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**LOCAL AND REGIONAL PLANNING AND POLICY IN EAST CENTRAL EUROPEAN TRANSITIONAL COUNTRIES**

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The main aim of this chapter is to review and assess the post-1989 developments in the field of local and regional planning and the policies in four East Central European countries – the Czech Republic, Hungary, Poland and Slovakia. Special attention will be paid to the nature of institutions and programs designed to influence spatial development at national, regional and local levels. Before discussing real developments, there will be outlined a basic approach to the study of local and regional planning and policies in transition countries. The main body of the chapter is devoted to a comparative analysis of local and regional planning and policies. After a brief overview of the communist legacy and transformation policies, attention will be given to territorial administration, national regional policy and planning, policies of regions and local (municipal) development practices.

***The framework for analysis: general questions, European context and trajectories for transitional countries***

This section is designed to clarify concepts and terminology, and to discuss transitional trajectories in the approach to local and regional planning and policy within the context of European spatial planning tradition.

The institutions and programs of local and regional planning and policies are conceived as activities of the public sector in the field of territorial development. There are semi-public, private and nonprofit institutions which are in different ways involved in regional planning and policy. However, they are not the subject of this investigation. The main dividing line drawn between public and other agencies is given by the nature of their concern. It is the division between institutions focusing on social, holistic, common matters and those designed to promote individual, group, particular interests. While the public sector plays a co-ordinating role, the activity of other institutions tends to be complementary and in the case of transitional countries of East Central Europe often only residual.

There are several ways with which the public sector institutions influence the field of territorial development. Stress will be laid on policies and programs which are explicitly intended to manage or influence territorial development. These activities are included under the heading of local and regional planning and policy. Various sectoral policies and welfare

transfers have important consequences for regional development. However, these are not the subject of investigation in this chapter. The focus is on the way with which governments explicitly approach territorial development within national borders, individual regions and municipalities.

The key agents in the field of local and regional planning and policies are the national government and various local governments. There are two principal questions associated with the discussion of relations between the national and local governments. The first concerns the division of power between the national government and elected governments at lower levels, in other words between the state administration and local self-government. Often, there exists a two-tier local government – regional and municipal – and, therefore, an accompanying question concerns the division of power between the respective levels of local self-government. Second, there is the question of scale which concerns relations between local and regional planning activities at national, regional, district and municipal levels. This field is of course strongly determined by the nature of power relations and division of responsibilities between the national and local governments.

The main interest of the state is a balanced development of the national territory. This involves the promotion of such territorial distribution of activities across the country which will assure similar conditions for the life of all people and at the same time would promote a general increase in the wealth, determined by economic growth. However, there is a bias between these two principles. While the former involves social equality and decrease in regional disparities, it can hamper national economic growth. On the other hand, economic growth requires agglomeration economies and leads to widening regional disparities, thus being in contradiction with the first principle. The governments are thus balancing on the knife edge between the above-mentioned principles, while formulating their local and regional planning and policy priorities and agendas.

The national government's approach to the regional problem involves two basic sets of tools. First is concerned with regional disparities and especially with backward and declining regions and localities. The major government tool in this field is provided by regional policy, which focuses on the reduction of economic and social problems concentrated in particular areas. It is based on the application of rather short-term, responsive programs and projects intended to solve problems which are the outcome of the past development. From the 1980s onwards special growth-orientated programs have been used to stimulate local economic development in declining areas. Uneven spatial development is also often tackled by the use of transfers within the system of local government budget (equalization policy).

The second approach of the state is based on the promotion of national spatial development in general. The major tool is national and regional planning of the whole national territory as well as particular regions. It is oriented toward future harmonious and efficient distribution of development activities. Its long-term, strategic activity formulates a general spatial framework for future private and public investments (namely in the infrastructure). The regional planning often divides area and settlements into various types according to development priorities. As a result, it promotes the concentration of future development in growth poles and axes.

The approach of the state can be centralist or it can involve various forms of decentralization of the decision-making power to local governments. In the centralist model the local and regional planning and policies are controlled by the state administration with limited powers given to local governments. This does not mean that all the activities are organized by the national government. It can be a hierarchical top-down system which involves national, regional and other local level agencies of the state administration. An extreme form of such system was typical of regional planning under the communist regime.

The state can also transfer many tasks in local and regional planning and policy to local governments. It can have a hierarchical form, when the national government develops the national framework for the co-operation between national and various levels of local governments and outlines basic principles of national territorial development, subsequently binding for planning and policies of regional and local governments. The basic precondition for the development of decentralized system is the establishment of a strong regional government. However, there is always a question of the integration of the national and local government activities and reconciliation of national and local interests. There can also be a full decentralization with very limited involvement of the center in local and regional development planning and autonomy granted to the local government. In such an instance, the overall local and regional planning is very weak and limited to local development policies and physical planning at the municipal level.

The role of regions depends on the system of local government and in particular on the decentralization of power to the regional government. Regions with directly elected governments and granted with many responsibilities can play a very active role in regional development and promote their own interests within the overall development of the national territory. The policy of a region can be very active in promotion against other regions and bidding for national regional policy and European Union funds. Regional governments take responsibility for the compilation of regional planning documents linked

to national concepts of spatial development. Regional plans also make the framework for planning at the lower level of local self-government.

The power of municipalities in local development depends on the decentralization of responsibilities within the system of local government and on the financial strength of local authorities needed to accomplish municipal development and investment priorities. Furthermore, this is tightly linked with the population size of municipalities. It provokes the question of what is the threshold size for viable local governments. The major role of municipalities lies in promoting local interests, attracting desirable activities to their area, bidding for various development funds and in creating a framework for local development through strategic socioeconomic planning and detailed physical planning.

