9 Transition states of East Central Europe

Introduction: Communist legacy and transition

The contemporary local and regional planning and development policies in East Central European countries (the Czech Republic, Hungary, Poland and Slovakia) are influenced by the legacy of the Communist system, transition from centrally planned to market system, transformations in the local government system, disputes about the new role of spatial planning and the association agreements with the European Union.

Communist legacy

The Communist centrally planned system of allocation of resources has been characterised by a hierarchically organised system of national, regional and local planning. There was national and regional economic planning, and national concepts of settlement structure and physical planning on regional, urban and intra-urban levels. In regional economic planning, the spatial goals were governed by the national planning of the allocation of economic activities, labour force and housing. Regional plans were sums of spatial proposals of various ministries. The regional economic planning was supplemented by settlement development planning intended to govern the urbanisation process. No regional or intra-urban 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.

In the first decades, a national economic planning focused on massive industrialisation and sectoral economic decision-making was crucial for regional development. The allocation of investment to new industries usually reflected both the politically declared equalisation principle and economic principle favouring agglomeration economies. New industrial plants were established in backward rural areas creating single company towns, in newly established industrial towns and existing industrial centres. The industrialisation programme should have strengthened the economic base of Communist countries competing in the geopolitically polarised

world and created modern urbanised society with equally accessible benefits to all citizens.

Since the 1960s, investment in the sphere of production was supplemented by consumption targets, namely in the sphere of housing development and provision of services in the system of selected central places. Standardised dwellings and services were provided across the country's territory. However, the top-down distribution of funds disadvantaged the lower ranked central places and non-centres. At an urban level, physical planning involved the use of elaborate and rigid land-use zone plans, which regulated the allocation of land for new housing and industrial construction.

The economic take-off of the post-war period ended in the mid-1970s. The earlier political rhetoric stressing the rapid growth has been transformed to preferences given to the qualitative aspects of development, increasing living standards of population and the consideration of environmental issues. Experimentation with the decentralisation of state power to local governments and private sector actors was applied in Hungary and Poland, while the Czechoslovak government kept strict central planning principles.

Transition

The post-1989 economic transformation turned earlier industrial strongholds into areas of comparative disadvantage, changed the relation between public and private actors in favour of the latter and cities and regions became areas for the location of private investment instead of objects of public planning (Lorenzen, 1996). The territorial development reflected burdens inherited from the Communist period as well as the new spatially selective activities of private investors. Inequalities increased with the decline in traditional industrial regions and foreign investment targeted on capital cities, selected regional centres and western border regions. New demands from market actors and newly created spatial inequalities become the basic contextual characteristics that should be integrated within a new spatial planning system.

The removal of Communist institutions was immediate, however, its replacement with a new system is a much slower and complicated process. The transition period is characterised by the political fight over the particular form of market-oriented economy. While the old principles were quickly rejected, new institutional arrangements are developing slowly and often in a chaotic manner creating many uncertainties. This applies in particular to fields such as planning, which has been regarded with suspicion and often seen as contradictory to the desired free market system.

The very liberal thinking of first transition years was characterised by low political priority of the central government given to physical planning, regional policy, housing policy, etc. (Sýkora, 1994b). Hierarchically organised economic planning was terminated, regional governments abolished or their

powers strongly reduced and the responsibility for physical planning was devoted to newly established municipal self-government. The absence of comprehensive national spatial development strategy and consistent regional policy, changes in the local and regional government system and disputes about new planning legislation created contextual and institutional uncertainty.

Consequently, land-use planning on a municipal level and public regulation of development process were characterised by a 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 and Thornley, 1996). Importantly, physical planning on an urban level is being supplemented by an emergence of strategic planning and attempts to implement economic tools for stimulation and facilitation of local development.

The Czech Republic

The former Czechoslovakia was probably the country with the strongest equalisation policy in the Central and East European region. The Regional development in the years following the end of the Second World War was influenced by the attempts to repopulate the western frontier zone, from which about three million Germans were expelled in 1945–46, by the industrialisation of Slovakia through both the relocation of factories from the western frontier zone to the east and new inward investment to industry, and by flows of industrial investment to economically weak regions in the south of the Czech part of the country. Concerning the settlement structure, new industrial investment was targeted on small towns of 10,000 to 20,000 inhabitants (Musil and Ryšavý, 1983).

The main priorities of the 1950s and 1960s included the industrialisation of Slovakia and the concentration of new investment to heavy industries in existing industrial centres (Pavlínek, 1992). The equalisation policy on the macro-level and geopolitical reasons were the main ideological and strategic reasons behind the industrialisation of Slovakia, which was located in the middle of COMECON countries and remote from the western military borderland of the Warsaw Pact. Since the mid-1950s, the traditional industrial regions of North Bohemia and North Moravia were preferred to backward areas in investment decisions.

Until the 1960s, regional development was an outcome of a single national plan of economic development. Since the beginning of the 1960s, the national plan also included regional development projections and in the second half of the 1960s, the plans for selected urban agglomerations and frontier districts were added. The accent in the territorial distribution of resources was put on medium size cities as cores of regional agglomerations to utilise economies of scale. The reform process of the late 1960s brought

an introduction of modern regionally selective industrial policy measures, such as investment grants and increased depreciation allowances, that were applied in selected regions (Blažek and Kára, 1992). The regional development priorities broadened through the inclusion of service and consumption targets. The long-term concept of national settlement network divided towns and cities into several hierarchical categories, each with a specific set of service functions to be provided for their regions. In the sphere of housing, the programme of construction included an important element to facilitate the regional distribution of the labour force. The equalisation process between the Czech lands and Slovakia came to a political phase by the establishment of a federation of two republics in 1968.

The normalisation process of the early 1970s strengthened the centrally organised system of the resource distribution. The border zone and selected industrial districts have enjoyed preferential treatment through the allocation of investments, investment grants, supplements to wages of selected professions (Blažek and Kára, 1992) and labour stabilisation housing allowances for private and co-operative housing construction (Sýkora, 1996). The concept of urbanisation and settlement structure has been advanced from the simple form of hierarchically organised nodes to the delimitation of regional agglomerations, urban regions and other central places. The concept was intended to manage and control the process of urbanisation until 2000. It influenced the distribution of resources with a strong preference given to agglomeration economies.

The 1980s were affected by a general economic decline. The one-sided rhetoric about economic growth was supplemented by the attention given to social and environmental aspects. Following the adoption of the Regional Planning Decree in 1977 (Blažek and Kára, 1992) regional planning was integrated into the jurisdiction of regional and district authorities as a subsystem of central planning aimed at spatially rational and equal distribution of resources. The politically declared goals of newly constituted regional planning included the rational distribution of resources and the effective use of forces of production on the whole territory of the state, and optimal use of natural, social and economic conditions of regions with the objective to improve living standards of the population. The first regional plans were prepared at the end of the 1980s for selected regions, however, due to the political change in 1989 and the abolition of regional governments in 1990, their implementation was hindered (Pavlínek, 1992).

Physical planning operated especially on the local urban level. After the Communist take-over, physical planning instruments were not used and the spatial allocation of investments to construction was governed by individual political decisions. Physical planning was reconstituted as a tool for urban development only in the 1960s. Physical plans designed the macro-spatial structure of urban areas, their general land-use pattern and especially focused on the allocation of land for housing and industrial construction and transport network arrangement (for more details see Carter, 1979;

Rubenstein and Unger, 1992; Sýkora, 1995). The amount of services on the city wide and neighbourhood levels were planned according to nationally set standards. The protection of arable land and the preference for high-density high-rise housing estates on city outskirts led to the creation of compact urban structures and limited urban sprawl. Physical planning was directed mainly at the implementation of construction targets set up in economic plans and the elaboration of spatial frameworks for future investment planning.

The introduction of the market system brought an increase in regional disparities (Blažek, 1996). The growing differences in economic development supplemented by political disputes between political representations of the Czech and Slovak parts of the federation brought a split of Czechoslovakia into two independent states (in 1993). Territorial disparities also emerged in the Czech Republic itself with growing unemployment in old industrial regions and backward areas, more active development of entrepreneurship in the western part of the country and spatially selective concentration of foreign investment interests in the capital city of Praha, selected other large cities and towns and the western border zone.

