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**REGIONAL DEVELOPMENT
AND FAINT-HEARTED DECENTRALISATION IN HUNGARY**

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Introduction

In 1947, *Jean-François Gravier*, professor of geography in Paris published his high-impact book with the title ‘Paris and the French desert’. This spiritual forefather of French regionalism and decentralisation made it quite clear that the global development of the nation was not possible through developments focusing on the capital; the key to the competitiveness of the national economy was the burgeoning of regions and regional centres. The long struggles of political, economic and civil movements born of the conviction that the development of areas outside the capital was essential were crowned with success and interregional disparities in performance were reduced. The French provincial metropolises were enriched with added functions, the national public administration was fundamentally transformed, the influence of the central power decreased and local and regional autonomies were strengthened.

The need for a counterbalance to the Hungarian capital has been articulated on numerous occasions by the Hungarian intellectual elite. The development of the weak

spatial structure of the new (post-Trianon) Hungary and the need for a public administrative system ensuring an adequate level of political cohesion first became the centre of debate in the 1920s. The cultural minister at that time, *Kunó Klebelsberg* was consistent in his standpoint on the development of intellectual centres outside Budapest. He wrote in the *Pesti Napló* in 1927: ‘In Budapest the Lágymányos ’puddle’ is the last big open space, and so either a university town will be established there or, based on foreign examples, we should seriously regard moving the centres of gravity of our scientific activities to Szeged and Debrecen. These two large towns on the Great Plain not only offered sites for university construction but also contributed 50% to the costs of construction...Why should Budapest receive all public institutions and construction works free? This system cannot be sustained any longer for the sake of distributive justice!’ (*Klebelsberg*, 1928).

A list of the negative effects of the predominance of Budapest would be endless. In this respect we might usefully consider the example of Budapest (Ferihegy) Airport, which has recently ignited heated debate. If 4–5 regional airports were also operating in addition to this, the only airport open to scheduled flights, overcrowding would decrease and traffic pressure on the capital would also decline. This, of course, takes no account of the hundreds of new jobs which would be created in major provincial cities and the significant economies in terms of time for travellers. The social efficiency of decentralised developments is justified similarly if we consider other examples also. The country’s basic operating costs would be reduced by several tens of billions of Forints, not to mention the positive qualitative effects which active autonomy exerts on democratic public power, the development of the important regional elements of national identity and the numerous advantageous impacts of market competition.

The spatial structure of the Hungarian economy in a wider sense is not able to respond to the competitive requirements of the post-industrial era and European integration. The ideas, concepts and political slogans concerning decentralisation of the 20th century have all resulted in failure. The (perhaps natural) opposition from the central power (and

sectoral management) has strongly opposed any advance in almost every decentralisation effort (*Hencz, 1973*).

The income produced per capita shows significant changes across the country's regions in this period. The indicator for Budapest is currently three times as high as that for the least developed counties in the country. This was characteristic of the interwar years (the 1920s-1940s) although the gap decreased in the '50s and '60s. However, the gap is now continuously increasing. Such huge disparities were seen for the last time in Western Europe two to three decades ago.

Likewise we cannot ignore the constraining effect of the operational system of spatial public administration which has been developed over many years and which is regarded as provincially oriented. We could use countless examples to illustrate the fact that the effective or apparent dynamism of county towns today is not determined by the future interests of a given region, by preparing the Hungarian system of major cities for European city competition - but purely in the interests of party politics.

The gap between the functional economies of Budapest and European large cities is much smaller than that between our major provincial towns and Western Europe's regional centres. Business services in our regional centres are weak, and we do not have airports, conference and trade-fair centres, science and technology parks. National, cross-border or international functions can rarely be found.

This present study summarises the past two decades of Hungarian spatial policy. It seeks to outline the results of a spatial policy which was competitive by European standards during the later 1990s and show how it then came to lose its leading position in East Central Europe, how it faded into the grey and mediocre spatial development institutional image of EU accession countries. The explicit aim of the analysis is to find solutions to the strategy of regaining competitiveness and the modernisation of the Hungarian spatial structure during the coming, new funding period of the European Union.

1 Increasing spatial disparities

The spatial, economic, social and infrastructural disparities are continuously increasing in Hungary. During 1994, the first year when regional GDP was measured, the GDP per capita of Budapest was 2.9 times higher than that of the county of Szabolcs-Szatmár-Bereg—and 4.1 times higher in 2007. Interregional disparities show a similar picture. The performance of the Central Hungarian Region was 2.1 times higher than that of the Northern Great Plain in 1994 and 2.6 times higher in 2007 (*Table 1*). Even the gap between the performance of the (developed) Fejér county and the capital increased. The evolution of the performance of the counties correlates with the presence of industry. Large differences can be observed in the numbers of industrial employees, in manufacturing industry investment and in the export capacities of various counties. During the period between 2001-2003 the value of manufacturing industry investment was 207 billion HUF in Pest county, 29 billion HUF in Győr-Moson-Sopron county and 57 billion HUF in Szabolcs. These differences did not decline by the end of the decade. Similar imbalances can be seen in industrial exports. Three-quarters of the industrial production of Győr-Moson-Sopron county and two-thirds of that of Fejér county are destined for foreign markets, whilst this figure is only one-quarter in Baranya and Tolna. Exports from the Audi plant in Győr (Audi Hungária Kft) are 14 times higher than the total industrial exports of Baranya county.

