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ECONOMIC ASPECTS OF THE TRANSFORMATION IN THE ÚSTÍ REGION

1. The Ústí region in the inter-regional comparison

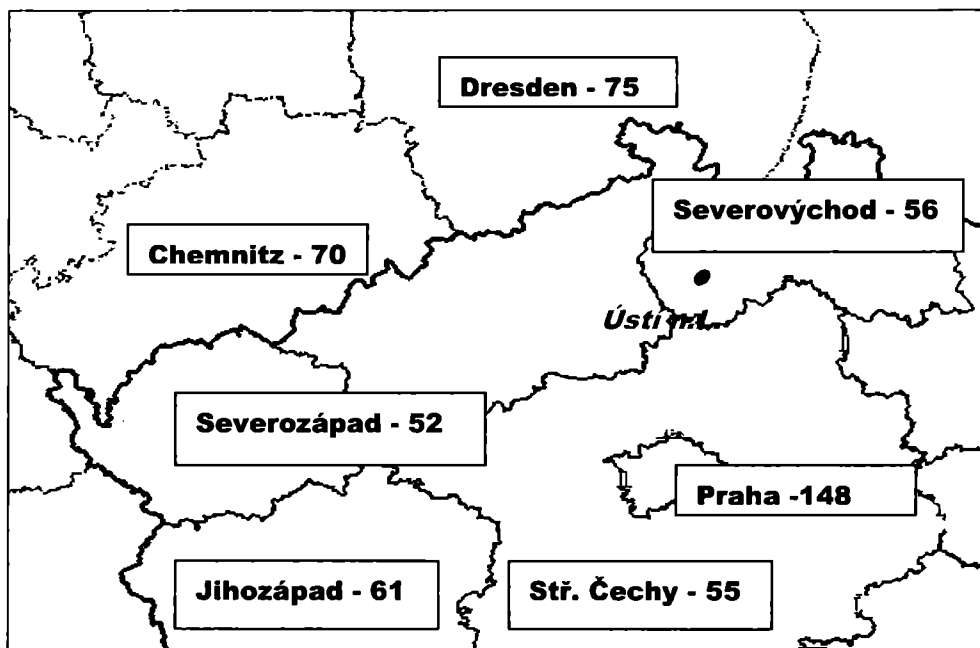
Economic transformation of the Czech Republic is similar to the transformation in its individual regions. There are only differences in the history of the transformation. The regions bordering the Ústí region could be compared according to GDP indicator per capita (PPS). To compare the performance of the monitored area the NUTS II (territorial static unit used in the EU) was applied.

This area is dominated by the Praha region where the transformation was most extensive. In Praha new quarry and quarry activities are cumulated which is a similar trend to the other metropolises of Central Europe. Second group of the regions are the regions of Chemnitz and Dresden that are more likely substandard in comparison to other German regions. On the other side their macro economy performance is very good within the Eastern German countries recently.

Re-structuralisation and economic de-industrialisation in the Ústí region (as structurally defected region) is rather engraved. High share of labour force is employed in stagnant and inhibited industries (mineral mining, chemistry, construction, metallurgy).

Another indicator is the unemployment rate. This rate is a significant social, economic and political indicator and is displayed monthly. Disadvantage of this indicator are the anomalies in measuring the unemployment rate in different countries. However, it is still possible see whether the rate increases or decreases. The development of the rate varies within the regions. Praha has the lowest unemployment rate (4) from all the Czech regions. Other Czech regions' rates vary

from 7-11 (apart from the Ústí region: 17 in May 2003). Similar rate is for the Dresden and Chemnitz regions. Only that the development differs. The rate dropped in the Saxon regions by 3 to 17 in May 2004. Whereas the rate in the Czech regions keeps growing and we do not expect any positive changes. Tertiary sector could influence the negative unemployment rate as this sector had employed most unemployed people in the 1990s. Therefore the unemployment rate pace slowed town for the whole monitored period.



