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# GEOGRAFICKÝ ČASOPIS

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58

2006

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## **ECONOMIC GROWTH AND TERRITORIAL COHESION IN CEECs: WHAT CHANCES FOR LOCAL DEVELOPMENT?**

**G. Cotella: Economic growth and territorial cohesion in CEECs: what changes for local development? *Geografický časopis*, 58, 2006, 4, 1 fig., 34 refs.**

Whereas the goals of territorial cohesion and economic growth are in many cases considered equally important aims, it seems uneasy to met the requirements of both at the same time, as they might be conflicting, sometimes even contradictory. Bearing this in mind is worth to analyse potentialities and threats surrounding the territorial cohesion principle, trying to underline where major vulnerabilities undermining the principle lie. The spatial focus of the paper is directed on Central and Eastern European Countries (CEECs), in desperate need of both triggering national economic growth and achieving internal territorial cohesion. Unfolding the tensions between the two concepts, the need for a multi-scalar approach to smooth them become evident, as in order to foster economical development in regions hardly targeted by strong economical investments, the engine of the development should be mainly based on local initiatives, less spatially selective. Whether at the national level it is possible to pursue national economic growth, in order to obtain growth benefits' diffusion it is important to promote bottom-up initiatives. A key role can therefore be played by local communities, embedded for 40 years in a rigid hierarchical structure, and now experimenting a new era of autonomy.

**Key words:** territorial cohesion, economic growth, CEECs, transition, local development, decentralization, meta-governance

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## INTRODUCTION: THE “TERRITORIAL COHESION / ECONOMIC GROWTH” MULTI-DIMENSIONAL FIELD

The ongoing debate over the exact conceptual outline of territorial cohesion strongly resemble the one previously regarding the European Spatial Development Perspective, being a “set of labels for desirable things, indubitably good but vague and wide open for definition” (Rivolin 2003, p. 68). As spatial concepts are often flexible in order to bridge different principles, this might not constitute a problem; still there is a need to further explore the sum of interpretation associated with the concept of territorial cohesion itself. Furthermore, when national economic interests rise against ideals of territorial re-equilibrium, the discussion about what territorial cohesion concept encloses is more than ever open. Therefore is worth to analyse potentiality and threats of the territorial cohesion principle, especially for what concern the multi-scalar tensions surrounding the concept.

Initially introduced, with a secondary role, in Article 16 of the Treaty of Amsterdam in 1997, explicit references to the principle of territorial cohesion has subsequently been included in the second and third reports on social and economic cohesion (CEC 2003, CEC 2004). The inclusion of the concept in the Treaty establishing a Constitution of Europe, signed by the 25 EU heads of state in Rome on 29th October 2004, strongly states that the Union “ shall promote economic, social and territorial cohesion, and solidarity among Member States” (Art. I-3). Furthermore, economic, social and territorial cohesion figures in Art. I-14, defining the shared competences between the Union and the Member States.

Whether the Treaty has experienced a halt in its ratification process, territorial cohesion has to be considered a shared institutional reference which hardly could be disagreed (Rivolin 2005), and the presented elements are enough evidences to illustrate that the political appeal of the concept has been highly taken into consideration at the Commission level, due to his “added value vis-à-vis existing policy principles” (Zonneveld et al. 2005), or to the “openness to interpretation that characterises the concept” (Faludi 2005, p. 1).

Despite the high appeal of the concept at the supranational level, that interest found scarce echo in the majority of Member States, with only 9 out of 28 countries expressing reactions to his inclusion in the Constitutional Treaty (Zonneveld et al. 2005, p. 17). The reason of this lack of interest could hint that, whereas the multidimensionality of the concept is an asset, it also takes along with it a set of unsolved tensions embodied in his multi-scalar character, the rational behind which is worth exploring. The above introduced tensions can be systematised into two sets (Lawton-Smith 2003): a) regions versus national state; b) competitiveness versus cohesion.

As the EU and nations strive for the goal of cohesion and convergence as well as for economic competitiveness and growth, it seems to be uneasy to met the requirements of both at the same time, as cohesion and growth might be contradictory goals, since measures in the economical lagging regions are nor-

mally less efficient than in highly developed areas.<sup>1</sup> Furthermore, whether the economic gap between member states decreased over the last decades, regional disparities on the NUTS2-level have rather deepened (Kramar 2005). This is evident especially when focusing on growing economies, where the gap between main urban centres and peripheral areas tends to widen (Gorzalak et al. 2001).

The main focus of the article is directed on Central and Eastern European Countries (CEECs), a specific contradictory reality presenting both the need to foster national economic development and to achieve internal cohesion. Being Central and Eastern Europe a not easily-definable entity, lacking social, economical and spatial homogeneity, a choice had to be operated: hence the analysis focuses on Visegrad countries (Czech Republic, Hungary, Poland and Slovakia), for both geographical proximity with former EU15 and the existence of numerous common features among them. A higher focus on Polish situation is adopted where concrete examples are needed.

