THE CHALLENGES OF REGIONAL DEVELOPMENT POLICY IN THE PUBLIC ADMINISTRATION

By Ilona Pálné Kovács DSc,
Director of the
HAS Centre for Regional Studies
Transdanubian Research Institute

1. The Trends of the Transformation of the Hungarian Public Administration Subsequent to the Systemic Change

The Hungarian public administration had to face within relatively short period significant changes as the effect of different external and internal factors.

1.1 The Impact of the Political, Constitutional Transformation on the Public Administration

- The political, social–economic transformation has changed the target and task system, the political and power environment and the structure of public administration, though not in equal volume. Obviously, the relationship of public administration to the legislative power and to the political sphere was fundamentally changed and the public administration was put under strict political and social control. However we also have to admit from the a decade’s perspective that it seems that the traditional feature of the Hungarian statehood, which is the overweight of public administration, the executive power against the parliament remained unchanged. Following the parliamentary euphoria of the first years subsequent to the political change, public administration regained its old positions and the controlling, strategic leading functions of the parliament have been poorly enforced. The influence of the government but especially of the sectoral ministries became dominant both in the legislation and the in the leadership of the state mechanisms as well as in the division of public resources.

- The structure of public administration was preliminarily changed from the territorial aspect, since the introduction of the self-government system, the real decentralisation of the power in Hungary was accompanied by the intensive fragmentation of the local administrative units. This means that the former soviet type councils were replaced by double as much local self-government units. The radical weakening of the influence, power and resources of the county tier self-governments belong to the series of structural changes too, as well as the expansion of the deconcentrated state administration besides the county assemblies.

1.2 The Impact of the Social Changes Enfolding Due to the Systemic Change

The economic, social dimension of the systemic change of course also impacted public administration.

- The privatisation process radically decreased and in terms of its methods reorganised the state’s economic management role, even if transitionally the management of the privatisation process itself appeared definitely as an extra responsibility for the state and required the establishment of special institutions.
• The changes of the society’s structure, the mass scale unemployment and the impoverishment have reinforced social policy, employment policy etc. within the tasks of the state.
• The new values and social priorities – of course in each government cycle a different way – transmitted always new tasks, functioning methods and rules towards public administration.

1.3 Internal Initiators of the Modernisation of Public Administration

The continuos adaptation to the changed environment and to the external challenges naturally generated the demand of the systematic modernisation of public administration. During the past decade reform programmes were formulated year to year. Most of them were aimed at the slogans of efficiency, legacy, proficiency, or the citizen friendly of public administration. In the interest of these targets the necessity of optimal organisational sizes, co-ordination, flexible operating forms, contracting out, and deregulation were repeatedly formulated. However the poor success of these reform ideas was not the fault of professionals and scientists who elaborated the programmes. In the lack of the persistence and the willingness to face conflicts by the prevailing government the organisation of public administration was unable to follow the appointed direction consistently.

Finally we can state that the history of the Hungarian public administration subsequent to the systemic change is the history of spontaneous adaptation to external preconditions. At the time of the systemic change besides the paradigmatic values of parliamentarism, self-governance, human rights and basic freedoms, and the market economy the modernisation of public administration was not a priority and the definite concept of the establishment of the executive power was actually absent too.

Despite of the above significant changes evolved. Especially important and a strategically significant field in terms of the enlargement of the European Union is regional policy and the impact of regional development on the public administration. The overview of this process and its impacts may contribute to the better understanding of the organisation and the interconnections of interests of public administration’s modernisation.

2. The Impact of Regional Policy on the Structure of Public Administration

The impact of regional policy as a relatively new public policy on the administrative and power structure was significantly strong in the previous decade as compared with other public policies. This statement is true for the developed democracies too, especially for the member states of the European Union, where the accessibility of the Structural Funds of the European Union was a strong motivating power for the changes. While the European Union in general considers the structure and functioning of public administration as a national internal affair it has established a fairly strong adaptation force through the regulating the utilisation rules of the Structural Funds. I explain this phenomenon not only by the reason that this field is a community policy of special importance, to which the Union devotes significant resources but also by the fact that besides the sectoral policy character of regional policy it is the political means of deepening and enlarging the integration. The principles of subsidiarity and partnership have raised the regions to the level of the national governments in the decision making processes of the Union and became one of the most virulent factors of the multilevel governance.
This direct influence can not yet succeed in Hungary since we do not have any access to the Structural Funds but the regulation of the regional policy by the power of law in 1996 was definitely adapted to the target of meeting the requirements of the European Union.