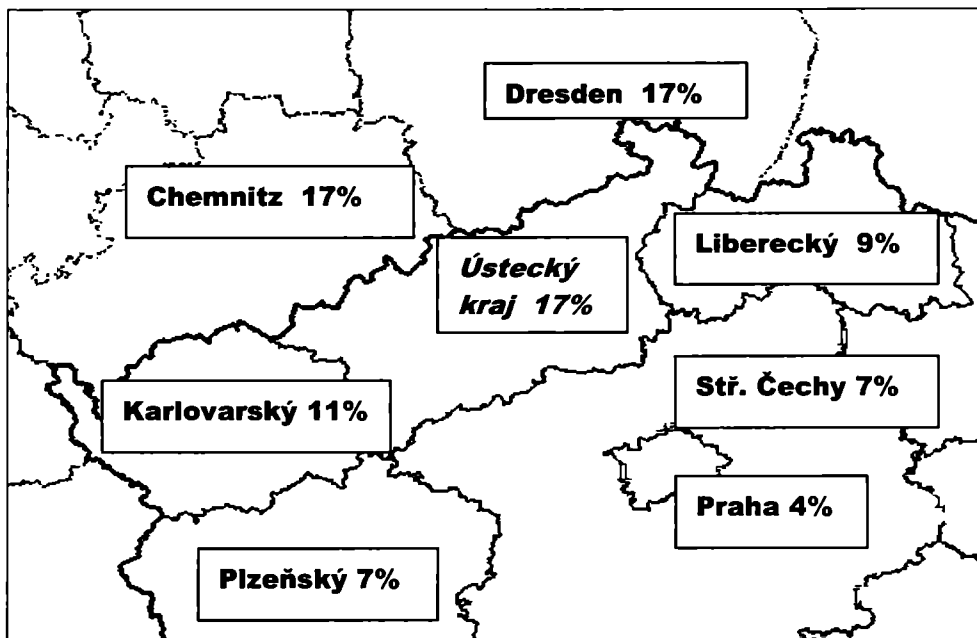
Graph No. 1. GDP per capita in 2001 in the NUTS II. regions in PPS (EU 25 = 100)

Source: Eurostat, own calculation.

Nowadays there is not such an increase potential as at the beginning of the 1990s. However, the regional policy in Ústí is to be supported as the regional economy is still at the stage of transformation. Primary and secondary sector in the region has a higher share in the region unlike other Czech or German regions. Mainly tertiary and quarter activities may enhance the development of the region. Intense transformation in Saxony has a long-term improvement of socio-economic structures, which is notable when comparing employment rate od the Czech and German Euroregions.

Undeveloped small and middle-sized enterprise in the districts with a highest unemployment (Most, Chomutov, Louny, Teplice) does not generate labour market for the redundant people from inhibited industries. Low education profile influences the high unemployment rate in the region. Most districts have the lowest

rate of university graduates in the country and the highest rate of people with basic education. There is a discordance between the offer and demand at the labour market due to the professional profile based on the now re-structuralized industries. Professional structure of the unemployed does not correspond to vacant jobs.

