

## **Abstract**

With their imminent entry into the EU, the five candidates bordering the Union – from the North to the South, Poland, the Czech Republic, Slovakia, Hungary and Slovenia – will provide a population close to 66 million inhabitants. The repercussion of such a massive enlargement will affect all sectors of the economy of the five countries and the EU itself.

Not much is known in the EU countries about the construction sector in these 5 countries. As far as this sector is concerned, the activity in this zone of Europe has increased, mostly thanks to the pre-accession funds (ISPA) that will become Structural Funds starting from May 2004. The decision of the European Commission to set aside an additional import of 23.000 million € for structural expenditures in the new states members during the period 2004-2006, means a definitive support for the infrastructure financing in the zone, and consequently for the construction sector in these 5 countries. The said sectors, which are concluding their adaptation to the market economy after a fast transition, are now facing the challenge of reaching the community standards, for their companies to become competitive with those of the EU members.

The precise analyse of each of the five markets proves that the construction sector can not be considered as common and homogeneous in the whole zone, with the exception of some points which are common for all these countries. The construction sector in Poland is in a period of deep recession. The size of the working staffs is excessive and production costs are almost as high as in the EU. Most of the biggest European construction companies are present in the polish market. In the Czech Republic, construction has been characterised, in the last few years, by a certain loss of competitiveness and an increase of civil engineering, specially in hydraulics infrastructures, due, in part, to the floods. Construction is a prosperous sector in Slovakia that has reached a competitive position in the last few years. It appears to be a market where the major construction companies of the EU do not hold much weight. Construction in Hungary is distinguished by the precariousness of the salaries compared with the performance of the sector. The Hungarian construction market has a strong foreign investment, but the originality of this market lies in the existence of a cartel formed by a few major local companies, increasing their competitiveness with regard to foreign companies. The construction of industrial warehouses is the better performing sub-sector of the construction activities. Although Slovenia remains the closest to the Community standards, its construction market presents a cartel almost closed to the foreign companies and dominated by the 6 local leader companies of the sector. The activity in the Balkanic countries distinguishes its market from that of the four members of the Visegrad.

To finance the projects enabling the integration of these countries in the EU, and to reduce the deep differences that remain between the industrialized zones and the poorest areas, there exist a few types of funds that the respective institutions can use. On the one hand, there are the non- refundable aids from the Community, such as the Phare or the ISPA funds. The later, which is still fundamental for the development of the infrastructures in the zone, will become Structural Funds after the accession. On the other hand, the BERD, BIRD or BEI lends are a complement for the ISPA funds, and in many cases they are used in co-financings, combining ISPA aids and one of the aforementioned lends. Finally, the CEB lends are a source of financing in case of natural disasters.

The conclusions reinforce partly the clichés that unavoidably go with these countries, among which stand out some negative elements such as the corruption, a heavy heritage from the communist era. However they also prove some facts that invite optimism, such as the highly qualified workforce or the relative strength of their markets and their companies. Other conclusions, like the heterogeneity of the five markets, or the massive phenomenon of the mall building are innovative. It is important to point out, on the one hand, the critical analyse made concerning the financial aids, which are too focused on transport and environment, and are often subjected to profitability concepts that seem to favour essentially the EU investors. On the other hand, the Spanish presence in these markets, although progressing, is still inferior to other EU members such as Germany, France or Italy. Finally, the conclusions focus on the huge environmental requirements imposed on these countries, which are almost incompatible with the profitability conditions imposed by the funds borrowers, and hardly applicable for transition economies.