following, instead of cohesion, the term of equalisation will be used to characterise the respective regional policy objective – which forms the counterpart of the growth objective.

<sup>2</sup> In the following chapters, the abbreviation CSF will be linked with the abbreviation of the respective country under consideration, i. e. CSF CZ, CSF HU, CSF PL.

<sup>3</sup> The Operational Programmes of the three countries under consideration are denoted by the respective national governments in slightly different ways: CZ: Joint Regional Operational Programme (abbr.: JROP); HU: Operational Programme for Regional Development (abbr.: OPRD); PL: Integrated Regional

To achieve the research objective stated above, a brief overview about spatial disparities in the countries under consideration is given in *section 2* (for concrete research questions asked in this and the following sections – see the box below). This overview is designated to provide first insights which kinds of spatial problems the respective governments have to cope with. In *section 3*, an analysis is conducted whether regional policy strategies laid down in the CSFs and OPs of the countries under consideration show primarily a growth orientation, an equalisation orientation or both. Within *section 4*, first evidence will be gained, whether the overall objectives formulated in the respective Programming Documents will be underpinned seriously by the selection procedures for areas designated to receive regional policy support. Finally, *section 5* draws a brief interim conclusion.

Box:

Research questions for the examination of the regional policy strategies in the countries under consideration

*Section 2*

What kinds of regional disparities are existent, and is the degree of disparities greater (or smaller) in comparison with other EU member countries?

*Section 3*

Do the regional policy strategies as they are laid down in the programming documents for the use of the EU Structural funds more emphasis on the growth objective, on the equalisation objective, or do they practise a mix of both?

*Section 4*

How do the countries under consideration delineate the territories designated for support under regional policy schemes?

Can we gain some evidence that the procedure of delineating eligible areas is coherent with the spatial objectives set by the regional policy strategies?

Source: Author's own compilation.

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Operational Programme (abbr.: IROP). For reasons of keeping the text limited, the abbreviations mentioned will be used in the following chapters

## 2. Regional disparities in the countries under consideration

Within this section, for each country under consideration, a brief overview on existing regional disparities is given. This overview might provide first indication which kinds of spatial disparities the national governments have to take into consideration when it comes to the elaboration of their regional policy strategies. In addition, the degree of spatial disparities which is given in the three countries will be compared with the respective figures in the other EU countries to gain first evidence whether arguments are existent to favour either a growth orientation or a equalisation orientation in regional policy. This overview is mainly based both on the authors exploration of regional data published by EUROSTAT (see table 1 and 2) and on quantitative and qualitative information given in the analytically-oriented chapters of the CSFs and OPs of the respective countries. The territorial levels under consideration are NUTS 2 (for table 1) und NUTS 3 (for table 2).

In comparison with other European countries, the *Czech Republic* is a small country in terms of population size and area (2004: 10.2 million inhabitants), area: 78,867 km<sup>2</sup>, population density 132.2 inhabitants per km<sup>2</sup>). Its settlement structure is characterized by a share of 75% of population living in urban municipalities (Illner/Vajdova 2005, p. 6). Regional disparities have become greater after 1989 in the *Czech Republic*.<sup>4</sup> On the one side the capital region of Prague and its surrounding area (Central Bohemia) belong to the better-off regions.

GDP per capita (in PPP) in the Prague region exceeds the national average by 103% in 2003, and Prague's leading position regarding GDP has become stronger in the course of time. The Central Bohemian region around Prague is the only region in the Czech Republic which shows a population increase (1995-2004: +2.9%) that might be regarded as an indication for the economic attractiveness of the capital region. The unemployment rates in Prague and in Central Bohemia are the lowest (2004: 3.9% and 5.4%) in the Czech Republic. In terms of unemployment, the Jihozápad region which is bordering on Germany and Austria shows a relatively low unemployment rate, too (2004: 5.8%).

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<sup>4</sup> This paragraph is based on EUROSTAT data, own calculations using these data as well as exploring governmental document cited below.

Table 1:

Selected regional data covering the NUTS 2 regions in the Czech Republic, in Hungary and in Poland