The historical development and current state of local and regional planning and policy in Western Europe can inspire the design of institutions and programs in transitional countries of East Central Europe (ECE). There are two important messages which should be taken from the West European experience. First, there is a variety of approaches to local and regional planning and policy across Europe (Healey, Williams 1993, EC 1994, Newman, Thornley 1996, Balchin, Sýkora, Bull, 1999). No universal or single model exists, which could be automatically transferred to and applied in East Central Europe. Locally specific aspects that emerged through historical development have to be taken into account when establishing the system in each country. Second, despite a wide range of national levels, the European Commission and other European institutions attempt to declare some general principles, which should be adopted by the member states of the European Union. There is a strong pressure toward certain unification which has also to be reflected by the countries that applied for EU membership, if they wish to succeed in the accession. Consequently, East Central European transitional countries have to be sensitive to both sides of the coin – national distinctiveness and European unification – and reconcile these two factors in the actual design of national institutions and programs of local and regional planning and policy.

The formulation of general principles of spatial development at the European level is the subject of ongoing discussions. The major themes in the discussion on differences and common features of territorial planning and policy systems are: (i) the level of centralization and decentralization; (ii) responsive or active programs; (iii) regulatory or discretionary systems; (iv) coherent or fragmented intervention; and (v) strategic/holistic or project-led approach. While the field of spatial planning is the subject of general discussions, the EU is actively shaping the form of national regional policies through its policy of economic and social cohesion and allocation of money from the Structural Funds. One can agree with Healey and Williams (1993) who say that the EU cannot transform national legal systems and

local political cultures by direct intervention, but it can influence their development by debates on its policy and through the application of criteria used for EU funding programs.

Toward which models will be the transitional countries heading? Which features will be preferred by local politicians and which principles will have to be applied due to the EU pressure? The ECE countries had similar starting conditions as the national systems of central planning were quite similar. After the political turn they received freedom which allowed the divergence in nationally specific paths and led to the establishment of local and regional planning and policy systems. However, the pressure from the EU is now stimulating the application of common features, which might lead to a convergence toward more similar national systems reflecting standards applied in unified Europe.

The major questions to be taken up in this chapter ask: How active have been the governments of transitional ECE countries in the development of new postcommunist framework for local and regional development planning and policy? What is the division of power between the state administration and local governments in the field of local and regional planning and policy? How active has been the post-1989 regional policy? Have governments preferred regional policies or regional planning? Have they attempted to formulate an integrated system of national, regional and local development activities?

As the development of postcommunist local and regional planning and policy has been influenced by the legacy of the Communist system and the nature of transition from the centrally-planned to the market system, there will be first a brief overview of this sphere. The basic institutional framework for the development of local and regional planning and policy has been provided by transformations in the local government system, which will be a subject of the next part. Then the attention will be paid to particular fields in local and regional planning and policy. A distinction is made between regional policy (policy of the national government toward regions and localities), policies of regions (development policies of regional governments), national spatial planning (national government concepts of territorial development), regional planning (it includes the activities of both state administration and regional governments in territorial planning at the regional level) and municipal development practices (activity of municipal governments in local development and physical planning). However, the text will be organized in three sections according to the spatial scale of local and regional planning and policy activities: national spatial planning and regional policy, policies of regions and regional planning, and local (municipal) development practices.

***Communist legacy, transition and postcommunist approach to regional development***

The Communist centrally-commanded system of allocation of resources was characterized by a hierarchically organized system of national, regional, and local planning. There were the national and regional economic planning, national concepts of settlement structure, and physical planning at the regional, urban, and intraurban levels. In the regional economic planning, spatial goals were managed by the national planning of the allocation of economic activities, labor force and housing. Regional plans were strongly determined by investment priorities of various ministries and presented a top-down approach, based on proposals from ministerial policies. The regional economic planning was supplemented by the settlement development planning, intended to manage the urbanization process. No regional or intraurban policies in the western sense were applied. The role of physical planning was to design a concrete spatial arrangement of objectives declared in economic development plans. It worked especially at the local level. Physical plans designed the macrospatial structure of urban areas, their general land use pattern and especially focused on the allocation of land for housing and industrial construction and transport networks systems. Physical plans at the regional level, which only developed in the 1980s, were directed mainly at the implementation of construction targets, set up in regional economic plans, and the creation of spatial frameworks for investment allocation.

In the first decades, the national economic planning focused on massive industrialization and economic decisions were made on the ministerial basis. This was crucial for regional development. The allocation of investment to new industries usually reflected both the politically championed equalization principle and the economic principle favoring agglomeration economies, especially in the case of the concentration of heavy industry. New industrial plants were established in backward rural areas creating single company towns, in newly established industrial towns and existing industrial centers. Since the 1960s investments in the sphere of production were supplemented by consumption targets, namely in the sphere of housing development and provision of services in the system of selected central places. However, the top-down distribution of funds disadvantaged the lower ranked central places and non-centers. The economic boom of the postwar period ended in the mid-1970s. The earlier political rhetoric which stressed rapid growth was transformed into preferences for qualitative aspects of development, increasing living standards of population and the consideration of environmental issues. Experiments with decentralizing state power to local governments and the private sector were tried in Hungary (Enyedi, 1990) and Poland, while the Czechoslovak government strictly maintained the principles of central planning.

The basic ideological assumption of post-1989 transformation policies was that market mechanisms will replace the centrally-commanded system in the allocation of resources and that market forces should be the sole principle for the regulation of economic system, including its territorial structures. The introduction of market economy revealed some strong features of regional economies, exposed the weakest regions and increased regional disparities (Blažek, 1996, MERP, 1996, Weclawowicz, 1996, Gorzelak, 1996, Paul, 1995). Economic changes turned traditional industrial strongholds into comparative disadvantages, changed the relation between public and private institutes in favor of the latter, and cities and regions became areas for the location of private investments instead of targets of central state planning (Lorentzen, 1996).

The territorial development reflected burdens inherited from the Communist era as well as the new spatially selective activities of private investors. Inequalities increased with the decline in peripheral rural areas and regions affected by de-industrialization, especially in traditional industrial agglomerations and single company towns, and with new economic activities, often backed by the inflow of foreign investment, developed in capitals, selected regional centers and the western border area along the border with Germany and Austria. The polarization between the capital and other fortunate cities and the rest of territory and the decline of wealth from the West to the East characterize the spatial pattern of uneven spatial development in the 1990s. New demands from market instruments and newly created spatial inequalities have become the basic contextual characteristics that should be reflected within a new spatial planning and regional policy system.

