Introduction: Transition, Employment and Local Development in Central and Eastern Europe

Maarten Keune

1. OVERVIEW

This volume is dedicated to the analysis of local and regional development and employment promotion policies in the countries of Central and Eastern Europe (CEE countries). Since the transition to a market economy, these countries have suffered from severe employment-related problems, including a deteriorating labour market, low wages and incomes, and the inability of social security systems to prevent large segments of the population from falling into poverty. These problems require urgent attention. Considering that employment is the central factor determining socio-economic well-being, the promotion of full and productive employment should become a main objective of socio-economic policy. This is a difficult task, especially in light of the present situation in Central and Eastern Europe and developments over the past decade in the neighbouring countries of the European Union (EU).2

In recent years, it has become increasingly accepted that macroeconomic policies, often deemed the priority policy area, are not enough for the successful promotion of employment growth. Rather, a local approach is also needed to complement these policies. The experience of the past 30 years in Western Europe and the United States, and more recently in the CEE countries, demonstrates the need for a decentralised, bottom-up approach to economic and employment policy taking into account the particular problems of local areas, and exploring their specific advantages or opportunities.3

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1 International Labour Office, Central and Eastern European Team (ILO-CEET), Budapest.
2 EU countries have been hit by the phenomenon of jobless growth, resulting in persisting high unemployment. Little success has been achieved in reversing this trend.
In this book, local or regional development and employment policies in CEE countries will be explored from an international, national and local perspective. An up-to-date analysis of economic and employment developments is presented, including examples of successful as well as less successful policies. The role of the relevant actors in policy design and implementation is also discussed. Throughout, the emphasis is on the need for an active and coordinated local approach. The present chapter provides an overview of the issues and problems facing CEE countries in this respect. First, recent developments concerning employment and unemployment are examined, followed by a short analysis of the regional dimension of these developments. Finally, we discuss the necessity of a local approach to economic growth and employment promotion, and consider a number of issues important for the design and implementation of related policies. Subsequent chapters are focused on several aspects of local or regional development and employment policy in a range of CEE countries.

2. TRANSITION AND THE LABOUR MARKET

The change from a centrally planned to a market-based economic system in Central and Eastern Europe has been accompanied by a severe economic crisis – expressed above all in a drastic decline in GDP. In 1992, Poland was the first country to enter into recovery from this crisis and achieve economic growth. In the following years, Poland was followed in recovery by most other Central and Southeastern European countries, and by the Baltic states. Meanwhile, Russia, Ukraine and most other former Soviet republics are still caught in a negative spiral. In 1995, GDP was still below its 1989 level in all CEE countries (table 1). In 1996, Poland was the first (and so far only) country to surpass its 1989 level of GDP.

One of the most dramatic features of the transition has been the enormous decline in employment, combined with growing unemployment (both open and hidden) and falling participation rates. Employment declined strongly in the period through 1995 in all CEE countries, from 6.7% in Ukraine to 27.4% in Hungary. However, the relationship between changes in GDP and employment reveals that only in three countries was the decline in employment substantially higher than the fall in GDP (Hungary, Poland and Slovenia – see table 1). Especially in the countries of the former Soviet Union, GDP declined more sharply than employment, by up to 8.5 times in Ukraine. The main

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4 However, Bulgaria’s economy began another decline in 1996, and negative GDP growth was expected for Romania in 1997.
The advent of economic growth in most countries of Central and South-eastern Europe and the Baltic region has hardly led to growth in formal employment. In fact, with very few exceptions the level of employment continues to decline even though output is growing. As Nesporova indicates, economic growth in most transition countries has

Table 1  Production and employment in Central and Eastern Europe, 1989–1995 (% change over period, production in constant prices)