Country/Region	GDP per capita, 2003, Purchasing Power Parities	Growth of GDP (Purchasing power parities) 1995-2003, %	Number of inhabitants, annual average, 2004, 1,000 Persons	Population development, 1995-2004	Area, 2004, km <sup>2</sup>	Unemployment rate, 2004 %
<b>Czech Republic</b>	14749.7	36.5	10216	-1.1	78867	8.3
Praha	30052.5	47.1	1168.1	-3.7	496	3.9
Střední Čechy	13959.5	73.1	1139.9	2.9	11015	5.4
Jihozápad	13485	31.8	1175.5	-0.7	17618	5.8
Severozápad	12170.2	19.2	1125.9	-0.4	8650	13.1
Severovýchod	12817.1	38.1	1480.5	-0.9	12440	6.7
Jihovýchod	13466	39.0	1640.2	-1.5	13991	7.9
Střední Morava	11828.5	29.2	1227	-1.3	9123	9.8
Moravskoslezsko	11603.5	12.3	1258.9	-2.8	5535	14.6
<b>Hungary</b>	12896.5	65.3	10107.1	-1.2	93030	6.1
Közép-Magyarország	20627.5	80.4	2835.3	-2.2	6919	4.5
Közép-Dunántúl	12026.7	71.4	1111.9	-0.4	11117	5.6
Nyugat-Dunántúl	14012.3	76.8	1001.8	0.2	11329	4.6
Dél-Dunántúl	9242.9	44.7	980.5	-1.8	14169	7.3
Észak-Magyarország	8287.3	45.5	1275.6	-1.9	13430	9.7
Észak-Alföld	8475.8	54.4	1544.4	0.0	17729	7.2
Dél-Alföld	8768	35.5	1357.6	-1.1	18339	6.3
<b>Poland</b>	10214.5	60.2	38182.2	-1.1	312685	19
Lódzkie	9427.2	58.7	2592.4	-3.6	18219	18.8
Mazowieckie	15833.1	99.1	5140.9	1.7	35566	14.6
Małopolskie	8781.3	61.7	3256.6	2.3	15190	17.3
Śląskie	11131.3	42.7	4707.9	-4.2	12331	19.3
Lubelskie	7211.4	42.7	2188.2	-2.5	25114	16.7
Podkarpackie	7217.1	49.6	2097.6	-0.2	17844	16.6
Świętokrzyskie	7978.2	56.3	1290.1	-3.1	11708	20.6
Podlaskie	7751.6	57.2	1203.8	-1.4	20187	15.6
Wielkopolskie	10711.3	74.1	3362.6	1.1	29826	18.2
Zachodniopomorskie	9691.5	47.1	1695.5	-1.3	22896	23.8
Lubuskie	8833.3	42.0	1009	-0.4	13989	23.2
Dolnośląskie	10470.7	53.3	2895.7	-3.1	19948	24.9
Opolskie	8112.4	27.0	1053.6	-3.7	9412	17.8
Kujawsko-Pomorskie	9159.2	43.8	2068.2	-1.1	17970	22.1
Warmińsko-Mazurskie	8047.9	56.5	1428.8	-1.5	24192	22.3
Pomorskie	10058.2	58.6	2191.5	1.4	18293	20.2

Source: EUROSTAT (downloaded 24/05/2006) and own calculation based on these data.

Contrary, the Severozápad region and the Moravskoslezsko region show a particularly weak economic performance in terms of economic growth and unemployment (see table 1). The unemployment rate in the Severozápad region and the Moravskoslezsko region are the highest in the Czech Republic (2004: 13,1% and 14,6%). The regions mentioned latter suffer from deep restructuring problems which arose from a production structure (declining extractive industries and environmental damages caused by these industries – see JROP CZ, p. 49) which has become obsolete in the course of economic transition. Furthermore, a number of rural areas is afflicted with declining agricultural production due to unfavourable production conditions, e.g. in mountainous regions like Jeseníky,

Šumava, Krušné Mountains, Znojmo district (see *ibid.*).<sup>5</sup> A “bearer of hope” is the service sector which has undergone an upswing since 1989. Particularly, the large towns in the Czech Republic benefit from the emerging service sector (see *ibid.*, p. 48). The same is the case with a number of regions which possess a considerable tourist potential (see *ibid.*).

Similar to the Czech Republic, *Hungary* belongs to the small countries in Europe in terms of population and in terms of area, too (2004: 10.1 million inhabitants, area: 93,030 km<sup>2</sup>, population density 108.6 inhabitants per km<sup>2</sup>). Hungary’s regional situation shows a clear economic dominance of the capital region (Central Hungary – Közép-Magyarország), where 44,6% of the country’s GDP (2003, PPP) is generated. GDP per capita is 160% of the national average (2003), and compared with 1995 the region strengthened its leading position. The other regions show an uneven picture. In general terms, a west east divide is visible. Apart from the dominance of Central Hungary, the region along the north-western border (Western-Transdanubia – Nyugat-Dunátúl) is better-off than the rest of the territory. Western-Transdanubia and Central Hungary have the lowest unemployment rates (4.6% respectively 4.5%). Furthermore, Western Transdanubia and North Great Plain – Észak-Alföld are the only NUTS 2 regions which did not show a population decrease in the period between 1995 and 2004. The capital region underwent the greatest population decline among all the Hungarian NUTS 2 regions (1995-2004: -2.2%). According to the assessment given in the CSF HU, the economic potential of the Hungarian economy – in terms of population, GDP production, number of firms, location of FDI’s, number of students and expenditure for research and development – is concentrated to a large extent in Budapest which is located in the Central Hungary region (see CSF HU, p. 16). However, Budapest also suffers from agglomeration diseconomies (see *ibid.*): The urban problems concern the environmental and transport situation as well the social situation and the quality of life in “residential areas of inner-city districts” (*ibid.*, p. 16). The lowest level of GDP per capita show the North Great Plain region – Észak-Alföld and the North Hungary region – Észak-Magyarország. The unemployment rate in North Hungary is the highest among the NUTS 2 regions in Hungary (2004: 9.7%), followed by the Southern Transdanubia