Regional development has not been influenced by any consistent approach of the central government. The intervention into spontaneous development has been considered as inconsistent with the market system. Ad hoc programmes were used for regional crisis management, and individual and unco-ordinated programmes with regional goals were introduced along with support to small- and medium-size enterprises, the labour market and agrarian interests. The emerging regional problems of the second half of the 1990s, with the rate of unemployment exceeding in some districts 10 per cent, and the pressure coming from the Association Treaty with the EU will probably result in the development of a more comprehensive institutional system of regional development policy.

The previous hierarchical system of national, regional and local planning was abandoned and there is 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 planners has been to keep planning regulations in operation and defend the legitimacy of the planning system (Hoffman, 1994; Sýkora, 1995; Hammersley, 1997). Currently, physical planning and development control is characterised by the absence of national and regional spatial development concepts, unco-ordinated planning efforts of individual municipalities and by a strong pressure of various developers on weak and inexperienced local governments in attractive and valuable areas.

Territorial administration

The Czech Republic has a population of 10.3 million and a territory of 78,900 km^2. In 1990, the old hierarchically organised system of National

Committees, which represented state power in regions, districts and municipalities, was abolished and a new system of local government created by an amendment to the Constitution and through the new Municipal Act and District Office Act (Dostál *et al.*, 1992; Kára and Blažek, 1993). In Autumn 1990, for the occasion of municipal elections, Regional National Committees were abolished without replacement, District National Committees were replaced by District Offices that represent the state administration and municipalities became the basic units of local self-government. The present system of territorial administration consists of two tiers of seventy-seven districts and about 6,200 municipalities (Table 9.1). The capital city of Praha is a municipality which is further sub-divided into fifty-seven boroughs and thirteen so-called statutory towns are also divided into boroughs.

The new system of local government that has been in operation since 1990 is based on the separation of local self-government from state administration. The basic organs of municipal self-government are a directly elected Municipal Assembly and a Municipal Council and Mayor, elected by members of the assembly. The new Constitution, that was approved in 1991, also declared the existence of self-government with directly elected regional assemblies on the regional level. In 1997, after long political disputes, it was decided that fourteen regions will be established by 1. January 2000 (see Figure 9.1). However, the competencies of regions has not been specified yet. At the district level, there is a District Congress (Assembly), consisting of representatives of municipalities (often mayors) delegated according to the population size of municipalities. While large towns have many votes, there is a single representative for several small villages, a strongly biased urban-rural distribution of voting power. The District Assembly has very limited power and its role concerns the distribution of a central government equalisation grant from the district to the municipalities and the approval of the District Office budget.

The bulk of the state administration tasks is divided between seventy-seven districts and about 380 specially commissioned municipalities with delegated tasks of state administration. Municipalities itself are also responsible for certain state administrative tasks delegated to this level. However,

Table 9.1 Units of territorial administration in East Central Europe

Country	*Regional and local administration*		
	Regional	*District*	*Local*
Czech Republic	– (14, from 1.1.2000)	77	6196
Hungary	19 + 1	–	3130
Poland	49 (16, from 1.1.2000)	– (308, from 1.1.2000)	2459
Slovakia	8	79	2825

Source: Horváth (1997)

Figure 9.1 Approved regions (in operation from 1.1.2000) and existing districts of the Czech Republic

the range of delegated tasks differs, for instance building offices are localised only in some municipalities and provide their services for a set of surrounding municipalities. Municipal administration is in this field subordinated to the District Office and Municipal Assembly has no influence on the performance of delegated tasks (Perlín, 1996). It is envisaged, that in the long term, the level of fourteen regions and about 380 small regions should be strengthened at the expense of districts and small municipalities.

Local government in Prague is regulated by several legal documents (Blažek *et al.*, 1994, Kára, 1992). The Municipal Act declares Praha as a municipality and thus creates a background for the unified and centralised local government in the city. The Act on the Capital City of Praha from 1990 divides Praha into city parts (boroughs) with directly elected self-governments and their own budgets. The Charter (Statute) of the City of Praha is a local by-law, which specifies the deconcentration of responsibilities from the municipality (the central city government) to its boroughs. For instance, according to the Municipal Act, Praha as a municipality is the owner of real estate, however, it decentralises the management of certain properties, such as housing, to its boroughs. The Praha government administrate similar state functions as District Offices and delegate many of the tasks from the city level to selected borough governments, which serve population of their territory and adjacent boroughs (there are several levels of decentralisation). The major problems with local government in Praha are the large number of boroughs, the huge difference in their size and power

(the smallest borough has less than 200 inhabitants while the largest has a population over 140,000, Blažek *et al.*, 1994) and the complicated system of decentralisation of state administration to the boroughs.

Regional policy

In 1991, regional policy was declared an integral part of general economic and social development policy with the main aim of providing the preconditions for the attainment of adequate working and living conditions of the population in all regions of the Czech Republic (Blažek and Kára, 1992). In the 1991–92 period, the government and Ministry of Economy in particular pursued a broad concept of regional policy. According to a set of criteria, there were recognised regions affected by structural change, backward frontier regions, regions with neglected infrastructure and regions and localities with environmental problems. In these regions, two-year tax holidays for private enterprises, grants for infrastructure improvement, support for active employment policy and some other measures were introduced (Kára, 1994). The new Regional Development Act, which was prepared in a draft version in Spring 1992, was refused by a new government after parliamentary elections in 1992 and the government cut former funds allocated for assistance to regional development.

The government resolution concerning regional economic policy (approved at the end of 1992), became the basic document for the realisation of regional policy and operational throughout the rest of the 1990s. The support is limited to small- and medium-size enterprises (SMEs) in areas delineated annually according to the unemployment rate. The areas account for 20–25 per cent of the Czech Republic population. The state through the Czech and Moravian Guarantee and Development Bank provides guarantees for loans and interest subsidies. The incentives should in particular support job creation and the export capabilities of firms. The programme of regional assistance is additional, i.e. the firm should first qualify for one of the basic programmes within the general support provided to SMEs and if located in an assisted region can apply for additional support.

In 1994, a specially designed programme was applied in four districts with the highest unemployment. The package of incentives contained support to SMEs, development of entrepreneurship in agriculture, municipal and transport infrastructure, ecological investments and active labour policy. The unemployment rate in the assisted districts fell sharply, however, it generally dropped in the whole country and thus the contribution of the regional help package cannot be evaluated precisely.

Regional policy (together with physical planning and housing policy) is the responsibility of the Ministry of Local Development. Up to now, there have been no new regional policy programmes designed and applied by this Ministry. Therefore, regional policy has been characterised by an ad hoc

approach in the case of crisis management and limited support to SMEs. In 1997, the Ministry prepared the principles of regional policy, however, the regions are not at the top of the political agenda. Nevertheless, it might be expected that the duties emanating from the Association Agreement with the EU will change the government's perception of the role of regional policy.

There are other ministries and government agencies whose programmes include important regional policy elements. Probably the highest impact on overall regional development has been the system of local government finance (Blažek, 1994a, 1994b, 1996, 1997b; Surazska and Blažek, 1996) and the distribution of equalisation grant in particular. The Ministry of Labour and Social Affairs pursue an active employment policy which – through the network of labour offices – is targeted namely at districts with a high level of unemployment. The Ministry of Agriculture has developed the Programme for Rural Revitalisation that addresses the development of infrastructure in villages, revitalisation of rural built environment and public green spaces in villages. The Support and Guarantee Fund for Agriculture and Forestry allocates within the Agroregion programme, an additional support to farmers who have already received finance from one of the basic programmes of the Fund. The Ministry also supports reforestation in mountain areas and the preservation of cultural landscapes in rural areas. Transport infrastructure and environmental investment have also been to a limited extent influenced by principles of differentiated regional allocation with preference given to remote areas and regions of severe environmental damage. The Ministry of Culture supports conservation and regeneration activities in protected historic settlements.

The Ministry of Trade and Industry established two agencies that have a strong influence on local and regional development. CzechInvest is an agency for the support of foreign investment. This agency co-operate with various local actors, especially local governments in towns and cities and their departments of urban development and physical planning and with Regional Development Agencies. The agency is involved especially in consultancy and organisation of real estate provision to potential foreign investors. It has also organised a programme of accreditation for towns and cities which offered training in local economic development practices. The Business Development Agency was established by the Ministry with the assistance of the PHARE programme. The agency created a network of Regional Advisory and Information Centres, aimed at providing consultancy to SMEs, and Business Innovation Centres, akin to science and technology parks.