After decades of stasis, CEECs experimented a rapid and radical transformation causing the exponential growth of disequilibria. After the end of the days of *shared poverty*, the gap between rich and poor grew, both socially and spatially (Paul 1995). Why did some regions performed better than others? Several explanations to this question can be found analysing the macroeconomic reform as the result of a dynamic process.

The first part of the paper will try to shed some light over the transition period, particularly concentrating on how the shift from a centrally planned economic system to a market economy influenced Central and Eastern Europe's spatial structure during the 1990s. Within this framework, the second part of the text, will consider more in depth the adoption of a multi-scalar perspective to overcome the dichotomy between growth and cohesion. The suggested multi-scalar approach will mainly focus on the adoption of bottom-up initiatives stressing local peculiarities in the promotion of territorial development. A brief description of the decentralization reform and of policies promoting territorial development at different spatial levels will be performed, followed by the presentation of the role of the different local actors. A list of assets and barriers for development at the local level concludes the paper, together with final remarks on the important role of the local dimension to reduce internal unbalances in CEECs.

## TRANSITION PROCESS AND NEW SPATIAL STRUCTURE IN CEECs: POLARIZATION OF SPACE AND GROWING SPATIAL DISEQUILIBRIA

### Socialist heritage ...

After WWII, CEECs adopted a soviet inspired centralized economic model based on the development of heavy industries in order to foster rapid economic

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<sup>1</sup> Assuming, for example, that productivity of public investment depends on qualification of labour, infrastructure supply and economic structures, economic growth can more easily be achieved by promoting projects in the urban agglomerations than by supporting measures in the lagging areas. This policy goals conflict drive us into the question whether public funds should rather be used to foster total economic growth or the reduction of regional disparities (Kramar 2005).

growth (Paul 1995). The main goals of centralized economic planning were the followings (French et al. 1983):

- reduction of the gap between urban and rural areas,
- reduction of the socio-economic development differences between regions,
- avoid as much as possible economic and social contact with western nations,
- organization of a centralized economy with few or no room for market influence,
- creation of the basis for a future *socialist society* by education and propaganda.

After some initial successes, the different governments had to take into account the wide regional disequilibria already existing before WWII, that constituted an obstacle for the new development model. With the 1970s industrial localization policies left over every diffusive criterion, favouring the main existing centres and leading to the realization of a hierarchically and functionally integrated urban system.

This conciliation between economic efficiency and social equity was translated into the concept of *moderate polycentric structure*, that led to the consolidation of a new spatial order based on the ulterior growth of the main urban centres and the strengthen of other centres of medium dimension, together with an improvement of the physical and functional connections between the centres on the top of the hierarchical structure (Korcelli 2005).

Thus, when the first crisis elements of the production system became evident, they didn't involve only the most vulnerable areas, as it would have occurred in a western-type economy, but, due to the functional and spatial integration of the economic structure, the crisis rapidly spread through different regions and urban areas, striking indifferently each social category, and contributing the paralysis of the system (Kornai 1990).

... and macroeconomic transition ...

In the first years of the transition period, without any reference to take as a blueprint, the transition from “plan” to “market” resembled “the building of a new house on old, crumbled foundations, without a detailed plan and with only one third of the material available. Nevertheless the house has to be built as quickly as possible and has to look exactly like uncle's large and beautiful house one known from pictures” (Paul 1995).

In spite of the unfavourable conditions, the attempt to adapt to the new system took actually shape. Opinions on the best strategy to follow were often conflicting. Two different position could be identified: the first, mainly attributable to experts coming from countries outside the soviet block, stressed the need to realize the macro-economical reform as soon as possible, in order to quickly elevate the living condition of the population towards western levels by rapid privatization processes, administrative decentralization, reduction of state's aids and expansion of free market (Brada 1993). The second believed in a more

“political” approach to the transition, criticizing the social drawbacks of the so called *shock therapy*, and affirming the need of a semi-protectionist approach (Kinnear 1992). Furthermore, they were doubting on the real possibility of a natural functioning of the new system at micro-economic level, and stressing the need to stimulate from the beginning regional and local bottom-up development initiatives (Horvath 1991).

Whether the argumentations of the second group of theorist appear more far-sighting, in the early 1990s CEECs aligned in the direction of a quick transition, nevertheless the extremely high social costs (Parysek 1993).

... towards a new spatial pattern

After the collapse of the socialist structure, as soon as COMECON economical relations ended, CEECs had to face for the first time the unsolved node concerning the relation between scale and productivity, that ended up in a grief production inefficiency. Furthermore, the lack of production diversification characterising several urban centres contributed to make them unattractive for new investments aiming at the rationalisation of the inherited productive structure. Thus, the lack of public aids led to the drastic output reduction of the main mono-productive plants, and consequently translated into the crisis of the once prosperous urban areas connected to them (Bilazyka et al. 1991).

This situation led to two contradictory phenomena: on the one hand the consolidation of new “pulling” regions, isolated centres presenting relative prosperous conditions, able to attract main foreign and national investments due to their intrinsic potentialities. On the other hand the inertial resistance to transformation of several “weak” regions, presenting difficulties in economical development and high unemployment rate:

- Old industrialized regions,
- Mono-productive industrial areas, that suffered the crisis of their main industrial plant,
- Mono-productive agricultural areas, characterised by wide (2000-5000 ha) socialist farms,
- Marginal areas, mainly in proximity of the eastern border, characterised by high unemployment rates and negative migration rates.