Table 1

The evolution of regional performance, 1994–2009

	GDP per capita, 1994		GDP per capita, 2009	
	'000 Ft	Hungary=100	'000 Ft	Hungary=100
Central Hungary	619	147	4,291	168
Budapest	768	182	5,800	227
Central Transdanubia	365	86	2,126	83

Western				
Transdanubia	424	100	2,384	93
Southern	353		1,762	
Transdanubia		84		69
Northern Hungary	292	69	1,562	61
Northern Great	311		1,659	
Plain		74		65
Southern Great	350		1,692	
Plain		83		66
Total	422	100	2,556	100

Source: Regional Statistical Yearbook, 1995, 2010.

The majority of Hungarian regions – due to their weak industrial potential – are unable to attract modern and high level services. The obstacle to the development of institutional linkages and the internal integration of the regions is the lack of enterprises capable of social networking; industrial spaces and clusters operating within them have not developed; there is a lack of modern and multi-faceted technical training at both intermediate and advanced level. It is quite unfortunate that these factors were not taken into consideration in the regional development documents and that no complex industrial development programmes were worked out.

On the basis of a comparison of Hungarian regional data and those of other countries of East Central Europe, we can see that, of the seven regions of Hungary, three are weakly industrialised (the Northern- and Southern Great Plain and Southern Transdanubia). The local production units controlled from Budapest in these regions were very badly affected by the market change. The less integrated, highly fragmented and weakly developed economies of the Southern Great Plain and Southern Transdanubia, survived the effects of the transformation crisis without deep tensions.

By this time, however, the period of slow agonising has gone beyond economically sustainable limits and has started to turn into depression. Depression can vary from stagnation coupled with slow growth occurring in fluctuating intensity, with the rate of unemployment constantly increasing, where the occasional economic upturn has only short

conjunctural causes, foreign working capital routinely ignores underdeveloped areas and hordes of young professionals with university degrees migrate from the region even when it is their place of birth (*Fodor, 2009*).

Their economic performance is weak, and the growth rate has been the lowest in these three regions for years. Their GDP per capita barely reach four-fifths of the national average, and the deviation from the average is constantly increasing. Only two Hungarian regions show values above 30% in terms of the number of industrial employees (*Table 2*).

We obtain a different picture from the Hungarian if we examine the Czech regions. The rate of industrial employees exceeds 30 percent in seven of the eight regions of the Czech Republic. GDP per capita in Prague is still over twice the national average, but the other regions' values do not show large deviations from the national average. In Hungary, the indicator for the Central Hungarian Region is steadily increasing the gap between itself and the national average, the deviation of the indices of the Central and Western Transdanubian regions has shown no alteration for years. The data from other regions are constantly deteriorating (*Figure 1*).