Two regional development programmes have been created for areas heavily affected by industrial restructuring. The preparation of regional development programmes for Ostrava and Northern Bohemia have been sponsored by the PHARE programme that also co-financed the establishment of Regional Development Agencies in these areas. Since 1994, the PHARE CBC programme supports cross boundary co-operation between

the Czech Republic and Germany and since 1995 with Austria as well. The PHARE programme is important, not only because it provides investment grants, but also because of the know-how transfer which takes place through the application of procedures used in the European Union.

Policies of regions

The formation of independent policies on the regional level is severely restricted by the non-existence of self-government at the regional level. This should change with the introduction of regional government in the year 2000. Up to now, a very limited role has been played by District Offices, which beside their administration responsibilities also attempt to substitute for the non-existence of self-government at this level and have been engaged, for example, in the promotion of the district in the sphere of tourism, etc. Since the abolition of regional government at the end of 1990, there have been selected attempts to co-ordinate some activities at the regional level, of which the most important have been the establishment of Regional Development Agencies.

District Offices are directly subordinated to the Ministry of Interior and its departments to other ministries. Their role in the local development is limited to management of hospitals, social care facilities, libraries, museums, theatres, etc., which have not been transferred to municipalities. There are departments of regional development within District Offices. They often organise and finance the preparation of physical plans for municipalities, despite the fact that this task should be carried out at the lower level of specially commissioned municipalities with delegated tasks of state administration. There are many cases when these departments order and pay for the preparation of a district development plan, despite there being no legal requirement for such a document and no self-government body which could pursue its application. The role of overall development planning at a district level is not even performed by the District Assembly. Its influence on the redistribution of the central government equalisation grant to municipal budgets can have very limited implications for the development of the district, for instance in the case of reserving part of the grant for investment in a common technical or service infrastructure project.

Since 1993, several Regional Development Agencies have been established by various local institutions, including towns, local enterprises and banks, municipal associations, trade unions, etc. They are independent bodies whose role, is not regulated by the state. The central government has been involved only in the founding of the first North Moravian RDA in Ostrava to tackle problems of the old industrial and coal mining region (it includes six districts). The second North Bohemian RDA in Most was established in another old industrial and lignite mining region (seven districts). Since 1996, other RDAs emerged, for example, in the central

Moravian town of Olomouc. The RDAs were originally created as institutions for gaining grants, subsidies and other forms of financial help to the region and in particular for institutions that established them. At present, they act mostly as a consultancy service for both local governments and the private sector. Their revenues come from the support allocated by shareholders, consultancy services and grants from the PHARE programme. The most active is RDA in Ostrava, which benefits from the government and PHARE support. It developed a strategic plan for 1997–2000, that includes investments and subsidies to regional and local infrastructure projects and dissemination of regional information and propagation materials, and is involved in the EU ECOS/OVERTURE programme.

Local (municipal) development practices

Municipalities have a right to manage municipal property, adopt municipal budget, establish legal entities, adopt a municipal development programme, approve local physical plans and issue municipal ordinances. The basic local development planning documents declared in the Municipal Act of 1990 are the municipal development programme, that specifies long-term priorities of socio-economic development, the medium-term physical plan and the municipal budget, that specifies financial and in particular investment allocation in the short-time perspective. While budgets are necessary for municipal governance and physical plans are commonly used instruments, municipal development programmes are rarely adopted. There is only a small number of cities and larger towns, which are currently preparing municipal development programmes, often called strategic plans. Unfortunately, the Municipal Act is the only legal norm where municipal development programmes are mentioned and there exists 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 socio-economic development.

The Municipal Act of 1990 allowed for the disintegration of municipalities amalgamated during Communism. Consequently, the number of municipalities increased from about 4,100 in 1990 to about 6,200 at present (Table 9.2). This process led to an emergence of a large number of very small municipalities (about 60 per cent of municipalities have less than 500 inhabitants and a further 20 per cent of the population between 500 and 1,000). The self-government of such small municipalities is very weak in financial and professional matters and has limited bargaining power in relation to the state government as well as private sector developers. In many cases, small municipalities create associations and establish companies to organise certain tasks, such as the collection and liquidation of municipal waste or water, sewage and other technical networks construction and management.

Table 9.2 Number of municipalities and their average population

	Number	*Average population*
Czech Republic	6196	1667
Hungary	3130	3315
Poland	2459	15623
Slovakia	2853	1845

Source: Horváth (1997)

The main trend in municipal finance has been the decrease in the dependence on central government grants and the increasing role of revenue from an apportionment of personal income tax from individual entrepreneurs and employees, together with property tax and other own incomes, including local fees and revenues from the sale and lease of municipal property. 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 investment in transport infrastructure). There are large differences of own incomes per capita between municipalities (this is partly diminished by the central government equalisation grant). Surazska and Blažek (1996) indicate a regional pattern of this inequality with highest incomes achieved in cities and in the western part of the country, especially along the boundary with Germany and Austria. The system of local government finance has changed several times during the 1990s (Blažek, 1994) and this resulted in instability and caused difficulties for financial and investment planning at the municipal level. An important characteristic of municipal finance from the point of view of local development is that investment accounted for a high share (35–40 per cent) of municipal expenditure.

Physical planning and the control of development process

The regulations governing territorial planning and the control of the development process in the Czech Republic are provided in the Act on Physical Planning and the Building Act of 1976. New laws which reflect changing conditions are (at the time of writing) under discussion in the Parliament committees. Physical planning is in the competence of the Ministry of Local Development. The principal instruments of physical planning include planning working papers, planning documents and planning permits. The purpose of the planning working papers is to collect basic data and evaluate proposed developments. Planning documents are the real physical plans, which differ according to time horizons (projection, plan, action project) and spatial scales (regional, urban, urban zone). In the proposed spatial planning act, the time horizons are abolished and planning documents can have the form of a regional plan, a general land-use plan for a

municipal area and local regulation plan for a settlement zone. The planning permit is an executive decision of the state administration about the location of new development, land-use changes, the declaration of a protected area or the construction closure of a particular area.

The principal authority responsible for procurement of physical planning documentation is at the municipal level. However, for many small municipalities the preparation of physical plans is organised by District Offices or commissioned municipalities with delegated tasks of the state administration. The physical plans are approved by Municipal Assemblies and are binding at the lower levels of planning, and in respect of the elaboration of development projects and decision-making concerning the issue of planning permits.

The proposed spatial planning legislation concerns the organisation of the planning institutional framework on three basic levels. The central government will prepare the programme of national development. Regional governments (in operation from 2000) will prepare regional development programmes and regional physical plans, which will specify especially the organisation of regional transport and technical infrastructure and delimit the protected environmental zones. The regional governments will also co-ordinate the harmonisation of municipal physical plans. Municipalities will be the core institution of physical planning. The principle planning documents will be the municipal development programme, the land-use plan for the whole municipal territory and the detail regulation plan for an urban zone. In the case of small municipalities, land-use and building regulation principles will be applied in a single plan.

At present, general land-use plans are the most common planning documents and many local governments, especially urban and suburban, have organised the preparation of new land-use plans recently. The preparation of physical plans of neighbouring municipalities is unco-ordinated because of the absence of regional physical planning. The preparation of plans for small municipalities in suburban and other attractive areas is often strongly influenced by the pressure from developers. The preparation of new regulation plans for urban zones have been rather neglected. They are missing especially for areas with high development pressure, such as the central city of Praha (Sýkora and Šimoníčková, 1994). Unfortunately, local politicians preferred ad hoc decisions to long-term strategic visions of the urban development. Regional plans have been elaborated only in the 1980s (an exception was the Regional Plan for the Praha-Central Bohemian Agglomeration approved in the mid-1970s) and they have not covered the whole territory of the country. At present, there are no regional authorities which could be responsible for regional planning.

In Praha, the draft of a new Master Plan is currently (1998) under negotiation. The old Master Plan from 1986 has been replaced by a provisional plan from 1994. The City Master Plan of 1994 is based on the 1986 plan, from which it takes areas with relatively fixed urban structures where major functional changes are not expected and declares them as stabilised

zones (Sýkora, 1995). The stabilised zones cover about two-thirds of Praha's territory and serve as a binding document for the preparation of local regulation plans and for the planning application procedure. The developments proposed in non-stabilised zones require preparation of detailed planning documentation (urbanistic studies), financed by the developer. The new Master Plan and the plan of stabilised zones use a principle of mixed zoning, that has replaced the monofunctional zoning used by physical planners in previous decades (Sýkora, 1995).

