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Regional governance in the new CEE member states of the EU

This paper discusses how the CEE-10 countries complied with the EU conditionality in the field of regional policy, examining whether the territorial reforms implemented were carried out leading to the enrooting of sub-national regional governance structures. Following the discussion of the EU requirements in the field of regional policy, I turn to a case by case analysis of how the meso-level government tiers were set up in the CEE-10 countries. The analysis leads to the finding that the limited interest in the CEE-10 countries to develop extensive regional governance structures by creating new autonomous sub-national governance structures coupled with the frequent contradictory and often unofficial requirements by the European Commission during negotiations, has led to a weak institutionalization of meso-level governments when compared to the institutional and policy structures within the EU-15.

Introduction

The decision of the ten Central and Eastern European (CEE-10) countries during the early period of transition to join the European common market and the political structure of the European Community (Union) constituted an important set of controls on the developmental path of these countries. In trying to ensure that the structural institutional factors which could limit the economic development of the CEE-10 would be eliminated before these countries' accession, the EU imposed a series of conditionalities. Only those candidate countries which showed significant progress in complying with the announced conditionalities could advance in the process of accession negotiations. The conditionalities took into account the fact that – besides the economic disparities at the time when the association agreements between the EU-15 and the CEE-10 countries were signed – there were also important disparities in terms of institutional and policy structures. As a result, the main emphasis was put on encouraging or even imposing given institutional and policy reforms in accession countries as a precondition of accession (*Grabbe 2001*).

The logic of influencing institutional choice in the CEE-10 countries through accession conditionalities was supported by the theoretical argument that political institutions are directly linked to economic growth performance through the influence they exercise on economic policy choices and the reduction of volatility risks (*Persson and Tabellini 2002*;

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Acemoglu and Johnson 2005). Empirical evidence on the relationship between democratic institutions and growth stability is also provided by *Mobarak (2005)*, who concludes that growth volatility in democratic countries is significantly smaller than in other countries, and therefore, in the long run, the growth performance in democratic regimes tends to be more robust compared to less democratic societies. *Hakura (2007)* finds evidence that despite the strengthening of ties of local markets with international ones, in the case of developing countries and emerging markets domestic factors have a larger growth volatility impact than international business cycles.

Based on the above, opting for the promotion of political, institutional and policy convergence was supposed to create the opportunity to enhance regional competitiveness and growth performance in the CEE-10 countries, which would allow the latter to achieve levels of economic development that are comparable to those of the older EU member states.

Despite a consensus in the Europeanization literature on the importance of the different accession criteria for the speed, nature and scale of reforms implemented by the CEE-10 countries, it must be admitted that the *acquis communautaire* is limited in scope. Furthermore, its content is subject to change as new legislation is adopted and the basic Treaty suffers modifications. In addition, being the result of political negotiations among member states, the *acquis* is often fuzzy and open to interpretation.

This article focuses on how the CEE-10 countries complied with the EU conditionality in the field of regional policy, examining whether territorial reforms implemented were carried out leading to the enrooting of sub-national regional governance structures. Therefore, following a brief review of the relevant literature, I will discuss the EU requirements in the field of regional policy and then go on to provide a case by case analysis of how the meso-level government tiers were set up in the CEE-10 countries. By considering the principles of the European regional policy when designing sub-national governance systems, the CEE-10 countries adopted a direction of regionalization based on the influences of the Western European model. What this article seeks to examine during the presentation of each country case is to what extent the newly created meso-level government tiers in the different CEE-10 countries actually correspond to the concept of regional cohesion.

Literature review

To understand the influence that accession conditionalities have had in the political and institutional transition path and the policy choices of the CEE-10 countries, a sub-field of the Europeanization literature has emerged. It is widely accepted that the European Commission had asymmetric power over old member states and candidate countries, since during the accession period it could impose institutional choices on the latter through its functions of gate-keeping and provision of reform supporting incentives (e.g. *Grabbe 2001*). However, authors do not agree on the extent of the influence of EU factors on the developmental path of the CEE-10 countries, so there is no consensus on whether the end result will be a convergence of policies and polities throughout the EU or the persistence of national particularities.