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP</th>
<th>Employment</th>
<th>GDP/employment*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central and Southeastern Europe</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>-23.5</td>
<td>-24.1</td>
<td>0.98</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>-15.6</td>
<td>-7.2</td>
<td>2.17</td>
</tr>
<tr>
<td>Hungary</td>
<td>-14.6</td>
<td>-27.4</td>
<td>0.53</td>
</tr>
<tr>
<td>Poland</td>
<td>-1.5</td>
<td>-13.3</td>
<td>0.11</td>
</tr>
<tr>
<td>Romania</td>
<td>-15.4</td>
<td>-8.5</td>
<td>1.81</td>
</tr>
<tr>
<td>Slovakia</td>
<td>-16.3</td>
<td>-14.6</td>
<td>1.12</td>
</tr>
<tr>
<td>Slovenia</td>
<td>-11.6</td>
<td>-20.7</td>
<td>0.56</td>
</tr>
<tr>
<td><strong>Former USSR</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estonia</td>
<td>-35.0</td>
<td>-19.8</td>
<td>1.77</td>
</tr>
<tr>
<td>Latvia</td>
<td>-49.5</td>
<td>-15.5</td>
<td>3.19</td>
</tr>
<tr>
<td>Lithuania</td>
<td>-61.3</td>
<td>-13.6</td>
<td>4.51</td>
</tr>
<tr>
<td>Russia</td>
<td>-39.8</td>
<td>-11.2</td>
<td>3.55</td>
</tr>
<tr>
<td>Ukraine</td>
<td>-57.1</td>
<td>-6.7</td>
<td>8.52</td>
</tr>
</tbody>
</table>

* Aggregate GDP growth 1989–1995 divided by employment growth over the same period.


explanation for these differences is that Hungary, Poland and Slovenia appear to have undergone more profound economic restructuring in the past years. Meanwhile, in the former Soviet republics, as well as in the Czech Republic and Romania, restructuring was often avoided or postponed, frequently resulting in increased labour hoarding and declining labour productivity. Recent developments show that labour shedding has now begun to accelerate in these countries.

Regional Development and Employment Policy

Regional Development and Employment Policy had a labour saving character. Two examples are provided in Table 2. In Hungary, employment has been declining continuously since 1989 despite (modest) economic growth since 1994. While 1996 GDP was 5.5% higher than in 1993, employment was 8.7% lower. In Poland, 1996 GDP was 19.3% higher than in 1993, but employment grew by only 2.3%. On the one hand, this is a positive development, as labour productivity is growing. In addition, these figures do not take into account the informal labour market, and it may simply be unrealistic to expect the former socialist countries to re-attain their former high participation rates. On the other hand, these developments raise questions about the level or type of economic growth needed to begin recovery on the labour market in the CEE countries. For the time being, it is clear that economic growth is not automatically followed by growth in (formal) employment, and it may be quite some time before substantial improvements are achieved. This points to a need to evaluate the type of economic development that is favourable for the labour market, and methods to strengthen employment promotion.

The decline in formal employment has manifested itself partly as unemployment, partly as a decline in participation rates, and partly as informal employment. An overview of the evolution of registered unemployment is provided in Table 2. Unemployment increased rapidly after 1989 in the Central and Southeastern European countries (with the exception of the

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Table 2  Employment, Hungary and Poland (1989–1996)

<table>
<thead>
<tr>
<th>Year</th>
<th>Hungary Employment ('000)</th>
<th>Previous year =100</th>
<th>Poland Employment ('000)</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>5505.0</td>
<td>-</td>
<td>17389.4</td>
<td>-</td>
</tr>
<tr>
<td>1990</td>
<td>5471.9</td>
<td>99.4</td>
<td>16145.4</td>
<td>92.8</td>
</tr>
<tr>
<td>1991</td>
<td>5303.9</td>
<td>96.9</td>
<td>15442.6</td>
<td>95.6</td>
</tr>
<tr>
<td>1992</td>
<td>4796.2</td>
<td>90.4</td>
<td>15010.9</td>
<td>97.2</td>
</tr>
<tr>
<td>1993</td>
<td>4352.0</td>
<td>90.7</td>
<td>14761.2</td>
<td>98.3</td>
</tr>
<tr>
<td>1994</td>
<td>4136.4</td>
<td>95.0</td>
<td>14924.0</td>
<td>101.1</td>
</tr>
<tr>
<td>1995</td>
<td>4045.2</td>
<td>97.8</td>
<td>14967.9</td>
<td>100.3</td>
</tr>
<tr>
<td>1996</td>
<td>3974.3</td>
<td>98.2</td>
<td>15103.0</td>
<td>100.9</td>
</tr>
</tbody>
</table>

Notes: Data for Poland are end of year except for 1996, which corresponds to the November LFS. Data for Hungary are start of year.
Source: Central Statistical Offices.
Czech Republic), reaching its peak in 1993–1994 and stabilising or slight-
ly decreasing in 1995–1996. Declines in unemployment are generally not
the result of growing employment, but rather of outflows from the labour
force.