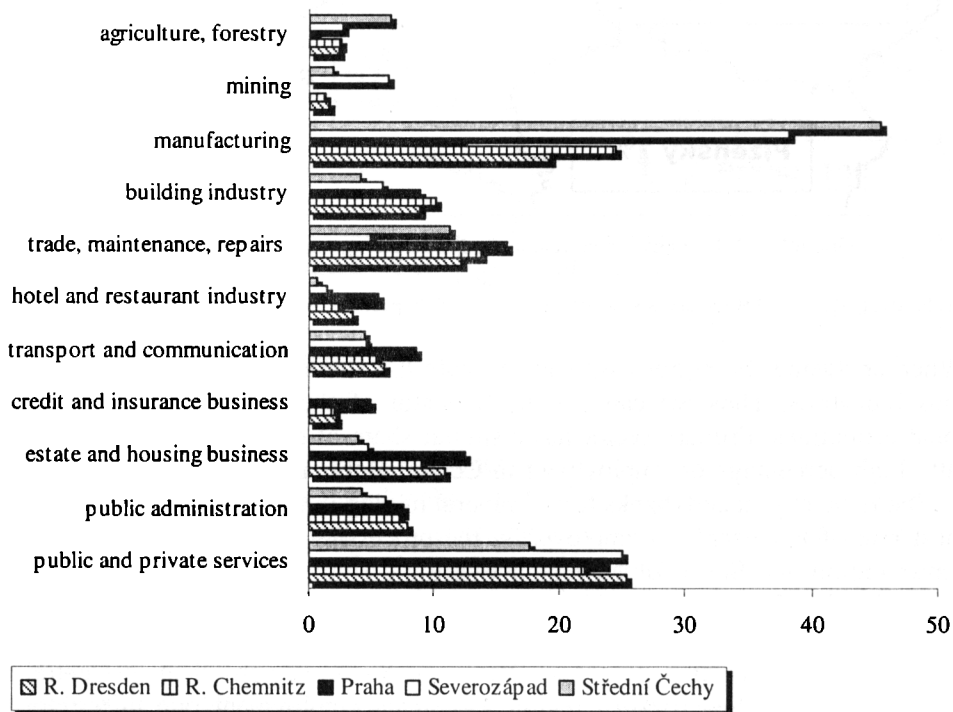


Graph No. 2. Unemployment rate in the NUTS II. regions in June 2004

Source: Eurostat, Ministry of Work and Social Affairs in the Czech Republic.

When analysing the regions we can compare the share of employment rate in various industries. Thus we can get the indicator of the transformation of the regional economies. Primary sector has a similar share of employment. There is a slightly high percentage of employment in Central Bohemia thanks to the quality soil in the Labe region and thanks to the mineral mining in the Severozápad region. Highest rate of EA people is employed in the processing industry in the Central Bohemia region and Severozápad region where the employment rate reaches 40. Whereas in the Dresden and Chemnitz regions it is about 20. A share of employment in the building industry can be another indicator of the volume of changes. This share is of 5 higher in Praha and Saxon regions than in Central Bohemia and in the Severozápad region. Dominant employment rate in tertiary sector is in Praha followed by Dresden and Chemnitz. The lowest employment rates in tertiary sector are in the Central Bohemia region as these services are concentrated in Praha. Similar employment rate is in public administration and in public and private service (social service etc.).

An employment structure in the Ústí region enhances an industrial tack of the region. Major employers are of the mining, electricity, constructing and chemical industry. Despite the long-term decline in the secondary sector this share is still high and therefore the foreign investment is rather inconsistent. One of the long-term development goals in the region must be enhancing the education development and establish 'knowledgeable economy'. Traditional industrial economy has been overcome and the global development of the economies in the developed countries tends to profit from the tertiary society. As the information society and life quality standard gin creases the role of quarryry and quintery sector grows. Modern society is determined by the sustainable development, friendly-environment policy. In the area of social and economic development the regional self-governments are challenged to 'take advantage of their social, economic, natural and historic features. They are also challenged to establish an "adequate" environment'. 1



Graph No. 3. Employment by economic activity (2002)

Source: Saxon Statistical Office, Czech Statistical Office

The scheme is focused on a self-government jurisdiction of the regions. A region: supports its development as defined in the scheme of the territorial development of the region and according to its needs, analyses and assesses the level of the development of its territory, approves the scheme of the territory development, allocates finances to compensate the negative differences within its territory.

To realize the regional development the regions cooperate with particular central offices, regional institutions and the subjects of the local development (mostly in the area of management and government, economic development, human resources, infrastructure and enhancing the environment).

