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**Regional Development and Governance
in Hungary**

by

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1 The legal frameworks of the decentralisation

Following the systemic change the first really significant legal document passed by the newly elected parliament was the Act on Local Governments. The preparation of the Act progressed in the crossfire of serious political debates, since all political groups realised that the act will fundamentally impact the future power exercise. Despite of the number of amendments and debates the act was passed with a significant majority.

The Act meets international standards as far as its spirit and liberalism are concerned and at the same time, has brought a dramatic change in the structure of Hungarian public administration. The Act declares the right to self-governance, as the collective right of citizens living within one locality, therefore *the settlement became the key element in the local government system*. It is conspicuous in both the Act on Local Governments and the Constitution that the legislature strove at creating the guarantees of the local governments' autonomy in terms of structure and decision-making. This is reflected by the enumeration of the basic rights of local governments, the declaration of equity in terms of their legal status. The regulation of the relationship to the state as well as the weak control of lawfulness over the local governments seem to point to the fact that *the essence of the Hungarian self-governmental model is autonomy and independence from state influence and hierarchy*. The choice of value by the legislator in relation to the local government model was mainly motivated by political intentions, and therefore besides the guarantees of democracy and independence the aspects of efficiency and the public administrative rationality were rather neglected. (Stewart, J.–Stoker, G. 1995). Once the structure and labour guarantees thereof prevail, this model can provide all advantages. However, legislation and administration following the enactment of the Act on Local Governments pointed out that despite of all the liberalism of the regulations the model of self-government with its legal guarantees *of free decision-making alone can not ensure political and power decentralisation*. The parliamentary and governmental decisions and measures of the previous years in many respects run counter to the original logic of self-governance, despite of the fact that from the aspect of the legal form there was no interference with the competencies and decisions of the local governments.

The constitutional guarantees of the basic rights of local governments:

- The Act on Local Governments declares the relative autonomy of local governments, stating that all decisions made on local matters are final and therefore can only be revised for lawfulness. The provision stating that local public matters can be remitted to other central government offices only in exceptional cases is of great constitutional importance. This

regulation ensures the dominance of the local governmental sector within the public administration. Although the Act on Local Governments stipulates that “local affairs may be delegated to other organisations only exceptionally”, no definition of “local affairs” or their minimal content is provided, therefore no legal hindrances are set to limit the expansion of the deconcentrated state administration.

- The Act grants great freedom to the local governments to establish organisations, to pass decrees, join alliances for the protection of common their interests and other types of associations.
- The Act defines the compulsory tasks of the local governments, specifying the government support they are granted to and indicating that larger local governments may be assigned with more tasks. Distinguishing between the tasks of local governments and the state administration, the Act provides that the tasks of local governments may only be defined by parliamentary acts. The liberal spirit of the Act is well illustrated by the fact that it allows a fairly liberal distribution of local governmental functions on a voluntary basis, being obviously more favourable to municipalities versus the counties.
- The declaration of the equal rights of local governments and the subsidiary status of the counties was important for the legislator. This principle put an end to the previous, century-long tradition granting more power to the 19 counties, which used to be the only territorial tier of the Hungarian State. In the Soviet-type council system between 1950–1990, the power between the representative body and public administration was not divided. The soviet-type council system incorporated the various tasks from safeguarding of local interests, through the supervision of companies and management of services, to the administration by public authorities, placing all these under the control of elected bodies. The socialist state did not “distrust” county councils, which were considered as both the agency of the central state and representative of the municipal interests. The central state therefore did not care to develop a deconcentrated system of public administration, since it had control over the whole mechanism once the territorial governance as a whole had been incorporated into the prevailing hierarchy. This means that the new model of local government instituted in 1990 inherited a completely uniform system of territorial governance. As to this legacy, a further specific feature of the previous 40 years is to be mentioned. The Soviet–type council system in Hungary functioned not only in a uniform but also in a territorially integrated, concentrated organisational mechanism. This was valid for councils in tiny villages, the districts (settlements in the neighbourhood of towns and

the towns themselves) and for the administration of towns as well. The high level of integration – it was said – improved efficiency and the proficiency of public administration but at the same time, resulted in a huge “deficit in democracy” and made representation within the councils just a formality. The focal point was the county council controlling the activities of local councils in several ways ranging from legal supervision, through the direction of public administration, to acting as a forum of appeal and allocating of financial resources and a major investor in the service provision.

2 The structure of the model

The above facts led to the mentioned characteristic features of the Hungarian local governmental model, which made conscious efforts to eliminate all the compulsory and hierarchical aspects of integration.

There are four aspects in which the Hungarian system of local governments differs from the Western European trends: too small municipalities, too weak counties, too large and powerful state sector in the territorial tier and too few associations.

2.1 Fragmented municipalities

As first, due to the aspiration of small villages to absolute self-rule and autonomy these local authorities are highly fragmented. The more than three thousand autonomous decision-making bodies in the wake of the Act on Local Governments replaced formerly integrated 1600 local authorities. Over 35 per cent of the local authorities have less than 500 inhabitants. The average-size local government has 3,400 inhabitants, which is below the European average. There are also countries with more fragmented local authority systems in Europe i.e. France and Greece, Austria shows similar figures to Hungary but the majority of the European countries operate with much larger local authorities. The average size in Germany is 7400; in Poland 15,800; in the Netherlands 23,200 and in the UK where village authorities were attached to the towns the average local government caters for a population of 129,000. These high population figures are the result of the administrative contractions of the 1960s and 1970s, which were aimed at making public administration more efficient and economic. Today, in Europe (in the Scandinavian countries, in Germany, in the Benelux countries and in Great Britain, too) there are far less local

authorities than in 1950 (Norton, A. 1994). It is only in Hungary where the situation of 1950 was re-established. The process by which the number of Hungarian local authorities doubled within a single year (1990) is unique in Europe. The Act enabled the settlements, which maintained their original name to elect their local body independent from their size. The newly elected local government of course bears the totality of local governmental rights, may set up its own office or establish institutions, etc. *This disintegration process runs counter to the European trends and is continuing nowadays: (Table 1–2)* communities still detach themselves from the municipalities. Due to the fragmentation, the functioning of the administrative and institutional system is horrifying expensive and operates in many municipalities with low proficiency. The social–psychological explanation for the disintegration prior to independence is understandable; it is not only in local politics that sentiments dominate rationality (Pálné Kovács, I. 1993). Local authorities in some instances foster these ambitions through the distribution and financial mechanisms and do not try to channel local administration into reasonable framework by co-ordinate means.

2.2 Weak meso-tier

The second feature of the Hungarian model is the loss of importance of the county self-governance. The 1990 Act on Local Governments states that the county may assume only those functions, which the municipalities cannot be obliged to perform or refuse to assume (“subsidiarity”). The disadvantage to county assemblies obviously declared by the constitution from the very beginning (*Figure 1*):

If we consider first of all the elections as the general basis of local governmental legitimacy we will see the following: In course of the first elections county assemblies were elected indirectly by electors. Therefore they had only *secondary legitimacy* deriving from the municipalities. Although the county – in this interpretation – should have functioned as a representative body of local governments, it was exactly its relationship to local governments, which was not properly defined. First of all, not all of the local governments were represented in the county assembly and this was particularly true for the counties with a high number of tiny villages. Furthermore, the law included no provisions for the direct relationship between county and municipalities while taking great care not to restrict the autonomy of the settlement in any way.

The inferiority of the county-level is also expressed in the *division of tasks and responsibilities*. The county was granted tasks covering larger geographic

areas or the whole county while the local government of any settlement may assume the same tasks on its own or in co-operation with other local governments. The municipalities have the right to delegate tasks or institutions supplying larger districts with their arbitrary decision to the county. It means, that the *functions and competencies of the counties can change in specie and time* and the continuous modifications *depend on the unilateral decisions of local governments, which may curtail or delegate the task*. The destiny and the “owner” of the institutions with district tasks are therefore uncertain.