While the removal of Communist institutions was immediate, their replacement with a new system has been a much slower and complicated process. The hierarchically organized economic planning was terminated, regional governments abolished or their powers strongly reduced and the responsibility for local development and physical planning was devoted to newly established municipal governments. Regional development planning and policy have been regarded with suspicion and often seen as conflicting with the desirable free market system.

### ***Territorial administration and local government system***

The local government system and the character of relations between the national government and local elected bodies create the basic institutional framework for the operation of local and regional planning and policy. In particular, the level of centralization and decentralization is an important contextual factor which shapes the nature of local

and regional planning and policy system. The structure of decision-making can be very centralized, however, and powers can also be substantially devolved to regional and local governments.

In the transition states of East Central Europe, new legislation on local government was quickly approved in 1990. The reform abolished a hierarchically organized system of two-to-three levels of (regional, district, municipal) authorities directed from the center. It established a new system of local government, which is based on the separation of local government from the state administration.

Reforms gave independence and autonomy to municipalities, which became the basic units of government. Municipalities are now legal entities with directly elected assemblies and their governments represent the interests of the local community. New legislation delegated certain rights and responsibilities to municipalities, such as the right to own property, to collect special taxes and fees, to manage their financial resources and formulate and promote municipal development, using municipal development programs and physical plans.

During the first half of the 1990s, the performance of government functions was severely constrained at the middle level. There were established regional assemblies (districts assemblies in the Czech Republic and Slovakia, county assemblies in Hungary and voivodship assemblies in Poland) whose members were not elected directly, but appointed by the regional authorities. Their legitimacy and decision-making power were weak. In the meantime, the regional level became an outpost of the central government.

Since the mid-1990s, there has been undertaken reform in regional and local government systems with a major focus on strengthening regional government. Since 1994 Hungarian counties have been controlled by a directly elected County General Assembly. However, counties can assume only functions which municipal governments cannot perform or refuse to assume, thus only having a subsidiary status (Pálné Kovács, 1993). At present, there is an ongoing discussion about the establishment of larger regions which would comply with European Union territorial structures. In 1997, the structure of 14 regions, governed by directly elected assemblies, was approved by the Czech Parliament. New regions will become operational from the 1st of January 2000. In July 1998, the Polish Parliament approved a new territorial division of Poland with 16 regions (voivodships) and 308 districts (powiats). The reform introduces a radical decentralization of political power from the national government to regional governments. Regions will be governed by elected regional assemblies and the state administration at this level will be represented by an appointed governor. Polish regions will become operational on the 1st of January 1999. In Slovakia new territorial



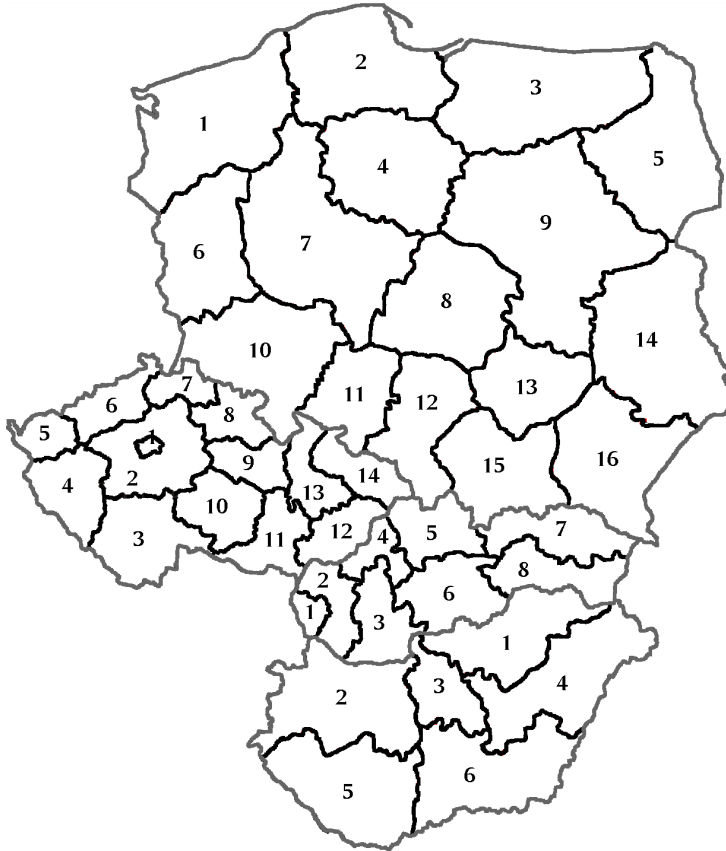
division was implemented in 1996. However, the territorial reorganization was approved without the establishment of government at the regional level. New regions do not have elected representations. Their governments are strictly subordinated to the central government and only serve the state administration purposes. It is unlikely that the new regional government will be established before 2000. The number of self-governed regions and their spatial delimitation is a matter of discussion. There might be more regions with elected government than in existing regions.

The present system of territorial administration in the Czech Republic consists of two tiers of 77 districts (*okres*) and about 6,200 municipalities (*obec*) (for details see Dostál and Kára, 1992, Perlín, 1996). The Czech municipalities with their average size 1,667 are the smallest among the ECE countries. Starting in 2000 there will be 14 regions (*kraj*) with elected governments. Their population ranges between 0.3 and 1.3 million inhabitants. While municipality is the basic authority for the execution of self-government functions, the bulk of the state administration tasks is divided between 77 districts and about 380 specially commissioned municipalities with delegated tasks of state administration (*pověřený obecní úřad*).

Hungary is divided into the capital, 19 counties (*megye*), 20 towns of the county rank (*megyei jogú város*), 148 towns (*város*) and 2,905 villages (*község*) (Hajdú, 1993). Villages are smaller settlements with a population size of less than 10,000 residents. Towns are divided into two categories: towns, and towns of county rank, which must have a population of more than 50,000 residents. The mean population of a county is 524,000 (Surazska et al., 1997) and average size of municipalities is 3,315 (Horváth, 1997).