2. Regional Development Scheme

The scheme for the Ústí region development is the crucial document here. It grants the region the realizing its development and gearing of the particular projects.

This is not based only on the regional administrative, as this scheme has to be approved by the regional assembly of deputies. The regional assembly of deputies coordinates and approves the regional development, controls its fulfilment. The regional Council, regional Office and particularly its Department of the Regional Development and Department of Economic planning represent the bodies that are entitled to have executive power to run the regional development projects. In this respect these institutions embody the administrative service for the Regional Council of the Joint Regions.

Regional Development Scheme makes the public sector interfere with the activities of either public or private subjects thus selecting the ways and range of this interference. Regional self-government uses this scheme to stimulate and interfere with the regional development and thus make both the state and regional institutions run projects benefiting the regions. Specific projects are also carried by regional offices and bodies established by regional institutions.

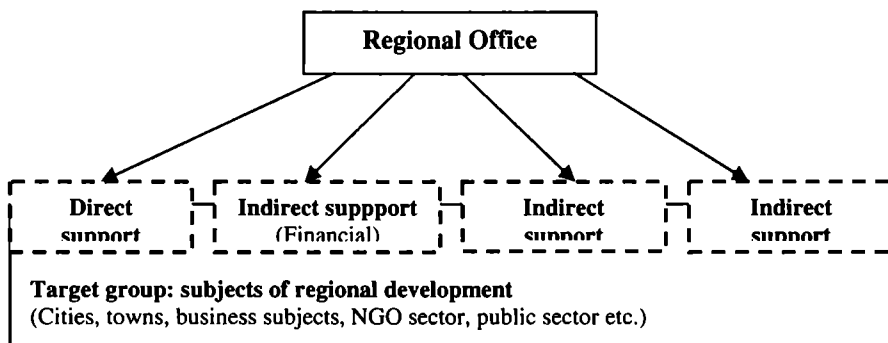
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Major goal:	
To cease the negative impacts of structural changes and to launch a development of economy in the region under these altered conditions	
Priorities	Measures
1. Economic development	1.1 Development of small and middle-sized companies 1.2 New investments 1.3. Re-vitalisation of industrial objects 1.4. Support of tourism and spa tourism
2. Development of human resources, social care, health care and labour market	2.1. Adjustment of labour force to a labour market 2.2 To launch modern methods and approaches in education 2.3 To use the unemployed and disadvantaged people in the labour market 2.4 Transformation and re-structuralisation in social and health care 2.5 Adaptation the education system and labour market needs, enhance the quality of secondary and tertiary education
3. Revitalisation and protection of the environment and infrastructure development	3.1 Development of a transport infrastructure 3.2 Build-up and renewal of technical infrastructure net 3.3 Re-culture and re-vitalisation of areas damaged by mining industry 3.4 Protection and renewal of environment 3.5 Re-vitalisation and renewal of town settlements
4. Development of agriculture and country	4.1. Stabilize and develop small settlements up to 5000 inhabitants 4.2. Increase competition in the agriculture 4.3. Long-lasting environment care and non-agriculture utilisation of the countryside 4.4. Re-vitalisation of mountain areas
5. Institutional activation and partnership support	5.1. Technical assistance and training 5.2. ICT systems and information access 5.3. NGO activities

Diagram No. 1. Major goals, priorities and precautions of the Ústí region development scheme

Source: Up-date of development scheme of the Ústí region, 2001



Graph No. 4. Basic regional support of regional development subjects

There are four ways of support. Direct financial support is limited by the regional budget. Another means is support of other subjects by the regional bodies. This support can be financial (e.g. blueprints of technical/project agenda for small towns etc.) or consult support. Further indirect support is a political support of the schemes in progress which apply for the state or EU financial funds. The analysis of the position of the region in the inter-regional comparison is inadequate – mainly in its socio-economic development strategy and opportunities search. EU entry is not analysed enough in the study, the impact of EU entry on regional development is ignored as well. Regional self-government should seek new opportunities after our EU entry, should cooperate with other institutions to reduce social, economic and environmental impendencies in the country. However, the current disputes are of a popular sort rather than professional. In the Ústí region the subjects of regional development should cooperate with and strive for tightest integration with other regions. Advanced economies of Praha and the Chemnitz and Dresden have a potential that can arouse new impetus for the Ústí region as well.