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<sup>5</sup> The data at NUTS 2 level used above in table 1 are not detailed enough to show these specific problems of several rural areas. These specific problems which typically concern only parts of a NUTS 2 regions.

region – Dél-Dunántúl (7.3%) and the North Great Plain region (7.2%). According to the analytical assessment given in the CSF HU the regions lagging behind are characterised by “... restructuring of the economy, insufficient accessibility, an unfavourable settlement structure, the lack of dominant centres and the inadequate skills of the population.” (CSF HU, p. 13). In addition to the inter-regional disparities, there are strong intra-regional differences.

Regarding population size and area, *Poland* belongs to the large countries in Europe (2004: 38.2 million inhabitants, area: 312,685 km<sup>2</sup>, the population density is 122.1 inhabitants per km<sup>2</sup>). The territory of Poland shows a polycentric settlement structure (CSF PL, p. 5). Although Poland possesses a favourable geographical position in the centre of Europe, its transport infrastructure is regarded as insufficient in terms of density and quality (see CSF PL, p. 5). In 2003, four out of 16 NUTS 2 regions (voivodships) in Poland show a GDP per capita which exceeds the national average: Mazowieckie, Slaskie, Wielkopolskie, Dolnoslaskie (see table 1). Two of these regions – Mazowieckie and Wielkopolskie – showed a growth of GDP (1995-2003) which is considerably above the national average.<sup>6</sup> All regions with an above average GDP per capita include large urban agglomerations: Warszawa, Katowice, Poznan and Wroclaw. The – in terms of GDP (PPP) per capita – lowest ranking voivodships are Lubelskie, Podkarpackie, Swietokrzyskie and Podlaskie – located in the eastern part of the country. This indicates a certain west-east-gap in terms of economic prosperity. In the period 1995-2004, only four of the 16 voivodships in Poland show a population growth: the capital region – Mazowieckie – and the Wielkopolskie region where Poznan is the largest urban centre. Furthermore, the Malopolskie (voivodship capital: Krakow) and the Pomorskie region (voivodship capital: Gdansk) showed a population growth, too. However, the relatively better economic position of the voivodships which include large urban agglomerations does not mean that the economic situation of urban areas is free of any problems. The CSF PL points out existing problems of many cities in Poland arising from “the loss of former administrative, economic and cultural functions and population movement” (CSF PL, p. 6). Due to these losses, deteriorated buildings, a weak economy and a low level of entrepreneurship characterise many cities (see *ibid.*).

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<sup>6</sup> The Malopolskie voivodship is only slightly above the national average in terms of GDP growth.

Especially cities in the northern, western and south-western parts of Poland face these problems.

Despite the existence of a small number of large urban agglomerations, the Polish territory is largely characterised by rural regions (for this and the following facts and figures in this paragraph, see CSF PL, p. 10). 93% of the surface area consist of rural areas, 7% of urban areas. Regarding the population, 61.8% live in urban areas, 38.2 in rural ones.<sup>7</sup> The rurally settled population is distributed among 60,000 villages. The fragmentation of the settlement structure leads to difficulties regarding the access to public services. Moreover, the provision of infrastructure causes high costs. Furthermore, employment in the agricultural sector often represents hidden unemployment. The importance of the agricultural sector in terms of employment is much greater (2002: 18%) compared with it's contribution to GDP (2001: < 3%), which indicates a low productivity of the agricultural sector. The population in rural areas shows a low level of formal qualification.

Before the regional policy strategies are assessed regarding their general objectives, it is worth asking whether the countries under consideration show regional disparities which are – quantitatively – comparable with regional disparities given in the other EU member countries or whether the disparities in the three new member countries are stronger. Greater disparities might be a first indication for a special need to put a particularly great emphasis on equalisation policy. Contrary, a lower degree of disparities compared with other EU member countries might be an indication for more leeway to conduct a growth oriented regional policy strategy, or at least, to pursue a mix of growth and equalisation objectives. To measure the degree of regional disparities, standard deviation of GDP (in purchasing power parities) per capita is used (1995, 2003), based on regional data at NUTS 3 level.

For the year 2003, table 2 shows that – measured by the standard deviation of GDP (PPP) per capita – regional disparities in the three countries under consideration were lower in comparison with a large number of other European countries (i. e. Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Netherlands, Slovakia,

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<sup>7</sup> The delineation of urban und rural areas as it is conducted by the Polish government authorities within the CSF is based on the criterion of territories inside and outside of locations which bear an administrative town status. See CSF PL, p. 10.



