

## **The regional policy of the Czech Republic**

Last decade brought dynamic and radical changes to Europe and its understanding of regional policy. On the one hand, the European union aims at widening of integration, on the other hand, the deepening of the integration is the issue number one in connection with the process of the EMU forming. The member countries as well as accession countries can feel that the integration can be jeopardise if economic and social disparities are not addressed as a problem and economic and social cohesion recognised as a political priority number one. In this perspective the Czech government started to place emphasis on the identification of regional problems and the best way of addressing them.

Regional policy is generally understood as state intervention into economic and social development in different parts of the state's territory. An actual profile of regional policy tends to be strongly dependent on the role of the state in its historical development, on the affluence of the society, on the severity of regional disparities and on the nature of ruling political will.

Regional policy in the Czech Republic until the year 1990 can be associated only with massive redistribution and reallocation of resources. No systematic regional policy was articulated and numerous problems in the sphere of regional development could be found in this period, such as an emergence of new peripheral zones.

It is clear that the change of the system at the end of 1980s meant absolute disbelief in planning of any form. National as well as regional plans no longer applied. The central government, however maintained its power (partly because of the abolition of regional governments at the beginning of 1990s) and its the attitude towards the regional policy matters remained largely unchanged. State interventions were considered the best solution for the transformation of the country into the market economy. The character of the regional Policy Act from 1991 was mainly declarative, though it did indicate principal problems to be tackled. Trough this act regional policy was declared by the Czech government to be an integrated part of its economic policy. The main objective was defined as the creation of the preconditions for a minimal standard of working and living conditions for citizens in all regions of the Czech Republic.

No substantial regional inequalities could be traced at the beginning of the 1990s. Nevertheless some aspects of the transformation process presaged the severe problems that were to become associated mainly with the growth of unemployment. These were: a substantial decline of heavy industry; a reduction of agricultural sector employees; the very low inter-regional mobility of the work force or severe environmental problems.

**The regional policy is understood as a conceptual activity of the state and regional authorities with the aim to:**

- 1) contribute to the balanced and harmonious development of the regions,**
- 2) reduce the differences in the levels of development between the regions and**
- 3) improve the regional economic and social structure.**

Shortly regional policy was defined as an activity of the state aimed at supporting the effective functioning of the market economy taking into account the regional economic differences

The effort to achieve a balanced development cannot be understood as an effort to secure completely equal development in all regions, instead the aim is to give equal chances to all regions and make full use of their democratic, natural, economic and any other potential.

The regional policy of the Czech Republic was designed to respect the basic principles of the structural policy of the EU and the overall aim of economic and social cohesion. In this

respect, allocation mechanism as a part of the institutional framework, have to be set up to enable the future use of structural funds.

From the viewpoint of the institutional framework it will be necessary to implement the regional development policy in the Czech Republic both at the national and regional levels. The regions (higher territorial administrative units) are equipped with functions and economic tools enabling them to take over the responsibility for their territorial development and implementation of the regional policy. This is going to be a subject of a successive Act on Regional Development Support. It takes into account the criticism of the European Commission (on the application of the Czech Republic for the EU membership) that there is no regional policy in the Czech Republic and there is no co-ordination mechanism at the national level neither legislative, administrative and budgetary framework of integrated regional policy.

The Principles of the Government Regional Policy define two types of problem regions – **structurally afflicted regions** and **lagging regions** (economically weak regions). Structurally afflicted areas were defined as regions with high concentration of traditional industry and high level of urbanisation and unemployment. Lagging regions were characterised as regions with low standard of living, high share of employment in the primary sector, low population density and generally also above the average level of unemployment. These regions comprise mostly rural areas with lower level of urbanisation and economic development and with rather preserved environment.

Moving to regional level, Regional Co-ordination Committees (composed of the representatives of the regions and state administration) were formed to manage the preparation of regional development strategies.

Regional Development Strategies are perceived to be materials with a long-term perspective, which will form together with sectoral analysis of the economy the National Development Strategy of the Czech Republic. This strategy of the Czech Republic was transformed into the National Development Plan, which should present a background document for the transfer of resources from structural and pre-structural funds of the EU.

Talking about the regions and its powers and documents at regional level, we also have to take into account the Eurostat system of statistical classification of the territory NUTS. NUTS II level is clearly the most essential for the allocation of the Objective 1 assistance from the structural funds. Following the consultations with Eurostat, the Czech Statistical Office together with other relevant ministry partners agreed on the 8 NUTS II statistical units created by the grouping of the 14 regions.

To conclude, it is perceived that the progress made on the way to integrate the Czech Republic into European regional structures was significant. The Czech Republic is about to fulfil the general principles of community regional policy in a short period of time. The Czech Republic has also ambition to build up the competitiveness of regions by strengthening the role of local entrepreneurs, transfer of innovations and technology and subsequently, through its sub-national level, gain its position in the Europe of regions.