The regulations of the act influencing the public administrative system and its consequences are the following.

Decentralisation, expanding territorial approach

- From among the impacts we first have to emphasise the strengthening of the territorial approach. The regional policy in Europe first reached the development phase in the 80s, in which the former centralised system based on the central redistribution was replaced by the **bottom up model** involving the local resources. The Hungarian regional policy had to be adapted to this model. The self-governmental transformation theoretically opened up the opportunity of the power decentralisation, but as I have mentioned above, the preliminary target was in 1990 the **strengthening of the municipal tier**. The experiences of the first six years of the functioning of the self-government system served sufficient consequences for the recognition that without the strengthening of the medium tier of administration, the **regional tier integration** the local autonomy can not enfold. The deconcentrated state administration expanding besides and instead of the consciously weakening county assemblies was unable to fill the **integration gap evolving between the fragmented municipal administration and the central government**. It was simply impossible to integrate regional policy into this administrative structure. A handy solution could have been of course to delegate the regional development competencies to the county assemblies, but both the municipalities and the central government were disinterested on this solution. Namely, the county assemblies equipped with political legitimacy, reinforced with development resources would have been dangerous counterbalances against the central government power. And, on the other hand, the leadership of the villages, towns and especially larger towns did not forget the paternalistic and domineering county councils of the former system, of which they wanted to defend their newly obtained independence. The ambivalence against the county self-governments led to the introduction of a specific, **“inter-sectoral” construction**, the system of development councils. If we study the status of this organisational form, we will see that this form of **decentralisation is fairly contradictory**. While in the county tier the elected county assemblies went on operating, the beneficiary of the planning and resource division competencies became a delegated and democratically not controlled organisational form.

- Not only the organisational-sectoral target but also the **territorial dimension of decentralisation** received a fairly strange regulation. The adaptation of the NUTS system used in the utilisation of the Structural Funds of the European Union seemed to be a logical solution and also the delimitation of the II–III–IV tiers of the statistical units caused no special professional difficulties. However a great dilemma was whether the micro-regional (NUTS IV), county (NUTS III) or the regional (NUTS II) level should be the scenario of the regional political intervention and institutional system. The question was not decided based on professional considerations, nor by the national or European priorities of regional policy but by fairly **pragmatic arguments**. If we can at all call the solution a decision, the legislator decided to integrate all three **territorial tiers** into the regional political institution system. Without going into details, I believe it is important to emphasise that the over-fragmented institution system, the conglomeration of development councils (associations) operating in three tiers contributed to the
fragmentation of the development resources, to the competition of the tiers among each other and to conflicts evolving due to the lack of clear division of labour.

- It is also important to emphasise that decentralisation was fulfilled preliminarily in terms of the tasks, competencies but it hardly concerned the order of the central division of resources. Only an insignificant part of the budget showing a fairly high redistribution rate was utilised in a decentralised form. The development councils operating in too many tiers and involving too many ambitious actors can dispose of only fragment of the development resources, which naturally caused frustration, local conflicts and finally disillusionment.

Co-operation, integration

The model of the development councils following the principle of partnership inevitably brought innovation into public administration, even if the above described contradictions finally became the sources of malfunctions too. The development councils namely became the frameworks of the co-operation and integration of different organisations and sectors in a public administrative structure and culture, which was suffering under the lack of co-ordination and integration.

The membership of the development councils was recruited from the following actors: the municipalities, county assembly, state administrative organs, economic chambers and the interest representations of the employees. The councils set up in the three territorial and the central tier provided the opportunity not only for the co-operation, communication between the sectors, branches, but for the linking of the different tiers through the solution that the certain tiers were allowed to delegate their representatives bottom up too. At this place it is to be mentioned that the modification of the act on regional development in 1999 eliminated the actors of the economic sector from among the members of the development councils.

3. The Impact of Regional Policy on the Functioning of Public Administration

Even if, as we have seen, the institutional system established in the act on regional policy significantly concerned the territorial institutional system too, I consider the changes appearing in the operational methods and approach way more important.