United Kingdom). Finland, Spain, Latvia and Estonia show disparities which are similar to those in the three countries under consideration. The rest of the EU countries, i. e. Lithuania, Portugal, Slovenia and Sweden show lower disparities.<sup>8</sup> However, compared with 1995, the extent of disparities grew up in the Czech Republic and in Hungary,<sup>9</sup> but this was the case in other European countries, too. Finally, table 2 shows that even the regions which represent the maximum values (in 2003) in the Czech Republic, in Hungary and in Poland (i. e. the capital regions) are still far away from reaching the maximum values of the best-off regions in the EU-15 (e. g. in Belgium, Denmark, France, Germany, United Kingdom). This might be an indication for still existing weaknesses of the relatively stronger (agglomerated regions) in the new member countries in comparison with their west European counterparts.

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<sup>8</sup> Cyprus and Luxembourg only consist of one NUTS 3 regions. Therefore, they are not considered.

<sup>9</sup> For Poland, see the comment (\*) given in table 2.

Table 2:

Regional disparities in the EU-25 countries\*\* in terms of GDP per capita (Purchasing Power Parities), 1995 and 2003, measured at level NUTS 3

	Number of regions for which data are available		Standard deviation, GDP (PPP) per capita		Maximum value, GDP (PPP) per capita		Range, GDP (PPP) per capita	
	1995	2003	1995	2003	1995	2003	1995	2003
Austria	35	35	4614.9	5879.8	28327.9	37158.1	18080.2	23211.8
Belgium	43	43	5022.5	7036.1	38291.2	51658.3	29899.8	41021.7
Cyprus	1	1	.	.	12637.2	17377.2	0	0
Czech Republic	14	14	2790.2	4709.7	19593.1	30052.5	11351.4	18565.8
Denmark	15	15	3894.4	5624.4	29099	39670	14890.4	20468.9
Estonia	5	5	1543.0	4091.0	7354.2	16065.8	3581	9836.5
Finland	20	20	2635.2	4496.2	21332.5	33541.5	9952.6	16666.8
France	100	100	4933.8	7004.0	50846.6	68545.8	41808.7	56029.4
Germany (including ex-GDR from 1991)*	384	439	6958.6	8787.2	50411.1	74584.3	43086	64142.2
Greece	51	51	3417.3	5264.5	31276.2	45823.1	24135.4	34959
Hungary	20	20	1950.9	4330.6	13851.3	26526.3	9307.7	19523.5
Ireland	8	8	2971.4	7706.7	19877.7	38719.2	9287.3	20290.3
Italy	103	103	4530.9	5276.9	27972.7	35137	19300.9	22147.3
Latvia	6	6	2055.6	4241.6	7718.8	15738.7	5496.3	11154.9
Lithuania	10	10	741.4	2423.2	6131.7	14122.7	2591.7	8800.9
Luxembourg (Grand-Duché)	1	1	.	.	31144.8	50843.6	0	0
Netherlands	40	40	3460.9	5359.4	27475.5	42907.5	15994.8	27008.8
Poland*	39	45	1550.5	4166.7	10716.9	30282.6	6602.6	24112.9
Portugal	30	30	2609.6	3618.8	18781.7	26442.8	12955.6	18457.9
Slovakia	8	8	3215.5	5657.7	14691.8	25189.6	10257	18331.1
Slovenia	12	12	1804.5	3301.3	14507.3	23793.1	6423.6	12476.3
Spain*	50	52	2713.2	4191.2	18209.2	29441.2	10228.3	15700.2
Sweden	21	21	1702.4	2923.8	23571.7	34331.2	8449	14745.3
United Kingdom	133	133	5608.0	9168.7	69398	103708.9	60223.4	89662.8
Total	1149	1212	6245.1	8228.4	69398	103708.9	67175.5	99125.1

\* In the countries marked with \* the values of the two years are not comparable, since regarding 1995, data were not available for a number of NUTS 3 regions. - \*\* Data for Malta at NUT 3 level were not available.

Source: Own calculations based on EUROSTAT data (downloaded 20/06/06).

*To draw a first interim conclusion, the findings regarding the quantitative extent of spatial disparities do not provide clear-cut arguments for a one-sided equalisation oriented regional policy in the countries under consideration. Furthermore, the performance of the best-off regions in these three countries is still far away from that of*

*the most advanced regions in Europe which might be regarded as a first indication for a need to further strengthen the performance of potential urban growth poles in the respective countries.*

### **3. Defining goals in the framework of regional policy strategies**

In this section an overview will be given whether regional policy strategies in the three countries under consideration show primarily a growth orientation or an equalisation orientation or both. To answer this question, first, the Community Support Frameworks (CSFs) which contain the overall strategies for the use of the EU structural funds are explored. The question will be asked which spatial targets are earmarked there and how these spatial targets are integrated into the national development objectives. Second, the Operational Programmes (OPs) being prepared in particular to support regional development will be reviewed regarding their territorial objectives.