The strongly organised urban structure, developed during the socialist period, slowly mutated after 1989 following two main development trends (Conti 1994):

- the persisting vertical dependence of the local urban systems from the higher hierarchical level, inhibiting local growth phenomena and horizontal connections;
- the dominance of the metropolitan systems of high hierarchical level that strengthen their position and represent the unavoidable *gateway* between national and regional economy and the international scenario.

## ECONOMIC GROWTH AND INTERNAL COHESION: CRITICAL REFLECTION OVER THE POLISH NATIONAL SPATIAL DEVELOPMENT CONCEPT

Government policies undertaken in CEECs during the beginning of the 1990s concentrated mainly on privatization, monetary policies and institutional reform. In order to close as fast as possible the economic gap with the western part of the continent, free market was given almost complete freedom. Few governmental intervention were promoted to prevent the widening of economical disequilibria and the insurgence of spatial polarization effects (Bachtler et al. 2000, Gorzelak et al. 2001), and the first spatial studies were not ready before the end of the 1990s.

Poland (Korcelli 2005) produced in 1998 the *Poland 2000 Plus Study*, that after several rounds of consultation and elaboration, eventually evolved into the National Concept of Spatial Development (*Koncepcja polityki przestrzennego zagospodarowania kraju* 2001).

The document represents a clear attempt to take into account both side of the growth/cohesion coin, on the one hand following a more liberal approach, aiming at a rapid national economic development, and on the other hand a more regulative one, concentrated on the reduction of regional disparities. As Korcelli (2005) states, this duality translated in the formulation of the main goals of the document, where it is possible to perceive the adopted compromises, somewhat at the cost of the clarity of the document. According to the NCS D, spatial policies aim to the achievement of a balanced spatial development. At the same time, recognising the conflict between spatial equilibrium and overall economic growth, the latter is given priority.

Within the document, spatial polarisation processes are considered to be the quickest way to reach an adequate national economic development, and regional disparities' growth is accepted in the short term, as the "price-to-be-paid" to reach a high economic growth rate.

Nevertheless, polarisation effects are considered unacceptable in the long term, and the NCS D foresees different *stabilizing systems* to invert them. Among them emerges the valorisation of the polycentric urban structure, together with the improvement of technical infrastructures, and the valorisation of natural protection networks.<sup>2</sup> The document recognise three different components of the urban system (Fig. 1):

- the capital region,<sup>3</sup>
- a group of main urban areas considered potential "europoles",<sup>4</sup>

<sup>2</sup> Korcelli (2005) underline how the intervention strategy over those *stabilizing systems* seems to lack a sort of coherent scheme. While the urban polycentric structure could effectively perform an inertial stabilizing function, a non-coordinated action over the infrastructural system could worsen spatial polarisation phenomena.

<sup>3</sup> In the structural transformation process of polish socio-economical space a main role is attributed to the metropolitan area of Warsaw, and to its future equilibrated development that could guarantee the integration with the European urban system and the consequent international role (see also Gorzelak 1996).

<sup>4</sup> The agglomerations of Gdansk-Gdynia, Poznan, and Cracow are included in the list of potential "europoles". This category include also, in future perspective, Szczecin, Wroclaw, Lodz, Katowice, Lublin, Rzeszow, Bialystok and Bydgoszcz-Torun. Standards utilised to individuate those potential "europoles" varies from a population above 500.000 inhabitants to the presence of high tech activities and university structures, from a nodal position inside the Trans European Network scheme to high environmental and living conditions.

– a network of medium-sized centres of national and regional importance.<sup>5</sup>

Whereas the National Concept of Spatial Development foresees in the short term a growing concentration of population and economical resources in main metropolitan areas, in tuning with the general trend investing all CEECs during the 1990s, an ulterior foreword of the document concerns the future processes of innovation diffusion and economic growth spreading, intended to occur from West towards East, and through increasing trickling-down phenomena from major urban nodes towards their relative area and minor urban centres, in order to reach the goal of a balanced and equilibrated spatial development.

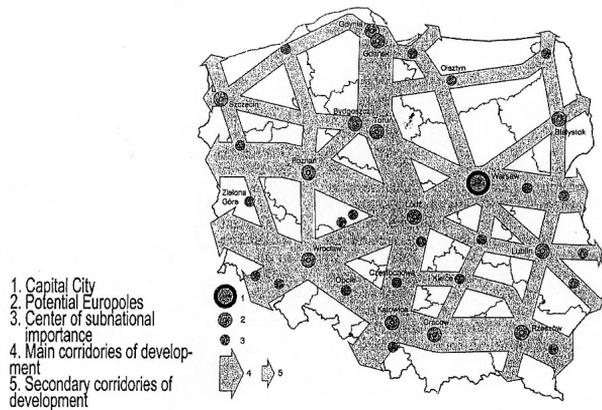


Fig. 1. The Polish balanced spatial development model

Source: *Koncepcja polityki przestrzennego zagospodarowania kraju 2001*.  
Author's modification.