In the countries of the former Soviet Union, registered unemployment
has grown only very slowly. This is mainly because rather than being dis-
missed, workers have been placed on part-time work or on (often unpaid)
administrative leave. For example, 24.5% of all those employed in
Ukraine in 1996 were sent on administrative leave for a certain period of
time, while 8.6% were put on part-time work. As a result, hidden unem-
ployment is very high. Moreover, registration data in these countries do

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* November


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6 These practices allow enterprises to avoid severance payments, or may offer tax advantages; they also allow workers to continue to use some of the social services provided by the enterprises.

7 See V. Yatsenko, “The Regional Dimension of Employment Policy in Ukraine”, chapter 7 in this volume.
not reveal the true extent of open unemployment. The unemployed often do not register due to a lack of incentives, difficulties in registration, or other reasons. This is clearly seen when registration data are compared to Labour Force Survey (LFS) data. For example, in Ukraine registered unemployment was 1.0% in October 1996, while LFS unemployment was 7.6%; in Russia in 1996, LFS unemployment was almost three times the registered rate. If hidden unemployment were to become open, the rates would be much higher and far above unemployment rates in Central Europe. 

Apart from increasing open and hidden unemployment, participation rates have been declining strongly in most CEE countries, with the effect that employment losses have only partly been reflected in unemployment. For example, the participation rate in Hungary fell continuously between 1989 and 1996, from 85.3% to 71.9%. In Poland, although economic growth began in 1992, participation declined by 4.4% in the period 1992–1994, from 83.2% to 78.8%. Finally, informal employment of all categories has been increasing rapidly. While very little reliable data is available on this subject, its importance cannot be denied.

3. REGIONAL DIFFERENCES

The deterioration of the general labour market situation has been characterised by strong intra-country divergences. Within all CEE countries, certain regions or cities are performing far better than the national average, with very low unemployment rates and positive employment growth. Meanwhile, others are far behind, suffering from huge employment losses, persistently high (open or hidden) unemployment, and limited employment creation. Regional differences in open unemployment tend to be quite large. In Poland in 1996, for example, the highest regional rate of registered unemployment was 21.1 percentage points – nearly six times – higher than the lowest regional rate (table 4). The lowest regional rate, meanwhile, was only one-third of the national average, while the highest was almost twice as high. Other CEE countries show similar characteristics, although in some countries of the former USSR, regional differences in open unemployment still seem limited because of the artificially low level of open unemployment. While available statistics in this regard are limit-

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8 M. Keune, Youth Unemployment in Hungary and Poland (working paper), ILO Action Programme on Youth Unemployment, forthcoming.
Introduction

ed, it seems that regional employment differences in the former USSR are sometimes expressed in hidden rather than open unemployment.

Regional differences tend to be rather stable, or even increasing. Table 4 again clearly illustrates this point for Poland. The regions with the highest unemployment in 1990 still show very high rates in 1996, while rates in low-unemployment regions have remained low. Moreover, the gap between the two categories has increased substantially. In general terms, we can say that in all CEE countries, the regions and cities that were in better shape in the first years of transition tend to continue their above-average performance today, while most regions that were lagging at the beginning have not been able to close the gap. The latter suffer from an accumulation of negative consequences of economic change, and the existence of regions with profound employment problems has become a structural feature of transition. Therefore there is a spatial concentration of those who bear the cost of the move to a market economy.\(^8\) Naturally, there are also regions that were previously less developed, but that have been able to improve their relative position – notably certain regions bordering EU countries. The number of such regions is, however, limited.\(^9\)

Large regional differences in employment and unemployment reflect uneven regional development, and show that local units have an economic life of their own. This phenomenon also serves to emphasise that national economic and social outcomes are the result of numer-

\(\text{Table 4 Unemployment rates in selected regions, Poland (1990–1996)}\)