Table 1

Main data on local governments 1 January 1992, 1998, 2000

Year	Local governments	Local governments with single offices	Villages bound to notary (common) districts	District (common) notary offices	Notary-district seats located in		
					Cities	Large villages	Villages
1992	3092		1439	506			
1998	3154	1759	1395	505	28	35	436
2000	3158	1762	1396	536	29	36	471

Source: The Register of Names of Localities of the Hungarian Republic, 1997. Budapest, Central Statistical Office.

Table 2

Number and population of settlements by population size-groups, 1 January 1997 and 2000

Population size-groups	Number of settlements		Percentage distribution of the population	
	1997	2000	1997	2000
– 499	1 009	1 032	2.7	2.8
500 – 999	703	687	5.1	5.0
1 000 – 1 999	652	655	9.2	9.4
2 000 – 4 999	491	483	14.4	14.4
5 000 – 9 999	135	138	9.2	9.5
10 000 – 49 999	116	115	22.4	22.0
50 000 – 99 999	11	12	7.0	7.5
100 000 – >	9	9	30.0	29.4
Total	3 126	3 131	100.0	100.0

Source: Territorial Statistical Annual, 1996. Budapest, Central Statistical Office.

The third point is that the activities of the county-level government are “*ab ovo*” restricted by the definition of the *legal status of towns with county rank*. The Hungarian Parliament decided the establishment of 23 towns of county rank. The Act on Local Governments granted the right to the towns with county rank (i.e. all towns with a population of more than 50,000 or smaller if they are county seats, and therefore their number exceeds that of counties), to undertake county-tier competencies within their own geographic area. Towns with county rank do not have representation in the county assembly and there is no coordination between them, thus county assemblies represent only small municipalities and towns. Towns with county rank function parallel to the county assemblies. This parallel functioning complicates the administration of county-level services and the formulation of global developmental objectives for the entire county is fairly difficult and probably over dimensioned. Despite the lopsided operation of counties the government did not encourage the partnership. As a result of the division of interests within the local governmental system the measures of centralisation and delegation of interests could be passed practically without any limitations.

Figure 1

Map of public administration in Hungary



Key: 1 – country borders, 2 – county borders, 3 – county seat, 4 – town with county rank

2.3 Expanding deconcentrated state administration

The state, ever since it established the formal–legal autonomy of local governments in decision–making, has never given up the ambition to restrict this autonomy as much as possible. The division of labour between local governments and state organisations and the regulation of the means for implementation of local government tasks were mainly regulated by simple laws and governmental decrees, therefore the Parliament lost control and influence on the process. Although the government did not diminish the independence of decision–making and the organisational autonomy of the local authorities, it continuously narrowed the scope of decision-making by taking over a significant part of local and territorial public affairs. The strengthening of the deconcentrated public administration took place mainly at the expense of the county assembly. The unhealthy degree of the Hungarian deconcentration can be explained in different ways.

It is typical that central government considers centralisation as the ideal form of implementing tasks. Thus it is a Hungarian speciality that this centralisation tendency cannot be limited either by the legal regulation of the Constitution, or by the channels of interests of county and local governments. Essentially, there is no public legal guarantee of state construction and operation progressing towards political decentralisation.

Another hothead of deconcentration is the structure and model of the national government whereby individual branches represent a greater weight than the complex interest of governments as collective bodies. A blatant example of this is that the ministries were provided with almost unlimited right to create their own deconcentrated sectoral structure subordinated to their organisational interests. Almost all ministries made the most of this possibility.

The disperse structure was built first on the former county council administrative branches after the local elections. Therefore land, labour, public health, consumer and fire control administration fell under the auspices of the relevant ministries. The role of the former financial and planning departments of county councils for example was taken over by agencies subordinated to the Ministry of Interior and the Ministry of Finance. Offices and agencies such as the compensation offices and property transfer committees, etc. were set up to cater for temporary tasks. In the first four years following the systemic change, more than ten new types of deconcentrated organs were created, bringing the total number of state regional agency types up to almost forty, in community, county, and regional levels (*Figure 2*).

As creating these organisations, the national government was not forced to consider whether it was financially or professionally feasible to set up a new organisation responsible for one single task. Arguments were always ready: on the basis

Figure 2

Central and Regional Public Administration in Hungary in 1994

<i>Ministries</i>	<i>Their regional organs (in each county or region)</i>
<ul style="list-style-type: none"> • <i>Ministry of Home Affairs</i> 	<ul style="list-style-type: none"> • Refugee Office • Public Administration Office • Financial and Administrative Information Service • Fire Service
<ul style="list-style-type: none"> • <i>Ministry of Agriculture</i> 	<ul style="list-style-type: none"> • Veterinary Service • Institute for Species Experiments and Dairy Products • Plant Sanitation • Forest Inspector • Land Office, Office for Agriculture
<ul style="list-style-type: none"> • <i>Ministry of Defence</i> 	<i>Defence Replacement Headquarters</i>
<ul style="list-style-type: none"> • <i>Ministry of Justice</i> • <i>Ministry of Industry and Trade</i> 	<ul style="list-style-type: none"> • Regional Offices of State Energy Security Supervisory Board • Consumer Protection • Office of Geology • Office for Measure Calibrating • Mining Office
<ul style="list-style-type: none"> • <i>Ministry of Environmental and Regional Development</i> 	<ul style="list-style-type: none"> • Environmental Supervisory Office • Directorate of Nature Conservation • Directorate of National Parks • Offices of Regional Chief Architect
<ul style="list-style-type: none"> • <i>Ministry of Transport, Communication and Water Conservancy</i> 	<ul style="list-style-type: none"> • County Transport Supervisory Office • Telecommunication Supervisory Offices • Regional Water Management Directorates • Public utilities, companies for road maintenance
<ul style="list-style-type: none"> • <i>Ministry of Foreign Affairs</i> • <i>Ministry of Culture and Education</i> • <i>Ministry of Labour</i> 	<ul style="list-style-type: none"> • Supervisory Offices of Labour Security and Labour • Labour Centre
<ul style="list-style-type: none"> • <i>Ministry of Public Welfare</i> 	<ul style="list-style-type: none"> • Regional Public Health Service
<ul style="list-style-type: none"> • <i>Ministry of Finance</i> 	<ul style="list-style-type: none"> • Directorate of Public Taxation and Control
<ul style="list-style-type: none"> • <i>Central Statistical Office</i> 	<ul style="list-style-type: none"> • Directorate of Statistics
<ul style="list-style-type: none"> • <i>Economic Competition Office</i> 	

Note: In the figure, we do not show the central and regional organs of the Frontier Guards, the Police, penal authorities, the National Security Office (Ministry of Home Affairs) and the

Customs Office (Ministry of Finance) as armed bodies and the organs of Ministry of Defence.

of the legislation relating to county assemblies, there is no other way but creating a disperse organisation since county governments were not allowed to undertake tasks which might create a hierarchy in their relationship with the municipalities. Without going into details of the system, it is necessary to point out, that the government willingly decreased the competencies of the self-governments in fields where the nature of the task theoretically would have require an elected county body. Some of the newly established deconcentrated organs proved to be superfluous or malfunctioning. There is a great deal of parallel functions and a lack of co-ordination within the territorial administration while important functions remained in abeyance. Especially in regional development and labour market administration the bureaucratic and hierarchic functioning of the state and the organisational model were disadvantageous as compared with the local governmental model. These phenomena undoubtedly proved the fact that as resuming office, the government did not have a conscious concept of state construction or if it did it were unable to put it into practice.

If we examine more carefully the method of power delegation, we will find that the decision-making authority shifted upwards in the hierarchy with complete disregard for the local governments.

The meso-tier integration was absent in the structure of territorial government. An information, development and management centre would have been required which is capable of flexibly representation and co-ordination of the autonomous actors in the economic and local governmental sphere, bearing their local and regional interests in mind, but without a direct profit orientation.