The territorial administration of Poland which existed since 1975 and consisted of 49 regions (*voivodship, wojewodztwo*) and about 2,450 municipalities (*gmina*), has been replaced by 16 new regions (*voivodship, wojewodztwo*) with elected government and 373 (308 rural and urban, and 65 urban) districts (*powiat*) since the 1st of January 1999. The municipalities have an average population of 16,000 residents (Strong et al., 1996) and the population of new regions ranges between one and five millions inhabitants (Balchin, Sýkora, Bull, 1999).

Fig. 7.1: Regions in East Central European transitional countries

**Poland:**

1 – Zachodnio-Pomorskie, 2 – Pomorskie, 3 – Warmińsko-Mazurskie, 4 – Kujawsko-Pomorskie, 5 – Podlaskie, 6 – Lubuskie, 7 – Wielkopolskie, 8 – Łódzkie, 9 – Mazowieckie, 10 – Dolnośląskie, 11 – Opolskie, 12 – Śląskie, 13 – Świętokrzyskie, 14 – Lubelskie, 15 – Małopolskie, 16 – Podkarpackie

**Czech Republic:**

1 – Pražský, 2 – Středočeský, 3 – Budějovický, 4 – Plzeňský, 5 – Kalovarský, 6 – Ústecký, 7 – Liberecký, 8 – Královéhradecký, 9 – Pardubický, 10 – Jihlavský, 11 – Brněnský, 12 – Zlínský, 13 – Olomoucký, 14 – Ostravský

**Slovakia:**

1 – Bratislavský, 2 – Trnavský, 3 – Nitriansky, 4 – Trenčiansky, 5 – Žilinský, 6 – Banskobystrický, 7 – Prešovský, 8 – Košický

**Hungary:**

1 – North-Hungary, 2 – North-Transdanubia, 3 – Central Region, 4 – Northern-Great Plain, 5 – South-Transdanubia, 6 – Southern-Great Plain

Note: Existing administrative regions in Poland, Czech Republic and Slovakia and proposed regions in Hungary.

Since 1996 Slovakia has consisted of 8 regions (kraj) and 79 districts (okres), which have replaced the former administrative division with 38 districts (four regions were already abolished in 1990). There are nearly 3,000 municipalities (obec) in Slovakia, whose average size of 1,845 is only slightly higher than in the case of the Czech Republic. The population of new districts varies from 13,000 to 163,000 (the upper limit is determined by the subdivision of large cities of Bratislava and Košice into districts). The size of regions is rather balanced with 548,000 people living in the smallest and 769,000 in the largest region.

**Tab. 7.1: Number of units of territorial administration in East Central Europe**

| Country        | Regional and local administration |          |                        |
|----------------|-----------------------------------|----------|------------------------|
|                | Regional                          | District | Municipal <sup>3</sup> |
| Czech Republic | 14 <sup>1</sup>                   | 77       | 6,196                  |
| Hungary        | 19 + 1                            | -        | 3,130                  |
| Poland         | 16 <sup>2</sup>                   | 373      | 2,459                  |
| Slovakia       | 8                                 | 79       | 2,825                  |

Notes: <sup>1</sup>from 1.1.2000; <sup>2</sup>from 1.1.1999; <sup>3</sup>population size of municipalities is taken from Horváth (1997).

The development of the territorial administration of CEEC transition countries since 1989 has been characterized by several trends and characteristics. The first half of the 1990s was marked with the centralization of political power to the hands of national governments, decentralization of certain rights to municipal governments and weakening position of governments at the regional level. The establishment of the self-government at the municipal level introduced new principles of governance and the newly elected local representations had to learn – after forty years of totalitarianism – how to play their roles. One of the negative consequences was disintegration of municipalities amalgamated during the communist era, which rapidly increased the number of municipal governments and, more important, established extremely small municipalities with weak governance (excluding Poland). The regional level became a battle field between the ideas of centralization and decentralization, with national governments being reluctant to give up some decision-making powers to regional governments. Often, the fundamental idea of decentralization and transfer of responsibilities from the state administration to regional government was eclipsed by political discussions about the number of territorial units, which mirrored the clash between the proponents of „rational“ division of a country and advocates of regional and local interests. In the second half of the 1990s, the establishment of regional government gained a new momentum with the requirements of EU on associate states. However, there is a major discrepancy between the population size of regions in the Czech

Republic, Slovakia and Hungary and the territorial basis of EU structural policies. At present, only Poland has regional government on the size scale acceptable for the allocation of EU regional development assistance.

### *National spatial planning and regional policy*

This part focuses on the approach of national governments to the spatial development in transitional countries. The government usually uses two basic tools to influence the spatial development of a country: regional policy and national spatial planning. It can prefer the use of regional policies to spatial planning or vice versa, use both approaches simultaneously but independently or attempt to integrate them into a coherent system. Which approach to regional issues has been preferred in transitional countries of East Central Europe? Have governments attempted to formulate an integrated system of national, regional, and local development programs and institutions or have they preferred ad hoc, responsive and fragmented policies, based on projects focused on quick and flexible solutions to emerged regional problems?

The system of national/regional economic planning which formed the backbone for spatial allocation of resources within the communist system of central planning was refused with the onset of transformation. Central governments have become overwhelmed with general economic reform at the national level and regional development was not an important issue on the political agenda. However, with the emergence of regional problems central governments started to devise programs aimed at regional crisis management and some programs with regional goals were introduced within the support to small and medium-sized businesses. These initiatives were ad hoc, responsive and uncoordinated and the funds used for tackling regional problems were negligible. This phase can be seen as an embryonic stage of a national regional policy. It originated in the first half of the 1990s and can be characterized as a conceptual shift from regional planning based on holistic principles of public investment allocation to regional policy focused on the solution to particular regional problems.

First attempts to formulate and implement a comprehensive institutional system of regional development policy and planning appeared in the second half of the 1990s. An important factor behind the changing perception of regional policy and planning was the pressure coming from the Association Treaty with the European Union. A new system of regional policy designed according to the basic principles of EU structural policy was accepted. An important precondition for its application was reform of the local government system, especially the establishment of the self-government at the regional level. The ad hoc

responsive programs have been replaced with a comprehensive, hierarchically organized framework of national strategy of spatial development and regional development plans. The late 1990s are therefore marked with a reverse conceptual shift back to the realm of a more comprehensive system, trying to integrate basic characteristics of both regional policy and regional planning.