<table>
<thead>
<tr>
<th>Region</th>
<th>1990</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warszawskie</td>
<td>2.1</td>
<td>4.3</td>
</tr>
<tr>
<td>Krakowskie</td>
<td>3.4</td>
<td>6.4</td>
</tr>
<tr>
<td>Poznańskie</td>
<td>3.5</td>
<td>6.2</td>
</tr>
<tr>
<td>Koszalińskie</td>
<td>9.5</td>
<td>25.1</td>
</tr>
<tr>
<td>Olsztyńskie</td>
<td>10.2</td>
<td>23.8</td>
</tr>
<tr>
<td>Suwalskie</td>
<td>11.5</td>
<td>25.4</td>
</tr>
<tr>
<td><strong>Poland</strong></td>
<td><strong>6.1</strong></td>
<td><strong>13.6</strong></td>
</tr>
</tbody>
</table>

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\(^9\) This issue is further analysed in several chapters in this volume.
ous local achievements, rather than the result of national strengths or weaknesses. Finally, it underlines the importance of the local labour market, which plays a key role in determining employment opportunities for the population, often to a greater extent than the national labour market.

The reasons for regional differences in employment and unemployment are many. They have often been linked to hard-to-change or long-term development factors, such as proximity to western borders or large cities, the educational level of the population, diversification, urbanisation, quality of infrastructure, entrepreneurial tradition, or historic-cultural background. For example, capital cities and western regions (in the case of Central Europe) have generally been very successful, while many agrarian regions are lagging. It seems that the advantage of the relatively more developed regions has not only been that they could limit their employment losses, but rather that they have been far better at developing new productive activities and creating new employment. Such regions have a higher capacity to adapt to the new circumstances and to develop successfully in the market economy. Their relative strengths originate largely in the pre-transition period, and may even date back to before the period of central planning.

The type of industrial development promoted during the centrally planned era has also frequently been cited as an important factor with respect to regional development. Many regions specialised in (and depended on) one or very few industries. Where these industries were hit by major crises during transition, the affected regions have often suffered severe employment losses or accumulated high levels of hidden unemployment. Typical examples of these crisis regions are those with concentrations in mining and steel or arms production, or certain textile-producing regions. The reasons for the poor performance of these monostructured regions are partly found in their lack of competitiveness following economic reforms and liberalisation — or in some cases, because foreign markets are hardly accessible (e.g. the EU market for steel exporters in the region). However, an even more important reason is that they are

11 For an analysis of the determining factors of employment-related differences between regions see K. Fazekas and É. Ozsváld, “Transition and Regional Policies: The Case of Hungary”, chapter 2 in this volume.

12 The advantage of western border regions is often mainly locational, rather than a result of longer-term development. During the centrally planned period, many of these regions received little investment, for political and strategic reasons.

13 See, for example, A. Nesporova, “An Active Approach towards Regional Restructuring: The Case of Ostrava, Czech Republic” and M. Szczepański in collaboration with A. Cybula, “Economic Restructuring and Employment Promotion in the Katowice Voivodship, 1989–1996” chapters 4 and 5 in this volume, respectively.
regularly ill-prepared for the creation of new enterprises and employment in new sectors. Often the entire local economic and social infrastructure was rigidly focused on one industry, including educational institutions, supporting industries, transport facilities, etc. This made these regions vulnerable to decline, and has severely limited their employment-creating capacity.

Apart from the above-mentioned, more or less “objective” factors, more “subjective” factors have also played an important role in regional success or failure. Here we refer especially to local policy-making capacity, the kind and quality of local development initiatives, cooperation between local actors, and support received from the national government or international sources. Development opportunities are of little value if they are not acted upon. Also, while obstacles to development may be high, they may be overcome with good proactive policies combined with adequate resources. Especially in the more problematic regions, “spontaneous” development can hardly be expected. Here, comprehensive local development strategies, backed up by appropriate financial means, are necessary to start economic recovery and generate employment. But even in the more advantaged regions, locally based development policies and action programmes may play an important role in developing a region’s productive power and competitive strength to its fullest extent, and improving employment opportunities. Well-targeted initiatives may speed up the restructuring and revitalisation of the local economy and explicitly aim to improve the employment situation in the region. They can aim to both explore positive local development factors and to address particular obstacles. Unfortunately, the capacity for active work on the improvement of the local economy and labour market is still rather limited in many regions of Central and Eastern Europe.