### **Territorial units in the Czech Republic (NUTS)**

NUTS 5 - municipalities (about 6 200)

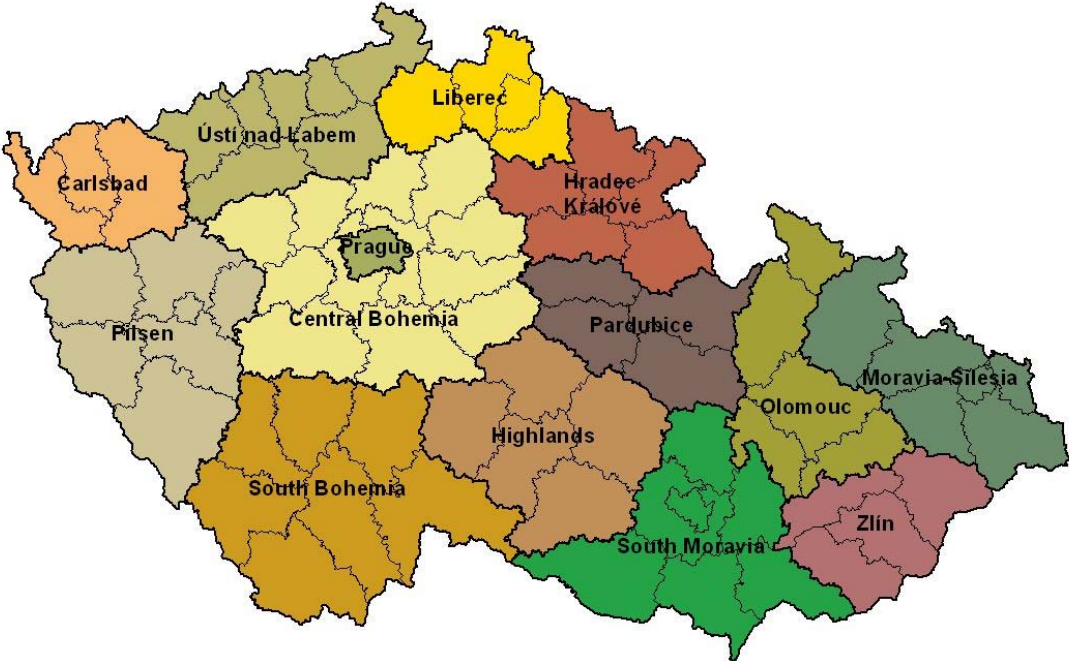
NUTS 4 - districts (76 + Praha, legal authority only till 1.1.2003)

NUTS 3 - regions (14)

NUTS 2 - regions of cohesion (8, no legal authority)

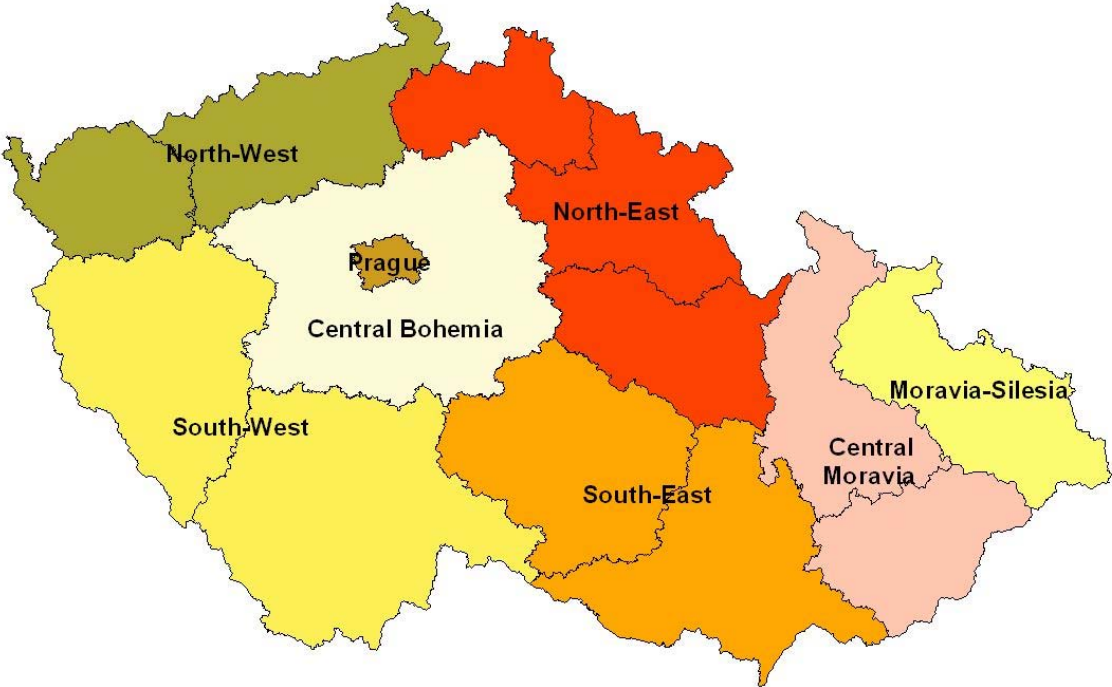
NUTS 1 - the whole area of the Czech Republic

Picture 1.: Regions in the Czech Republic (NUTS 3)



Source: NDP

Picture 2.: Regions of cohesion (NUTS 2)



Source: NDP