Although the East Central European countries are now heading for the same destination governed by EU requirements, there were important differences in their approach to regional policy and planning during the 1990s. While the Czech Republic and Hungary put more emphasis on regional policy in the form of responsive ad hoc programs focused on the solution to economic and social problems in particular regions, Poland and Slovakia accentuated spatial planning with attempts to formulate national spatial development concepts and regional plans aimed at complex spatial arrangement of functions and public investments.

In the Czech Republic, a broader concept of regional policy, pursued in 1991–1992 (see Blažek, Kára, 1992, Kára, 1994), was replaced after the 1992 parliamentary elections by a minimalist involvement of the national government in regional development. It was reduced to additional support to small and medium-sized businesses in regions with a high unemployment rate. In 1994 an ad hoc program was applied in four districts with high unemployment. Regional development programs were prepared with Phare assistance for two regions affected by industrial restructuring. Physical planning at the regional level lost its significance and there was no effort for co-operation between the fields of regional policy and physical planning. A major shift toward a more comprehensive system based on EU standards only happened in spring 1998, when the government adopted the Principles of Regional Policy. This document established a framework for the preparation of national and regional development strategies. This development is similar to that of Hungary, where it started two years earlier. Until present, the Czech system has been very centralist and this will only change with the introduction of regional government in 2000.

The evolution of the Hungarian approach toward regional development can be divided into two phases. The period of 1991–1996 was characterized by the use of the Regional Development Fund (RDF) for the support of small rural settlements in peripheral areas through infrastructure development projects (Horváth, 1995). The assistance, mostly through the Phare program, was also channeled to two depressed regions suffering from a crisis in metallurgy and agriculture. The change in the overall concept of regional development planning and policy has been brought by the Law on Regional Development and Physical Planning, approved in 1996 (MERP, 1996, Horváth, 1998). The Law is designed according to

the principles of the European Regional and Spatial Planning Charter and the EU structural policy and attempts to integrate socioeconomic planning (economic and social cohesion policy) and physical planning into a hierarchical system of national, regional, and local development planning and policy. The priorities of regional development planning and policy include the assistance to backward regions and regions affected by economic restructuring as well as the assistance to regions of high priority (development poles). However, the functioning of the system is complicated by the weak role of county governments and an absence of a higher level of regional government which would be in conformity with EU principles of territorial division at the level of NUTS 2.

Since the beginning of 1990s the Polish government has used a package of programs providing support to regions with high unemployment (for details see Gorzelak, 1996). Since 1995 this responsive regional policy is accompanied by a new system of regional and physical planning defined in the Spatial Planning Law of 1994. The central government formulates the concept of national spatial arrangement. At the regional level, the system integrates socioeconomic development planning and spatial arrangement planning. However, because of the nonexistence of the regional self-government, it has served only for the transfer of national development goals, defined by individual ministries, to regional plans. This weakness will be overcome by the establishment of regional government as of 1.1.1999. Poland will be the first of the ECE countries to have regional self-government complying with EU requirements, thus gaining an important advantage.

Regional policy is not well developed in Slovakia (Baláž, 1995). Currently, there is no legal framework for regional development policy. The government has not adopted any coherent approach and the intervention into regional development has only been based on the use of ad hoc programs of regional crises management in districts with unemployment exceeding 20%. In 1998 the Strategy for Regional Development of the Slovak Republic was submitted to the government. The national strategy should be followed by drawing up concepts of economic and social development for individual regions and regional development programs (Rajčák, 1997). Up to now, more attention has been given to the preparation of a national strategy of spatial development (MoE, 1996) and individual regional plans. Government priorities of spatial development at the national level are outlined in the Concept of Territorial Development of Slovakia, whose second version was approved in 1997. The document defines development poles (major urban agglomerations), a hierarchy of settlement centers and development axes. The principles set out in the concept should be reflected in regional physical plans. Despite the establishment of new territorial division of the country, there is no regional government and regional planning is organized by the state administration. This

approach is similar to that of Poland before the establishment of the regional self-government. High centralization of regional development planning and policy in Slovakia and strong hierarchically organized system of top-down decision-making will be only changed with the introduction of elected regional governments.

### *Policies of regions*

In this section attention will be devoted to the role of regional governments and other institutions in the promotion of regional interests and in the internal development of particular regions. The role of regional government depends on the system of local government and in particular on the decentralization of power to the regional government. Regions with directly elected governments and granted with many responsibilities can play a very active role in regional development and promote their own interests within the overall development of the state territory. In the context of lacking elected representations, the representatives of the state at the regional level or ministries of the central government often attempt to substitute for nonexistent regional government. Regional governments use tools for the promotion of economic development of regions to gain comparative advantages. They are also involved in the drafting of regional planning documents, which might be subordinated to national concepts of territorial development and at the same time make the framework for development planning at the municipal level. There can be other agencies actively involved in regional development, which operate simultaneously with regional governments or can replace nonexistent governments.

The reform of the local government system, introduced at the beginning of the 1990s, strengthened the center and the municipalities, curbing the power of regions. The formation of independent policies at the regional level has been severely restricted by the nonexistence of regional government in the Czech Republic, Poland and Slovakia, and relatively weak county governments in Hungary. In the meantime a limited role in regional development has been played by representatives of the state administration at this level, which often attempted to replace nonexistent self-government institutions. Regional authorities could influence the development of regions by claiming funds and assistance from the central government and by helping to organize, create and fund various regional development institutions and programs. This situation is likely to change in the near future in Poland and the Czech Republic with the introduction of regional government in 1999 and 2000 respectively. In Hungary, the Law on Regional Development and Physical Planning from 1996 established a general framework for the co-ordination of spatial development at county and regional levels. However, a complicated web of relations between various institutions can

constrain operational capabilities of the whole regional development planning system. Slovakia has the most centralized system of regional planning and policy, whose nature will only change with the introduction of the self-government at the regional level, which is unlikely before 2000.