4. POLICY CONSIDERATIONS

Local and regional policies and initiatives for economic growth and employment creation have so far received insufficient attention in Central and Eastern Europe. Especially in the initial years of transition, the emphasis of economic policy in most CEE countries was on macroeconomic objectives, including price and trade liberalisation, restraining inflation, limiting budget deficits and other tasks. It was expected that under the right macroeconomic conditions, market forces would create the necessary economic dynamism. However, with few exceptions, the present economic strategies do not seem to be able to create sufficient and sustainable economic growth, nor does
economic growth have a net employment-creating character. One of the reasons for this unsatisfactory performance is that the particular needs and opportunities of specific areas are not taken into account sufficiently, and local development is hardly promoted. Therefore, important development opportunities are missed, and resources are wasted. Strengthening economic growth and employment creation requires that national-level policies be complemented by a decentralised approach based on the variety of local economies and promoting local initiatives. As discussed in the remainder of this section, several policy areas need attention if such an approach is to be facilitated.

Towards endogenous local development strategies

Effective local development policies aimed at the promotion of economic and employment growth take a multi-sectoral perspective, and coordinate between various policy areas to come to a comprehensive local development strategy. As observed by the OECD, “local development is an attempt to combine a range of policy responses originating from many sources into a cohesive programme tailored closely to local needs and characteristics”. It facilitates reinforcement between a variety of policy areas (e.g., the labour market, enterprise development, or education) based on shared goals, rather than operating in a vacuum. The formulation of a local development strategy allows for the identification of specific objectives, such as full and balanced employment, improving the environment, or attaining diversity of economic activities in the region in order to reduce its vulnerability and dependence on particular industries. A local development strategy includes both short- and longer-term considerations, and is based on a thorough analysis of the region’s strengths and weaknesses, obstacles to development, and opportunities for economic growth and employment creation. It identifies necessary actions and determines the role of the relevant actors in policy design and implementation. Most importantly, it should specify how proposed actions will be financed.

Sustainable local development is above all endogenous in nature. Its primary aim is to improve the local economic and social infrastructure, develop the area’s own resources, and create a high-quality

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14 OECD, Local Responses to Industrial Restructuring in Austria, Paris: OECD, 1995, 76
15 See Sengenberger and Keune, op. cit.
“enabling environment” that stimulates economic activity and employment growth. Local development initiatives and projects include both public and private investment in the physical infrastructure, education and training of workers, innovation, information and marketing, communications, the financial infrastructure, and other elements that improve the capacity for economic activity. Creating an enabling environment often implies assistance for the establishment or strengthening of local support institutions, such as business and technology centres, education and training institutions, labour offices, or chambers of commerce. Endogenous development does not exclude external inputs, such as outside (foreign) investment. However, attracting such investment should fit an area’s development objectives and is mainly based on offering high-quality resources, rather than providing cheap labour or financial incentives.

Coordinating development efforts and capacity building

To develop an effective local development strategy and identify development objectives is not something for a small group of elite experts; rather, it requires the strong involvement and intervention of many regional and local actors. Economic and employment policies need the support of local leaders and interest groups, and success often depends on the strength of these actors and their input in the policy making and implementation process. This kind of participation, based on social partnership, may be channelled through bodies such as regional social and economic councils or other “regional forums of strategic choice and action”. These bodies should include relevant local actors with an interest and role in socio-economic development – including representatives of the regional and local governments, trade unions and employers’ organisations, and other relevant actors such as universities, enterprises, private entrepreneurs, or labour offices. The possible functions of these bodies, apart from serv-

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15 See A. Scott, “The Geographic Foundations of Industrial Performance”, in *Competition and Change*, Vol. 1, 1995, 51–66. According to Scott, such forums can be essential for regional economic success in the modern world, and can be either of limited scope or more ambitious. The latter is true of regional economic councils (such as in Germany) that regularly bring together major local constituencies (eg employers, banks, workers’ organisations and municipal governments) to debate questions of long-term industrial order in an effort to forge viable strategies of regional management.

ing as a forum to build a regional strategy, include the securing of support from the relevant actors and institutions, building consensus, and lobbying outside institutions (eg the central government). Such bodies can also provide the required coordination of activities and ensure that everyone is “pointed in the same direction”. This kind of structured cooperation often requires the participants to step outside the borders of their traditional activities.