3.1. Regional policy requires by nature comprehensive co-operation between the sectors and tiers, and especially its newest model, which is not any more based on the central state subsidies but rather on the involvement of local resources. In the regulation of the Structural Funds, and according to the Maastricht Treaty, the European adaptation of the principle of subsidiarity, the principle of partnership also evolved. The principle of partnership meant a challenge for every national public administrative system, and especially for those national models, in which the partner type of co-operation between the tiers or the sectors has no traditions. The vertically managed relationship system of both the sectoral departments and the sectoral deconcentrated organs took a new direction following the act on regional development and became rather horizontal. The motivation of the co-operation between the different self-government is similarly important, since the municipal egoism dominating the fragmented municipal system were channelled into territorial frameworks in terms of development programming, resource distribution. The third important consequence of the partnership element is the preparation for the multi-level governance approach in the interest of the elimination of the hierarchical subordination and the independence understood as a complete segregation.
The principle of partnership could not bring a real breakthrough in the Hungarian public administrative culture in one aspect, concretely in the field of co-operation with the civil, non-profit sector. The reason of that are the relative underdevelopment of the civil sector, the poor local public administrative resources, and the distrust or lack of willingness for co-operation of the local politicians and public servants involved in the public power. It is also unquestionable that in the field of co-operations currently the formal, protocol elements and ad hoc interest alliances are characteristic rather than a systematic collaboration or common implementation of programmes. The routine of the negotiations preparing the meetings of the development councils is rather characteristic for the mayors of the municipalities, the state administrative sector is rather a superficial, than a convinced partner engaged in the everyday functioning of development policy.

3.2. The challenges of regional policy effected the flexibility and the acceleration of reaction time of the operation of public administration. Usually the deadline of the elaboration of projects and applications is fairly strict and the limitation of the implementation time contributed to the emergence of the so called “ad hocarism” to the formation of occasional teams, emergence of the bureaucrat type working for success fee and to the expansion of more flexible operational and organisational forms. The Hungarian experiences show that the traditional bureaucratic apparatuses both in the ministries and in the majority of self-government units are unable to perform project management. The extra and the varying volume of work load, the interest in the performance and the extra payment connected with that, the high significance of the field work, the necessity of networking all generate conflicts in the traditionally functioning bureaucratic apparatuses. In order to avoid those they rather the contract out those tasks. In Hungary we witness the flourishing and the expansion of the non-profit organisations, the indirect public administration, the quasi governmental and the quasi non-governmental organisational forms. This phenomenon is characteristic not only in regional policy but it is inevitable that the applications, acquirement of resources, the management of projects are such action fields, for the adaptation of which the relatively flexibly operating non-profit or profit-oriented organisations connected with public administration are more adequate and proved themselves more successful.

3.3. A very important change in the operation methods of public administration, preliminarily generated by regional policy is the rehabilitation of planning. Following the systemic change as a result of the rigid refusing of the “socialistic planned economy” planning itself was also eliminated from among the tools of public administration. This lack obviously caused a lot of damages in every fields but it led especially in terms of regional development, economic development to fairly negative consequences. The act on regional development and physical planning passed in 1996, referring to the principle of programming used in the case of the European Structural Funds set planning for the long term and with a comprehensive approach practically as the precondition of acquiring of development resources. The actors of public administration, especially the self-governments have learned the lesson fairly quick, and within a relatively short period every territorial unit types has prepared its development concept and programme. On the surface they were able to meet the requirements fairly quickly. However if we study the planning process closer, and consider the later destiny of the planning documents we have to state that the approach of planning and its real integrating function was hardly enforced. The plans were mainly prepared by expert companies based on fairly formalised “EU conform” schemes and the involvement of the local society and economy was only formal. It is therefore not accidental that the real implementation of the quickly prepared
planning documents was hardly launched, they remained the compulsory annexes of different project applications but nor the decision makers neither the applicants integrated the programme targets and priorities into their activities. The real rehabilitation of planning is also hindered by the fairly loose and incomplete regulation. The legal nature of planning documents is unclear and in many aspects the procedural regulation, the circle of those involved in planning, and finally the planning itself is not connected with the executive institutional and tools system.