The situation in the Czech Republic has been determined by the nonexistence of the regional self-government and the negligible interest of the central government in regional development. The approach of the government only changed recently, especially under the pressure of the EU. The change has been mirrored especially by the approval of regional government and the Principles of Regional Policy in 1998, according to which there will be drawn up regional development plans for each of the fourteen newly established regions. Since the regional government will become functional only in 2000, the preparation of regional development plans is now in the hands of the central government (Ministry of Local Development). However, it is expected that this activity will be transferred to the elected representations of regions. The development of regions is also influenced by physical plans at the regional level. Their preparation is organized by the Ministry of Local Development. They usually cover specifically delimited areas which do not conform to territorial administration. Regional physical plans (the Czech language uses the following terminology: physical plans of large territorial units) outline the organization of transport and technical infrastructure and delimit protected environmental zones. They have legally binding parts for the preparation of municipal physical plans. The relation between regional development plans, prepared along the lines of regional policy, and regional physical plans, drafted within the framework of physical planning, is unclear.

Hungary is characterized by a hierarchical organization of national, regional, and local planning, integration between social and economic development planning and spatial planning at the regional level and decentralization of responsibilities from the center to regional institutions. There is no single institution in charge of regional development, but the system operates within a complicated web of institutional relations. Regional development tasks within the county are coordinated by the County Development Council (CDC) which is established and funded by the central government, a respective county self-government, a county chamber of commerce, a county labor council and local municipal associations. This should promote the creation of networks among various county institutions. The head of the CDC is at the same time the chairman of the County General Assembly, the body representing the county self-government. The CDC outlines and approves the long-term regional development concept of the county, the regional development program of the county and individual subprograms. Another institution involved in regional development



is the government of a county. It is in charge of the preparation of physical plans for the whole county and/or its subregions. The county physical plans and objectives of the county regional development concept, which will be binding for municipal governments, are approved by the County General Assembly.

The Hungarian system of regional development planning has created a parallel structure to territorial administration, thus weakening the position of the county government. Another weak point is that the division of country into counties does not correspond to the territorial pattern of NUTS II level, which will be the spatial target of the EU structural policy. The Law on Regional Development and Physical Planning from 1996 allows County Development Councils to set up Regional Development Councils (RDC). Their task is to integrate the development across several counties and the central government strongly argues for regions that would comply with EU priorities. RDCs should devise regional development concepts, regional development programs and regional physical plans. It is difficult to evaluate the future role of Regional Development Councils, which should substitute the nonexistent self-government on the spatial scale preferred by the EU. However, their power will be rather weak and only supplementary to the CDC.

Throughout the 1990s the regional development in both Poland and Slovakia has been the matter of state administration. However, the Polish system was more decentralized, with greater responsibilities transferred to regional authorities, especially in the field of regional physical planning, while the regional planning in Slovakia was tightly governed from the center. In Poland, the old system will principally change starting 1999 with the implementation of newly elected regional governments. The former deconcentration of central state administration to regions will be replaced by the decentralization of decision-making power from the state to regional self-government.

Although regions have been established in Slovakia, there is no elected representation at this level. The absence of regional government is a major obstacle to the coordinated formulation, protection and promotion of regional interests. The territorial development within regions is now influenced by regional physical plans. Because of the absence of elected regional representations, their preparation is being organized by the Ministry of Environment. Until 1997 the central government intended to have 25 such plans, which would fully cover the territory of Slovakia. After a reform of territorial administration was taken, it was decided that there will be only eight regional plans whose spatial coverage will be in conformity with new regions. There is a question of what will happen if in the future there will be more self-governing regions than the current eight regions within the public service system. Technically, Slovak regional physical plans are nearly identical with Czech

plans. No major change can be expected in the centralist Slovak system as long as regions are governed on the principles of state administration.

Together with the center and regional governments there are other agencies actively involved in the promotion of the development of regions. The most important of them are Regional Development Agencies, which have been established in the Czech Republic, Poland and Slovakia. However, the involvement of the state in their establishment, their powers and responsibilities and the nature of their activities varies among these countries.

In the Czech Republic Regional Development Agencies have been established spontaneously by various local institutions, including towns, local businesses and banks, municipal associations, trade unions, etc. The state has not defined their status and there are no general regulations. The RDAs were originally created as institutions for gaining grants, subsidies and other forms of financial help to a region and in particular for institutions that established them. At present, they act mostly as a consulting service for both local governments and the private sector. Their revenues come from the support allocated by shareholders, consulting services and grants from the Phare program. The most active from the six agencies are RDAs in Ostrava, which benefit from the government and Phare support, and developed a strategic plan for 1997–2000, which includes investments and subsidies to regional and local infrastructure projects and dissemination of regional information and advertising materials.

In Poland there are more than 50 Regional Development Agencies. They have been created by the governmental Industrial Development Agency in co-operation with the regional administration and local authorities and with the support from chambers of commerce and industry, local firms, banks and business associations, etc. The state, represented by the Industrial Development Agency, usually contributes to the initial capital, but the agencies should be self-supporting. They should be involved in the preparation of local and regional development strategies, but are rather involved in consulting services for local firms. In some cases they are involved in the implementation of programs within the Phare framework.

Slovak RDAs are established through the foundation Regional Development of Slovakia, created by the central government. The center has initiated RDAs establishment, which is similar to the situation in Poland, but differs from the approach of the Czech government. Slovak RDAs are charged with higher powers and responsibilities than in the Czech Republic and Poland, as they are involved in co-ordination of local government and various other institutions at the local level. RDAs actively prepare regional development plans. First such plans were made for the districts of Čadca, Považská Bystrica and Žilina.

### ***Municipal development practices***

The sphere of municipal development in transition countries of East-Central Europe has been influenced by local government reforms which established the municipal government and granted independence to municipalities, by the disintegration of existing municipalities and the consequent emergence of large numbers of very small, administratively autonomous but economically hardly viable settlements, by the growing financial independence of municipal governments and the decrease in the central state redistribution of finance, and by the changes in the nature of municipal development planning characterized by the shift toward strategic planning and local economic development promotion.