The development process is regulated in two steps: through planning application procedure and building application procedure. The responsible authorities are building offices (over 400 in the country). The authority checks if the application is in accordance with the approved planning documentation and the requirements of various state administration departments and organisations which are in charge of technical and transport infrastructure. It also organises public hearings to reach a compromise between different opinions on the development proposal. In protected historical urban areas, new developments are carefully checked by the historical monuments protection authority. Environment Impact Assessments is organised for industrial, trade and storage complexes with development areas in excess of 3,000 m^2. If the application corresponds to the requirements of the Building Act, the planning permit should be issued within 60 days from the date of submission. The permit is valid for a two-year period.

In the building application procedure a detailed plan of the constructed building is checked by building offices. The building permit can be granted only to those who have already obtained the planning permit and can prove the ownership rights. The application must contain approvals and statements from several institutions, such as the hygienist office, utility companies and departments of local administration. The processing period should not exceed two months. Building permits entitle the recipient to commence the construction work. They lose their validity if the construction work does not commence within two years from the date of issuing the permit. After the completion of a building, a certificate of approval must be issued by a building department for the building use and occupation.

Hungary

Hungary was, in contrast to other communist countries, characterised by gradual reform, decentralisation of decision-making, experimentation with new models and the small, but important role of private and shadow economy. After the communist take-over, centralised national planning was constituted as a crucial means of economic management of the country. It was based on hierarchically organised top-down relations in industry as well as local government. In 1968, the New Economic Mechanism, to an extent, decentralised decision-making and introduced a greater degree of

flexibility at lower levels of the economic planning system, and the step-by-step reforms of the 1980s brought some elements of market system into the Hungarian economy (Lorenzen, 1996). Furthermore, the new Law on Councils of 1971 granted more autonomy to local government (Enyedi, 1990a).

After the Second World War, regional development was an outcome of national economic planning aimed at promoting industrialisation. Communists intended to transform rural agrarian society to an urban and industrial one by the means of industrialisation and collectivisation in agriculture (Zoványi, 1986). The policies also included the reduction of the dominance of Budapest. Socialist industrialisation emphasised investment in heavy industry. New large state enterprises were established in a group of new towns and some other existing settlements. However, in the 1950s industrialisation did not eliminate disparities between urban and rural areas.

In the 1960s, large investment projects focused on the five growth poles of Miskolc, Debrecen, Szeged, Pécs and Győr, that were designed as counterpoles to Budapest (Lorenzen, 1996; Zoványi, 1986, 1989). The industrial dispersion policy also promoted the development of light industries in small urban centres and backward areas. Furthermore, the purposeful relocation of enterprises from Budapest, the preferential treatment for the location of enterprises outside of Budapest and the development of industrial enterprises associated with agriculture also contributed to a more balanced regional pattern.

In 1971, the government adopted the Concept of National Settlement Network Development (Horváth, 1995; Zoványi ,1986, 1989). The Concept which outlined the development of settlement structure up to the year 2000 was based on the hierarchical model of central places. Nine hierarchical categories of central places were identified, including the capital, regional centres, sub-regional centres and local centres. The rank of centres was defined by the functions and services provided by the centre for its region. The ranking of settlements influenced financial flows to infrastructure, housing and services. However, the downturn in the Hungarian economy during the late 1970s restricted the original goal of even development of services provision across the country. Larger settlements received most of the finance and, consequently, the changes in the settlement system were characterised by the growth of larger towns on the one hand and the depopulation of villages on the other (Tóth, 1993). The discussion about the prevention of unnecessary out-migration from rural areas (Zoványi, 1986) influenced changes in the settlement policy. In 1985, a new programme of The Long-term Tasks of Regional and Settlement Development was approved with priority given to the co-operation between settlements, to the development of backward rural areas and to the protection of the environment.

Transformation and the introduction of the market economy brought an increase in regional disparities. On the one hand, there have been areas

with concentration of foreign investment (80 per cent in the western part of the country and the vicinity of Budapest; MERP, 1996), and on the other hand, the decline has influenced rural areas and regions affected by de-industrialisation. The polarisation between Budapest and the rest of the country and the decline of wealth from west to north-east characterise the spatial pattern of uneven spatial development in the 1990s.

In the first period of political and economic transition, the regional development planning was not considered as a relevant policy instrument and regional development was without any regulation (MERP, 1996). The development of a new societal system to higher complexity and maturity and emerging regional problems have been basic contextual characteristics behind the development of the new institutional system of regional planning and regional policy that came into operation in the second half of the 1990s.

Territorial administration

Hungary has a population of 10.3 million and a territory of 93,000 km^2. The Hungarian Republic is divided into the capital, nineteen counties, twenty towns of county rank, 148 towns and 2905 villages (Hajdú, 1993). The capital is further sub-divided into twenty-three districts and towns may also choose to be divided into districts. The old hierarchically organised model of councils (local organs of state power and administration) was abolished in 1990 by modifications in the Constitution which were further elaborated in the Act on Local Self-Government.

There are two basic levels of local self-government: municipalities (towns and villages) and counties. The capital city with districts is a specific case, which will be described later. The responsibilities of local government vary, although each authority enjoys equal basic rights and there is no hierarchy to subordinate any one to another (Hajdú, 1993). However, while the Act on Local Self-Government brought independence and autonomy to municipalities it strongly reduced the functions of counties. The counties have only a subsidiary status and a county can assume only those functions which municipal self-governments cannot perform or refuse to assume (Pálné Kovács, 1993).

The mean population of a county is 524,000 (Surazska *et al.*, 1997) and the average size of municipalities is 3,315 (Horváth, 1997) (Table 9.2). Villages are smaller settlements with populations below 10,000. Towns are divided into two categories: towns and towns of county rank, the latter with populations over 50,000. The local government in a town of county rank, which is a municipal authority also performs functions delegated to the county. Consequently, these towns do not send representatives to the County General Assembly in the county where they are located and are therefore not part of the county's governmental responsibility.

County self-government is controlled by a directly elected County General Assembly (until 1994, the representatives were delegated by local government). The state interests at the county level are represented by prefects appointed by the President on the recommendation of the Prime Minister. The most important task of the prefect is the legal supervision of local government. In recent years, there has been discussion about the establishment of six larger regions that would comply to European Union territorial structures (see Figure 9.2)

The administration of the capital and its districts is regulated in a separate law. Budapest (population 2 million) has a two-tier administration. There are twenty-three districts with directly elected representations which form the basis of the city's self-government. The eighty-nine member city council of Budapest consists of both representatives of district councils (twenty-three seats) and directly elected representatives (sixty-six seats). The law provides both levels with equal legal status, there is no hierarchy and subordination of one to another. This offers the possibility of free bargaining between the districts and the capital (Hajdú, 1993). The common interests of the capital are usually of secondary importance in comparison with district matters. Consequently, the co-operation between autonomous districts and the capital has been increasingly difficult (Douglas, 1997).