Knill and Lehmkuhl (2002), for instance, argue that European accession has overridden all other factors and the different conditionalities imposed through this process are the most

important factors that shaped the institutional and policy structure of regional governance in the CEE-10 countries. The prediction of authors subscribing to this line of thinking is that due to the similar requirements formulated by the EU vis-à-vis accession countries, the outcome will be institutional and policy convergence in the process of regionalization or institutionally similar regional development across countries. According to this institutional convergence hypothesis, the EU exports its multi-level governance into the CEE countries and thus, historical legacy and national contexts are overshadowed by the rules imposed during the accession process. In this argumentation enlargement is a potential source of reinforcement for European level governance.

On the other hand, there are authors who argue that despite the inescapable conditionalities to be fulfilled before adhering to the European Union, their implementation and impact on national governance systems (including regional governance) are limited, as each country adapts these rules to its specific national context. In this conception the adaptation of the European accession conditionalities to national contexts with different historical legacies and political economic situations leads to different national governance systems.

Dieringer (2003) distinguish two waves of decentralization in CEE countries according to the sources considered to have led to their implementation. The first one is decentralization driven by internal political processes during transition, when the autonomy of local authorities is restored. The second one is the set-up and/or strengthening of meso-level/regional authorities as a condition for being ready to fulfill the obligations stipulated in the EU's regional policy.

Risse et al. speak about "domestic adaptation with national colors" (2001:1) and *Featherstone and Radaelli* (2003) conclude that convergence is a result but not an inevitable one. *Börzel* (2003:15) distinguishes five possible outcomes, namely inertia, when there is no change; retrenchment, when resistance to change results in even less compliance; absorption, when EU requirements are integrated into the domestic political system but without a significant change to the existing structures; accommodation, when national policies are adapted to EU requirements while preserving the core features of the former; and transformation, when the domestic structures are basically changed or replaced.

When examining the influence of the EU on CEE governance, *Grabbe* (2001:1020–1028) identifies five categories of mechanisms used by the EU to induce change, namely "gate-keeping" (since a country can engage in the accession process only if it meets certain conditions), benchmarking and monitoring, offering legislative and institutional templates, providing funds and technical assistance, as well as advice and twinning. The author, however, points out that the EU's influence on CEE governance is "diffuse", the induced change reaching different levels in the different institutions, policy fields and countries. She also underlines that EU pressures interact with domestic processes and other exogenous pressures.

According to *Hughes et al.* (2004), the EU conditionality in the field of regional policy is rather hypothetical than actual. The authors consider that the "fluid nature of conditionality" in the field of regional policy and the management of the Structural Funds, coupled with the inconsistency of the application of various conditionalities by the European Commission, raise doubts about the supposed causal relationship between conditionalities and policy outcomes related to regionalization in the CEE-10 countries.

The interaction between EU pressures, domestic processes and other exogenous pressures is not yet dealt with adequately in the Europeanization literature, which – according to *Bulmer* (2007) for instance – tends to over-determine the EU factor when explaining domestic change, neglecting the influence of non-EU related, international and national factors, such as globalization or endogenous processes going on in the domestic system.

EU conditionality in the field of regional policy

The first step in the accession process of the CEE-10 countries to the EU was the signing, in 1991, of the Association Agreements. The conditions of the association status included a minimal set of non-negotiable political and economic criteria, which were spelled out at the Copenhagen European Council in 1993 (termed in the literature the democratic conditionality of European accession and also referred to as the Copenhagen Criteria). The preconditions of opening accession negotiations were formulated in terms of institutional stability to achieve democracy and legality based on constitutional law, protection of human rights, a functioning and competitive market economy, readiness to undertake the duties emerging from EU membership, and adherence to the political, economic and single monetary aims of the EU.

The first pre-accession strategy adopted at the Essen European Council in December 1994 complemented the already formulated Copenhagen Criteria and the financial aid PHARE with multilateral discussions on policy measures to be adopted by CEE countries. The basic document was the Single Market White Paper which, although not a legally binding text, soon became the handbook of CEE policy-makers in their relationship with the EU and the main instrument of regulatory harmonization. The White Paper provided the general framework for market liberalizing measures to be adopted in CEE countries according to the legislation that governs trade in the Internal Market. The White Paper did not include all the fields of the *acquis*, yet progress in implementing the measures outlined became a benchmark in the assessment by the EU of the accession countries' readiness to undertake the responsibilities of membership.

The second phase of the enlargement process involved the obligation of accession countries to adopt in their national legislation the whole of EU legislation including rules, political principles and judiciary decisions. However, as already mentioned in the Introduction, the *acquis*, comprising a total of over 80,000 pages, often remains open to interpretation and is subject to change as the basic Treaty is amended.