The development strategy for the *Czech Republic* laid down in the CSF shows an overall growth orientation. The CSF's global objective is expressed as follows: "Sustainable development based on competitiveness" (CSF CZ, p. 55). The (horizontal) spatial target which underpins the global objective quoted concerns a "balanced development of regions" (ibid., p. 68). The CSF reveals the attempt to use regional policy in a growth oriented manner: "It takes also into account how regional growth poles in the Czech Republic in line with the settlement hierarchy (like e. g. Brno, Ostrava, České Budějovice, Hradek Králové, Pardubice, Plzeň) can play a stimulating role for their regional economy. Investments in the JROP, especially in the areas of transport infrastructure, public transport systems, urban regeneration and human resources infrastructure, will to a large extent be focused on these regional growth centres." (ibid., p. 112). Furthermore, the support of spill-over effects arising from the Prague region for the benefit of the other Czech regions is on the agenda of the CSF (see ibid., p. 55). At the same time, the CSF strategy does not neglect equalisation goals: Support in the field of infrastructure is designated to enhance "investment and firms in structurally weaker regions" (ibid., p. 55). Especially, investments in the field of transport infrastructure are regarded as being important for the mitigation of spatial disparities (see ibid., p. 57).

The global objective of Joint Regional Operational Programme (JROP) in the Czech Republic which is one of five OPs<sup>10</sup> for the implementation of the EU structural funds ties in with the global objective and the specific objectives of the CSF (see JROP CZ, p. 60). More detailed, the global objective of the JROP is the following: “To achieve a sustainable development of regions in the Czech Republic and a growth in the quality of life for all groups of inhabitants by supporting new economic activities with an emphasis on creation of new job opportunities at regional and local level, on improving the quality of infrastructure and, on development of human resources and on better social integration.” (ibid., p. 60). This global objective of the Czech JROP is based on four specific objectives which concern the development of entrepreneurship, the improvement of transport- and information technology-related infrastructure, the support for human capital and the extended use of tourism as a development factor (see ibid, p. 61). As one of the so called horizontal principles, the JROP highlights the “... balanced development of regions” (ibid. p. 63). This objective can be interpreted as the attempt to avoid negative impacts of regional disparities for the overall economic growth.

*All in all, considering the spatial dimension of the CSF strategy of the Czech Republic and the objectives laid down in the JROP, some evidence is revealed for an orientation both towards growth and towards equalisation.*

As the main objective, the CSF of *Hungary* earmarks the “Convergence with the level of the socio-economic development of the EU ...” (CSF HU, p. 68). The overall objective earmarked by the CSF is underpinned by four specific objectives. One of these specific objectives concerns the spatial dimension of development in the form of “... **a more balanced territorial development** ...” (bold type in the original, ibid., p. 69). The justification for putting emphasis on the balancing of territorial development is derived from the spatial disparities which are regarded as being at a “... very high level ...” (ibid.). Balancing territorial development in accordance with the CSF strategy means facilitating an equal access to infrastructures and services (see ibid.). The regional balance concerns the relationship between the capital (which is economically dominating – see section 2) and the other regions (see CFS HU, p. 69). Three examples

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<sup>10</sup> Beyond the JROP, there are the OP Industry and Enterprise, the OP Human Resources Development, the OP Infrastructure und the OP Rural development and multifunctional agriculture.

reveal the equalisation-oriented approach of the regional policy in Hungary, at least regarding the large-scale interregional disparities: 1) Measures to improve the accessibility are targeted at territories which are "... most remote from the growth poles ..." (ibid., p. 76). 2). Support for human capital related investments and for roads of local importance "... will also be largely concentrated on the most disadvantaged regions." (ibid.) 3). The same is the case with support designated to enhance "the competitiveness of the productive sector" for which the "... less developed regions ..." (ibid.) are the target areas. However, to achieve a certain territorial balance, the Hungarian CSF strategy envisages an intra-regional growth pole strategy, by strengthening "... regional and sub-regional centres..." (ibid., p. 69) in economic and social terms.<sup>11</sup>

The Operational Programme for Regional Development (OPRD) which represents the programming document which in particular is focused on regional development<sup>12</sup> coincides with the CSF regarding its spatial objectives: "... the global objective of the OPRD is *a more balanced territorial development* of the Hungarian regions." (bold type in italic in the original, OPRD HU, p. 53). The OPRD is focused on "... smaller local and micro-regional developments within the regions." (ibid., p. 54). The OPRD's general objective is underpinned by three specific objectives: "1. Developing the endogenous potential of regions lagging behind with significant natural and cultural values." (ibid., p. 54); „2. Creating an attractive communal environment and developing economic potentials, with special emphasis on disadvantaged micro-regions" (ibid., p. 54); "3. Strengthening the adaptability and cooperation of local players" (ibid., p. 55).