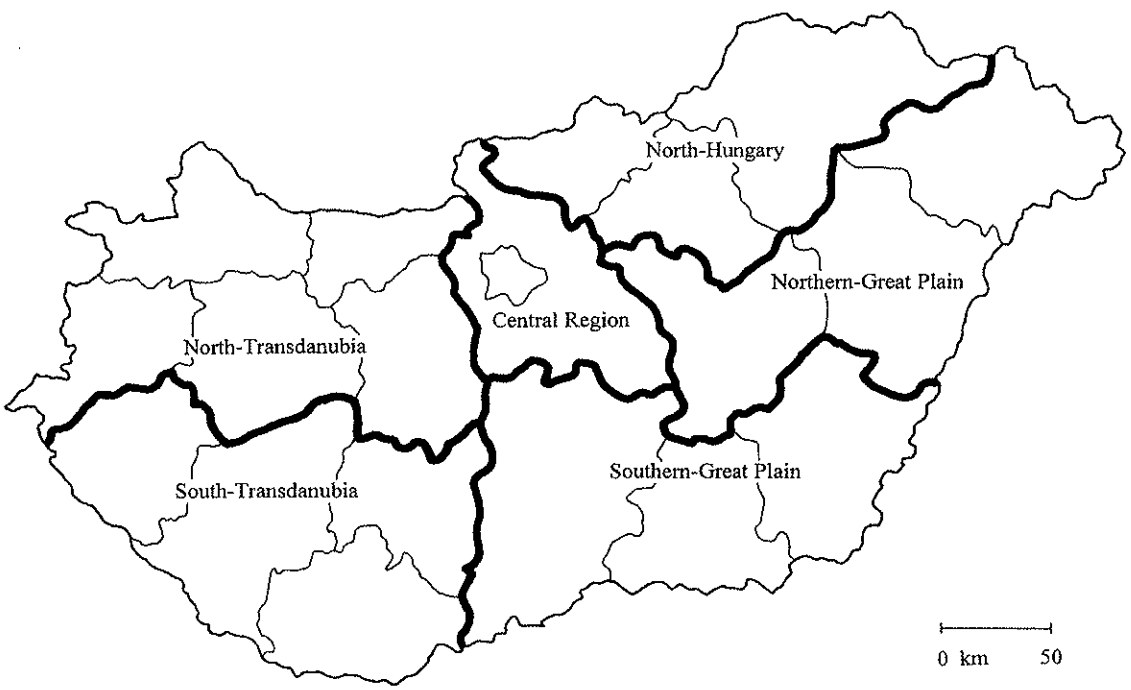

Figure 9.2 Proposed regions and existing counties of Hungary

National regional policy and regional planning

The primary role in regional development programmes in Hungary has been played by the Ministry of Environment and Regional Policy which was established in 1990. The main financial tool of regional policy, the Regional Development Fund (RDF) was founded at the beginning of the 1990s. In 1993, a decree on the principles of subsidies for regional development specifying the main tasks and means of regional policy was approved by the Parliament. The goals included regional crisis management, the economic restructuring of depressed and backward regions, the implementation of selective infrastructure projects, especially in backward areas, and national and international co-operation (Horváth, 1995; Lorenzen, 1996). The main task of the Regional Development Fund was defined as investment aimed at job creation, infrastructure investment and support to businesses in underdeveloped regions and regions with a high level of unemployment.

The areas that received assistance from the RDF (0.3 per cent of GDP in 1991–95) were 1325 small rural settlements that accounted for 17.4 per cent of the country's population (Horváth 1995). Towns affected by de-industrialisation have not been the subject of assistance. Most of the RDF finance was allocated to counties in the north-east of Hungary, more than 70 per cent of funding was spent on infrastructure development projects, such as gas, telephone, road, drinking water and sewage systems, and support for job creation projects was of minor importance (Horváth, 1995; MERP, 1996).

Further financial assistance came from the EU PHARE programme. It was used for the development of regional policy according to EU standards, providing assistance to two depressed regions suffering from the crisis of metallurgy and agriculture, and assistance to municipal associations to promote co-operation between small local authorities. The project aimed at problem regions ended in 1996 and, currently, the PHARE CBC (Cross Boundary Co-operation) programme assists an area bordering the Austrian backward region of Burgenland, thus channelling finance to one of the most developed regions in Hungary (source: correspondence with Gyorgyi Barta).

Horváth (1995) assesses that during the first half of the 1990s any clearly specified concept or strategy of regional policy was not formulated and initiatives were ad hoc, reactive and unco-ordinated. While the RDF was used in backward regions, the sources for modernisation of the public road and railway networks, investment concerning environmental protection, assistance for the industrial development, subsidies to agriculture, etc., were channelled to the most developed areas of the country (MERP, 1996). A change in the overall concept and harmonisation of development effort between the various ministries and other state agencies has been brought about by a new Act on Regional Development and Physical Planning which was approved in 1996. The law determines the rules and

tasks of regional development policies and physical planning at national and regional levels. It is designed according to the principles of European Regional and Spatial Planning Charter and the EU regional policy. The main objectives of regional development policies and physical planning are to encourage development in every region of the country, to reduce differences between the capital, towns and villages as well as between developed and backward regions and to help the harmonious development of spatial and settlement structures. Tasks of regional development include assistance to backward regions and regions affected by economic restructuring as well as assistance to regions of high priority (development poles), the improvement of the conditions for innovation in settlement centres and the creation of a favourable environment for investors. Physical planning on national and regional levels determines the structure of land-use and rules of land utilisation, the spatial structure and location of infrastructure networks while taking into account the protection of the natural environment.

The law states that regional development and planning should be carried out in co-operation with the state, local government, economic and other interested organisations and individual persons. The basic documents at the nation-wide level include the National Regional Development Concept (which is set out in six-year periods and approved by Parliament), national physical plan and plans for a region of high priority (certain elements of these plans are statutory and are binding for local self-government and local physical planning), the principles of regional development support, and the criteria for the classification of eligible regions.

The preparation of the National Regional Development Concept started in 1995 and has been based on sectoral conceptions prepared by individual ministries. The Concept itself includes long-term objectives that concern major demographic, settlement and environment changes and the development of major infrastructure networks, and medium-term objectives that specify the regional allocation of the development programmes of individual ministries. There are three dimensions of spatial development policy on the national level (MERP, 1996): first is the determination of problem regions according to operational principles of EU Structural Funds, second is the preference for elaboration of regional strategies and programmes on the level of six large regions and third is a differentiated approach according to settlement size and function. The key principles of financing regional development specified in the National Regional Development Concept (MERP, 1996) include the decentralisation of resource distribution, the concentration of resources on the most important issues, the mobilisation of outside resources, the balance of the normativity and discretionality, and the promotion of complex development in the larger regions.

The law determined the establishment of the National Council for Regional Development that consists of representatives from central government, the Budapest government, County Development Councils, national chamber of commerce, employers' and employees' organisations and a

national representative of municipal associations. It should act as the reconciliation centre for the different views of regional development held by the involved institutions (MERP, 1996). The main role of the council is to assist the government by making comments, proposals and evaluations of proposals, principles, concepts and the implementation of regional development and planning programmes and policies.

Policies of regions

At the regional level, there are a number of actors involved in regional development and planning. The counties have a duty to maintain those services and institutions whose impact extends over a larger territory and cannot be managed from the municipal level, such as county archives, museums, theatres, social institutes for children, etc. (Lengyel, 1993). They can also undertake any type of public duty which is not in conflict with the interests of municipalities (Hajdú, 1993). However, counties have very limited power, influence and financial resources and they play a role of subsidiary administrative units (Horváth, 1995).

The tasks of county self-government declared in the Act on Regional Development and Physical Planning of 1996 include the preparation of physical plans for the whole county and/or its sub-regions and the co-operation with the self-government of cities with county status in order to co-ordinate physical plans for the city and surrounding area. Regional development tasks within the county are co-ordinated 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 labour council and local municipal associations. This should promote networking among different county institutions. The president of the CDC is at the same time the president of the County General Assembly. The CDC elaborates and approves the long-term regional development concept of the county, the regional development programme of the county and individual sub-programmes. The county physical plans and objectives of the county regional development concept, which shall be binding for municipal self-governments are approved by the County General Assembly.

According to the Regional Development and Physical Planning Law of 1996 County Development Councils may set up Regional Development Councils (RDCs), institutions whose task is to integrate development across several counties (the central government strongly argues for the creation of six regions that would comply with EU priorities). The Law defined two mandatory councils: the RDC of Budapest and its Agglomeration and the Balaton Development Council in the recreational area around Lake Balaton. The RDCs consist of representatives from CDCs, the central government and certain interest groups. They should participate in the preparation of the National Regional Development Concept, help to integrate county

regional development concepts, bid for the state regional development resources and distribute them, etc. However, the relationship between the Regional Development Councils and local (municipal and county) self-government is not clarified in the law. For physical planning tasks at this level an institution of the regional Chief Architect is established by the central government to supervise the preparation and implementation of physical plans at both county and municipal (settlement) levels, initiate modifications and to comment on the National Regional Development Concept.

The basic documents on a regional level are regional development concepts, regional development programmes and physical plans. The regional development concept determines the long-term development priorities (over seven to fifteen years) and includes detailed concrete frameworks for medium and short-term planning. The development programme is a medium-term action plan and consists of strategic and operative programmes. The regional physical plan (or regional arrangement plan) determines the land-use pattern, spatial arrangement of technical and infrastructure systems and environmental protection.