The European Commission used several instruments to assess the progress of the CEE-10 countries' compliance with the accession conditionalities. *Grabbe* (2003) considers that benchmarking was used in the phase of accession negotiations to rank accession countries in the different policy areas and to provide best practice examples. These rankings provide strong signals to national public opinion regarding the effort of domestic decision-makers and the advancement of the country towards fulfilling accession requirements. According to *Groenendijk* (2004), benchmarking was to provide – besides policy learning opportunities through information exchange along different policy fields – the framework for monitoring progress in various policy fields and multilateral surveillance.

Another important instrument used by the EU during the enlargement process was the periodic evaluation of the extent to which the different accession criteria were fulfilled by accession countries and whether the latter could advance towards becoming actual member states. The Regular Reports summed up the progress made by the countries in the different areas, the possible problems and the steps to be taken in order to fully comply with the accession criteria. As *Csaba* points out, the opinion of the Commission has been regarded in the CEE-10 countries as having a much higher stake in domestic politics than in the case of old member states, even if “Regular Reports tended to be overly simplistic, entering into debates of purely domestic nature, where the Community has no competence whatsoever, even with its incumbents” (*Csaba 2007:167*).

The above developments lead to the supposition that the gate-keeping role of the EU strengthened the adaptation pressure in accession countries, as any negative reports about efforts towards accession had a potentially important impact on the popularity and sustainability of the national cabinets. Thus, it was the EU which decided when each country could obtain the official candidate status, when the actual accession negotiations would start, and when these could be considered finalized.

The main source of the EU conditionality in the field of regional policy and the co-ordination of structural instruments is Council Regulation (EC) no. 1260/1999, which defines the general provision on Structural Funds, and thus constituted the reference point in the negotiations with the CEE accession countries. Official negotiations on the chapter “Regional policy and co-ordination of structural instruments” (Chapter 21) started in April 2000 with the Czech Republic, Estonia, Hungary, Poland, and Slovenia. In the case of Latvia, Lithuania, and Slovakia negotiations were opened almost one year later, in March 2001, in the case of Bulgaria in November 2001 and in the case of Romania only in March 2002.

European regional policy gravitates around the notion of territorial and social cohesion, meaning that member states should share common developmental objectives and therefore undertake efforts to design instruments that foster economic and social integration. Cohesion is sought through convergence, by actively seeking to close the developmental gap between regions with measures that assist underdeveloped or lagging regions in reducing the level of economic backwardness compared to developed or advanced regions. As opposed to other fields, in the case of regional policy there is no required legislation to be transposed into national legislation. Instead, the emphasis of accession requirements was on the development of various capacities necessary for the fulfillment of membership responsibilities related to European regional policy. The framework of analysis for the development of these capacities could be defined along the following dimensions:

- *Territorial organization* – the requirement to adopt sub-national territorial divisions with a view to collecting statistical information on economic development in territorial areas defined according to the NUTS structure.
- *Legislative framework* – the requirement to develop the national legislative framework on regional policy planning in order to ensure the implementation and co-ordination of structural instruments.
- *Institutional structures* – the requirement to create and strengthen the administrative capacity, at national and regional levels, that ensures the implementation of the structural instruments.
- *Programming capacity* – the requirement to comply with the provisions of Council Regulation no. 1260/1999 related to the design of development plans in terms of

multi-annual programming, respecting the rules of the partnership principle in the different phases of the implementation of the Structural Funds, and aligning to standard evaluation and monitoring rules.

- *Financial management and control* – the requirement to adopt control protocols related to the Structural Funds and the Cohesion Fund according to EU standards and to ensure co-financing capacity.

These conditions, although they implied important institutional restructuring at the level of ministries and the need to set up NUTS-2 level administrative and programming capacities, according to Nicolaidis (2003) did not explicitly require the CEE-10 accession countries to follow a given model of regionalization.

The NUTS system was introduced in the EU in 1998 to provide the framework for collecting and reporting statistical data on sub-national public administration levels for purposes of establishing EU level cohesion priorities. The classification did not intend to re-shape administrative structures in the member states, yet – by tying the eligibility for the Structural Funds to regional level social conditions and economic performance – it led to an adaptation pressure in the case of potential beneficiary countries. Thus, a number of administrative reforms followed, at least in the sense of developing administrative and institutional capacities to access available funding.