However, the government made some efforts to establish a kind of medium tier co-ordination unit for public administration. For this sake the government assigned in 1990 the so-called prefects of the republic in eight regions, which were created specially for this aim. Yet, the prefects of the republic had to face the general lack of trust and popularity, among others for the reason that they tried to practice a kind of prefectoral power against the local governments enjoying the "ecstasy" of freedom. The governmental representative (which used to be called historically Lord Lieutenant) with great traditions in Hungarian public administration lost its quasi-political character. In 1994 the position was reintegrated in the county system where he carried out rather lawfulness control and appeal authority tasks.

2.4 Lack of associations

The low efficiency of the rather small municipalities of the Latin countries is balanced with the system of associations and the assistance of the medium tier. In Hungary in spite of the fragmentation of municipalities the associations are fairly rare in the local and micro-regional level. The fact that the counties lost their influence would not be so painful if the towns or settlements with central functions could take their role, i.e. assume the responsibility for integration within the area or the settlements around the town. The law provides this possibility but no means oblige the cities and villages to associate and in fact they did not seem to be motivated at all. The former settlement development policy and service management practice before 1990 granted only public administrative status to functions of settlements; the higher status went together with the responsibility for supplies defined on a normative basis. The cities and settlements in the surrounding were in 1984 organised in a common administrative unit, yet no real, vital contact could be established. Towns were not able to implement a real administrative integration even in the old regime and by now they have completely given up this ambition. In our survey in 1994 and 1998 the results showed that the settlements only associated under the pressure of necessity or in many cases not at all (*Table 3–4*).

Table 3

Number of the settlements (districts) participating in associations (1992)

	Number of Settlements	Associations for administrative tasks	Associations for Services Provision	Other	Common body of Representatives
Total	3135	923	411	77	57

Source: Ministry of Interior, 1992.

Table 4

Number of settlements (districts) participating in associations (1999)

	Number of settlements	Associations for administrative tasks	Number of municipalities participating in an association
Total	3135	1430	2439

Source: Ministry of Interior, 1999.

They rather negotiate informally with the local government providing for a service for them when employing the service. Similarly, the interviews revealed that the majority of towns failed in establishing deliberate relationships with their surrounding. Even if contacts were established, this happened usually not on the basis of the recognition of mutual interests, the co-operations are mainly motivated by transitional financing difficulties and cases of necessity. The tiny villages located in urban attraction zones preferred smaller decentralised areas as their administrative partners. We could not discover any association, which was able to co-ordinate a whole urban surrounding unit. Several associations were established but they all focused on single issue, like a certain investment development, the improvement of infrastructure, or various development projects, but there seemed to be no need for general, comprehensive co-operation or joint planning.

By 1994 we could find a relatively high number of voluntary established so called micro-regional associations. They usually set the target of developing the local economy and infrastructure. They will gain importance first after the Act on Regional Development and Physical Planning, yet we will come back to this matter later (*Table 5–6*).

Table 5

Situation of micro-regional development associations in 1994

Location	Associations		No data	Number of organisations		No data	Total number of organisations
	With their seat in a			having a	having no		
	town	village					
Totally	62,0	58,0	20,0	93,0	44,0	3,0	140,0
Percentage of the total number	44,3	41,4	14,3	66,4	31,4	2,2	100,0

Source: Pálné Kovács, I. 1994.

Table 6

Situation of micro-regional development associations in 1999

Totally 263 micro-regional organisations of which	
52.0%	are associations of local governments without legal personality
14.1%	associations with legal personality
28.0%	civil organisations
5.9%	other

Source: G. Fekete, É. 1999.

Yet, prior to the introduction of the Act the general aversion to planning and to co-operation was characteristic, but obviously the legislation on associations also contributed to lack of motivation to associate. The Act on Local Governments recognised the importance of associations and considered them as legal entities. But the *regulation was not elaborated in detail in order to surmount the gap between the fragmented local decision making system and the services and infrastructure organised by districts*. For lack of comprehensive and clear regulations local governments are obviously anxious about losing their autonomy to an organisation capable of taking. Therefore they fail to realise the advantages and the necessity of association.

The rise of the disintegration process was actually not the government's responsibility, rather the consequence of the weaknesses of the Act on Local Governments as well as of the political pressure behind the regulations of the act. The government looked on the disintegration process inactively. The handicaps resulting from disintegration were gradually realised. Several reform ideas were formulated within the central government to reverse the than situation. The ministries of regional development and labour recognised and supported the integration of smaller regions, as mentioned above.

Summarising, the Act on Local Governments had tremendous importance in the construction of the Hungarian democratic state structure. Local communities were given a wide scope of competencies and autonomy and therefore they became important schools of democratic political learning. Yet, the *Act was despite its liberalism unable to guarantee the decentralisation of state administration and organisation, thus the local self-government sector could not become a dominant element of territorial administration*.

Generally, the Act can be evaluated as very progressive with the remark that in many aspects it only outlines the frameworks of functioning not considering on the other hand the following circumstances:

- In the division of functions, the border between the state and local governments should have been made more unambiguous, as a protection against the inevitably expanding central power. The Act on Local Governments created only the frameworks but did not filled them with competencies and means of implementation, means of the so-called simple laws and government decrees.
- The autonomy of local governments requires not only rights but political and economic guarantees too, since without them the autonomy can be no more than formal legal fact.

- Local societies and politicians were not yet prepared for the liberty given to local governments and this inevitably led to functional disturbances. The institutional system of training and retraining of the staff of local authorities has not been implemented to date, although this would have been highly necessary because of the transformation.

3 The regional development policy before 1996

The contradictory structure of the medium tier, the lack of territorial self-government not only caused disturbances in territorial administration but contributed to the over centralisation of the government's regional development policy. The government recognised the political importance of managing regional inequity, but

- was unable to formulate a consistent regional policy;
- did not clarify competencies within the government; and
- represented a paternalistic regional development policy with unclear objectives.

A consistent regional development policy was also hindered by a number of branches interfering with local processes in a rather uncoordinated way.

The competencies of regional development within the government were not clear. Regional development activity in most countries is unable to gain enough political weight to be undertaken by an independent ministry. In Hungary due to rivalry within the government this governmental activity was for decades divided into settlement development and regional development even though exactly these activities require strict co-ordination.

Even though regional policy had an independent ministry for itself, the Ministry for Environment Protection and Regional Development, however, the Ministry's weight within the government was rather less compared to sectoral departments or to the Ministry of Interior supervising local authorities.

Almost all the branches undertook settlement and regional development activities in a dual organisation system.

- A number of ministries set up their own departments of regional development, which launched tenders for targeted support for local authorities.
- The “second line” was the functioning of the county-level deconcentrated organisations of ministries. One type of the deconcentrated organs, the so-called state commissioner was particularly important in terms of regional development. The role of the state commissioner was varying in the

county tier crisis-treatment programmes initiated by the central government. Yet, the common feature of the role of the prefects of the republic was, that they were eager to keep county assemblies far away from the decision-making. The government assigned different ministries with the management of the certain crisis counties and prefects of the republic were to organise the local implementation. Later, the prefects of the republic set up various committees and consultative organs (with no public legal control whatsoever) to “legitimise” their decisions.

- The next stage was the establishment of the development councils with the participation of central and local actors once again with uncertain public legal background.

In 1993 government policy became more transparent owing to the strengthening significance and regulation of the Regional Development Fund. Parliament passed a resolution about the guidelines of regional development allocations and the eligibility of assisted regions.

The government's explicit regional development policy was formulated essentially in the county programmes. The common feature of these programmes was that the government launched or stopped them based on its unilateral decisions. This method followed misdirected, paternalistic traditions. The county assemblies (self-governments) were excluded from the preparation and implementation of county programmes.

In financing regional and settlement development the centralisation by the government was extreme. The efficiency of financing regional and settlement development was deteriorated by the dominance of targeted central support, the lack of co-ordination between branches and the poor ability of territorial partnerships to enforce interests. The efficiency of regional development policy was deteriorating due to the fact that the objectives of social assistance, crisis management and economic development were entangled, therefore the utilisation of allocations was inefficient.