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<sup>11</sup> The CSF describes the weighting between growth and equalisation objectives as follows: "In addition to promoting the growth of the economy as a whole, the objectives of the CSF will, on the one hand, seek to strengthen the growth poles (while making the best use of the existing potential) and, on the other hand, address the problems of the most disadvantaged regions and areas." (CSF HU, p. 75)

<sup>12</sup> Within the OPRD, emphasis is put on the fact, that all Operational Programmes in Hungary are designated to provide support "to reducing territorial disparities" (OPRD HU, p. 53). The other Operational Programmes in Hungary are the following: "... the Economic Competitiveness Operational Programme (ECOP), the Agriculture and Rural Development Operational Programme (ARDOP), the Human Resources Development Operational Programme (HRD OP), the Environmental Protection and Infrastructure Operational Programme (EIOP) ..." (CSF HU, p. 128).

*The examination of the spatially-oriented development objectives laid down in the CSF HU and in the OPRD, all in all, provides some evidence that the Hungarian government in its regional policy puts the main emphasis on the equalisation objective. The equalisation objective primarily concerns the development gap between the capital region and the other regions. To achieve the equalisation objective, at the regional level (or at the micro-regional level) a kind of growth-pole strategy is envisaged.*

In Poland, the real convergence of the country as a whole is regarded as the main challenge of the development strategy (see CSF PL, p. 48). This in mind, the overall development objective is formulated as follows: “Development of a competitive economy based on knowledge and entrepreneurship ensuring employment, growth and the improvement of social, economic and spatial cohesion.” (CSF PL, p. 48). To implement this strategic objective, a specific spatially-oriented development axis is earmarked: “Improving the conditions for regional development including rural development” (ibid., p. 49). Furthermore, as one out of five partial objectives designated to underpin the overall objective of developing a competitive economy, “... the participation of all regions and social groups in Poland in the development and modernization processes” (ibid., p. 52) was set on the agenda. This partial objective can be interpreted as a “counteraction against further deepening of the spatial and social disparities.” (ibid.). At an other text passage, the “... creation of conditions for regional competitiveness growth and counteracting marginalisation ...” (ibid., p. 83) is emphasised as the objective of the IROP PL.

In the Integrated Regional Operational Programme (IROP) of Poland, the strategic goal is formulated as follows: “Creation of the conditions for the growth of competitiveness of the regions and preventing the marginalization of certain areas ...” (IROP PL, p. 65). The implementation of this strategic goal is regarded as a contribution to the realisation of the global objective set by the CSF (see ibid.). The strategic goal of the IROP PL reveals a twin-strategy both of increasing competitiveness *and* of preventing marginalisation. Regarding the first sub-objective, the target is to improve the growth conditions in *all regions* of the country by activating the relevant growth determinants (see ibid., p. 66). To meet this sub-objective, emphasis is put on “... strengthening of the development capacity of growth centres ...” (ibid.). The second sub-objective (preventing marginalisation) is targeted at specific types of areas, e.g. at rural territories,

regions which face problems of structural change, economically and socially weak urban areas (see *ibid.*).

*To sum up, in Poland – at a first glance – the contribution of all regions to gain a sound economic growth of the country as a whole is set on the agenda of regional policy. Although the equalisation objective is not neglected, obviously, the objectives might be interpreted in a way that the growth objective is emphasised slightly more than the equalisation objective.*

Before entering section 4, a brief remark which goes beyond the scope of this paper seems worth making. The review of the Community Support Frameworks of the respective countries shows that the realisation of the desired spatial objectives does not only depend on the implementation of Operational Programmes which are in particular focused on regional development. The spatial impact is rather the result of all Operational Programmes and not only of the spatially-oriented. However, this complexity might form a great challenge when it comes to the programme implementation. The other Operational Programmes (e. g. for enterprises, human resources, infrastructure etc.) are primarily sectoral programmes. No doubt, they have spatial impacts. But, probably, these programmes follow sectoral, nation-wide-objectives and – therefore – they are distributed by other rules. This in mind, there is a great need of coordination between the sectorally oriented Operational Programmes and those which focus in particular on the territorial development. Conducting this coordination successfully might further enforce the realisation of the spatial targets which are desired. If this coordination does not work, the realisation of the spatial targets might be counteracted.

#### **4. Selection of regions designated to receive assistance under regional policy schemes**

In *section 4*, as a first indication for an effective implementation of the general regional policy objectives, an examination will be conducted, *how the national authorities delineate the territories which will be eligible under regional policy schemes.*

In the *Czech Republic*, the types of regions designated to be eligible under regional policy schemes (and the criteria for assigning regions to this types) reveal a clear equalisation-oriented approach (see table 3). The regions designated to receive

assistance cover certain types of weaknesses, e. g. industrial decline, high unemployment, problems of rural areas, very specific problems of border regions, of former locations for military forces etc. Thus, the indicators used to identify regions meet these types of problems.