Table 2

The rate of industrial employees in Hungarian and Czech regions, 2009

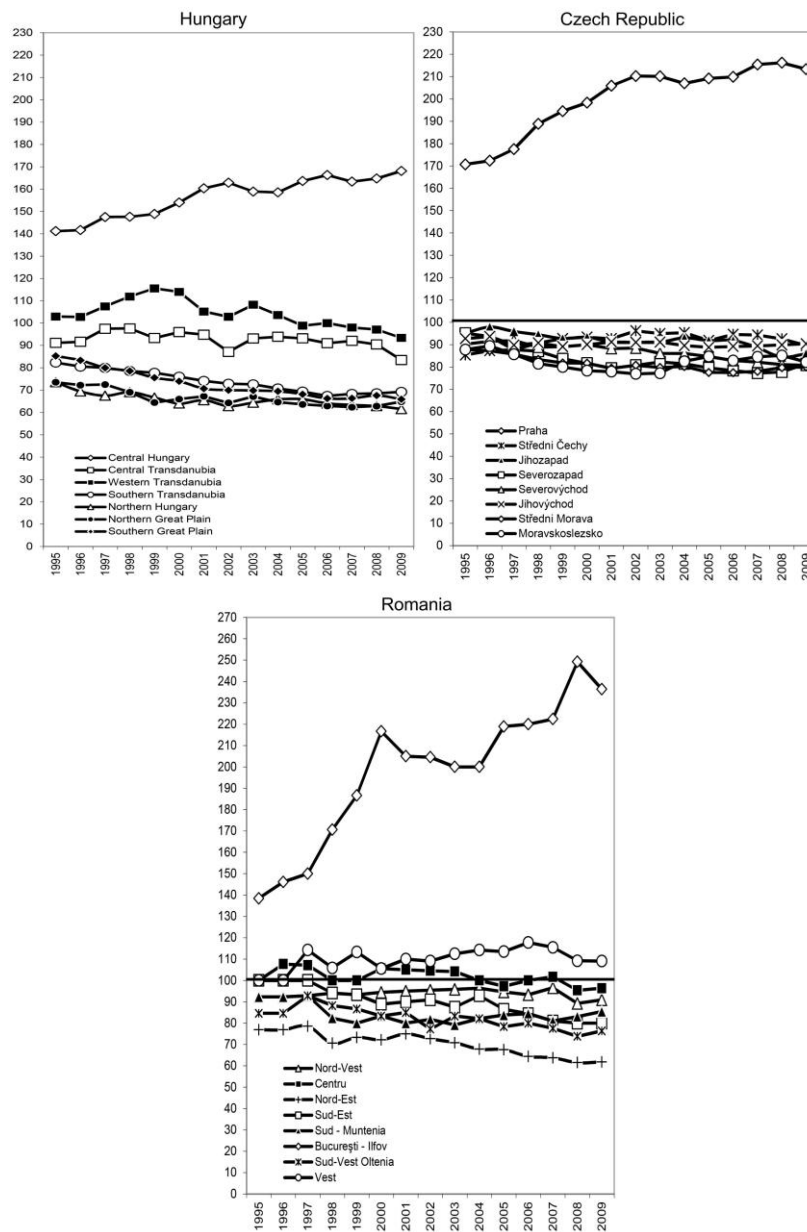
Industrial employees	Hungary	Czech Republic
– 20	1	1
20–25	2	–
26–30	2	–
31–35	2	5
36–40	–	2
Total	7	8

Source: Calculation by the author.

The role of the tertiary sector in the transformation of the employment structure of the economy in the four lagging Hungarian regions was predominant although the level of agricultural employees in the two regions of the Northern and Southern Great Plain and in Southern Transdanubia exceeds the national average. Due to the present industrial structure, the outdated product structure, the fullness of traditional service sectors, the weak technological level the export capacities of these regions cannot be broadened even in the presence of favourable conjunctural conditions. The index of industrial production value per inhabitant is the lowest in the counties of these regions' counties.

Figure 1

*The evolution of regional GDP per capita values in three countries, 1994–2009
(Deviation from the national average, %)*



Source: Author's construction based on data from national statistical yearbooks.

The value of the foreign investment per capita is extremely low in the two Southern Transdanubian counties: in Baranya it is only 81.5 million HUF, in Tolna only 57.3 million HUF. The national average is 536.6 million HUF. The value of machine industrial companies' exports in Southern Transdanubia exported was 263 billion HUF in 2008, in

Central Transdanubia it was 12 times higher at 3,318 billion HUF. The volume of the exports of food industry is half of that in the Great Plain. R&D capacities are insufficient, with expenditure in GDP terms barely reaching one-third of the national average, the expenditure per researcher-developer is the lowest in the country. We could endlessly list those indices, which indicate that Southern Transdanubia and the Southern Great Plain fell back to an unfavourable position similar to that of the other two regions.

The predominance of industry in the structure of foreign investments characterises each provincial region, yet over 40% of the foreign manufacturing industrial companies are still concentrated in the Central Hungarian Region. Four-fifths of the total foreign manufacturing industrial investments were located in the three most developed regions, and the weight of these areas has increased somewhat during the last ten years. Thus, the process of reindustrialisation induced by foreign capital has further increased regional disparities. Of the rural areas, Northern and Western Transdanubian counties reaped the highest profit from the foreign manufacturing industrial investments, the capital stock of companies with Hungarian establishments in these areas being twice as large as in the other four rural regions.

The paradigm change of the economy in Western and Northern Europe launched the processes of reindustrialisation in the 1980s. Following the regression or collapse of traditional industrial sectors (the extraction industries, heavy industry, the textile industry etc.), new industrial sectors appeared in the traditional industrial areas, the institutions of industrial training were transformed, the linkages between industry and research and development became institutionalised and increasingly intensive. In the meantime, industry and a large spectrum of related advanced services were given priority in development strategies of several formerly less industrialised areas (*Keating, 1998; Keating – Loughlin, 1997*).

The out-migration of young professionals from regional centres is a new and alarming sign. Young people with university degrees and European knowledge, speaking several foreign languages are no longer able to find appropriate jobs in provincial

university towns. This jeopardises the realisation of knowledge-based economic development ideas. Many people complain that there too many students who obtain a university degree. We must, however, examine the extent to which our economy is intellectualised. The production of high added value requires many adequately trained professionals. Developed business services, research and development, international functions, which have weak positions in our regions – would mean the source of thousands of qualified jobs and would contribute to economic development. The implantation of new industrial sectors (such as environmental or green industry) is not possible in the existing traditional training and service structure (*Baranyi – Fodor, 2009*).