However, this functioning remained of spending public resources rather than of development activities. Supporting dynamic, innovative and enterprise promoting centres, which would have a strong influence on their environment and contribute to the country's economic growth, unfortunately did not feature among the objectives of regional development. Support should be granted to the poorest regions as an expression of solidarity and as a possible act of promoting the local economy instead of providing subsidies on purely social grounds. However, the chances of economic progress in backward areas were quite slim, at least prior to a countrywide low economic growth.

The government's experts apparently did not realise the new regional processes in Hungary (which went on for twenty years in Western Europe),

which will give rise to a regional organisation different than in the past few decades and which will enforce the improvement regional policy means and objectives (*Enyedi, Gy.–Pálné Kovács, I. 1994*).

Despite of all these, the perspective of development was towards a decentralised and multi-sectoral model in which not only regional and local governments but also other public bodies, direct administrative structures, actors of business and civil sectors will find a place. At the same time, it was hoped that the initial processes would transform the boundaries between the profit and non-profit sector.

4 Reform of the local governmental system in 1994

The national government realised, earlier than local authorities, the vacuum in the territorial integration, which was left behind by the fall of the counties. The lack of a territorial integrative organisation was especially disturbing in the government's operation because it coincided with the disintegration of the local governmental structure.

Therefore government experts proposed the reconsideration and modification of the Act on Local Governments. The government's programme for updating public administration also proposed the reassessment of the deconcentrated organisational form. The experts of the Ministry of Internal Affairs reinforced the significance of the improvement of the Act on Local Governments and proposed amendments were formulated.

During the first governmental cycle local governments (especially small municipalities) “got” a great deal from the government. However, along with the paternalistic attention number trends evolved suggesting that this policy will be on the long term unsuccessful in managing regional development problems or regional differences of public services. Organisational disintegration, the deterioration of the professionalism in public administration, the uniformity of infrastructure investments by local governments, unrefined administrative deconcentration, the unhealthy extent of central redistribution all become obstacles of the exploitation of the advantages of real decentralisation which is the great potential of the local governmental model.

4.1 Slow integration

The new government elected in 1994 tried to counteract one of the most contradictory processes by measures suggesting a cautious but evidently more up-to-date concept:

- Legal prescribed requirements of the establishment of new municipalities became more rigorous. According to the modification settlements with less than 300 inhabitants may not receive the status of independent municipalities.
- additional financial benefits were promised to self-governments associating with each other.

In the wake of the autonomy of small settlement local governments it was necessary establish at least a basic infrastructure level (schools, city halls, water supply etc.). This admittedly brought about spectacular changes in the image of municipal self-governments and came as a revelation to the local population. In the same small settlements, the “enrichment of the public sector” was coupled with high unemployment and the shattering of the villages’ economic basis. Construction on one side, demolition on the other; and which of the trends would be lasting and how will they affect each other? What should be state resources used for? How can the local society of the settlements be convinced that autarchy and self-contained autonomy is insufficient way surmounting the crisis? Would the government assist for the long-term regression, if it supports “local egoism”? Which is the right model for the villages: traditionalism or modernisation?

These questions are also inherent in amendments, which allegedly aim at administrative rationality. It was a question, what economic management and development strategy should follow the rules suggesting conceptual change. Can the government undertake measures under the aegis of the “modernisation programme”, which will most probably be politically unpopular? It had a symbolic value that in the 1995 budget, a special contingency provides funding for associations established for the maintenance of primary school educational institutions and purchase of school buses instead of the former practice, individual school constructions. Government comments on the bankruptcy of self-governments also allude to previous wasteful investment decisions and admit that the resources for funding new institutions petered out. The modification of the grant system should also promote integration. *These tiny signals forecast the integrative intention within the self-government system, which, however, met considerable political opposition and resistance on behalf of the self-governments.*

Nevertheless, the modernisation of the local government system in the developing countries indicate, that the structural reform or the generalisation of the associative system will be inevitable sooner or later. The vacillation of the government in other issues may bear the way of a more progressive regional and local development strategy when it comes to taking politically unpopular steps. The central government could motivate the association of municipalities first of all by financial regulation because the most important part of the local budget is coming from the central state despite that the proportion of local revenues increased within the local budgets (*Table 7*).

The measures for the enhancement of the economy of scale considered as the administrative precondition of modernisation do not seem to be very successful from the perspective of ten years. Notwithstanding the parliament passed an independent act on the associations of local governments, but this new act was unable to motivate the settlements to co-operation. There were certain modifications in the financing too, which actually favoured associations in the course of the distribution of supports. The differentiated division of labour is encouraged by the trend, that currently larger local governments, especially those nearby the cities are assigned with district scale supply tasks. However as a whole the local governmental provision of tasks is still fragmented. Unfortunately no comprehensive survey was carried out on this topic either. The conclusion declared currently by the Hungarian Audit Office based on a representative survey is fairly characteristic: there is no information on the impacts of the decision-making competency related to the implementation of the 3646 local governmental tasks and competencies. The above survey (with some 20% representation) proves that the proportion of the associations in the organisation of public services was only 6,9% in 1999 (*Hungarian Audit Office, 2000*).

Table 7

Local government budgets as % of total incomes between 1993–1997

Incomes	1993	1994	1995	1996	1997	1999
Beneficial income total	17.6	14.3	16.0	19.4	19.3	28.8
From the foregoing:						
Duties	1.7	1.2	1.5	1.4	1.3	
Local taxes	4.5	4.1	3.9	7.7	8.0	12.9
surrendered income total	8.5	9.6	13.0	11.5	13.8	13.3
From the foregoing:						
Personal income tax	8.1	9.2	12.6	10.7	13.0	12.4
Car tax	0.4	0.4	0.4	0.7	0.8	0.7
own and surrendered incomes totally	26.1	23.9	29.1	30.9	33.1	42.1

Accumulation and capital income totally	8.1	10.0	9.4	9.7	8.6	8.3
State grants and subsidies total	42.6	44.3	41.3	35.6	34.7	29.1
From the foregoing:						
Normative state grants	35.6	33.2	31.3	24.6	24.6	18.7
Designated and targeted subsidies	3.0	5.0	4.5	3.2	3.7	2.5
Personal income tax contribution	1.1	1.0				
Social Security funds	15.2	11.5	13.3	16.0	16.2	13.7
Other funds, repayments, bond repayment	3.8	1.7	2.8	3.9	3.4	4.0
Credit, bond incomes	4.2	8.6	4.0	3.9	4.0	2.8
Annual income total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Financial Review 1995. 1., 1997. 1., 2000. 9.

4.2 Ambivalent strengthening of county assemblies

One of the most important changes in the local government system was the introduction of the direct election system at the county level in order to *strengthen the legitimacy of county government* in 1994. The system of elections did not prove to be successful. At the same time the establishment of two artificial “constituencies” per county for the settlements with more or less than 10,000 inhabitants respectively appeared to solve or rather circumvented the problem of area delimitation within the county. These categories had nothing to do with interests within the county as they separated the town from its surrounding. This election system was definitely in contradiction with the intention of the government programme and left the representative proportions within the county assembly to sheer chance. In the course of the elaboration of the election technique the basic concept whereby the government recognises micro-regional associations within the counties and intends to rely on them in regional policy was completely forgotten. *As a result of the unique election technique party politicians are in majority in the county assemblies*, who can hardly satisfy their political ambitions having only restricted competencies and space of movement. *It was a big mistake to create bodies with strong political legitimacy for the restrictedly increased number of competency and power.*

A positive legal dogmatic step was providing counties the status of “territorial government”, as a result of which the concept of division of competencies between the municipal and county level could have been reassessed. Unfortunately in spite of that, county governments did not receive an adequate amount of competencies and tasks even after modifying the election system and reinforcing their status, since both the municipalities and

the ministries resisted during the reforms in 1994 granting the counties more significant competencies.