Reforms of local government from 1990 granted municipalities in East-Central Europe relative autonomy and financial independence (Dostál, Kára, 1992, Kára, Blažek, 1993, Grochowski, 1997, Regulska, 1997). Municipalities have a right to own real estate and exercise property rights, adopt the municipal budget, generate own incomes and levy local taxes, establish legal entities and participate in businesses, adopt a local development program (a strategic plan) and approve a local physical plan and thus regulate the development process and environmental protection at the local territory. The main duties of municipal governments include the maintenance of the local road system and public areas, the public transport, water supply and sewage systems management, public order and safety, primary education and municipal housing policy, including provision of council housing.

The local government reforms allowed for the disintegration of municipalities (the Czech Republic, Slovakia) or directly abolished all the mergers of municipalities made during the Communist era (Hungary). The number of municipalities increased by 50% in the Czech Republic (from 4,100 in 1990 to about 6,200 in 1994) and in Hungary there are now as many local governments as in 1949 (Enyedi, 1994). This process led to the emergence of a large number of very small municipalities. About 60% of municipalities in the Czech Republic have less than 500 inhabitants and further 20% has a population between 500 and 1,000 residents. In Hungary, 35% from more than 3,000 municipalities have less than 500 residents. From Slovak municipalities 87% have a population of less than 2,000 residents. These small municipalities have many duties, but only small revenue (Lorenzen, 1996). The self-governments of such small municipalities are usually very weak in both financial and professional matters and have limited bargaining power in relation to the state government as well as private sector developers. Poland is an exception with municipalities substantially larger than in the Czech Republic, Hungary or Slovakia. There is no municipality with less than 1,000 inhabitants in Poland, while in the Czech Republic about 80% of municipalities have less than 1,000 people.

**Tab. 7.2: Number of municipalities and their average population**

| Country        | Number | Average population |
|----------------|--------|--------------------|
| Czech Republic | 6,196  | 1,667              |
| Hungary        | 3,130  | 3,315              |
| Poland         | 2,459  | 15,623             |
| Slovakia       | 2,853  | 1,845              |

Source: Horváth (1997).

Municipalities have the right to establish associations, represented by a common body of representatives to tackle problems that cannot be solved by individual small municipalities. In the Czech Republic small municipalities create associations and establish companies to organize certain tasks, such as collection and disposal of municipal waste or water, sewage and other technical networks construction and management. In Hungary, co-operation for matters concerning legal power, such as granting planning and building permissions, and joint maintenance of institutions, such as schools and social care homes, are also achieved. In Poland over 50 intermunicipal associations have been established for the sake of co-operation in the field of local economy, environmental tasks, etc.

One of the most crucial factors, which limits the possibility to exercise powers given to municipalities by the local government legislation, is the state of municipal finance. Important features of the system are created by the proportion of the municipal budgets in the total government expenditure, the possibility to generate own revenues and the ratio between own incomes and central governments grants, the temporal stability of the system and the magnitude of differences in revenue/expenditure per capita between municipalities. The main trend in the Czech Republic has been a decreased dependence on central government grants and the increasing role of revenues in nationally collected taxes, local taxes and fees and incomes from the sale and lease of municipal property. In Poland more than two thirds of municipal revenues came from own incomes and from the share on central taxes, while the general grant only accounted for 18.8% in 1993 (Surazska, Blažek, 1996). The municipal government expenditure only accounted for 12.3% of the total government expenditure, which was less than in the Czech Republic and developed countries of western and northern Europe (Surazska, Blažek, 1996). In comparison with the Czech Republic, Polish municipalities have lower per capita revenues and capital expenditures and generally are more constrained in their local economic development activities. Consequently, the power of Polish municipalities is strongly curbed by financial constraints. Alm and Buckley (1994) state that the sovereignty of Hungarian municipalities is mostly restricted by

the system of the local government finance. Although local governments can levy local taxes, they usually do not use such instruments (with the exception of local business tax) and remain heavily dependent on the central government for their revenues. In 1995 the normative state support of local budgets in Hungary accounted for nearly 60%. Nižňanský (1997) has found that the Slovak system of local government finance is heavily centralized, with the state government controlling 95% of all tax revenues. Buček (1997) points to a tight budget of Slovak local governments, characterized by shrinking municipal revenues and expenditures (in absolute figures) between 1992–1995.

Czech, Hungarian and Slovak municipalities are also entitled to borrow money and issue communal bonds (this approach has been used, for example, by the capital city of Prague to gain finance for investments in the transport infrastructure). Loan financing and sales of real estate belong to the tools used for covering local budget deficits. Polish municipalities have less freedom. Their economic activities are restricted by limiting municipal borrowing to 15% of the annual budget and by forbidding involvement in economic activities that are not directly related to the provision of public services (Surazska, Blažek, 1996). An important characteristic of the municipal finance from the point of view of local development is provided by the proportion of investments in municipal expenditures. In the Czech Republic and Slovakia it accounts for 35–40% of expenditures. The system of local government finance has often changed (see Blažek, 1994 for the case of the Czech Republic or Buček, 1997 on Slovakia). This has resulted in instability and caused difficulties for financial and investment planning at the municipal level.

One of the most powerful tools for the management of municipal development is physical planning, strategic socioeconomic planning and local economic development strategies. While physical planning has a tradition in Central Europe, strategic planning of socioeconomic development at the local level and implementation of local economic development programs is a new phenomenon. The nature of physical planning at the local level has also substantially changed. The old hierarchically organized system of land-use planning was abolished and municipal areas have become the most important objects and their self-governments subjects in physical planning. The traditional principle of monofunctional zoning has been replaced by the use of polyfunctional zones. Firms and residents have been invited to comment on drafts of new plans.

The basic local development planning documents in the Czech Republic and Slovakia, defined in the local government legislation, are the municipal development program, which specifies long-term priorities of socioeconomic development. There is also a medium-term physical plan and the municipal budget, which specifies financial and in particular investment

allocation in the short run. While the budget is an obligatory instrument for municipal governance and physical plan is a commonly used document, the municipal development programs have only been prepared in some municipalities, especially in towns. There is only a small number of cities and large towns which have approved or are currently preparing municipal development programs (they are often called strategic plans). There are large differences between municipal development programs. While Prague's strategic plan formulates general principles of long-term development in all aspects of urban life (for a horizon of 2010), some other towns (such as Ústí nad Labem in North Bohemia) have prepared short-term (three-year) special plans based on concrete projects aimed at local economic development promotion. Unfortunately, the Municipal Law is the only legislation in which municipal development programs are mentioned and there exist no rules or guidelines for their preparation. Municipalities have to take their own initiative and experiment with the preparation of such planning documents. Up to now, the short-term individual and ad hoc political decision-making was preferred to long-term comprehensive strategies of local socioeconomic development.