The modification of these trends is the key to Hungarian modernisation and an underlying reason for the declining competitiveness of the nation. A country where the concentration of modern space structuring forces is outstandingly high is not able to implement an active and competitive cohesion policy.

2 The competitiveness of Hungarian spatial policy

Hungarian sectoral policy – in collaboration with regional science – was the first in East Central Europe to elaborate a comprehensive regulation for the regional modernisation of the country. The Act on Spatial Development and the Parliamentary Decree on National Spatial Development were unable to manage the necessary change of direction due to the lack of reforms in other spheres of government. Even though the reports of the European Commission continuously drew attention to the lack of EU compatibility in regional policy from 1998 onwards, Hungarian governments subordinated this sectoral policy – offering an opportunity for the distribution of relatively substantial resources – in their own selfish interests.

A sure sign of the uncertainties surrounding spatial development in Hungary is the fact that no stable state administration frameworks have been established to carry out these tasks since the regime change. In 2010 no less than the tenth central state administrative organisation since the regime change was given the responsibility. The reorganisation of

the central government level in each new cycle gives rise to distrust and weakens the prestige of Hungarian spatial policy in Europe. In the meantime, regional researchers have declared for decades that spatial development is a complex task whose execution demands regulation and organisation transcending individual portfolios. We must be aware of the need for a coordinated collaboration of multiple players in the development of an area, and public administration is only one, albeit powerful, stakeholder. Economic actors have a similarly important role. Unfortunately, this factor is not taken into consideration even in the institutional system of spatial development. Each year a region receives an average funding of 10 billion forints, while the value of investments realised in regions is 3-400 billion forints. By means of the efficient organisation of inter-sectoral linkages, a 10 percent increase in performance could be achieved, which would amount to additional financial resources with a nominal value of 30–40 billion forints. This, however, could only be realised by a professional regional organisation who would contribute to the investments with its own risk capital.

The other element of the image of central government can be considered theoretical since it was not taken into account in developing the existing structures to date. Strong regions require weaker central government positions, whilst weak regions require stronger centres. In Hungary neither of these is currently functioning.

It is, of course, a fact that creating the frameworks of power relations belongs to the realm of politics. Science invariably offers ideal or optimal solutions validated by countless instruments, but Science rarely considers subjective factors, since the personal relations surrounding power groupings remain outside its field of interest. On the basis of this hypothesis it might be justifiable to integrate social psychology more strongly into regional research. Provincialism in Hungary is currently very strong again. Resources are being fragmented, and regional strategies and programmes are not taken seriously by anyone. Spatial development funds are the object of petty fights between micro-regional interest groups, due to expedient alliances, bargains and existential motives, and insignificant sums of development resources arrive in a haphazard fashion in a variety of places in the

counties. There is no sign of the fact that spatial development funds have launched any new processes.

Meanwhile, many still throw their eyes up to heaven in piety, and so it is, perhaps, no wonder that they do not even notice the neighbouring county, city or university, which does not pursue dialogue about the realisation of common objectives but whose leaders vie with each other and hang around in the corridors of Budapest waiting for Peter's Pence. In contrast to the gradually strengthening forms of regional development policy in Western Europe, the survival of traditional provincialism is seen even in newly born, EU-conform regional development organisations.

Whilst Acts on Spatial Development have been created in the majority of Accession countries, the central and spatial institutions of regional policy have been established, in Hungary the law was unfavourably modified and the organisation of spatial development's central state administration was changed several times. (Such changes occurred only in Romania in the early days, but the position of regional policy in the central state administration has stabilised in the meantime). All this may well prove that, in Hungary, the modern organisational principles of spatial development, its system of objectives, tools and institutions based on EU norms are functioning only due to EU pressure: they aim only at meeting formal requirements.

Without the autonomy of development policy in the regions it is not possible to imagine the realisation of the priorities of the new European cohesion policy. If the incoming –and, hopefully, optimal – amount of EU funds are absorbed in the current dominantly sectoral structure, then reducing the marked interregional disparities will be made impossible and the results of EU Cohesion Policy will remain limited. New development policy will have to be accompanied by a modern idea of spatial policy. During the last ten years every measure was directed at the creation of the system of objectives, instruments and institutions of central regional policy. During the coming years the guarantees of the individual policy-making of regions will have to be settled via legislation and the problem of the financing of their operation will also have to be resolved.

None of the governments in power – independently of whether spatial development was regulated by law in Hungary or not – have done much to apply the tools of decentralisation found successful in Western Europe. whilst the modernisation of the spatial structure of the country could be a factor enhancing national competitiveness.