Another sign of rationalisation was that the chairman and the chief administrator of the county assembly could be vested with state administrative authority. According to the former legal dogmatic concept, county governments could not assume duties, which might create a hierarchy over local self-governments. The former four years this rigid rule or principle was the pretext for the establishment of deconcentrated offices, i.e. the nationalisation of a significant part of territorial duties. The government's objective to streamline and rationalise territorial level state administration could, in this way, be realised even if state administrative tasks are delegated to the competence of the county self-governments.

4.3 Careful steps towards the integration of territorial state administration

As already mentioned, directly after the new government assumed office and following the large political debate on the "prefects" symbolising the centralised state, the eight administrative regions of the prefects of the Republic were abolished. With this step the new government practically renounced the ambition of direct interference into local and territorial matters (*Pálné Kovács, I. 1995*).

In 1996 the government announced a comprehensive program on the reform of public administration. The objective of the program was to rationalise and integrate the fragmented public administrative system in the territorial tier and to establish co-ordination through the offices of county assemblies replacing the former "prefects". Four years after the announcement of the state administrative reforms we ought to admit that they were only partially successful. It is undeniable that the number of independent deconcentrated organs decreased, preliminary due to the integration of the territorial units under the supervision of the same ministry. Yet, county assemblies have only weak co-ordination means and more important tasks were not delegated (back) from the deconcentrated sector to the county assemblies. *Therefore, the dominance of the state/deconcentrated sector in the territorial tier remained unchanged (Figure 3).*

5 The act on regional development in 1996

5.1 The regulation

As regards regional power, besides the Act on Local Governments and the reforms of the state administrative system the most important and possibly most ambiguous step was the enactment of the Act on Regional Development and Physical Planning in 1996. The most important objectives the integration of the different branches in the economic and regional policy; the harmonisation of the environmental, labour market, infrastructure, housing and regional policies; and focus on the local resources and needs. These trends involved the necessity of the decentralisation of public administration and a more flexible management of regional policy establishing partnerships with the actors of the social and private sectors. The failures of the former regional policy were caused by the centralised administrative system neglecting the local actors in the regional development decision-making. Recognising this mistake the government undertook decentralisation.

The different political and professional forums raised various requirements towards the slowly shaping act, which were finally included to the dominant principles of the act:

- The government intended to create the foundations of one single regional policy operating under common rules, having a concept and covering the entire country – *the principle of programming*.
- The advanced regions – in the name of efficiency – expected to be granted supplementary support for their further development – *the principle of innovation and additionality*.

Figure 3 *Central and Regional Public Administration in Hungary in 1998*

Ministries

*Their regional organs
(in each county or region)*

- *Prime Minister's Office*
- *Ministry of Home Affairs*
 - County and Capital City Public Administrative Offices (20)
 - (Consumer Protection Inspectorates, Public Guardianship Offices, Property Transfer Committees)
 - Refugee and Migration Office
 - Territorial State Household and Administrative Information Services (19)
 - County and Local Fire Service
 - County and Capital City Civil Defence Headquarters
- *Ministry of Agriculture and Rural Development*
 - Headquarters of Veterinary and Food Inspection Services (20)
 - Territorial branches of National Compensation Bureau (13)
 - Stations for Plant Improvement and Soil protection (20)
 - State Forestry Services (10)
 - County and Capital City Land Registry Offices (20)
 - Offices of Agrarian Affairs (19)
 - Stations for Species Experiments (28+8)
- *Ministry of Defence*
- *Ministry of Justice*
- *Ministry of Economy*
 - Regional Offices of Technical Security Inspectorate (10)
 - Territorial Offices of Geology (7)
 - Offices for Measure Calibrating (20)
 - Mining Office (4)
 - Regional Secretariats of Tourism Committees (9)
 - by the parts of the ministry
- *Ministry of Environmental Protection*
 - Environmental Supervisory Offices (12)
 - Directorates of National Parks (9)
 - Offices of Regional Chief Architect by parts of the ministry
- *Ministry of Transport, Communication and Water Conservancy*
 - County Transport Supervisory Office (12)
 - Telecommunication Supervisory Offices (5)
 - Regional Water Management Directorates (12)
- *Ministry of Foreign Affairs*
- *Ministry of Culture and Education*
- *Ministry of the National Cultural Heritage*
- *Ministry of Youth and Sport*
- *Ministry of Social and Family Affairs*
 - County and Capital City Labour Offices (20)
- *Ministry of Public Health*
 - Regional Public Health Service (20)
- *Ministry of Finance*
 - Directorate of Public Taxation and Control (20)
- *Central Statistical Office*
 - Territorial Directorates (20)

Source: Verebély I., 1998. pp. 420–421.

- The crisis regions expected the government to focus on their development – *the principle of concentration*.
- The local governments of the small and tiny settlements were hoping to remain the beneficiaries of different grants – *the principle of solidarity*.
- Economic actors wanted to participate in the shaping and financing of development policy as equal partners – *the principle of partnership*.
- County governments required under the slogan of decentralisation the enlargement of their competencies and resources – *the principle of subsidiarity and decentralisation*.

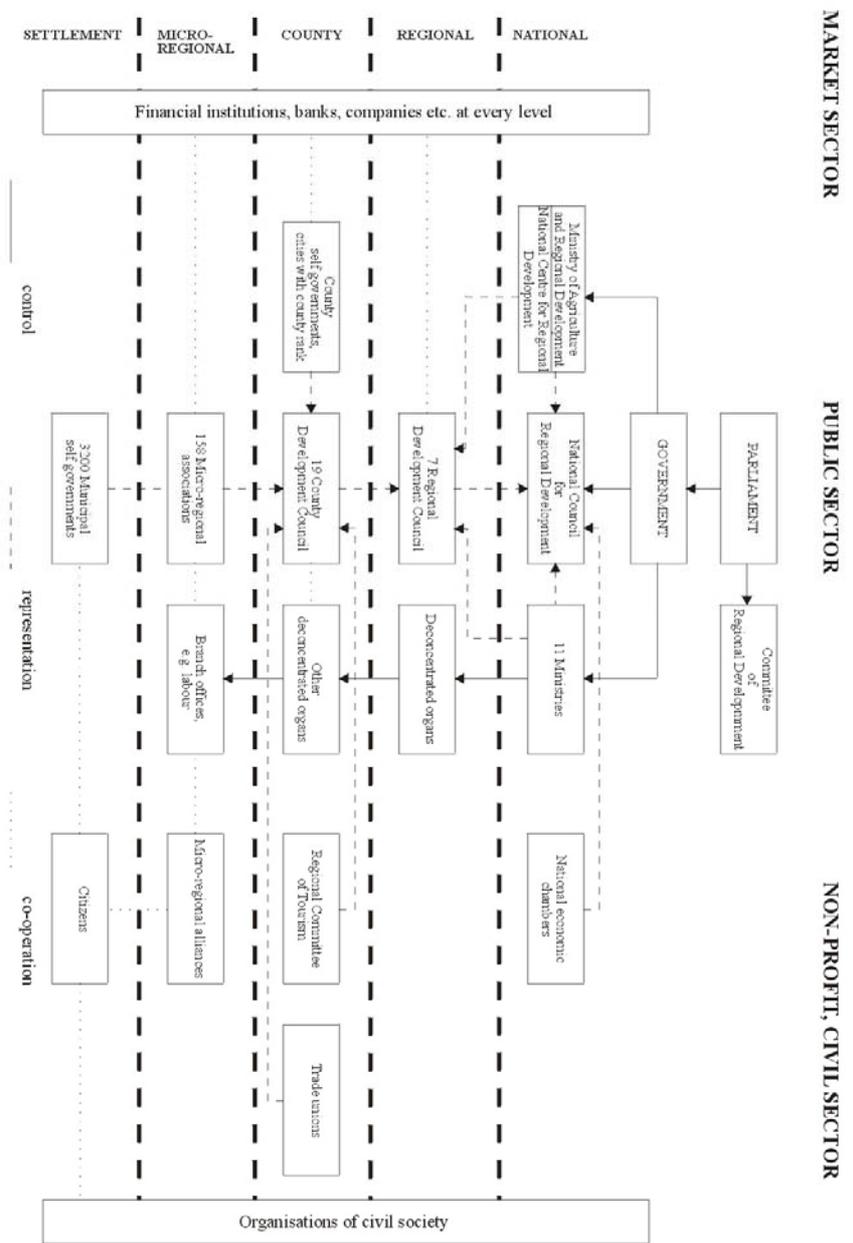
The county assemblies were already disappointed as the act was passed. They in vain expected the Act on Regional Development and Physical Planning to arrange what only a norm of general political value, the Constitution and the Act on Local Governments could have arranged. Namely, they wished to receive a role in regional policy and to be integrated as real territorial bodies into the system of power. Their hopes were cherished by the fact that the European Chart of Regional Governments was already shaping at that time as well as the Declaration of the Assembly of European Regions. These documents predicted the European trend of strengthening of the medium tier administration. The still existing uncertainty about the decentralisation of power and the lack of trust towards county assemblies left their mark on the regulation of regional policy, as well.