Nevertheless, the described diffusive phenomena that pretend to be the ideal missing link between competitiveness and cohesion, still have to be verified in practice. Several experts (Korcelli 2005, Gorzelak et al. 2001), describe geographic proximity as an insufficient condition for the diffusion of economical development, and several studies affirm that nowadays main centres tend to act mainly as a magneto for specialised services performed inside their influence areas, consequently increasing economic development disparities. Thus, the high amount of interventions required to foster such a broad strategy, compared with the scarce resources in the hand of public structures and the limited set of intervention tools, risks to transform the development strategy in a conceptual utopia. The presence in the document of an approach mainly concentrated on supranational and national scale, whether possibly effective to foster national economic growth, simply risks to end up with an unrealized dream.

<sup>5</sup> For what concern third level nodes, five main centres are indicate of national level (Olsztyn, Kielce, Opole, Zielona Góra and Czestochowa, with a population included between 120 e 250 thousands inhabitants), and other sixteen (with a population varying between 80 and 120 thousands) are described of supra-regional importance. Fifty-one other cities are assumed to have a regional-centre role.

## A MULTI-SCALAR APPROACH TO THE GROWTH / COHESION DICHOTOMY: LOCAL DEVELOPMENT AS THE MISSING LINK?

The above paragraph shows how to strive for cohesion and growth, considering both aims of equal importance, it seems to be uneasy, due to their conflicting nature. This conflict in policy goals drives into the question whether public funds should rather be used to foster total economic growth or the reduction of regional disparities.

The perspective adopted in the present paper suggests that an approach taking into consideration only a single level of intervention risks to lead to no answer, as measures encouraging cohesion on the supranational or national level, beside fostering overall growth, often also increase disparities within a state or a region (Kramar 2005).

This is the reason why the dichotomy between growth and cohesion has to be analysed at different spatial levels.<sup>6</sup> The need of a comprehensive multi-scalar approach to development is here stressed, with national level playing a *meta-governance* role, providing the necessary framework to allow lower levels to perform their tasks towards the reach of a more balanced growth.

The attention will be mainly focused on local development initiatives. The reason for such an approach is the shared believe that in the close future a key role for reducing the gap between rich and poor regions will likely be played by relatively newborn local institutions. After being embedded for forty years in a rigid hierarchical structure, and despite inexperience and lack of economic means, local administrations experiment a new era of autonomy, and in some cases is possible to witness a sort of daring enthusiasm in the attempt to explore new development chances.

## SOCIALIST CENTRALIZED SYSTEM AND THE FROZEN DIMENSION OF LOCALITY

The centrally planned system of resources distribution has been organized in a strongly hierarchical way, based on economic planning at the national level, and on the physical planning at the urban and intra-urban levels (Paul 1995). Goals were agreed upon at the national level, and afterwards implemented by decisions on settling different economical activities, labour forces housing, following a rigid top-down approach guided by the needs of different ministries.

This situation inhibited every possibility of self-development at the local level, where the task of operative instrument consisted merely in “drawing” the physical structure of urban settlements and providing a general determination of land uses, especially for what concerned housing, industrial activities and transportation. Even regulatory functions, obeying to decision taken on upper levels, were mainly performed by representatives directly chosen by central authority, as local self-government was not existing.

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<sup>6</sup> Copus (2001) states that: “The pitfall ... that policy might create an illusion of balanced development at a broad level whilst exacerbating polarization on a more localized scale may be avoided if more is known of the spatial trends and policies at lower levels”.

Different elements contributed to this freezing of local potentialities (Cotella 2006):

- A massive re-localization of labour force, from countryside to urban areas, from regions with plenty of labour force, to region where it was required, leading to a spread feeling of *non-belonging*.

- The strong central *propaganda*, mainly focused on economical macro-themes and on national or supranational goals, transcended local peculiarities.

- The theorised *territorial indifference*, intrinsic in territorial re-equilibrium objectives, and on the reduction of urban-rural gap, put into practice not valorising local potentiality, but attempting to spatial uniformity.

- A rigid hierarchical organization of the public administration translated into a total dependence of the local level from the upper levels, both financially and operatively.

- The presence, at the local level, of the party and the state enterprises de-centralised sections, as the main reference for what concerned working life and the delivery of social services, inhibiting almost every possible form of local associationism.

At the beginning of the '90es, a rather fast dismantling of the old structure notwithstanding, its substitution with a new institutional system happened in a slower and much more complex way. The continuous debate on which path the transition should follow, the lack of national planning guidelines and the institutional changes at the different levels led to a strongly uncertain context (Sykora 1999).

#### ADMINISTRATIVE REFORM: DECENTRALIZATION IN PROGRESS

Local government system and relations between national level and local institutions constitute the framework for the promotion of successful development initiatives at the local level. In particular, the level of decentralization of competences and financial means is an important factor contributing to shape the nature of spatial planning systems.

Nevertheless the witnessed substantial decentralisation of powers and competences from the national to the regional and local levels, CEECs decisional structure continued to present strong hierarchical connotations at least until the end of the 1990s (Sykora 1999).