Instead of gradually proceeding on the road towards Europisation, Hungarian spatial policy has been *caught in the stranglehold of provincialism*. This situation renders the modernisation of the country's spatial structure even more hopeless, further hindering any growth in performance of the Hungarian economy.

Instead of the gradual gaining of power of West European type regional development policy, the survival of traditional provincialism is observed even in the newly born, EU-conforming regional development organisations.

A spatial development strategy relying on totally new bases is required which can only be elaborated and realised if decentralisation becomes the leading principle in social control.

3 Regions

In the history of the development of Hungarian regionalism, the interests of economic and social actors can also be traced alongside the political arguments. During the era of the planned economy the creation of the optimal market size also played a role to a limited degree. Large companies took spatial actors into account in the organisation of their sister companies. The spatial proximity of sites did not necessarily mean efficient cooperation among factory units, and so the internal economic cohesion of the individual regions could become strengthened. Vertical factors came to prevail in the organisation of the economy.

The opportunities for validating spatial factors in the economy were also widened due to external changes (outside the borders) during the mid-1980s. At the end of the 1970s an era of organising cooperation along the borders began in the member states of the European Union. The Alps Adriatic Working Community, born in 1977 by an Italian initiative, became a significant Central European organisation of the institutionalisation of

interregional relations. The founding Italian, German and Austrian regions wished to exploit the opportunities of collaboration with the East European economy also. Administrative units in Hungary were the first in Eastern Europe to join the Working Community, and participation in the working communities of the organisation broadened the international experiences of Hungarian county officials facing their own system change. At the beginning of the change the representatives of Hungarian counties nurtured hopes that the fact of democratic government went hand in hand with the decentralisation of foreign political and economic competencies. In fact, this idea also motivated the thinking of economic actors in Western parts of the country, but, unfortunately, the changes in the Hungarian political system did not support the objectives of the institutionalisation of para-diplomacy. Even though Hungary plays an active role in the organisation of cross-border cooperation (21 programmes of cross-border cooperation were registered in 2009), its impacts on economic development are rarely observed (*Baranyi, 2007*).

Nor was any fundamental progress made in the regionalisation of public administration. Even though the election programmes of parliamentary parties contained commitments towards regionalism - the decentralisation of the Hungarian state system – these objectives were forgotten once power matching their political interests had been won. A major change could have occurred in 2006 when the social-liberal government submitted the draft law on the creation of public administrative regions to Parliament. The opposition, however, did not support it, and since such legislation required a two-thirds majority, it could not become law.

The political counter-arguments against regional public administration refer to the negative changes in the service provision for the population. According to opponents of regionalism, this new public administrative level would mean a distancing from the population, and so access to quality services would become more restricted. An important factor among the counter-arguments against regionalism is the fear caused by the weakening of local democracy. The opponents of regions see restrictions to local autonomy and a deteriorating financial situation for individual local authorities. The arguments

against regions sometimes show a euro-sceptic colour, since the creation of regions is considered to be solely a compulsory formal requirement posed by the European Commission by populist groups. Obviously, these simplistic ideas based merely on political considerations are false, since the elaboration of regional public administration has to involve raising the quality of local public services, and this would clearly serve to improve the living standards of the population. This does not even take into account that the decentralisation of the current outdated European unitary state organisation means the transfer of central government competencies to regional level (*Michalski – Saraceno, 2000; Brugnoli – Vittadini, 2009*).

Regions are territorial units endowed with local government competencies serving sustainable economic growth and the modernisation of the spatial structure, with their own sources of financing and pursuing an autonomous development policy. Regions are needed in Hungary since European territorial development clearly justifies the sub-national level i.e. the region, due to its economic capacities and structural assets, governed according to the principles of local self-government and serving a population of 1-2 million. This Region is:

- an optimal spatial framework for the implementation of regional development policy with economic development orientation,
- an appropriate area for the functioning of post-industrial space organising forces and the development of their interactions,
- an important platform for the spatial-social enforcement of interests,
- the most adequate spatial unit for the establishment of the institutions of professional organisation, planning and implementation and the modern infrastructure of regional policy,
- a dominant factor in the decision-making system of the Regional and Cohesion Policy of the European Union.

The dilemma concerning regionalisation occurs in Hungary not in a public administrative sense or due to EU membership. The future of the growth of the Hungarian economy, the modernisation of the country, the decline of spatial disparities and our position in the international division of labour are all at stake. Regionalism may serve a new stimulating force of modernisation in the second decade of the 21st century.

The present regional system of institutions of spatial development is not even able to achieve its original objectives. Regional agencies basically undertake project assembly tasks and what they serve is the will of central government and not the realisation of regional ideas. There are significant disparities in the performance of regional agencies. Innovative agencies willing to apply the methods of modern regional economic development do exist, but there are also agencies active in a traditional, implementation role.