The municipal government is the principal authority devising physical planning documentation in the Czech Republic. Physical plans are approved by municipal assemblies. The approved plans are binding for lower levels of planning documents (detailed regulation plans), the drafting of development projects and the decision-making concerning planning and planning and building permissions. The principal physical planning documents exist in the form of a land-use plan for the whole municipal area and a detailed regulation plan for an intrasettlement zone. In the case of small municipalities, land use and building regulation principles are applied in a single plan.

At present, general land use plans are the most common planning documents and many local governments, urban and suburban in particular, have organized the preparation of new land use plans recently. The preparation of physical plans of neighboring municipalities is not coordinated and in suburban and other attractive areas it is often strongly influenced by the pressure from real estate developers. The preparation of new regulation plans for intraurban zones has been neglected. They are lacking especially for the areas with a high development pressure, such as those in Prague (Sýkora, Šimoníčková, 1994). Unfortunately, local politicians preferred ad hoc decisions to long-term strategic visions of urban development.

In Poland local physical planning at the municipal level is considered to be the basis of the planning system and only local physical plans are legally binding physical planning documents. There are two consequent steps in local physical planning. First, a study of spatial arrangement must be drawn up. It covers all the municipal area, has a form of a

general land use plan and is not a legally binding document. Second, legally binding local plans of spatial arrangement are prepared for parts of the municipal area, and have a form of detailed regulation plans. Local plans also include a prognosis of the environmental impact of planned projects. Municipalities are not obliged to prepare a new plan. However, in certain, legally defined cases, for instance when there is a project of national interest located in the municipal area, the municipality has to prepare the plan. If a municipality does not make the plan in such a case, it will be prepared and approved by the regional (voivodship) government.

Polish towns have been increasingly involved in the formulation of local economic and social development strategies. However, the preparation of strategic planning documents is still in its infancy. Gorzelak (1996) argues that limited skills and pressure of everyday matters is an important factor underlying the low involvement of municipalities in local economic development (Gorzelak, 1996).

The city of Kraków can serve as an example of a municipality with a clearly defined development strategy. The basic planning document is the Plan of the Development of the City of Kraków (UMK, 1997). It is a five-year plan, which is annually updated. It consists of three parts. First, it is a five-year Plan of Social and Economic Development of the City of Kraków that specifies priorities in several fields such as health and safety of population, transport, infrastructure, services and trade, spatial management and conservation, etc. There is the second document: the annual Economic Program with detailed specification of priorities for a given year in the transport infrastructure, housing, etc. Third, it is the five-year Program of Finance and Investments, considered as the most important and elaborate document of municipal expenditures. At present, the municipality is preparing a study of spatial arrangement that will serve for the preparation of detailed plans of spatial arrangement (see the next part on physical planning).

Hungarian municipal governments are also being increasingly interested in the possible use of local economic development strategies especially with the aim to attract new businesses to their areas. The major planning document in Hungary is a usual physical plans, prepared and approved by municipalities and binding for the regulation of the development process in the municipal area.

Due to the common past with the Czech Republic, Slovak physical planning system is nearly identical with the planning in the Czech Republic. A draft of the new Law on Physical Planning, Building Code and Expropriation was completed in 1998. At present, physical plans are the only legally binding documents for territorial development of municipalities.

### **Conclusions**

The development of new institutional framework for local and regional planning and policy in transition states of Central Europe has been influenced by the legacy of the Communist system, transition from the centrally-commanded to the market system, transformations in the local government system, disputes over the new role of spatial planning and association agreements with the European Union. While relative autonomy was granted to municipal governments, the regional level lost some of its significance. This situation changed in some countries only recently (Poland) and in others the establishment of strong regional government institutions is still a matter of ongoing discussions (Slovakia).

In the first years of transition, the regional development was not influenced by any consistent approach of central governments. Transformation policies were in its nature macroeconomic and there was no place for regional planning and regional policy. Intervention in spontaneous development was considered as incompatible with the market system. Regional planning and regional policy were not considered as a relevant policy instrument within the market-based system. In fact, the neglect can be treated as a specific type of policy itself. Some programs were used for regional crisis management in problem areas and individual and uncoordinated programs with regional goals were introduced within the support to small and medium-sized businesses, labor market and agrarian policies. Any clearly specified concept or strategy of regional policy and planning was not formulated and initiatives were ad hoc, responsive and uncoordinated. Furthermore, the funds used for tackling regional problems have been negligible.

The spatial concentration of social and economic problems, the end of the illusion that the invisible hand of market will resolve all problems, the development of new social system to higher complexity and maturity and the pressure from the Association Treaty with the EU have been the basic contextual characteristics behind the first attempts to formulate and implement a comprehensive institutional system of regional planning and policy in the second half of the 1990s. In the meantime, the absence of a comprehensive national spatial development strategy and a consistent regional policy, changes in the local and regional government system and disputes over new planning legislation created contextual and institutional uncertainty.

In the field of local development planning, there was no national or regional planning concept that would create a framework for the preparation of local physical plans. The very idea of planning has been treated with suspicion and one of the main tasks for physical planners has been to keep planning regulations in operation and defend the legitimacy of



the planning system (Hoffman, 1994, Sýkora, 1995, Hammersley, 1997). The current physical planning and development management is characterized by the absence of national and regional spatial development concepts, uncoordinated planning efforts of individual municipalities and by a strong pressure of various developers on weak and inexperienced local governments in attractive and valuable areas. The land use planning at the municipal level and public regulation of the development process was characterized by the preference for ad hoc political decisions to long-term strategic visions. In this situation ad hoc approaches have developed, with local governments applying their own strategies, often incorporating elements from before 1989 (Newman, Thornley, 1996). Most important, the physical planning at the urban level is being supplemented by the emerging strategic planning and attempts to implement economic tools for stimulation and facilitation of local development.

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