Setting and implementing a regional development strategy is not an easy task, and will often require capacity building at the local level. It is of vital importance for local policy makers and interest groups to understand the selection of subjects for consideration, and the problems and opportunities they may encounter in their attempt to restructure and revitalise the local economy. Here lies an important task for the national government and other national or international institutions involved in the promotion of local development. Local development activities may be channelled through professionalised bodies such as local or regional development agencies, often indispensable to ensure that regional strategies are in fact translated into practical action. However, the actions themselves should have the support of a broadly based regional coalition of socio-economic actors and interest groups.

**Strengthening national policies for local and regional development**

National governments can play an important role in promoting development at the local or regional level, through regional development policies and through initiatives in related policy areas. However, little has been done thus far to this end in the transition countries. As observed by Gorzelak in this book, no government in any CEE country (with the possible exception of Hungary) has developed a comprehensive regional development policy, and regional considerations are almost non-existent in present social and economic policies.\(^\text{18}\) Although good intentions in this direction have been announced in several countries, little has been achieved in practice. To fill this gap, several steps should be taken.

First of all, national governments should define the objectives of

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\(^{18}\) G. Gorzelak, "Regional Development and Planning in East Central Europe", chapter 3 in this volume.

regional development policies. There are two commonly defined but potentially conflicting aims of regional policy. One of these is increased *equity*, meaning the achievement of a geographically more balanced development of economic activities, generally pursued by support measures for lagging regions. The other is increased *efficiency*, aimed at facilitating local development in general, by achieving the maximum contribution of each region to national welfare. Both aims may be highly relevant, and the question of which objective can or should be emphasised depends on the particular national situation. Because of the significant regional differences in Central and Eastern Europe, the equity objective should have a prominent place in most countries, with the most problematic regions receiving special assistance. Large regional differences create social tensions, and the further less developed regions lag behind the national average, the harder it is to close the gap. However, a general promotion of local development may be equally important. For example, analysing the case of Moldova, Ronnås states: “Although there are traditional regional differences in the level of economic development, with development and prosperity generally increasing from south to north, these differences pale in significance when compared to the challenge of rebuilding the economy as a whole. Strategies for regional or local development and employment creation should be seen in this context.” In practice, both the equity and the efficiency objective have a place in most CEE countries.

Promoting general local development from a national perspective may have many components, and is not limited only to regional development policy. The main objective in this regard should in most cases be to provide local actors with the necessary capacity and means to develop and implement local development initiatives. This may include many specific measures, such as:

- decentralising responsibilities from the central government to regional or local governments;
- strengthening the role of local and regional labour offices;
- decentralising decision-making power on the use of employment or social funds;
- promoting the establishment of institutions that may play a role in local development (eg local and regional development councils and agencies or enterprise promotion agencies);
- promoting cooperation between the social partners at the local level;
- capacity-building activities for local actors.

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When special assistance is offered to regions, it should be clearly determined on what criteria this assistance is based. Regional disparities regarding a number of social and economic indicators (e.g., GDP per capita, employment and unemployment figures, participation rates, etc.) may be used as criteria. Reducing these disparities is closely linked to the equity objective. On the other hand, funds can be made available on the basis of competition, with support going to the region(s) presenting the best projects in certain areas – such an assistance scheme would be aimed primarily at increased efficiency. There can also be solutions that seek to serve a combination of these two objectives. Moreover, assistance criteria can be important in directing the course of development. For example, considering the unfavourable employment situation prevailing in the CEE countries, economic assistance may be explicitly based on employment-related disparities or on the expected employment-creating capacity of development initiatives presented for support. Interesting in this respect is the EU Territorial Employment Pact programme, started in 1996. The programme gives financial support to local initiatives aimed at creating employment, on the condition that they are based on a bottom-up perspective and partnership between the involved local actors, that they take an integrated approach based on a detailed analysis of the local situation, and that they seek to develop an integrated strategy with innovative measures (a so-called Employment Action Plan).  

However, EU experience shows that central government should not play too dominant a role in regional development. The type of projects and their execution should be left to the discretion of the regions themselves, as long as it is likely that they will lead to satisfactory results. Development strategies imposed from the centre are likely to have limited success, and decentralisation of responsibility for policy making and implementation should be part and parcel of regional development policies.

5. CONCLUSION

An important element missing from the package of socio-economic policy in most CEE countries is the comprehensive promotion of endogenous local and regional development as a vehicle for economic advancement and employment creation. Local development strategies, based on a thor-