According to the results of empirical investigation, the strongest opposition towards the decentralised model can be found among the circle of ministries, which can only be counterbalanced by a consistent and deliberate governmental and parliamentary air of assurance and constitutional regulation. Research results prove that those involved in the construction of regions support the reform theoretically, but they are not convinced of the pertinence of the designation of the present regional borders and centres; their spatial ties are restricted to a narrower circle. However, it seems that, on the basis of the actors' opinions, it is impossible to define more acceptable regional borders than the current ones. It is very important not to divert attention from the most important issues, such as the decentralisation of the state and the strengthening of regional autonomy by indulging in debates on regional borders and regional centres. The latter issues are at a focus of interest for various circles of the county elite.

These never mention or discuss what would be the most important issues of all – With what sort of functions should regions be endowed? What competencies should the centre transfer to this level? It seems as if ministries have just grasped that they may be facing a change. Why should the central state administration be occupied with

assessing projects worth a mere 1-2 million Forints? Whilst hundreds and thousands of proposals are evaluated and decided, this same intensity cannot be felt in the discussion of strategic questions. Why did the elaboration of sectoral operative programmes key to EU Accession not constitute the major task of the central state administration? Why do carefully elaborated long-term development strategies still not exist?

The alleviation of backwardness and the development of regions is a key strategic objective of the European Union, which devotes 40% of its budget to this purpose. To attain the objectives of closing the gap, member states and their regions receive substantial funding from the common budget depending on their development level. Nevertheless, we must also be aware of the fact that, despite the substantial funding, positive changes in the ranking of regions in individual member states has occurred only in cases when the absorption of EU funds had been based on a consistent structural policy for a number of years. In their development policy, regions did not focus on the development of traditional infrastructural elements but concentrated their efforts on the most modern driving forces of spatial development (innovation, business services, modern solutions of industrial organisation, human resource development). Those regions which based their future development exclusively on EU funding policy and strove to attain the actual development policy objectives, failed to improve their relative position.

Not only operative, but key strategic planning functions may be transferred to regions. All the more so, since what central government offices suggest will not be a viable road in the coming programming period, i.e. to adopt methods used in a certain part of the country in the other also. Every region must pursue its own path. Those EU member states are successful which base their development on the existence of diverse regional paths.

It is in the national interest to organise autonomous regional operative programmes in Hungary as soon as possible. Without the hopefully strengthening economic performance of the country the results of EU Cohesion Policy will remain limited. Decentralised and regionalised development policy may be the only EU-conform solution for modern

Hungary, but this requires a totally new spatial development paradigm. During the last fifteen years every measure was directed at the creation of the system of objectives, instruments and institutions of central regional policy, but during the next decade the guarantees of the individual policy-making by regions will have to be fixed by legislation and the problem of financing their operation will have to be resolved.

It has become evident in the majority of the member states of the European Union that the distribution of power and the institutions of multi-level governance enhance the economic performance and well-being in individual regions. The lobbyist politician is replaced by the developer-type politician regulating the long-term guarantees of local autonomous development via legislation, fostering European cooperation and building partnership relations between regional stakeholders. The successful, the development of numerous Western European regions justifies the effectiveness of this approach and its outstanding role in the establishment of regional identity.

As several examples from Western European countries demonstrate, regions will exist in Hungary only if economic actors initiate and force their creation. The activity of Chambers of Industry and Commerce and entrepreneurial alliances is needed. The speed of their decision reaction illustrates the economic potential of the Hungarian economy. A new opening to the institutionalisation of regions depends on them.

4 Why does the neighbour's autonomy matter?

The efforts towards autonomy of the Vojvodina (an old, ethnic Hungarian area within Serbia) and the Seklerland (a similar location within Romania) are in the centre of attention in Hungary. We wish – very reasonably – to strengthen regional identity in these areas, so that the population (and not simply the Hungarian minority) may decide on their fate independently. Undoubtedly, the new statute law of the Vojvodina – despite every criticism - justified or not – represents the ideology of modern regionalism in a nearly unique way in East Central and South-East Europe today. Regionally based legislation functions only in the region, which is where state administration organisations pursue their activities in a well

set up organisational system. What was the on-going debate in the Vojvodina and in the Serbian Parliament? It concerned the destiny of the 150 certificates which the political elite of Belgrade should transfer to the decision-making actors in the Vojvodina. The Secretariat of Research and Development (a Ministry of the province) in the Vojvodina currently operates a development strategy – something which Hungarian regions cannot even dream of. In Hungary there is no regional institution at present which would be capable of articulating such different ideas and reconciling interests.

There is no state administration organisation in Hungary which would be aware of the situation of the research capacities of the regions, not to mention their possible developmental directions. Regional innovation agencies do meet certain minimal EU requirements formally, but they are totally unable to elaborate and manage a comprehensive R&D strategy. It is not at all clear in what manner the country wishes to meet the Lisbon criteria. We could list endlessly the questions which urgently demand an answer, yet we do not know which institution to turn to for a solution!