Although the government realised the advantages of decentralisation it remained reluctant to share its competencies in regional policy with the directly elected county government. The legislator made efforts to eliminate the contradiction by introducing a special institution: the regional development councils – at four levels of regional policy systems (*Figure 4*).

These partnership institutions and special agencies well known in Western Europe were established to integrate the regional development efforts of the local governments, state administration, economic and civil actors (*Horváth, Gy. 1998*). In some cases, they are even capable of working out common development programmes and to accumulate resources for the implementation of the programmes (*Halkier, H. et al. 1998*). However, they are unable to do one thing: to substitute territorial self-governments bearing political legitimacy and standing on the foundation of the principle of representation (*Jones, M. 1998*). During the establishment of the partnership institutions the “legitimacy danger” in connection with corporate organisations and the agencies and the weaknesses of the lacking transparency were not realised yet even though the literature regularly elaborates the topic (*Thynne, I. 2000*). In Hungary the motivation was to avoid/ignore the elected county assembly by creating the territorial

development councils, the principle of partnership was rather an excuse than target.

The key organisations of regional development in Hungary



In terms of public law it is difficult to define the nature of the territorial development councils since the legislator did not care to describe the precise type of organisations to be established under the name development council. This led to several practical problems in their operation i.e. in their financing, employment matters or legal control. It was for instance not clear whether the employees of these organisations are civil servants. Also, while the council enjoyed great freedom in the facilitation of its own organisation, decision-making and resource distribution, no superior organisational control was established.

The composition of the development council shows tripartite or corporate character, it is varying in the different tiers (like national, regional, county and micro-regional). County development councils for example, consist of one representative of the county assembly, one of the cities with county rank, representatives of micro-regional associations within the county (their number is fixed by law), representatives of employers (chambers) and the employees (trade unions) and finally the representative of the ministry responsible for regional policy. The composition of the councils was more or less suitable to co-operate the activities of the concerned actors based on the principle of partnership. However the basic contradiction of the model is that these development councils were equipped with far more power and competencies than the directly elected county assemblies. County development councils decide upon the development concept of the county and are entitled to distribute state subsidies within an application system. At this place we have to remark, that partnership corporations or the quasi non-governmental organs (quangos) are expanding not only in regional policy but also in other branches (such as the management of tourism, education or water). There could even be a welcomed tendency if evaluated from the aspect that administration is becoming more flexible. Still we cannot disregard the political fact, that the central government is often led by the ambition to bypass the county assemblies. Further, the increase of the “quasi”, organs with an unstable status and less political legitimacy also harm the principle of transparency, makes co-ordination difficult and results in a deficit of democracy. The expansion of organisations with different status in the territorial tier represents fairly well the confusion in the territorial tier of Hungarian public administration. Deconcentrated organs, partnership organisations and other quango organisations replaced the weak self-governments.

In spite of announcing the requirements of EU compatibility in order to integrate Hungarian territorial division into the NUTS system the Act was unable to launch and amplify the establishment of regions larger than counties. *The act made the counties the dominant units of regional development and* although it

provided a possibility for the creation of regions larger than them it only made this compulsory in two regions, in the agglomeration of the capital city, Budapest and in the Lake Balaton region. The fundamental reason for the hesitation about the regions was the fact that in regionalisation not only political-power issues but also possible geographical borders are uncertain. The National Regional Development Concept of Hungary was passed by the Parliament at the spring of 1998. This document defined the number and borders of the NUTS 2 regions. However, the development councils established by the Act on Regional Development were not forced to be organised based on the NUTS 2 regions. These councils did not receive resources or competencies exactly due to the voluntary principle. The county development councils still have the right to decide upon the geographic “region” they want to establish a common regional development council and further the competencies and tasks they want to endow them (*Figure 5*).

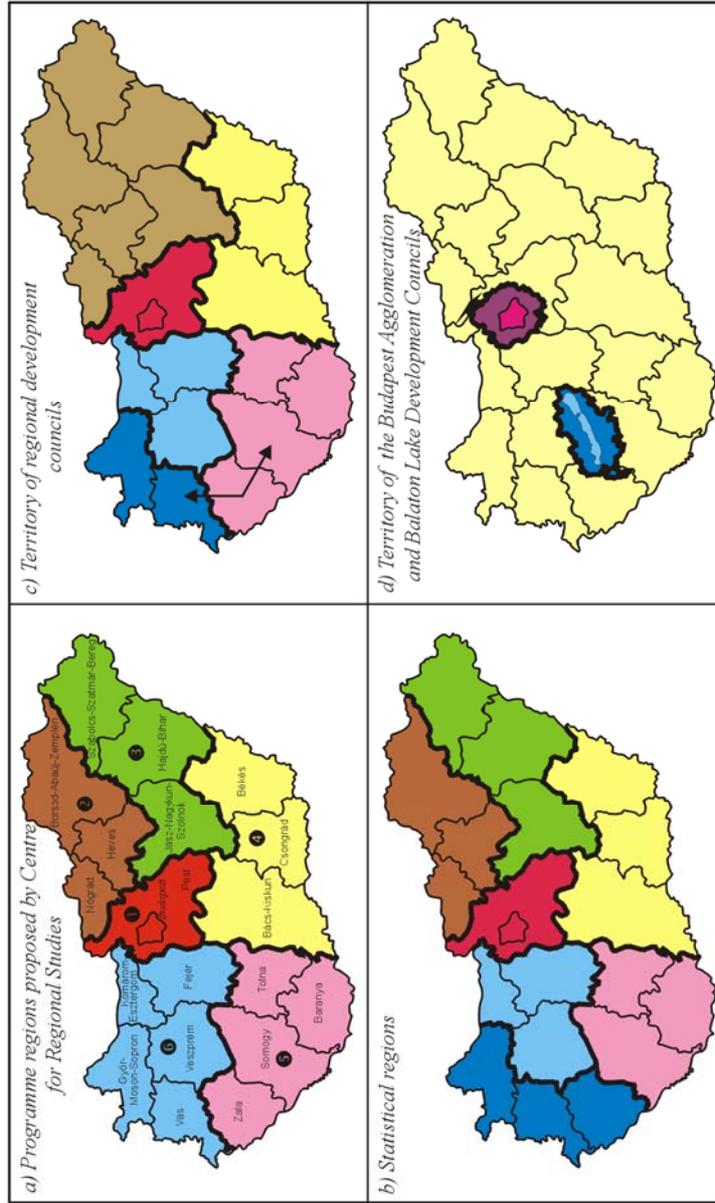
5.2 The first experiences of functioning of the regional policy

The enactment of the Act resulted in fairly significant changes as regards the actors of territorial administration. However the new system has been functioning only for a few years now. The balance of the first experiences contained both, positive and negative phenomena.