The NUTS system implies three NUTS levels for which population thresholds were set. More precisely, NUTS-1 level macro-regions have a population between three and seven million, NUTS-2 regions between eight hundred thousand and three million, while NUTS-3 regions between one hundred and fifty thousand and eight hundred thousand. The EC Regulation (1059/2003) acknowledges that administrative units do not need to be set up at all NUTS levels, in which case the given NUTS level needs to be established by the aggregation of several lower level and contiguous administrative units. There are also provisions concerning the possibility of deviating from the population thresholds in the establishment of NUTS regions in special historical, socio-economic, cultural or geographical circumstances.

Regionalization in the CEE-10 countries

The dismantling of the institutional and policy-making of the socialist type governance structures in the CEE-10 countries proved to be rather challenging. In terms of territorial governance, all these countries were built on the principle of “democratic centralism”, according to which local authorities were organized based on the Soviet model of double subordination. This implied that both the executive board elected by the local assembly and the administrative apparatus were subordinated to state organs at a higher administrative level. As a result, after the regime change, the implementation of large-scale administrative reforms was needed under conditions of a weakened capacity of the public sector to perform its functions and the opportunistic behavior of national and local elites.

In all the CEE-10 countries, with the exception of Poland, regionalization became an important policy issue only when accession negotiations were opened in the field of regional policy and the co-ordination of structural funds. As all the CEE-10 countries define themselves as nation states, political regionalization as an option was rejected in

all cases, and instead administrative decentralization was carried out. The major debates related to regionalization in the CEE-10 countries can be conceptualized along the issue of reforming meso-level governance structures inherited from socialist times.

The institutional structure in the CEE-10 countries (including the three NUTS and the two local authority levels) can be summed up in table 1. In the case of the three Baltic States and Slovenia – considering the size of the countries – all administrative and policy capacities related to regional policy and the management of the Structural Funds were developed at national level, their full territory qualifying for NUTS-2 level in the EU. The three Baltic States had a two-tier local government system during socialist times. *Estonia* abolished the district level following the local elections in 1993; there are fifteen counties, but these do not qualify for NUTS-3 level. In *Lithuania* the first local government level was abolished. In *Latvia* the NUTS-3 level regions remain mainly for statistical reasons. In 2000 *Slovenia* proposed the division of the country into two NUTS-2 regions, one being Ljubljana and the second one the rest of the country. This was, however, strongly opposed by the Commission and finally dropped. Therefore, although twelve Regional Development Agencies were eventually created at the NUTS-3 level, the regions they serve remain strictly statistical in purpose.

In the case of *Bulgaria*, twenty-eight regions (oblasts) were set-up with responsibilities related to the implementation of policy at regional level. At this level there are no direct elections; instead, each region has a Governor, who is appointed by the Council of Ministers, and who is supported in his/her activities by the regional administration. The regions are dependent on central government subsidies and can in fact be considered deconcentrated state administrative units rather than a second government tier.

In the *Czech Republic*, despite early local administrative reforms, the setting-up of meso-level governments was significantly delayed compared to the other CEE-10 countries, even if provisions for the creation of meso-level governments were already laid down in the 1993 constitution. The motives for the delay were multiple, the most important ones being the lack of regional pressures to carry out such reform, the negative association of regions with territorial units from the socialist period, and the lack of national stakeholders' motivation to decentralize powers and resources to an intermediary government level. Although the Act relating to the establishment of the higher-level territorial self-governing units was adopted in 1997, it only became effective in January 2001, after the organization of regional elections in November 2000. The formal definition of the meso-level government tier was provided in the Act on Regions (No. 129) adopted in 2002. Accordingly, fourteen self-governing regions were created, each having a directly elected Regional Council, which elects from among its members both the Regional Board and the President. Besides the executive bodies, there is also a Regional Office, which fulfils the administrative responsibilities at regional level.

Similarly to Hungary, the meso-level government in the Czech Republic also has very limited fiscal autonomy, as most of the funding comes from the central government under the form of direct targeted subsidies to finance public services delivered by regional authorities. According to the provisions of the Act on the Budgetary Allocation of Taxes, in the shared taxation system of income tax and value added tax, three-fourths of taxes go to the central budget and only the remaining one-fourth is allocated between local and regional governments.