Is it justifiable to call our successive governments to account for guarantees of the autonomous development of Hungarian communities living beyond the borders? Yes, undoubtedly, since the proclamation of identity and its development is a universal human right. Yet the researcher, the politician and the average citizen is often confronted with the question of what kind of example Hungary can show to its neighbours in respect of territorial independence and the institutionalisation of autonomous development. We are confronted with several questions from our foreign colleagues: What is the reason why, in Hungary (exemplary in, at least formally, adopting the European norms of regional policy at the beginning of the EU Accession process) is the demarcation of the limits of development regions still under debate? Why does the government in power always distance itself from the decentralisation of development funds? Why can the rationalisation of public administration not go beyond the formal reform of the county system? There is no institution in Hungary at present – perhaps with the exception to the Regional Committees of the Hungarian Academy of Sciences – which would investigate which conditions of the

Lisbon criteria exist in a county or a region, what should be done and what will the consequences be.

The roots of these deficiencies are most likely to be found, on the one hand, in the centralising traditions of Hungarian political thought, and, on the other hand, in the provincial way of thinking. These two ideas went hand in hand, and have mutually strengthened each other in Hungary.

What are the basic questions relating to the reform of public administration in Hungary currently? A couple of years ago the research results of leading politologists in the IDEA programme of the Hungarian government indicated that the territorial-organisational forms of public administration were easy to transform, Hungary could well become a federative state (with the adoption of regional parliaments, ministries, etc.) (*Ágh*, 2003, 2007). The form of centralised regionalisation was in the elimination of county de-concentrated and public administrative offices and their integration in regions. The centres were decided according to the wishes of lobbying politicians. The solutions which gave rise to a number of constitution-related anxieties have further decreased the already diminished respect for the state administration. Further, we find open rivalry between regions which has been aggravated by the reorganisations. The unthinking delays in implementing regionalism relating to the IDEA research has also caused severe damage to the concept of decentralisation, and the possibilities of applying the earlier results of Hungarian regional science have been removed from the agenda of the transformation of spatial policy for a long period.

Other representatives of political science consider the institution of regions only as a means to achieve state development policy objectives – more specifically, to be able to lay hands on EU funds (*Pálné*, 2009; *Kaiser*, 2008). This idea ignores the fact that, as a result of the investment policy of economic actors in favour of regional development, substantially increased amounts of state development resources are attracted to an area. Organisations under the authority of public administration represent, on average, one-sixth/one-seventh of the annual volume of investment. Productive sectors devote five-seven

times the amount of EU development funds allocated within the regions to investment purposes (*Table 3*). No organisation is charged with the harmonised operation and coordination of the development of institutions in favour of the optimal economic milieu of investments fundamentally affecting regional development. The institution of the region would serve precisely this fundamental purpose.

A group is being organised of those who propose a system based on of large counties rather than on regions, but their current concepts were modern ideas some twenty years ago (*Verebéli, 2009*). The counter-interests of power – and, let us add, the provincial way of thinking – did not permit the ideas of István Bibó to be realised in those days either. Nevertheless, recent years have brought significant change in the development of Europe and of Hungary also. The principles of solidarity, equity and justice have been integrated into the economic and social policy countries, spatial development has become an autonomous sectoral policy, the world has become globalised, the European Union has realised a clear structural policy and the information revolution has transformed the technology of administration. We could produce a near endless list of the changes inducing and hastening the institutionalisation of the new significantly wider area of coordination.

Table 3

Investments of large groups of sectors by region, 2009

	Non-productive investments ⁾		Productive investments	
	Billion HUF	Percent	Billion HUF	Percent
Central Hungary	216.7	13.8	1357.1	86.2
Central Transdanubia	46.2	7.8	544.5	92.2
Western Transdanubia	37.7	11.0	306.9	89.0
Southern transdanubia	51.4	18.8	221.9	81.2
Northern Hungary	56.4	19.3	234.9	80.7
Northern Great Plain	80.2	17.3	382.4	82.7

Southern Great Plain	66.7	20.5	259.5	79.5
Total	555.3	14.3	3,307.2	85.7

Note: 1) Public administration, defence, obligatory social security, education, social services, other collective or individual services. *Source:* Author's calculations based on Territorial Statistical Yearbook, 2007.