3. Shaping the role of the region in its development

Regions' jurisdiction is based on the above mentioned terms. It is rather broad and supports the role of regions as major subjects in regional policy. It is dubious whether the regions are apt to hand over this jurisdiction in this extent. Yet there are unsolved problems with financing the public services (health and education resort). And also the limited financial sources prevent financing the projects of regional development in required extent. This fact slows down the fulfilment of the tasks and effects their quality. Regional bodies tend to finance minor (or emerging) projects. In the current economic situation it is more realistic:

- a) support professional consulting
- b) political support and outside financing
- c) partnership with other regions and their institutions

It is difficult to meet the role of the region in such a short existence of the regional bodies (e.g. the net for the support regional of the regional development are halfway done). Yet the regional bodies have to shape the inter-regional and intra-regional levels. The relationship between regions and NGO is still at the stage of emerging (e.g. social service). Regions associated in the joint regions should have development priorities compatible with their partners so as they could withdraw money from EU funds. Here is partnership essential as there is only little experience with claiming money from these funds.

Unemployment is one of the major problems. Regional Work Offices have a crucial role in articulating an active and passive employment policy. Regional development agencies provide some employment schemes financed by EU and regional funds. These schemes can possibly influence economic development and

creation of new job vacancies. Strategic development schemes of the region set goals in this area. For their fulfilment the partnership with other institutions (chiefly Work Office) is essential.

Strategic schemes are focused on the development of small and mid-size business and more effective allocation of the financial sources from the EU pre-entry funds and also from the support of the reform of the dole and employment policy. All these should encourage the unemployed to look for a job. Educational institutions (universities, higher schools) and retraining institutions have a rather relevant role in the development of the region. Unfortunately too much broad framework of these goals resulted in too vague and too general output. Though the regional development of human sources is supported, the lack of specified regional opportunities results in a low efficiency and high financial costs.

Synergy of the local subjects and internal sources enables to search the opportunities and advantages for regional private and public subjects to compete the inter-regional and international subjects. Then the ideal financial and non-financial sources are searched so that they could carry out these projects. When the exogenic sources for RD are limited then it is essential to search other sources.

Therefore partnership and networking in the Ústí region is an opportunity to realize the regional visions of strategic territorial development. Formal structures in the regional development partnership are acknowledged in the Regional Development Act. This Act says that it is compulsory to establish managing and monitoring systems. For example Regional Councils are established in all joint regions (with their elected regional deputies). Regions are also entitled to establish certain informal partnership with other regions, civil service institutions and self-governments to achieve reciprocal benefits of mutual cooperation. This activity is chiefly beneficial for low-levelled self-governments. Regions can help the low-levelled self-governments to carry out their own developmental agenda. Similar activity is required by the RD agencies and Euroregions creating regional or cross-border developmental strategies.

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EKONOMICZNE ASPEKTY TRANSFORMACJI W REGIONIE USTI

Streszczenie

W artykule podjęto analizę transformacji systemu ekonomicznego w regionie Usti. Analizę przeprowadzono w kontekście międzyregionalnym na podstawie strategii rozwoju regionu oraz danych dotyczących bezrobocia, struktury zatrudnienia i PKB. Opisano sposoby sterowania rozwojem regionalnym w regionie Usti oraz sformułowano wnioski i postulaty związane z rozwojem współpracy między regionami, partnerstwa publiczno-prywatnego oraz pozyskiwania zewnętrznych środków na finansowanie rozwoju.