In the transitional nations a new legislation concerning local governments has been rapidly applied during the first years of the 1990s, by a reform that abolished the two/three tiers hierarchical system (regional, provincial, municipal) directed by the central government in favour of a new local government system based on the separation of the local government from the state administration. This led to a relative independence and autonomy of municipalities, that became the basic units of self government.

The new legislation furthermore delegated several rights and responsibilities to municipalities: among them the right to own land, to introduce and collect taxes, to administrate its own finances, to formulate and promote the development of its own territorial area using development plans and programmes. This

meant the introduction of new *governance* principles in development strategies and the possibility for local communities to autonomously determinate their own development paths.

In performing their new roles local governments had to learn the necessary skills to organise and manage a totally new reality. Due to the high number of actors involved, to their inexperience, to the inadequateness of financial means and operative tools, to the persisting structural weakness intrinsic in a new economical system born in a still ongoing transition period, this skill-building process has not been always easy. As it will be shown later in the text, the given back possibility to autonomously undertake decisions, if not accompanied by the creation of the right framework to allow the accomplishment of such a role, risk to lead to practical *empasses* that generate in the new public and private actor a growing spread sense of frustration.

#### PROMOTING LOCAL DEVELOPMENT: THE INVOLVEMENT OF DIFFERENT TERRITORIAL LEVEL

Their crucial importance notwithstanding, policies and practices of local development received scarce attention during the 1990s. Economic policies mainly concentrated on macroeconomic objectives, following the logic that macroeconomic conditions were the key for market forces to guarantee the necessary economic dynamism (Gorzalak 1996). Nevertheless, as the first part of the text witness, adopted economic strategies were not sufficient to promote an even diffusion of economical development, and lead towards growing phenomena of spatial polarizations (Keune 2000, but also Korcelli 2005).

Different experiences in the last 30 years in Western Europe showed how, in order to obtain a strengthening of economic growth without falling into the trap of widening the gap between rich and poor areas, it is necessary for national development policies to be supported by a decentralized bottom-up approach that takes into consideration particular local needs and explores their specific potentialities and development opportunities (Kramar 2005, Sengenberger et al. 1996).

The national level. Regional Development Policy and *meta-governance* role

The important role that could be played by national government to promote effective development processes at the regional and local level notwithstanding, CEECs' governments rarely acted in that direction during the 1990s.<sup>7</sup>

As it has been showed analysing the Polish NCSD, even central level development policies elaborated in more recent periods often fall to bridge the dichotomy between cohesion and growth. Whether in the rhetorical declaration of goals predominance is given to *equity*, meaning the reach of a more spatially balanced development, the contemporaneous assumption of the *efficiency* objec-

<sup>7</sup> Following Gorzalak (1998, Gorzalak et al. 2001), no CEECs has developed until 2000 a comprehensive regional development policy that takes into account local and regional peculiarities.

tive leads to the concentration of the few resources on *pulling areas*, in order to increase overall national competitiveness, leaving the diffusion of economical benefits to long term trickle-down processes.

An analysis of the scientific debate (Gorzalak 1998, Gorzelak 1999, Keune 2000, Korcelli 2005) leads to identify several possible interventions that could contribute, from a national perspective, to favour the promotion of effective development initiatives at the local level. The main common stream of those actions seems to indicate the need of *meta-governance* interventions in order to provide local actors with means and skills needed to autonomously develop, manage and implement local development initiatives. Main measures asked for could be synthesised as follows:

- Ulterior decentralization of responsibilities in favour of regional and local administrations,
- Strengthening of regional and local labour offices,
- Decentralisation of decisional power for what concern regional development funds; employment fund and social funds,
- Promotion of new local institution that could play a role in skills-building initiatives (regional and local development agencies, SMEs promotion agencies, etc...),
- Promotion of collaboration and partnership between different social actors of the local community,
- Creation of *empowerment* programmes and structures in order to provide the necessary technical support to local actors and to spread the needed know-how.

#### Local tools and practices: the devolution of right and competences

Local government reforms performed in the early 1990s granted municipalities a relative operative and financial autonomy (Dostal et al. 1992, Kara et al. 1993, Regulaska 1997).

Thanks to those reforms municipalities regained the following rights and competences:

- Right to private propriety,
- Re-institution of a municipal financial scheme,
- Introduction of local revenues,
- Right to participate in business as a private actor,
- Possibility to adopt local development programmes (of strategic nature),
- Competence to approve a local physical plan controlling development processes and environmental protection at the local level.

Municipalities also gained the right to join into municipalities associations, constituted by a common body of representative of the single unit, in order to tackle matters that cannot be solved at single-municipal level.

One of the main factors that limited the performance of the new competences has been constituted by the uneasy situation of municipal finances, that

can be imputed to the scarce possibility for municipalities to issue a sufficient amount of local revenues, as well as to the relation between own incomes and subsidies coming from the central government (Sykora 1999). If compared with western's ones, CEECs municipalities can count on lower per-capita incomes, and are generally limited in promoting local development actions also by the scarce support coming from the central administration. Differently from western nations, CEECs local authorities has less freedom in benefiting from bank loans, as well as in participating in private economical investments not directly connected with the provision of public services (Suraszka et al. 1996).