5 Summary: consensus on decentralisation

The basic principles serving the implementation of structural policy applying to every member country – subsidiarity, decentralisation, additionality, concentration, programming, partnership, transparency – also demanded the modernisation of the system of national regional policy. These factors should have been considered during the reform of public administration. The consistent application of the basic principles in the member states of the Union has raised the efficiency of regional development and strengthened cohesion. A new and increasingly marked objective of funding policy in the recent period, the Development of Competitiveness, is designed to serve the sustainable development of the regions. What is most significant is not obtaining structural funds, but exploiting the advantages of a market of nearly 500 million consumers. This leads us to conclude that *the means of the further development of regional policy is not to be found exclusively in the degree of redistribution, but the possibilities of the mobilisation of internal and external resources.* Besides regional development we must also devote attention to a wider circle of questions stemming from the complexity of territorial development.

Hungary must first and foremost prove that regional institutions are able to guarantee the efficient absorption of structural funds promoting European cohesion. Without the autonomy of development policy in the regions it is not possible to imagine the realisation of the priorities of the new European Cohesion Policy. If the new, and hopefully optimal, amount of EU funds is absorbed in the current (predominantly sectoral) structure, then decreasing the marked interregional disparities will be made impossible. Without the (hopefully improving) economic performance of the country, the results of EU Cohesion Policy will remain limited. Decentralised and regionalised development policy may be the

only EU-conforming solution for modern Hungary. This requires a totally new spatial development paradigm. During the last fifteen years or so every measure was directed at creating a system of objectives, instruments and institutions of central regional policy, but during the next decade the guarantees of the individual policy making of regions will have to be fixed via legislation and the problem of the financing of their operation will have to be resolved.

The principle of subsidiarity and its practical utilisation exerts a positive influence on the evolution of European territorial cohesion. Clearly, those countries achieved success which regarded subsidiarity as the basic condition of the transformation of the organisational system of the functioning of the state and applied it in its full complexity. In other words, by the transformation of the total decision-making hierarchy, the reorganisation of the location of competencies occurred: centralised functions were redefined just as the responsibilities of lower levels were reorganised. Multiple examples prove that a system of social control can only be competitive if it clearly takes into consideration the organisational requirement according to which lower levels cannot be overburdened with tasks which they are unable to resolve, and the transfer of competencies must be coupled with the transfer of sources of finance. Hungary may only be successful if it takes these requirements into consideration i.e. if it carries out a fundamental state reform.

The modification of factors shaping spatial development necessitates the transformation of the system of objectives, instruments and institutions of regional policy across the whole of Europe. The long-term trends of European spatial development require the development of the most heterogeneous institutionalised forms of decentralisation in the countries with different traditions of the continent. The new East Central European member states are able to meet the cohesion requirements of the European Union only with decentralised institutions. This is not solely a question of public administration, but also the precondition of the efficiency of research and development in the service of improving competitiveness. The predominance of regionalism may result in the modernisation of

spatial structures. In decentralised countries the spatial diffusion of the knowledge-intensive economy is faster than in centralised countries. The expected results of decentralised development policy succeeding from EU Accession cannot be articulated in any other way than during the early years of the 2000s (*Horváth–Szaló, 2003*).

1. As Hungarian regions and settlements become integrated into the unified European spatial and settlement system and exploit the advantages of cooperation, they may become integrated into the international division of labour through a thousand linkages, developing intensive cooperation with other areas;
2. The backward areas receive permanent, stable, gradually increasing development funds, the removal of various factors of underdevelopment becomes a conscious action, opportunities emerge for obtaining resources for their catching up, to support their economic, infrastructural developments;
3. The distribution of resources between various areas of the country becomes more even and, through regional cooperation (depending on the common will of the regional stakeholders) new innovative activities may be adopted;
4. The intellectual, cultural and income disparities between the capital and the regions decrease;
5. The competitiveness of large and intermediate towns increases with the strengthening of new sectors, knowledge centres and the widening of interregional linkages;
6. The capacity of regions to organise the economy intensifies, and multifaceted linkages develop with European regions, attracting knowledge, technology and jobs to the areas;
7. The dependence on central authorities will weaken and regions may also realise development ideas best suited to their assets;
8. The enforcement of strict EU prescriptions will significantly reduce environmental nuisances such as the quality of our water and air; and noise pollution should decline;
9. An intensive system of relations will develop along the internal borders of the EU in almost all areas of the economy, culture and social life;

10. The historical linkages of areas along the national borders will be reorganised, new programmes of cooperation will develop and regional cooperation may contribute to the strengthening of territorial cohesion in the Carpathian Basin;
11. The decision-making opportunities and choices of local authorities and the population will widen, whilst local patriotism, regional identity and initiative capacities will strengthen.

The need for polycentric regional development will also transform the power structure of transitional countries. Regions as the sub-national level of the power structure are territorial units endowed with local government competencies serving sustainable economic growth and the modernisation of the spatial structure, with their own sources of finance and pursuing an autonomous development policy. Regions will become the areas of innovative development and the regional embeddedness of innovation producing basic institutions will be strong. For a lack of state reform aiming at decentralisation, the Lisbon criteria will not be realisable in the unitary states of Europe, and this includes Hungary.

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