Between 1991 and 1994, Local Enterprise Agencies were established in counties with the support of the PHARE programme and under the co-ordination of the Hungarian Foundation for Enterprise Promotion (Lorenzen, 1996). Their tasks are narrowly focused on small- and medium-size enterprises. The Chambers of Commerce with a compulsory membership were created by a law in 1994. They are organised on a territorial basis with chambers in each county. Their representatives are members of County Development Councils. Furthermore, the government may establish enterprise zones in regions undergoing industrial restructuring and municipalities and municipal associations may establish industrial parks and other development units to implement their specific regional development objectives.

Before the Regional Development and Physical Planning Law of 1996 came into operation, there have been individual cases in which regional development strategies were elaborated. Faragó (1994), for instance, informs about the South Transdanubian region where a regional development strategy was elaborated and the South Transdanubian Development Fund was established to serve regional development. The programme was launched due to financial support from several ministries. Founders included county and municipal governments and banks.

Local (municipal) development practices

The Act on Local Self-Government of 1990 granted municipalities (towns and villages) relative autonomy and financial independence. Municipalities consequently have the right to regulate and manage matters of local government, to own real estate and exercise property rights (there are

some basic assets which cannot be sold, such as public spaces, utilities or certain buildings), to decide freely about their revenues, to have their own incomes and levy additional local taxes. They can establish businesses or participate in enterprises, and can approve rules that are not in conflict with higher-level regulations. The Act also defined the public duties of municipal governments that include: the development of the area; protection of the built and natural environment; housing policy; maintenance of the local road system and public spaces; public transport; water supply and sewage systems management; management of cemeteries; public order and safety; provision of kindergartens; primary education; social welfare and medical services, etc.

The Act abolished all the amalgamations among municipalities realised during Communism and now there are as many local governments as in 1949 (Enyedi,1994). Consequently, 35 per cent of more than 3,000 municipalities have less than 500 inhabitants. These small municipalities have many duties but little revenue (Lorenzen, 1996). Municipalities have the right to establish associations of representatives to tackle problems that cannot be solved by individual small municipalities. Usually, co-operation is achieved for matters concerning legal power, such as granting building permission, and the joint maintenance of institutions, such as schools and social care homes, are achieved. According to the Act on Regional Development and Physical Planning local governments can establish Regional Development Associations of municipalities and in co-operation with other legal entities.

The sovereignty of municipalities is restricted mostly by the system of local government finance. Despite local self-governments having the ability to 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 revenue (Alm and Buckley, 1994). In 1995, normative state support accounted for nearly 60 per cent of local budgets. Loan financing and sales of real estate are among the devices used for balancing local budget deficits. Municipal government is also increasingly interested in the possibility of using local economic development strategies to attract new businesses.

Physical planning and the control of development process

The new Act on Regional Development and Physical Planning from 1996 defined several spatial levels of physical planning: nation-wide, large regions (associations of counties supervised by Regional Development Councils), counties and small regions (voluntary association of municipalities). Regional physical plans are not legally binding documents. The new system of regional physical planning is now in its very beginning and it is difficult to evaluate its strengths and weaknesses. Physical planning at the municipal level, however, is regulated by separate legislation. Ordinary physical plans

are prepared and approved by municipalities and are binding for the regulation of the development process.

The main regulations concerning the development process are specified in the new Building Act of 1996. Planning and building permits must be obtained for virtually all development. Permits are issued by specialised building departments of municipal authorities. The application must conform to the local land-use plan and the procedure involves a number of individual permits from organisations such as water, electricity and gas supply authorities, etc. Environmental impact assessment is required for large development projects, as defined in the Building Act. The protection and conservation of historical buildings is strictly regulated by the preservation authorities that are independent of local governments.

The 1980 Master Plan of Budapest concentrated on continued development of housing estates. It also reinforced the decentralisation of the central city to district centres. The 1988 Master Plan put an emphasis on rehabilitation and the growth of the inner city. In 1986, the Master Plan was supplemented by the plan of the metropolitan region. A new concept of urban development and a concept of a new Master Plan was in preparation in 1998. The concept of regional development for the surrounding county, Pest, was approved in 1997. The work on the new master plan is supported from the EU programme ECOS-OVERTURE.

Budapest districts have a large autonomy in decision-making, not least in the field of planning and development. The right to implement development priorities and zoning regulations is vested with the individual districts. The chief architect office of each district implement plans and policies that deal only with local matters while the relationship between the districts and the city as a whole remains unresolved (Douglas, 1997).

Poland

The post-Second World War modernisation of Polish society was grounded within the framework of socialist industrialisation, but beside the restoration of industrial production were attempts to level out regional differences. The industrialisation programme of the 1950s was based on the establishment and development of large enterprises to secure the economies of scale which was in contradiction with the declared goal of a more equal spatial distribution of production capacity. Consequently, a further concentration of economic potential in already developed centres and newly established towns in the industrial regions reinforced the existing pattern of urban settlement (Wecławowicz, 1996; Gorzelak, 1996). Nevertheless, some medium-size industrial plants were located in less developed regions (Regulska, 1987) and the degree of concentration of industrial production in the traditional core region in the south of Poland between Kraków, Łódź and Wrocław diminished from 60 per cent in 1950 to 36.4 per cent in 1970 (Wecławowicz 1996).

In the early 1960s, regional planning was formulated and regional planning offices established on a regional (voivodship) level. Regional planning was economic in nature, focusing on distributing investment to production, infrastructure, housing and services. Spatial planning elements were subordinated to economic goals. The development of the settlement structure was influenced by the priority given to medium-size towns, where lower development costs were expected, and to the deglomeration policies that for instance included relocation of plants from Warsaw to the surrounding region. Within cities, planners implemented the separation of industrial districts from residential areas and introduced the concept of neighbourhood units for the development of housing estates.

Socialist industrialisation was accompanied by a housing shortage and environmental pollution in urban areas. The National Plan of Spatial Development, which was adopted in 1974, aimed at raising living standards and satisfying the consumption needs of the population, and at the protection and more effective use of the natural resources (Regulska, 1987; Enyedi, 1990a; Wecławowicz, 1996). The Plan also defined a system of urban agglomerations as the basic element of the settlement network (Regulska, 1987). The spatial policy became a compromise between economic objectives working in favour of concentration and the political objective of more equal development. At the beginning of the 1980s, new acts on socio-economic planning and spatial planning were approved. Spatial planning became equal to economic planning, the hierarchical subordination of local to regional and national plans was replaced by a bargaining process between those levels, more attention was given to the participation of the population in the planning process, and the right to approve local physical plans was transferred to municipalities (Regulska, 1987).

A new period in the development of Poland came with transformation in the 1990s. The basic ideological assumption of transformation policies was that market mechanisms will replace the central planning system in the allocation of resources and that market forces should be the sole means of regulating of the economic system, including its territorial structures. Transformation policies were in their nature macro-economic and during the first years of transformation there was no place for regional policy. Actually, the neglect of regional policy can be treated as a specific type of policy itself.

The first years of transformation were characterised by widening regional disparities (Wecławowicz, 1996; Gorzelak, 1996; Paul, 1995). Market competition revealed the economic strengths of certain regions and exposed the weakest regions. The traditional industrial agglomerations of Upper Silesia, Wałbrzych, Łódź and a number of single company towns suffered from an economic crisis but new economic activities developed in other areas, such as Warszawa, Poznań, Gdańsk, Szczecin, Wrocław, Kraków and Bielsko-Biała (Kortus, 1996).

The spatial concentration of social and economic problems – and the end

of the illusion that the invisible hand of the market will solve all problems – brought the first attempts to formulate and implement regional policy initiatives. Concerning the interest of central government in regional development there has been a change from the comprehensive and hierarchically organised distribution of resources based on long-term visions, to reactive, ad hoc and spatially selective central government policies focused on problem areas.

Territorial administration

Poland has a population of 38.6 million and a territory of 312,700 km^2. It is the largest country in East Central Europe with a population 50 per cent greater than that of the Czech Republic, Hungary and Slovakia in total. There are three tiers of government: central, regional and local. Since 1975, the territorial administration has consisted of 49 regions (voivodships, *wojewodztwo*) and about 2450 municipalities (*gminas*) (Table 9.1). On average, voivodships have a population of 800,000 and *gminas* 16,000 (Strong *et al.*, 1996).