For what concern spatial planning, the most important instrument for local development management concerns physical planning, socioeconomic strategic planning and local development strategies. Cities are also becoming more and more active in the preparation of socioeconomic development strategies. Nevertheless, the flourishing of such strategic tools is still at the sunrise, possibly due to the limited skills of local administration and to the every-day pressing problems of an uneasy economic situation.

### LOCAL ACTORS: HOW TO PLAY THE GAME?

For a better understanding of local dynamics, this paragraph presents the different actors involved in local processes. In order to simplify the complex existing panorama, different actors will be grouped in public actors, private actors, foreign investors. Taking into consideration local development processes from the different actors' current situation and role helps to understand how CEECs present highly different peculiarities from Western European countries, bearing unsolved problems somehow more deep and complex.

#### Public actors

Public actors constituting new local government structures, whose role has been marginalized during the whole socialist period, are now in need of a fast absorption of a reform that devolve them a great number of duties, too often without delivering the needed financial and operative autonomy. The effective decentralization of competences and responsibility notwithstanding, a real devolution of financial means haven't occurred yet, hence municipalities live a constant lack of funds for fulfilling their objectives. The confused legal framework regarding privatization, opening of new activities and connected responsibilities concerning cooperation with the private sector, together with the lack of skills due to inexperience, complicates the situation farther.

If we add the substantial inadequateness of the tools in the hands of public administration to promote strategic objectives, it is clear why local governments often limit themselves to a strict accomplishment of their duties, mostly deciding for punctual interventions in reaction to practical pressing problems, and avoiding integrated strategic initiatives and long term involvement of the private actors.

It is interesting to underline different behaviour connected to different spatial contexts. A certain *willingness to risk*, that translate into the involvement of dif-

ferent economical and social subjects in long-term strategies trying to valorise endogenous territorial potentials, mainly characterises municipalities located in proximity of western borders. This *enlightened* behaviour is likely imputable to the positive influence of EU-financed cross-border cooperation programmes. Similar behaviour flourished in already economically strong areas, mainly due to the transfer of skills and finances from Western Europe. The regions affected by structural problems, that in the first part of the text has been described as the *losers of the transition*, are instead characterised by stronger inertias.

#### Private actors

The entrepreneurial class, of relatively young formation and in possession of limited financial capitals, most of the time faces the impossibility to compete with its foreign counterpart on international markets, as well with foreign investors on its own territory.

At the local level SMEs constitute one of the main sources of employment. Their important social role notwithstanding, the scarce economic stability that characterised the first part of the transition constituted a strong inertia for the settlement of a strong local entrepreneurship. The deriving scarcity of local financial capitals ended up with a lack of private actors' involvement in local development programs, requiring elevated immediate investments and granting only long-term economical benefits. The high interest rates contributes to worsen the situation, as private actor are unable to borrow the capitals needed to participate to high-cost initiatives.

Also concerning private actors is possible to witness a spatially diversified behaviour. In areas characterised by pre-WWII industrialization processes, a more solid entrepreneurship very often take advantage of the *genius loci* in order to entwine cooperation processes involving local administrations and local communities with positive results for all actors involved.<sup>8</sup> The regions that were characterised by the presence of broad socialist agricultural areas and the centres connected with socialist *kombinat* face instead many difficulties in the consolidation of a solid entrepreneurship, due to the problem connected with privatization processes and birth of new activities in a declining economic scenario.

#### Foreign direct investments

With the breakdown of the controlled market, a growing number of western enterprises began to relocate their productive structures in CEECs. Evaluation of real impact of foreign financial capital is not uniform. Their effect of the development of different regions can be considered in a positive way, as due to their impact it has been possible to revitalize a great number of declining enterprises, and consequently to contribute to maintain a decent level of employed labour force, as well as to modernize the obsolete production process.

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<sup>8</sup> It is the case, e.g., of Lodz metropolitan area. Affected by industrial decline during the 1980s it managed to efficiently reconvert its productive structure thanks to virtuous public-private partnerships (Markowski et al. 1999).

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Negative effect instead could be summarized as follows (Paul 1995, Gorzelak et al. 2001):

- The main share of private profits generated by foreign investments is re-exported outside national border, therefore do not positively affect development at the local level,
- Foreign promoted activities are usually relocated once the economic context is no longer favourable,
- Foreign investors' profit-based goals often contrast local governments' priorities, but the latter group is seldom given enough contractual power to oppose to the former one.

As it is easy to understand, whereas foreign investments constitute an important engine for the structural renewal of certain sectors, they don't necessarily generate constitute an asset for the local level. Sometimes they are an obstacle to local private and public actors to autonomously promote the development of their own territory inhibiting the actions of public authorities and the consolidation of local entrepreneurship. It is also important to point out that foreign investments are spatially selective: hardly targeting regions affected by structural decline they mainly interest already growing areas and therefore lead to a widening of the gap between rich areas and regions lagging behind.