The regionalization process in the Czech Republic is the most unambiguous example of the prevailing of endogenous factors over the EU conditionality. Although

the administrative reform and the creation of the fourteen regions coincided with the development of the eight cohesion regions, the choice made was to separate the two levels. Thus, the fourteen regions were created so that they correspond to the NUTS-3 level as the second self-government tier, and in parallel eight cohesion regions were set up. Three of the fourteen meso-level governments, namely Prague, Stredoceský and Moravskoslezský, are also cohesion regions. With the exception of the Severovýchod cohesion region, which is composed of three counties (Liberecký, Královehradecký, Pardubický), the remaining four cohesion regions are formed of two counties each.

Table 1

The NUTS and LAU classification of the CEE-10 countries

	NUTS-1	NUTS-2	NUTS-3	LAU-1	LAU-2
Bulgaria	2 macro-regions	6 planning and statistical regions	28 districts	264 municipalities	5336 settlements
Czech Republic	-	8 cohesion regions	14 regions (kraj)	77 districts	6244 municipalities
Estonia	-	-	5 regions	15 counties	241 municipalities
Latvia	-	-	6 statistical regions	7 republican cities 26 districts	523 towns, amalgamated local municipalities and parishes
Lithuania	-	-	10 counties	60 municipalities	449 neighborhoods
Hungary	3 macro-regions	7 planning and statistical regions	19 counties (megye) 22 county right towns	168 microregions	3130 municipalities
Poland	6 macro-regions	16 voivodships	45 sub-regions	314 powiats 65 powiat rights cities	2478 gminas
Romania	-	8 planning and statistical regions	42 counties	-	2978 towns and communes
Slovakia	-	4 planning and statistical regions	8 regions	79 districts	2 891 settlements
Slovenia	-	-	12 statistical regions	58 communes	192 settlements

Source: own compilation based on national laws on regionalization and administrative reform

In terms of organization, the Ministry of Regional Development was set up in 1996 as the Managing Authority of the Joint Regional Operation Program. At the initiative of the Ministry, a Regional Steering and Monitoring Committee was established in each cohesion region in 1998, with members appointed by the Ministry. At regional level each region has a so-called Regional Board of the Cohesion Region, which includes ten representatives of the county/counties and the delegates of the Ministry of Regional Development. In the case of the three regions, where only one county forms the cohesion region, the County Council also serves as the Board of the Cohesion Region. The Board appoints the Regional Development Committee.

At the level of cohesion regions the Secretariat of Regional Council was created. The Secretariat is different from the Development Agency, which does not necessarily function at the level of cohesion regions. This and the fact that the Ministry of Regional Development is in charge of drafting the bylaws strongly limit the capacity of cohesion regions to become functional units. Thus, we can conclude that cohesion regions in the Czech Republic are much more deliberative bodies rather than actual government actors. The functions they should perform are in fact split between the Ministry of Regional Development and the NUTS-3 level counties.

In *Hungary*, the legislation regulating national regional policy also recognizes three levels besides the two local government tiers. There are three macro-regions (NUTS I), namely Közép-Magyarország, Dunántúl and Alföld és Észak. Each of these macro-regions comprises different number of NUTS-2 cohesion (planning and development) regions. Közép-Magyarország is formed of the NUTS-2 region with the same name, which is made up of Budapest and Pest. In contrast, Dunántúl is composed of three cohesion regions and nine NUTS-3 level regions, and Alföld és Észak is also composed of three cohesion regions and nine NUTS-3 regions. The highest local authority level, which corresponds to the meso-level government tier, is the 20 NUTS-3 level counties. The borders of each development region are identical to the borders of its member counties. This was laid down in Act No. XXI of 1996 on Regional Development and Physical (Regional) Planning (Act on Regional Development).

The Act on Regional Development stipulates the setting up of the National Regional Development Council with the responsibilities to develop the drafts of the national regional policy and to provide advice concerning changes such as eligible areas and grant schemes. Being a deliberative body, it is composed of the chairman (the Minister in charge of the Regional Development portfolio); the presidents of the national Chambers of Commerce; one representative of the employers' side and one of the employees' side of the National Council of Labor, the ministers, the mayor of Budapest; one representative of the National Association of Municipalities, and other members with no voting rights. The National Regional Development Council has a secretariat called the National Regional Development Center.