Until 1990, the country was centrally administered. The Local Self-Government Act of 1990 granted complete autonomy and delegated certain rights and responsibilities to municipalities, such as the right to own property, collect taxes, manage their financial resources and formulate and promote general municipal interests (Grochowski, 1997; Regulska, 1997). Municipalities are legal entities with directly elected councils and represent the interests of local community rather than central state administration. Regions are representations of the state and are subordinated to the central government. Each voivodship is administered by a governor (voivod) appointed by the prime minister. Parallel to the voivodship structure there exist voivodship assemblies, that consist of representatives from municipalities. Their power is limited, however, and they play an advisory role. They can raise issues with the voivod, supervise municipalities and mediate in conflicts between them (Regulska, 1997).

The territorial organisation of the state is the responsibility of the Council of Ministers Office which is in charge of the reform of the territorial administration and relations between municipal self-government and state authorities. The current Polish government is pursuing administrative reform, which would create twelve new regions. There are also other proposals, with the number of regions increasing to twenty-five. These regions would have substantial powers and responsibilities and could act as representatives of regional planning and formulate development priorities of respective regions. There are also proposals for the establishment of the second tier of self-government with about 308 districts (*powiats*). Figure 9.3 shows new regions approved in Summer 1998.

The specific case of local government exists in the capital Warszawa. At the beginning of the 1990s, the city of Warszawa was a mandatory

association of seven municipalities and the city council consisted of representatives from district councils. Consequently, the city government was the subject of the individual interests of districts. New administrative division came into effect in 1994. A single municipality of central Warszawa, similar to pre-war territory of the city, was created from the former central district and inner city parts of outer districts. The remaining suburban parts of former districts were divided into ten relatively homogeneous municipalities. The central city and suburban municipalities form a mandatory Union of Warszawa (population 1.6 million). Both the municipal and union councils are directly elected. The Mayor of Central Warszawa is also the Lord Mayor of the Warszawa Union. The role of the Union is to supervise metropolitan development and it is in charge of spatial planning, development strategies, infrastructure investments and is in possession of instruments of income equalisation (Surazska, 1996). The Union's income is independent of municipalities and comes from a share in corporate taxes

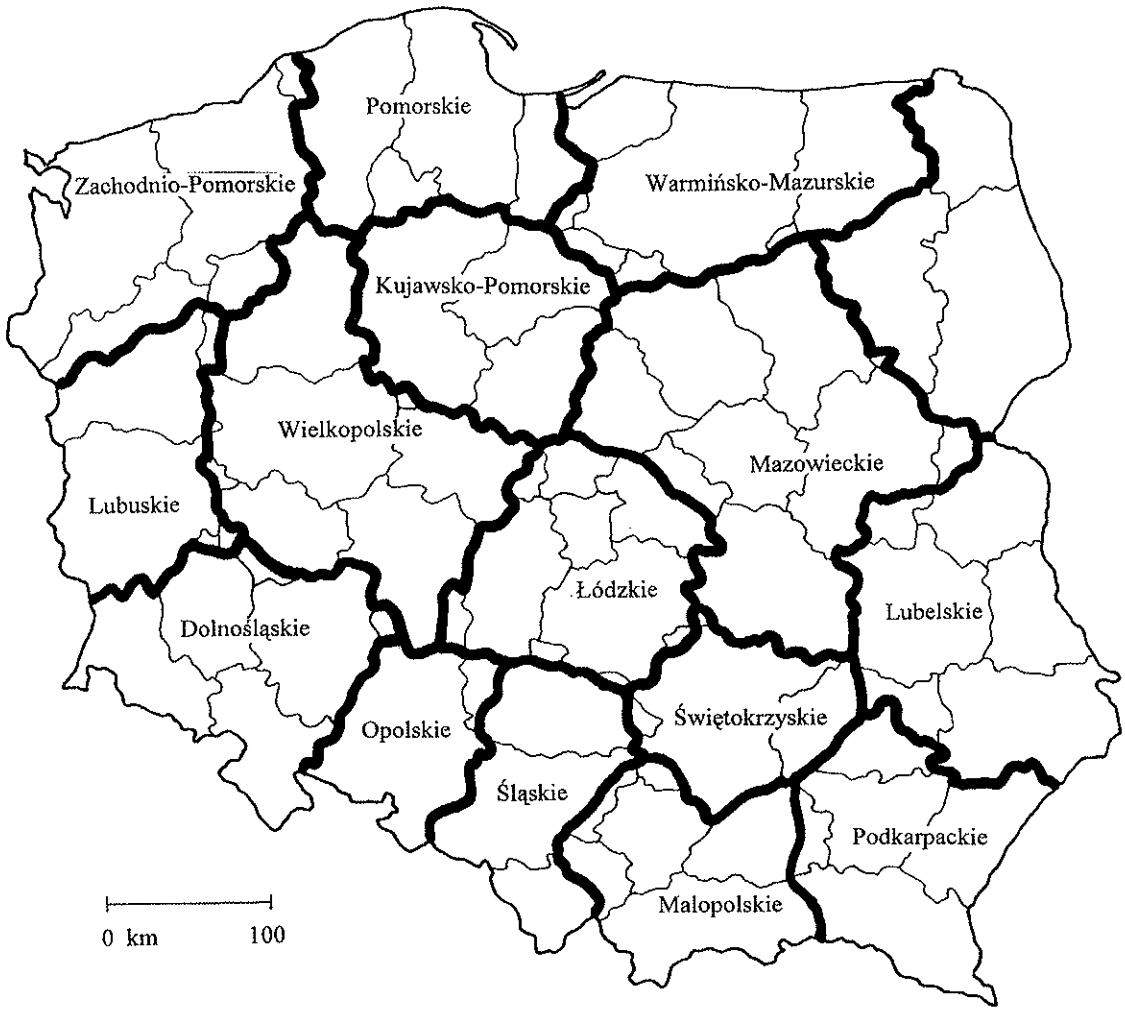

Figure 9.3 New regions (from 1.1.2000) and former voivodships of Poland

and fees. Individual municipalities have autonomous property rights. However, the central government has the right to divest Warszawa municipalities, without any compensation, of land and buildings necessary for central government functions, including international organisations (Surazska, 1996).

Regional policies

The most important governmental agency in Poland that formulates and implements regional planning and regional policies is the Department of Physical and Long-Term Planning of the Central Planning Office, which is supposed to formulate perspective economic and physical plans for Poland and to establish foundations for state regional policy (Gorzelak, 1996). In the early 1990s, state regional policy was shaped by the pressure exerted by trade unions in regions with a concentration of negative social effects of economic restructuring. The policy granted subsidies for infrastructure development in old industrial regions most endangered by structural unemployment. The funds allocated in 1991–93, however, were negligible constituting less than 0.2 of the central government spending (Gorzelak, 1996).

The Ministry of Labour and Social Policy is also strongly involved in local and regional intervention and has probably the most developed concept of explicit regional policy focused on regions with a high level of unemployment. Its employment policy delimits areas of high structural unemployment in which economic instruments are used in collaboration with the Ministry of Finance. In 1993, the areas included 412 municipalities accounting for 15 per cent of Poland's population and 20 per cent of unemployed and, recently, further municipalities with rapidly growing unemployment have been added (Gorzelak, 1996). The measures used in these areas comprise accelerated amortisation rates of fixed assets, infrastructure grants for local budgets, income tax relief for private businesses which run vocational training, exemption of firms from income and salary taxes for twelve months (in the case of employing school leavers recruited through Employment Offices), the possibility of firms with foreign capital to apply for income tax relief, and grants from the Work Fund for active forms of coping with unemployment (based on Gorzelak, 1996: 134). There are no official evaluations of these programmes (Gorzelak, 1996) and there is an opinion that 'regional measures applied under the active labour market policy have not worked so far' (UNDP, 1996: 25). Despite the overall unemployment figure falling in 1995, the regional disparities increased, with the highest figures in rural areas.

Regional policies of the early 1990s were characterised by low activity due to the priority given to macro-economic policy, unclear institutional responsibilities and little co-ordination between various governmental ministries and other agencies and very limited funding. It was based on a

reactive approach without any attempts to formulate longer-term regional development strategies. In the late 1990s, an important impact on the formulation of a new regional policy came from the association agreement with the European Union.