### CONCLUSIONS AND FINAL REMARKS

The *buzz-words* of economic growth and territorial cohesion appear in almost every document concerning territorial development. To unfold the described tensions between this two goals there is a need of a multi-scalar approach to development, especially in CEECs where the need of filling the economic gap with western Europe coexist with growing internal disparities and the consequent need to invert spatial polarization trends. Moving in a complex framework where market-friendly national development policies foster overall economic growth in the short term, leaving to long term "miracles" the achievement of internal cohesion, the article indicated local development as the key level to intervene upon. The introduction of a democratic self-government structure at the local level during the first years of the 1990s, allowed CEECs municipalities to be equipped with democratically elected administrative apparatuses that present legitimate self-government rights, but are often characterised by a financial autonomy far behind their western counterparts. This handicap notwithstanding, local units seems to be destined to represent one of the major transformation engine in post-communist Europe, thanks to the positive role they can play in the development of local economy, and the shared opinion believes that the main agents of changes occurred in CEECs in the last 15 years have been local governments and private local actors, whilst central government reforms often constituted an obstacle for the development of local systems (Gorzelak 1998).

The rising enthusiasm concerning possible future actions of local development notwithstanding, numerous structural difficulties still undermine the possibility for local actors to perform their roles, constituting both the heritage of the past and the results of a strongly neoliberal approach to the transition. It has

been possible to identify two sets of obstacle to local development (*Exogenous barriers*, i.e. connected with the overall political and economic situation, and *Endogenous barriers*, i.e. directly affecting the local level):

*Exogenous barriers*

– The unstable institutional and political CEECs arena of the 1990s, generated several difficulties for local institutions to undertake development actions in a new economic scenario characterised by continuously evolving “rules of the game”.

– The lack of incentives programmes and financial help to the municipalities from the central government didn’t provide the former with the needed financial independence.

– The high inflation rates caused high interest rates on financial loans, forcing both public and private investors not to risk long-term uncertain initiatives.

– Central governments, in order to attract foreign capital, didn’t promote regulations to protect local actors from uneven contractual relations with foreign economic powers.

– The dismantling of large state enterprises led to a deep fracture in the social structure requiring a complete reorganization of the delivery of public services.

– Almost 50 years of local identities negations and local development inhibition led to a situation where, even nowadays, it is hard to promote a *local development mentality*.

*Endogenous barriers*

– The skills and experiences of local government structures is still inadequate to the requirement of the new operative framework, and highly limit its action-capacity.

– The scarce familiarity of local authorities with local economy development, creation of private actors support services, territorial marketing, too often condemn public administration to undertake actions lacking ambition and impact.

– Scarce financing opportunities of local administration end up with a chronic lack of public funds.

– The lacking development of institution supporting both public and private actors at the local level, as banks, consultancies, marketing agencies, etc., leaves those actors totally bounded to their limited skills and resources.

– The lack of solid long-tradition SMEs, lead to a structural need of strong private subjects disposable for collaboration in local development initiatives.

The numerous obstacles just described notwithstanding, several studies showed how local government units represent one of the main forces of transformation in CEECs. With the growing understanding of their role, local actors will likely learn in the future how to mobilize endogenous potentials. Therefore, they will represent an important innovation tank from the point of view of development practices, and it is difficult not to agree that local communities have to contribute to invert growing spatial polarization phenomena.

Several main actions could help to guarantee the future promotion of effective local development initiative. They can be summarised in the following five steps:

- Efficient conclusion of competences decentralization from the central government to regional and local layers, and simultaneous devolution of financial means.

- Development of a solid private entrepreneurship that could participate to the promotion of local development long-term strategies with the possibility to play an “even game” with foreign investors in the new free market scenario.

- Introduction and consolidation of strategic tools that could help local administrations to plan the future of their own areas, establishing short, medium and long-term objectives for the development of endogenous local potential.

- Introduction of regulative tools that collocate public administration in an even contractual position while dealing with foreign investors.

- Creation of a shared culture of the local dimension of development, both inside public administration and private citizens, in order to awake the *genius loci* intrinsic in local communities, largely neglected in the previous historical period.

Concluding, whereas national interventions often help to pursue national economic growth, and to effectively consolidate the position of main urban nodes in the European framework, it should be kept in mind that to foster economical development in regions hardly targeted by strong economical investments, the engine of the development could be constituted mainly by local development initiatives that, when the necessary means and skills are activated, can also develop in less advantaged regions.

In order to manage to diffuse growth benefits and to achieve territorial cohesion at lower levels it is important to pursue multilevel strategies that match national level policies with bottom-up initiatives, fostering the interaction between public and private actors in a new *subsidiarity* framework. In this framework, the growing role of local development strategies seems to be the crucial bet for the achievement of balanced development in the accession countries.

The present text constitutes a further elaboration of the information collected by the author while working in the research project *Territorialità e sviluppo locale tra Nord e Sud: un approccio comparativo (Territoriality and local development between the North and the South part of the world: a comparative approach*, local coordinator Prof. E. Dansero, Politecnico and University of Turin, DITer), inside the framework *PRIN MIUR 2004 – Sviluppo locale: territorio, attori, progetti. Confronti internazionali (Local development: territory, actors, projects*, national coordinator Prof. P. Faggi, University of Padova).