Besides weak institutionalization, the main weakness of the Hungarian NUTS-2 institutional structures is the high degree of interventions by the central government, either directly or indirectly through the deconcentrated organs, into regional decision-making processes.

The county has strong historical roots in Hungary, and therefore it has enjoyed significant levels of autonomy and considerable powers over various policy fields. Nevertheless, the first reform (Act LXV on Local Governments) carried out by the center-

right government coalition sought to limit the influence of socialist elites at county level, and consequently adopted measures that seriously reduced the financial independence and limited the policy responsibilities of the county. Thus, counties have been virtually transformed into agencies that control and maintain public infrastructure. Weakening the authority of regional administrative units under conditions of high local government fragmentation offered the central government increased leverage over local matters.

In terms of administrative organization, each of the 19 Hungarian counties has a directly elected County Assembly and its own administrative body called the County Self-Government. The main weakness of counties lies in their financial dependence on central government transfers, which strongly limits their capacity to develop and implement their own policies.

A missed opportunity for significantly strengthening meso-level governance in Hungary was the limited capacities created for the County Development Councils, set up in 1996. These Councils were formed at county level to undertake the responsibilities related to the programming and management of county level development funds. However, the limited amounts made available through these development funds, central control and the strong equalization character of the funds (allocation according to GDP performance and population, with no local co-funding being required to access the funds) constituted major weaknesses limiting the Councils' scope of action.

Of the CEE-10 countries it is *Poland* where the administrative reform and the regionalization of the country were most publicly debated. The preoccupation of the Polish elite to build the legitimacy of the new system on historical foundations led to the setting up, in as early as 1990, of a State Commission with the task of identifying possible ways of territorial reorganization and methods of implementation. The activities aimed at territorial reform were set back by the results of the 1993 elections, but relaunched following the 1997 elections. From the start of the transformation process in Poland the goal of the Solidarity movement was to implement wide-scale decentralization and carry out wide administrative reforms to curb the influence of the bureaucracy inherited from socialist times. The outcome of the political debates was that the historical regions were reestablished in most cases, and a compromise was achieved on voivodships. The consolidation of the 49 voivodships into 16 larger regions opened up the opportunity for the regionalization of the country at the level corresponding to cohesion regions (NUTS-2). With the same reforms the sub- or micro-regions (*powiats*) were reintroduced.

In terms of organizational structure, the Voivodship Council is elected directly by popular vote. Once constituted, the Voivodship Council elects the Voivodship Marshall, who acts as the head of the council. The Act on Voivodship Self-Government, adopted in 1998, stipulates the main responsibilities of voivodships and the character of the relationship between voivodships and local and national public authorities. To decrease the opposition against the consolidation of voivodships by reducing their number from 46 to 16, special clauses were introduced dealing with the independence of local governments and their non-subordination to voivodships.

The main responsibilities of voivodships include the drafting of the development strategy with the purpose of sustaining national and cultural awareness, the stimulation and support of voivodship level economic development and the enhancement of the economy's competitiveness and innovation capacity at the level of the voivodship. Besides, the voivodship also implements the regional development policy in its territory by

creating conditions for economic development, maintaining and articulating public and communication infrastructure, supporting RTD activities and education, and promoting the voivodship. International cooperation is also among the main responsibilities of voivodships, involving – among others – the identification in its territory of international cooperation goals, setting priorities for collaboration and association to international cooperation platforms.

Besides their own tasks, voivodships also undertake the implementation of delegated tasks, such as public education with emphasis on tertiary education, the promotion of culture and the protection of the cultural heritage, public service management (road infrastructure, water and sewage infrastructure management and development), consumer protection, employment generation and national defense.

In parallel with the creation of meso-level governments at NUTS-2 level, the Provincial Governor (Voivod) Office was set-up, with the main responsibility of ensuring control over the legality of the voivodship's actions. The presence of this prefecture type control institution creates important tensions at the regional level, as voivodships undertake not only self-governance, but also state functions as well.

In summary, it can be stated that the creation of regional self-governments (voivodships) which correspond to NUTS-2 level cohesion regions is unique among the CEE-10 countries. Yet, the organization of voivodships and the unclear allocation of various competences among government tiers limit the administrative and policy efficiency of regions.

Romania is where administrative reform and regionalization were clearly separated both in time and legislation. Thus, the former was set up by the Act on Public Administration (69/1991) and the Act on Local Elections (70/1991), which established a two-layer local government system with local and county self-governments. However, there was much criticism regarding the limitations of this regulatory framework, and self-governance was established only in the year 2001, when the principles of local authorities' fiscal autonomy was introduced.