Strengths

- There was a special institutional network and some decentralised fund for regional development.
- A fairly positive phenomenon was that public and private actors of regional policy are motivated to co-operate with each other.
- The system encouraged partnerships between rural settlements and urban centres in the framework of micro-regional associations.
- The central government had to communicate with the territorial actors in planning and in the redistribution of resources.
- The public sector, particularly local governments had to begin to plan their activities due to the Act on Regional Development and Physical Planning obliging them to prepare regional development plans.
- The attitude of the local and actors and branches (ministries) was changing, spatial aspects are becoming more important elements in the development decisions.
- The partial decentralisation of development recourses increased the efficiency of regional policy.

Various designations of the regions in Hungary



Key: 1 – Central; 2 – Northern Hungary; 3 – Northern Great Plain; 4 – Southern Great Plain; 5 – Southern Transdanubian; 6 – Northern Transdanubian
 Source: Horváth Gyula, 1998.

Weakness

- No territorial information system has been established yet for the creation of development plans and the evaluation of the implementation.
- Skills and experts were insufficient in territorial planning.
- There was a huge scarcity of recourses for regional policy not only due to the economic situation but also to the fact that ministerial departments have more power and the resources than the actors of regional policy.
- Large regions were the weakest among the territorial planning units due to the uncertainty of geographical boundaries, willingness of county development councils to co-operate with each other is quite low and there is still a lack of own competencies, means and recourses.
- The local actors were more motivated by short-term targets and equity than the requirement of efficiency and modernisation, and therefore the danger is real that resources will be fragmented.

6 The agenda of the territorial reforms

Summarising: notwithstanding the Act on Regional Development launched significant integration processes, the problem of territorial power division has not yet been solved since the systemic change. The meso-level is “floating” and neither professional nor political answers can be given to the following questions:

- Do we really want to decentralise power in this country where centralisation has strong and long traditions?
- What tasks shall the missing medium tier overtake?
- How many territorial tiers are at all necessary in Hungary?
- Which are the geographic borders of the new territorial division?

A characteristic feature of the debate over the counties in the past decade is that it often appears as a merely spatial division issue hiding the real political and power correlation. The “anti-county group” stopped arguing that municipalities are able to provide all local functions thus the medium level is unnecessary. They argue now that the millennium-old counties are not capable any more of carrying out medium level tasks. The notions differ when it comes to the question whether they are *too small or too large*. The answer evidently depends on what tasks we want to render to the medium level. The county-debate sometimes votes for large regions other times for urban attraction zones, usually neglecting or concealing the political consequences.

6.1 Reform alternatives for territorial division to replace the “too small” or “too large” counties

The “city-county” (micro-regional) alternative. Following the systemic change the independence of the settlements became the ultimate political interest, the greatest achievement of system of local governments. Naturally, the favouring of independence of the settlements, the »l’art pour l’art« freedom could not stand long against proficiency and efficiency. It was soon realised that the system fragmented into 3200 autonomous decision-making bodies is struggling with malfunctions. The point of the model proposing the so-called town-counties against the counties is that the municipalities will be able to carry out their administrative and service functions in co-operation with the towns. The notion of the towns co-operating with their environs is of course not new either in the literature or in the history of Hungarian public administration. The popular political scientist of Hungary, István Bibó, and Ferenc Erdei researching already in the period between the two World Wars elaborated in 1947 a concept on replacing the counties by the so called town-counties. The popularity of the programme published under the aegis of the National Peasant Party was not so much due to the rearrangement of the territorial system but rather to the fact, that this model was the only competitive alternative to the soviet model of the Communist Party. The so-called districts have existed for centuries in the Hungarian territorial public administration. Their scope was fairly similar to the proposed town-counties but the districts – with the exception of a short period between 1954–1971 – never had representative content, thus they have never been self-governments either but the administrative units of the counties. In 1984 the system of so-called urban zones was introduced to replace the districts but these units have never had a wide range of functions and representation. Public administration building on urban attraction zones responses to the need of providing services for the population and manage administrative affairs of the citizens in the geographical vicinity. These tasks appear in the urban attraction zone in close correlation. The close twinning of towns and their neighbourhood in the servicing and infrastructure does not necessarily require an independent public administrative tier. The more flexible associations of the concerned local governments are rather suitable to implement and co-ordinate common tasks. In my opinion, *the urban attraction zones are not alternatives but complements to the counties.* The geographical scale appears lately more often in the local governmental performance of tasks. Under the supervision of the government district offices were set up within the appointed urban local governments, which are authorised to issue different licences and certificates. The so-called micro-regional associations proved to be

especially viable, which integrate the development activities of the local governments. Encouraged by these experiences the issue of institutionalising the micro–regions as public administrative units was raised again.

Regions above or instead of the counties. From the historical review it is clear that regional (a region here means a unit larger than the county) divisions have no traditions in Hungary. When any attempt appeared to introduce a regional division different from the counties *the motivation was always centralisation*, to break down the national independence opposition and to empty the political content of the county frames. It is also obvious that none of the regionalisation attempts proved to be successful, the counties repelled all attacks. Despite the region is not an unknown category of public law since organisations with regional competencies have been operating for a long time in the different sectors of public administration (such as in the field of environment protection, water and mining management). Behind the debates over the counties in the recent years we can feel the distrust of the government and its reluctance to enable the counties to become strong political-power counter-poles. In some cases there is nothing more behind the “Europe of the Regions” slogan but the mere rejection of the counties or any power unit between the top and the bottom. Until 1999, the modification of Act on Regional Development *there was quite a huge confusion concerning the number and delimitation of the regions*. Naturally, *without the authority and political content for regions it cannot be decided how many levels are necessary and whether regions should be organised above or instead of the counties* (Pálné Kovács, I. 1997). And naturally without having clarified the content it is not possible to debate reasonably on the geographical borders.

6.2 The failure of the reform debates – Concealment of political aspects

The parties and professionals have been struggling with the concept of power division at the territorial tier, *yet* a full consensus seems to be very hard to achieve. The future of the counties, more exactly the medium tier is now subject to significant debates. Although these debates seem to be about whether counties, town-counties, (micro–regions) or regions are the territorial division of the future, the matter is far more complex: the question is, *whether a decentralised or a centralised state structure should or must be created in Hungary intending to join the EU*. The idea of federalism does not even occur to the bravest reformers, which is understandable as the spatial structure, ethnic composition and size of Hungary does not require a federal arrangement, yet the

necessity of the medium-tier is not disputed any more. Everyone seems to agree with the purpose of decentralisation, as it would not be elegant for the central power to narrow-mindedly stick to its power. The Hungarian answer is undoubtedly urged by the process, according to which in the neighbouring countries the regional reforms gathered a momentum after a long hesitation (Regulski, J. 1998). Despite of the superficial affirmation of decentralisation, if examined deeper those concerned, we will find that the *counter-interested are in majority against those for decentralisation*:

- We cannot expect any politician in the central government (and especially not in the sectoral departments) to support with belief the restriction of their own power by a regional level on which of course they would have rather less influence on.
- The municipalities who just tasted freedom are very distrustful with any new tier “above” them, even if this would function as their self-governmental body.
- The most of the citizens do not understand why further bureaucratic tier spending their taxes is necessary.
- The technocrats of public administration might accept that regional administration and co-ordination are necessary but they are definitely reluctant to let the non-professional representatives of a democratically elected political body interfere in “professional” issues.

It is not at all easy to achieve real decentralisation, when the freedom of settlements, which they already enjoyed is cut, but based on the experience of ten years we have to accept that the *freedom of settlements is not able to guarantee in itself the decentralisation of the system*. The Hungarian Act on Local Governments, which are very liberal in public political sense were not able to guarantee the spatial decentralisation of power. With a bit of cynicism we can say that the government, supporting the demand of the settlements for autonomy and autarchy, applied the principle of “divide et impera” as the (often counter) interests of the 3200 settlements can be easily tackled without a spatial integration linking the settlements. Still, the strengthening of the territorial political-local governmental tier proceeded not only in the interest of the settlements but also of the central government, as:

- the central decision-making is not able to receive sufficient information without regional partners;
- the bureaucratic and centralising state administration is not able to get social support or legitimacy for its decisions;
- the centralised and bureaucratic, uniform decision-making system is unable to mobilise local resources for the national priorities;

- a more elaborate decision structure is more flexible and better at adapting to the changing requirements;
- the centralised system has significantly weaker connections to the society and is less democratic which in turn jeopardises its legitimacy.