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## HOSPODÁRSKY RAST A ÚZEMNÁ VYROVNANOSŤ V KRAJINÁCH STREDNEJ A VÝCHODNEJ EURÓPY: AKÉ ZMENY NASTANÚ V LOKÁLNO M VÝVOJI?

Aj keď sa hospodárska vyrovnanosť, konvergencia, schopnosť konkurencie a rast považujú často za ciele rovnakého významu, niekedy nie je ľahké splniť všetky podmienky naraz. Územná hospodárska vyrovnanosť a rast môžu vstupovať do konfliktu a dokonca si navzájom protirečiť, pretože v hospodársky zaostávajúcich regiónoch sú všetky opatrenia obyčajne menej účinné ako vo vysoko rozvinutých oblastiach. Berúc to do úvahy určite stojí zato analyzovať potenciál a riziko hroziace pri uplatnení princípu územnej vyrovnanosti, najmä ak ide o napätie s tým spojené, pričom treba zdôrazniť, aké sú jeho najzraniteľnejšie miesta.

Hoci sa hospodárstvo medzi členskými štátmi za posledné desaťročia vyrovnalo, regionálne rozdiely na úrovni NUTS-2 sa skôr prehĺbili kvôli narastajúcim rozdielom vo vnútri mnohých členských štátov. To sa jasnejšie ukáže, ak sa zameriame na analýzu rastúcich ekonomík, kde sa rozdiely medzi hlavnými mestskými centrami a okrajovými oblasťami prehĺbujú. Národné politiky a politika EÚ fungujú v dichotómii medzi konfliktnými cieľmi ekonomického rastu a územnou vyrovnanosťou: opatrenia, ktoré podporujú regionálnu vyrovnanosť na nadnárodnej úrovni často súčasne zvyšujú rozdiely vo vnútri štátov alebo v regiónoch. Priestorový dôraz v tejto štúdii je na stredo-

a východoeurópske krajiny, ktoré naliehavo potrebujú naštartovať národný hospodársky rast a dosiahnuť vnútornú územnú vyrovnanosť. Sústredíme sa viac na situáciu v Poľsku, ktorá tu poslúži ako praktický príklad. Pri pokuse riešiť napätie medzi týmito dvoma pojmami je potrebný multidisciplinárny prístup, ktorý ukáže možný spôsob riešenia. Komplexná stratégia, cieľom ktorej je dosiahnuť územnú vyrovnanosť hospodárstva, by mala pamätať na to, že ak chceme posilniť hospodársky rozvoj v regiónoch, ktoré nie sú cieľom veľkých investícií, mala by sa zakladať hlavne na miestnej iniciatíve, ktorá je menej priestorovo selektívna a môže fungovať aj v znevýhodnených regiónoch.

Tu hrajú kľúčovú rolu relatívne nedávno založené inštitúcie. Počas celých deväťdesiatych rokov minulého storočia sme boli svedkami prenosu kompetencií z centrálnej na regionálnu úroveň, a v súčasnosti tu vznikla celkom nová situácia. Napriek tomu, že správa bola štyridsať rokov zakotvená v neohybnej hierarchickej štruktúre, napriek relatívnej neskúsenosti a nedostatku prostriedkov, miestne správy zažívajú novú éru samostatnosti a v niektorých prípadoch je možné pozorovať, že nedostatok skúseností nahrádza nadšenie pri pokuse naplno využiť nové šance rozvoja.

Na národnej úrovni je možné sledovať ciele spojené s národným hospodárskym rastom a účinne konsolidovať postavenie hlavných mestských centier v medzinárodnom kontexte, aby bolo možné prerozdeliť zisk z rastu a dosiahnuť vyrovnanie na nižších úrovniach. Preto je potrebné podporiť iniciatívu, ktorá vychádza zdola a rastúca úloha iniciatív spojených s lokálnym rozvojom sa zdá byť kritickým prvkom v krajinách, ktoré sa nedávno pripojili k EÚ.

V prvej časti štúdie sa snažíme objasniť skúmané obdobie najmä z hľadiska, ako prechod z centrálne plánovanej ekonomiky na trhovú ekonomiku ovplyvnil zdedenú priestorovú štruktúru. To poskytuje referenčný rámec pre druhú časť referátu, ktorá hlbšie uvažuje o multidisciplinárnom pohľade na prekonanie zdanlivej dichotómie medzi rastom a vyrovnaným hospodárstvom. Navrhovaný prístup sa sústreďuje hlavne na prijatie iniciatívy zdola pri zohľadnení miestnych zvláštností pri presadzovaní územného rozvoja. Nasleduje stručný opis decentralizačnej reformy a politiky, ktorá presadzuje územný rozvoj na rôznych úrovniach. Záver štúdie obsahuje zoznam faktorov úspechu a neúspechu, ktoré vstupujú do lokálneho rozvoja spolu so záverečnými poznámkami o dôležitosti miestneho rozvoja na efektívnu redukciu vnútorných nerovností v krajinách strednej a východnej Európy.

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