The County Councils, similarly to local self-governments, are elected directly by popular vote. Each Council has its own administrative structure with the number of maximum employees defined by national law. The main responsibilities of county self-governments are to deliver activities related to county level development and provide public services at county level. The main sources of financing are direct central government transfers and a share of income tax at the discretion of the County Councils. Over the years the share of income tax transferred to the Councils significantly increased, yet it seems to have stabilized at around 10%. The Councils also administer an equalization fund equal in value to 15% of income tax collected at the county level. The allocation of the sums from the equalization fund among local authorities is often discretionary as the central government does not enforce the application of pre-established rules.

Regional development in Romania, as stipulated by Act 151/1998 on Regional Development, modified by Act 315/2004, aims at stimulating and diversifying economic activities, stimulating investments in the private sector, and contributing to decreasing unemployment. The main objectives of the national regional policy include the reduction of existing regional disparities by the balanced development and revitalization of the disadvantaged areas and by preventing the emergence of new imbalances. Regional policy is viewed as a collection of measures planned and promoted by the local and the central

public administration authorities, having as partners different actors (private, public, volunteers).

In order to apply the regional development strategy defined by the legislation, a number of eight cohesion or development regions were set up in Romania. Each development region comprises several counties. The development region is a freewill association of neighboring counties, representing the implementation and assessment framework of the regional development policy. Development regions are not territorial-administrative entities and do not have legal personality, being the result of an agreement between the county and the local councils. The policy institutions of the cohesion regions are the Regional Development Board and the Regional Development Agency.

The Regional Development Boards (RDB) are deliberative bodies, which coordinate at regional level the activities promoting the objectives implied by the regional policy. Each Board is constituted of the presidents of the County Councils (within the development region); a representative of the city local councils (within every county of the region); and a representative of the municipal local boards (within every county of the region). The prefects of the counties may participate at Board meetings, but without voting rights. According to the law, the main responsibilities of the Board include, among others, deciding over the regional development strategy and over the regional development projects selected and submitted by the RDA; approving the allotment of the resources of the Regional Development Fund and the budget of the Regional Development Agency; and coordinating the activity of the Regional Development Agency, making sure that the objectives of the regional development policy are obeyed and ensuring an equal and fair treatment towards all the counties that make up the region.

Regional Development Agencies are public benefit non-governmental non-profit organizations with legal personality. They are organized and function in accordance with the Law on Regional Development. The Manager of the Agency is appointed by the RDB. The financing of the organizational and operational expenditures of the Agency is provided from the Regional Development Fund, the amount being approved by the Board. The main responsibilities of the Agency include designing the regional development strategy and programs; implementing the regional development programs, in accordance with the decisions adopted by the RDB; identifying the disadvantaged areas within the development region, together with the local or county councils; submitting to the Ministry of Development and Prognosis proposals to finance the approved development projects from the Fund for Regional Development; attracting financial contributions to the Regional Development Fund; and managing the Regional Development Fund.

In *Slovakia* the first step towards developing consistent regional policy was the creation of the Ministry of Construction and Regional Development in 1998. This institution soon became the focal point for the implementation of the provisions of Chapter 21 of the Acquis on Regional Policy and the Management of Structural Funds. Much effort was made to create the necessary institutional administrative capacity to implement regional development policy at the level of ministries. In order to ensure that the highly centralized institutional framework would guarantee the smooth operation of regional policy, an inter-ministerial coordination structure was created by law. The Council of the Slovak Government for Regional Policy was created, which is supported by the Department of Regional Development. The first proposal to create the NUTS system sought to divide the country so that all the established regions be Objective 1 regions. This proposal was

rejected by the European Commission, and Slovakia was required to propose a new division of the country. The result was a new structure in which Bratislava remains a separate region. The meso-level government tier was eventually set up only in 2001 under the form of eight regions (the parliamentary voting on whether to have twelve regions based on the historical areas or to adopt the eight regions model led to a crisis in the governing coalition). Besides their own self-administration competences, the regions also received a series of responsibilities transferred from the central state administration. Each region has a directly elected council, and – as opposed to the other countries discussed – the chairman of the region is directly elected by popular vote. Nevertheless, meso-level governments lack sufficient institutionalization as they do not enjoy fiscal autonomy. Given that regionalization was delayed, counties (NUTS-3) registered their own Regional Development Agencies, which further weakened the enrooting of institutional and administrative capacities at the NUTS-2 level. As a result, of the CEE-10 countries in which NUTS-2 level exists Slovakia is the one where cohesion regions are the weakest.