Policies of regions

Regional authorities are a part of the state administration and they do not conduct their own policies. However, they influence the development of regions by claiming funds and assistance from central government and by helping to organise, create and fund regional development agencies, regional councils, foundations for regional restructuring, etc. (Gorzelak, 1996). The municipalities have their representative assembly (*Sejmik*) in each voivodship.

Regional development agencies in particular (there were over 50 in 1994) are new active actors in regional development. They are created by the 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/regional development strategies, but are rather involved in consultancy services for local firms. In some cases they are involved in implementation of programmes within the PHARE framework.

It is expected that the reform of territorial administration will reinforce the powers of regions[1] and with the introduction of elected authorities will enable them to conduct their own regional development policies (Gorzelak, 1996). Paul (1995) sees the contemporary non-existence of self-government on the regional or district level as one of the major obstacles for regional development.

Local (municipal) development practices

There are 2459 municipalities in Poland and they are in general larger than municipalities in the Czech Republic, Hungary or Slovakia. There is no municipality with less than 1000 inhabitants, while in the Czech Republic about 80 per cent of municipalities have less than 1000 people. The main task of local government is the provision of municipal services (local roads, transport, disposal collection, etc.), education, health and welfare. Local authorities act as an investor in local transport and technical infrastructure. The self-governed municipalities also become owners of former state properties, namely land and housing, which they can sell or lease (for examples of the title transfer from the state to municipalities (see Strong *et al.*, 1996: 211–2). Furthermore, they are of crucial importance for physical planning,

regulation of development process and environmental protection. For the sake of co-operation in the field of municipal economy, environmental tasks, etc. over fifty inter-municipal associations have been established.

The power of municipalities is limited by financial constraints. Municipal government expenditure accounted in 1993 for only 12.3 per cent of total government expenditure, which is less than in the Czech Republic and developed countries of Western and Northern Europe (Surazska and Blažek, 1996). More than two-thirds of municipal revenue comes from municipal income and from a share of central taxation. The general grant (18.8 per cent of municipal revenues in 1993, source: Su-razska and Blažek, 1996) is provided by the Ministry of Finance according to a formula based on the population size of municipalities, with large towns receiving a higher grant per inhabitant than small municipalities.

The economic activities of municipal self-government are restricted by limiting municipal borrowing to 15 per cent of the annual budget and by forbidding engagement in economic activities that are not directly related to the delivery of public services (Surazska and Blažek, 1996). In comparison with the Czech Republic, Polish municipalities have lower revenues and capital expenditures per capita and overall are more constrained in their local economic development activities. Furthermore, due to unclear legislation there are conflicts between regions (voivodships) as representatives of the state, and municipalities (*gminas*) as representatives of local interests. Limited skills and pressure of everyday matters is a further reason for low spending, beside the low involvement of municipalities in local economic development (Gorzelak, 1996).

The city of Kraków is 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, there 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, transport, infrastructure, services and trade, spatial management and conservation, etc. The second document is an annual Economic Programme with detailed specification of priorities for a given year in transport infrastructure, housing, etc. The third document is the five-year Programme of Finance and Investment. This is considered to be the most important and elaborates in great detail all municipal expenditures. In 1998, the municipality was preparing a study of use that was intended to aid preparation of detailed plans for amended spatial arrangements (see the next section on physical planning).

Physical planning and the control of development process

The Communist spatial planning system was oriented to the physical realisation of goals which were contained in national and regional economic

development plans. Physical planning was subordinated to economic planning. The legislative background for the system of physical plans was settled in the 1961 Physical Planning Act. This Act together with the 1984 Act on Spatial Planning and various building and environmental laws formed the legal basis of planning during Communism and in the first half of the 1990s (Judge, 1995). The emphasis of the Communist planning system was on the preparation of hierarchically organised long-term regional (voivodship) and detailed municipal plans based on rigid land-use allocation. There were two types of plans used in urban areas, a general city land-use plan, with a strong emphasis on the physical arrangement of the city, and detailed plans used for the regulation of the development process.

At present, the Ministry of Spatial Planning and Construction is responsible for the general building and physical planning rules and for other regulations concerning development process on the local level. A new Building Code was approved by the Parliament in 1993 and a new system of regional and physical planning, based on the Spatial Planning Act (*Ustawa o zagospodarowaniu przestrzennym*) from 1994, has been introduced since the beginning of 1995. The new system of spatial planning defines two basic levels of spatial planning and corresponding actors, the state and municipalities.

The state is involved in spatial planning on the national and regional levels. The Central Planning Office is supposed to formulate the concept of the national plan of spatial arrangement. This document is legally binding only for central government institutions whose policies and programmes have explicit regional targets. On the regional level, the old voivodship plans lost their validity and are replaced by two new documents: the study of spatial arrangement and the regional development programme. These documents are summaries of the state activities in a given region and can also include development goals of regional government. They are not legally binding and have an information and advisory role. The projects incorporated in the study and programme are negotiated with the municipalities. If agreement is achieved and projects from the regional plan are included in the local physical plan it gains a status of legally binding component of planning. The cases where agreement is not achieved between regional government and municipal self-government are decided by the Council of Ministers.

Local physical planning at a municipal level is considered to be the basis of the planning system and only local physical plans are legally binding documents. There are two consequent steps in local physical planning. First, a study of spatial arrangement must be elaborated. It covers all municipal territory, has the 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 a municipal area and have the form of detailed regulation plans. Local plans also include a prognosis of the environmental

impact of planned projects. It is not obligatory for the municipality to prepare the new plan. However, in certain cases defined by the law, for instance when there is a project of national interest located on municipal territory, the municipality is obliged to prepare the plan. If municipality does not make the plan in such a case, it will be prepared and approved by the regional (voivodship) government. It is generally expected that old physical plans will be replaced by new ones by the year 2000.

Polish planners often criticise the inadequate regional planning framework. It serves only to facilitate transfer of national development goals defined by individual sectoral ministries to local plans. It leads to a strengthening of centralised sectoral planning over regional planning. The passivity of regional planning can be overcome only with the introduction of regional self-government.

In Warszawa, the old plan from the 1980s was considered too rigid, detailed and outdated. The new Master Plan for Warszawa, that is more suited to market conditions, was approved under the old legislation in 1992. It divides the city into broad zones that define dominant land-use types. The plan for each land-use zone indicates a series of preferences, allowances and exclusions. The main functions of the plan are the co-ordination between local plans of the communities within Warszawa area and environmental protection. It also includes public investment programmes for transport and public infrastructure and public facilities, such as schools or hospitals.

The main regulations concerning the development process are decisions concerning the terms and conditions for construction and land-use in respect of building and planning permits. These decisions must be secured for most developments (they are defined in the Building Law). In relation to a specific site, they determine the development type, terms and conditions resulting from designations contained in the local plan of spatial arrangement (local land-use plan), terms and conditions arising from other regulations and the time period for which the decision remains valid (usually two years). The procedure of issuing the decision takes a maximum of two months from the submission of a complete and appropriately prepared application. Nevertheless, foreign commentators see the granting of planning permission as a bureaucratic and time-consuming procedure which can take as much as fifteen to eighteen months (Judge, 1995).

Building permits are administrative decisions which entitle the recipient to commence construction work. The building permit can be granted only to those who have been granted a valid decision on construction and land-use and who can prove the right to build on the property in question. The application for a building permit must include building plans and all required opinions, approvals and permits stipulated in relevant regulations. The detailed scope and form of the building plan is described in a decree of the Ministry of Spatial Planning and Construction issued in 1994. For structures whose use may pose an environmental hazard, the building

permit must include a specialist assessment prepared by a specialised person or organisation designated for this purpose. The processing period takes a maximum of two months. Building permits lose their validity if the construction work does not commence within two years from the date of issuing the permit.

Note

1 On the 26th of July 1998, the Polish parliament (*Sejm*) approved a compromise variant of new territorial division of Poland into 16 regions (voivodships, *województw*) and 308 districts (*powiats*). The population size of the new regions ranges from one to five million inhabitants. The reform brings a radical decentralisation of political power from the central state 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. Regional self-government will play an important role in education, health care, social services and, importantly, in the implementation of regional planning and regional development policies. Regions will become operational on 1 January 1999.