These arguments, however, are too technocratic to be satisfactory for settling the debate over the counties, or regions eliminating the centralising reflexes and weakening distrust and prejudices.

Summarising, we can say that the conceptual steps of the governments were favourable from the aspect of modernisation, rationalisation, democratic structure, increasing political weight and real decentralisation of power. By the comprehensive amendment and reform of the self-government and of the territorial administrative system and the legislation of regional policy, the Hungarian state-development process was pushed towards decentralisation. This will, in the longer term, provide self-governments with more favourable conditions and larger space of movement than the former paternalistic and centralising government policy. At the same time, specific techniques, actual measures of the governments were not always unambiguous; political compromises and branch aspirations inserted sources of danger in the operation, which can deteriorate the chances of implementation of the original ideas. The efficiency of the new order of regional policy, the advantages of decentralisation of planning and decisions making on regional development are connected with the general trends of public administration and governmental policy. We can say that the chance of successful regional policy depends on the success of Hungarian decentralisation process and economic development

7 The story since 1998 – the regionalisation – ultimate chance?

New government – old dilemmas

The new government proclaimed by 1998 a more resolute regionalisation. According to the government programme the possibility of the introduction of regional public administration shall be examined by the year 2000. The government submitted the proposal for the modification of the Act on Regional Development and Physical Planning to the Parliament. According to this it is compulsory to establish regional development councils for the territory of the NUTS 2 regions. The aim is to create regions, which meet the regional

assistance requirements of the *EU and will become the strongest level in the regional policy.*

The balance of the modification of the Act on Regional Development is not explicitly positive from the aspect of the requirements of EU accession. The government, parallel to increasing the space of the regional tier development policy, expanded its own power. The modification of the act violated even two of the principles of the European Union: the decentralisation (subsidiarity) and the partnership.

Namely, the government modified the composition of the development councils: interestingly the labour councils, as the representatives of the employees and the economic chambers, as the representatives of the employers did not receive representation in the councils. Also, the representation of the micro-regions functioning as the associations of municipalities was decreased. Notwithstanding it was a positive development that finally the mayors of the county seats are members in the councils, but the changes led to the situation that the representatives of the government acquired the majority within the councils, since in the regional tier 10 ministries receive representation in the council. The regional and the county development councils are not any more decentralised only deconcentrated organs if their composition is considered, even if they maintained some of their local representative character. These changes worry us that the uncertain and intermediate status organs, as the beneficiaries or rather the subjects of decentralisation would hardly mean a safe constitutional solution, since they lacking the constitutional value and guaranties of self-governance may fall victim any time to the centralisation ambitions of the central government.

We may come to a similar conclusion if we consider the public administration-organisation measures of the central government. The government undoubtedly announced its regionalisation programme within its public administrative programme. There are investigations carried out to identify the fields of the deconcentrated administration, where regional integration would be possible which is if possible within the frameworks of the statistical regions. Therefore the administrative and other public servicing organisations were ab ovo equipped with regional competency. Yet the question is, *whether the process of regionalisation will continue towards public administrative or political regions?*

In the present state of the debates it is difficult to forecast the future since regionalisation seems to lack both sufficient professional arguments and a unified political will. Notwithstanding we are professionally not prepared for a total regional revision and reform, still in recent times demanding regionalisation is becoming rather a fashion in the groves of politics. The opposition parties argue

besides the EU accession that if the regional tier will be the key element in regional development regional decision-making must be democratised as well. They justly refer to the fact, that the regional tier serves alongside the recent governmental intentions exclusively centralisation targets.

The danger of impatient regionalisation is not only in the lack of professional basis. A further, fairly important factor is that the regional identity is also absent. This latter is especially important, of course, if regions are organised as political units functioning on the principle of representation. It was in vain to emphasise the necessity of regionalisation and to establish regions within the state administration and regional development, *if the population cannot identify emotionally or cognitively with these arbitrary units*. Even their name deliver basis for debates, and their seats has not been clarified either. The government namely, as delimitation the regions and made the establishment of development councils compulsory did not make a decision on the seats of the regions. Ever since, there is a savage fight between the potential regional seats for acquiring the regional functions, institutions and organisations.

Summarising we can declare that behind regionalism, the magic notion of the political elite there is no conscious region building strategy. In order to elaborate this strategy the following matters must be clarified.

1. *The functions requiring regions larger than the counties must be identified and defined.* No systematic investigations were carried out in this respect, which based on the aspects of the economy of scale could have clarified the fields of the current system of public administrative tasks, which would require or at least is able to adapt the regional scale. For the time being certain programmes and tasks of regional development require regional scale, we can also consider the possibility of regionalising environmental protection and tourism. In the fields of public health, higher education or public administration there are some functions, which can be regionalised, but as a whole they do not fortify yet the necessity of the establishment of a separate administrative tier.

2. After the clarification of the functions we must define, whether these functions require a new regional level with general authority, whether this *tier should be facilitated instead of or above the counties* and whether smaller regional units below the counties shall be created. In order to be able to decide upon these questions the territorial aspect of service systems, infrastructure, accessibility must be analysed. Accordingly, at the time being, it is not obvious that micro-regions, the 158 statistical urban attraction zones necessarily have to be the “lower meso-tier”, since the spatial organisation of the district scale services and administrative activities shows many different varieties. Their number is rather higher than 158, which obviously implies that the

establishment of micro–regions would not mean an appropriate solution for the integration of regional administration, it could only provide for the voluntary framework of the municipal co-operation. It is especially important to consider whether in Hungary *two medium tiers are necessary at all*. The Western European experiences imply that usually the smaller countries like Hungary content themselves with one medium tier.

3. After having identified the number of functions and levels *the legal status of the region can be modelled:*

- state administrative units with an administrative office controlled by the government,
- special delegated organs with co-ordinating authority,
- associations of local and county governments,
- a kind of corporation, similar to the county and regional development councils
- a directly elected self government with strong authority, or
- a “member state” within a federalised structure.

It is easily imaginable that in a classic unitarian country lacking regional traditions the fully authorised self–governmental status shall be achieved gradually. The example of Great–Britain shows, that filling up the standard regions with political–democratic content is also possible through special “preparatory” forms (*Harding, A. et al. 1999*).

4. Having identified the content and the number of the levels, the geographical alternatives can be worked out. In this respect the appointment of regional centres is especially important. The enforcement of geographic rationality does not promise to be an easy task. The Hungarian space is differentiated by the settlement structure. It is almost impossible to build proportional regions on the settlements with the regional centre located in the geographic middle. Therefore it is important to build the administration on the real order of the regional spatial relationships, and it is also worthy to consider to establish regions with possibly different status (several examples of which exist in Europe).

5. Subsequent to the scientific elaboration of reform alternatives, a public consensus must be achieved for the decision, as I am convinced, the regional division of the power cannot be an internal affair of either the narrow professional sphere or the government. For this reason the *gradual introduction and the conscious nourishment of regional identity are especially important*.

As these tasks forecast implementation will take time. A hastily made, badly prepared and forced regionalisation may have the same fate as the former reforms, in addition, it would endanger the stability of the power of the governments struggling with a host of social and economic problems.

However, *until the accomplishment of the process of regionalisation in Hungary counties will remain the regions*, since counties are the only units in Hungary that meet – yet partially – the requirements of the European Charter of Regional Governments.

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In Hungary the most essential issue is not whether the counties or regions should make the sub-national level. The primary task is to get rid of the traditions of state centralisation and formulate a political will for the decentralisation of the power.

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