Table 3:

Types of regions designated to receive regional policy support in the Czech Republic and criteria for assigning regions to the respective types

Types of regions	Criteria for assigning regions to the respective types
“Structurally affected regions”	<ul style="list-style-type: none"> <li>- rate of unemployment,*</li> <li>- ratio between the number of people applying for jobs and the number of vacant jobs,*</li> <li>- impact of “discontinuation of the industrial sector on employment and the development of enterprises”*</li> </ul>
“Economically weak regions”*	<ul style="list-style-type: none"> <li>- rate of unemployment,*</li> <li>- ratio between the number of people applying for jobs and the number of vacant jobs,*</li> <li>- “wage income und income from agriculture”*,</li> <li>- “level of tax revenue of the local budgets”*,</li> <li>- “share and extent of the discontinuation of the primary sectors (agriculture, forestry) in the employment structure and the population density”**</li> </ul>
“Rural regions”***	<ul style="list-style-type: none"> <li>- development and density of population,***</li> <li>- employment structure***</li> <li>- “the share of the population in rural villages” ***</li> </ul>
“Other regions whose support by the state is desirable for other reasons”***	<ul style="list-style-type: none"> <li>- the category of “Other regions” subsumes certain other types of problem regions (with environmental damages, natural disasters, border regions, areas with unfavourable conditions for agricultural production etc.***</li> </ul>

Source: Compiled in the basis of the information given in: JROP CZ, \* p. 49; \*\* pp. 49 f. ; \*\*\* p. 50.

The regional typology and the criteria listed above were introduced in the period before the Czech Republic joined EU, and they were designated to be in use after accession, too (see CSF CZ, p. 45).

Although the criteria for selecting regions in the Czech Republic which are designated to be eligible under EU structural policy/national regional policy seem to be clear, experts mention deficiencies which might be regarded as playing a counteracting role for an effective policy implementation. These deficiencies concern the coordinating function of the Ministry for Regional Development which is regarded as insufficient (see, e. g. McMaster 2004, p. 14, 26). Obviously the previously existing problems of



lacking coordination between regional policy in a narrow sense and several sectoral policies which might have a strong spatial impact) continue to exist. As a consequence, there might be a lack of coordination between different assistance measures which are designated to support a certain region. For the North West Bohemia region, one of the Czech problem regions, McMaster describes the situation in the following way: “The North-West Bohemia Region is supported by at least five programmes, each with different priorities, incentives, financial resources, project selection criteria and time-schedules for assistance. This apparently wide array of assistance is a marked change from the situation in the early 1990s, when the country lacked any notable regional policy. However, the proliferation of support also led to criticisms that there are too many small grants coming from too many sources ...” (McMaster 2004, pp. 15 f.).

As another deficiency which might hamper an efficient distribution of regional policy funding the delay in establishing efficient regional self-governing entities can be regarded. For a long time, its establishment was neglected. In the meantime, these entities were established in the form of 14 kraje which shape the NUTS 3 level. However, these kraje were too small to be considered as units for the implementation of the EU structural funds, they were sorted as NUTS 3 units. Therefore, a – de facto – artificial level of administration was introduced at the NUTS 2 level – consisting of eight regions (cohesion regions). Three of these NUTS 2 regions are identical to a single NUTS 3 region, four consist of two NUTS 3 regions and one covers three NUTS 3 units (see Kostelecký 2005, p. 15). The situation of non-coincidence of NUTS 2 areas with the territories of regional self-governance bears the danger of conflicts regarding the distribution of financial resources. T. Kostelecky, a Czech expert, describes this situation in the following manner: “The opinions of both experts and regional politicians suggest that the institutions of NUTS 2 regions could easily turn into battlefields, where the political representations of the regions involved will fight with each other over possible financial resources from the Structural Funds.” (Kostelecký 2005, pp. 23 f.).

In *Hungary*, similar to the Czech Republic, territories will be classified as being eligible under regional policy schemes if they face certain specific challenges:

- “micro-regions with complex social-economic disadvantages;
- micro-regions in need of industrial restructuring

- micro-regions of agricultural and rural development needs.” (CSF HU, p. 57).