In all the CEE-10 countries where meso-level governments were created, special provisions were made in the legislation to avoid any subordination of local authorities to regional authorities. Similarly, regional authorities are legally protected against central government interventions. Nevertheless, the high dependence of meso-level governments on central government transfers and subsidies limits their effort to adopt their own development strategies and indirectly limits overall policy independence. In the same way, local authorities are dependent on central government transfers and are seriously constrained by the dominance of ear-marked grants.

Conclusions

The accession conditionalities are supposed by several authors (for instance, *Knill and Lehmkuhl 2002*) to be the instruments that dictated the speed of reform and shaped the institutional and policy choices of CEE-10 policy-makers. However, in the case of the EU conditionality in the field of regional policy, it has turned out that – although they implied important institutional restructuring at the level of ministries and the set-up of NUTS-2 level administrative and programming capacities – neither EU accession requirements nor the other instruments employed by the European Commission proved to be sufficiently influential to supersede domestic political and policy considerations.

The limited interest in the CEE-10 countries in developing extensive regional governance structures by creating new autonomous sub-national governance structures coupled with the often contradictory and frequently unofficial requirements by the European Commission during negotiations has led to a weak institutionalization of meso-level governments when compared to the institutional and policy structures within the EU-15.

The unintended consequence of the often conflicting signals from the EU during the accession negotiation process has led to the adoption by the CEE-10 countries of a minimum approach, which has failed to produce substantive administrative capacity development at meso-level.

The analysis indicates that endogenous factors were determinant for institutional choices. As a result, the institutional standardization agenda of the EU through its accession conditionalities, at least in the field of regional policy, despite both formal and informal

pressures seems to have failed to persuade the CEE-10 accession countries to adopt similar forms of regionalization. As an outcome, administrative capacity at the level of cohesion regions as promoted by the European Commission has only been created to a limited extent. Furthermore, as has been shown, the adoption of administrative decentralization as the only form of regionalization has led to contrary results compared to those initially promoted by the European Commission, since many of the responsibilities related to the implementation of regional policy and the management of structural funds are maintained at the national government level.

We have seen that the only country in which real cohesion regions were created is Poland, where the meso-level government tier corresponds to NUTS-2 level cohesion regions. But even in this case the reasons for regionalization are attributable to domestic considerations and at a certain point the extent of decentralization was even criticized by the European Commission. The counter-example is the Slovak Republic, where cohesion regions have no independent powers. Even in other countries, such as Hungary, where cohesion regions were endowed with more administrative and policy capacities, the central government retains important leverages over regional decision-making, through representation in decision-making councils and financial transfers.

The administrative reform has led to the creation of a two-layer local government system in the Czech Republic, Hungary, Poland, Romania, and Slovakia, where the higher level has been considered to correspond to the meso-level government tier. Despite these developments, which were often implemented amidst vibrant political debates on the extent of local autonomy and the borders of meso-level government tiers, progress in the field of regionalization was much slower than in Poland. In all the countries the fragmentation of the local government system is exceptionally high, and therefore in most cases the meso-level government tier does not correspond to the standards of cohesion regions.

The lack of congruence between the existing meso-level government structures in Bulgaria, the Czech Republic, Hungary, Romania, and Slovakia and the cohesion regions (NUTS-2) promoted by the EU led to a situation in which a new level of administrative organization needed to be set up, too. The solution provided by each of the five countries was to maintain their own meso-level governments and set up weak structures by the association of such meso-level governments into cohesion regions.

In none of these countries, with the exception of Poland, was there any real interest in reshaping the existing regional structures or in creating a new layer of governance. Therefore, the creation of cohesion regions was limited to administrative regionalization. The minimal approach adopted by all the CEE-10 countries (with the notable exception of Poland) in complying with the territorial organization requirements of the EU led to the adoption of the three-level hierarchy of NUTS system based on the size of the country and without creating a directly elected and autonomous government tier. This may lead to the widening of regional disparities across the five CEE countries, given their limited capacity to undertake responsibilities related to development.

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