The notation already reveals the equalisation-oriented approach when it comes to the delineation of beneficiary territories. The spatial units for the analytical identification of regions which belong to one of the tree types listed above are the so called *micro-regions*. The whole country consists of 150 micro-regions, 94 of them belong to one of the types of regions listed above (see OPRD HU, p. 39). As a sub-group of these 94 regions, the Government decree No. 24/2003 defines 42 “most disadvantaged micro-regions” (ibid, p. 36, footnote 6). The micro-regions classified as being disadvantaged primarily face obsolete industrial or agricultural structures, a lack of infrastructure, unfavourable locational conditions due to a borderland situation or an absence of strong regional centres (see ibid., p. 37). A particular high proportion of disadvantaged micro-regions show the following NUTS 2 regions: Northern Hungary, Northern Great Plain, Southern Great Plain, Southern Trans-Danubia (see ibid.). The OPRD HU envisages to address 75% of OPRD funding towards the four regions mentioned latter which show the strongest weak points (see ibid., p. 57). This ratio is a clear indication for the attempt to balance the territorial development.

Although in Hungary a sophisticated system of determining beneficiary areas is in use, there might be reasons which set hindrances for an effective use of the funding. First, similar to the situation in the Czech Republic, experts point out deficiencies regarding the coordination of regional policy at the national level (see Dieringer/Pogátsa 2005, p. 490). Furthermore, the regional level in Hungary (NUTS 2) which was established de facto artificially (since the Hungarian self-government entities – the counties – were regarded as being too small to act as basic territorial units for the implementation of the EU Structural Funds (see Heimpold 2002, p. 171 and the literature quoted there).

In *Poland*, the attempt to improve the growth conditions in all regions of the country (see section 3) finds its expression in the way how the EU Structural Funds channelled by the IROP are distributed among the regions: 80% of the EU funding is distributed “pro rata” in accordance with the population distribution (for this and the following information see IROP PL, p. 126 f.). Further 10% of the IROP funding are distributed among those voivodships where the GDP per capita was below 80% of the national average (in 1997-1999), the distribution among the voivodships follows the population distribution. According to this selection criteria (below average GDP per capita), the voivodships Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie, and Warmińsko-

mazurskie will be beneficiary regions. The remaining 10% of assistance are directed to sub-regions at the NUTS 4 level (poviats) which show an above average unemployment rate ( $> 150\%$  of the national average in 1999-2001). Using this criterion, 72 poviats were categorised as recipients of this 10% tranche. However, the IROP emphasises the indicative character of this distribution scheme, since problems of absorption of EU funding which arise in the course of implementation of the programme, may create the need for re-distribution of funding (see *ibid.*, pp. 127 f.).

*To sum up, in the Czech Republic and in Hungary, the selection of regions eligible under regional policy schemes follows a clear cut equalisation-oriented manner. This is done by practising a selection procedure which ties in with existing regional problems. A slightly different approach is visible in Poland where large proportions of funding (i. e. of OPRD resources) is distributed “pro rata” population distribution, and only a smaller part is distributed by criteria of low economic and labour market performance. The latter goes along with the intention laid down in the Polish strategic documents to enhance to growth potential in all Polish regions.*

*However, from the author’s point of view, none of the countries under consideration among the types of beneficiary regions considers explicitly the urban growth poles. The types of regions being in use in the Czech Republic and in Hungary mainly represent types of problem regions. The indicators used to assign concrete regions to these types of problem regions can be characterised all in all as deficiency-oriented and not as growth potential-oriented. Taking the objectives of strengthening spatial growth poles for granted, there might be a need for indicators (e. g. R&D capacity, number of patent application, availability of highly qualified workforce) which can help to identify regions which show a sufficient growth potential.*

## **5. Preliminary Conclusions**

To draw a preliminary conclusion, the picture regarding the weighting of growth objectives and equalisation objectives in the regional policy strategies shows that – beyond certain differences in detail – all countries follow an orientation towards the equalisation objective, or – in other words – towards a territorially balanced development. To answer the question, whether this strategy is really appropriate to the current situation in the new member countries, further research will be required. The

first indication gained in this paper shows that the extent of regional disparities in the countries under consideration is not greater than that in many other EU countries. Convergence between the new member countries and the EU level will remain a crucial challenge. Furthermore, the relatively stronger regions in the countries under consideration are not comparable with the best-off regions in the western part of Europe in terms of economic performance.

This in mind, there might arise the question, whether the regional policies in the countries under consideration will have the appropriate “power” to foster the economic convergence of the three countries. The procedure being in use to delineate beneficiary regions might be regarded as a first indication that the “power” might not be sufficient to lay spatial foundations for a rapid convergence with the EU level. The procedure of delineating beneficiary regions, from the author’s point of view, might be regarded as an approach which primarily ties in with regional weak points instead of highlighting development potentials, e. g. innovation capability, availability of highly qualified work force. Having the idea of fostering regional growth poles in mind, a certain re-orientation regarding the identification of beneficiary areas might be worth to be discussed.

Furthermore, the paper mentioned two aspects beyond the focus on growth and equalisation objectives which might have a strong impact on the spatial effects of public funding for regional development purposes: a sufficient coordination of spatially relevant sectoral policies with the regional policy in the narrow sense and the existence of strong sub-national entities which play a decisive role in implementing regional policy.

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