3.4. From the aspect of the functioning of public administration the emergence of the efficiency and proficiency requirements is very important as well as the expansion of the different forms serving their controlling and guaranties. Neither the personal policy, the payment of the public servants, the social feedback nor the central budget forced the Hungarian public administration to seek for efficient, quality and at the same time cost efficient functioning. The hierarchy, the observance of the regulations and avoiding the conflicts was practically enough for the legitimisation of the functioning. The reforms documents aimed at the modernisation of public administration emerging continuously since the second half of the 90s have imported the requirements of quality, proficiency and efficiency into the values of public administration. However the modernisation programmes were unable to achieve really significant success. The budgetary restriction policy afflicting preliminarily the self-governments was a more significant motivation for instance as a result of which both in the offices but especially in the institutions performing municipal services significant stuff cuts were carried out and their leaders were forced to analyse the costs. The efficiency challenge of regional policy has a different nature but it is obviously linked with the financial resources. With the solution, according to which the development resources can be accessed by the self-governments in an application system, and in some cases not even the needs but the quality of the application handed in is considered in the decision-making, the self-government apparatuses became interested in the improvement of their application activities. Preparing for the accession of the European Union the management of more and more bureaucratic organisations understand that the bureaucratic background and the quality of the management will be extremely important in the period when the certain regions will be in a competitive situation with each other. The acquirement of the ISO qualification is proceeding fairly quick as well as the training of the public servants for European knowledge and foreign languages. This process is of course not directly bound with regional policy but this is exactly one of the community policies the requirements of which warned the Hungarian public administrative profession for the necessity of integration, training and preparation. However the most of the opportunities for learning are offered anyway by this field not only through the utilisation of Phare programmes managed by the government and the Union but also of the direct twin regional and urban relationships. The European regulation of regional policy, especially in this programming period lays a fairly great emphasis on the establishment of sound management and declares its provision as the responsibility of the national governments. The efficiency requirements against the management unavoidably raise the necessity of the measurement and evaluation of efficiency. Yet, we have to mention that in this respect the member states of the European Union can not take pride in their great experiences either there is no mature methodology of the measurement of the management’s efficiency. However the emerged demand will probably put a significant impact on the public administration and respectively on its regional policy activities.

4. The conflict of the Management of Regional Policy with the Traditional Institutional System of Democracy.
Besides the inevitably positive impacts of regional policy it is worthy to pay attention the phenomena which preliminarily concern the democracy and publicity of the decision-making and the opportunities for participation, therefore the institutional system, quality and model of democracy. Currently the literature often cites the opinions which indicate the negative effects and consequences of partnership, corporate institutions, associations, ad hoc groupings and informal networks. It is especially the transparency, the direct participation and the equal opportunity in the interest enforcement are those fields which may easy be violated especially when the regional and local self-governments and the civil society are not strong enough. The past five years history of the Hungarian regional policy reinforces this anxieties.

3.2. As I have mentioned at the beginning of this presentation, one of the motives of the establishment of the Hungarian system of development councils was the mistrust against the county assemblies. Partially due to that the regional development competencies were finally delegated to a corporate system of institutions equipped with parallel but separated competencies with the county self-governments. This fact alone caused a democratic deficit and division. In the county level there is a directly elected county assembly with a strong political legitimisation but its power and influence is much less than that of the delegated type of development council, which bears the strategic decision-making competencies and the development resources of the county. The situation was further worsened by the fact that the legislator did not clarify the legal nature, status of the development councils as "autonomous institutions", did not regulate the basic issues of their procedures and organisation. It was entrusted to the role interpretation, political culture of the members of the councils how fare they involve the civil and other actors, what type of publicity they create, and whether they enforce the consensual or majority democracy rules of game. The experiences show, that we should not have "set the fox to watch the geese", since the majority of the development councils was not really eager to share its power with its surrounding. In the territorial level a new elite is emerging the influence and internal system of relationships of which is based exactly on the power, influence and the division of development resources. This emergence of a new elite, which we may more elegant entitle as "networking", is also confirmed by a marking feature of the Hungarian public administration. In the current times more and more collective decision making bodies were organised, which connecting to the basically deconcentrated territorial organ of a given sector quasi socialises the decision-making process. The delegated membership of the different bodies set up in the fields of national defence management, the youth policy, the employment policy, the water management, and tourism management was recruited practically from the same circles (self-governments, economic chambers, universities, trade unions, deconcentrated authorities), and therefore it links the elite also in a formalised way, the power and influence of which derives seemingly from the represented organisation. At the same time these delegating organs do not control the activities of the leaders delegated to these organisations. The power of the emerging elite slowly transforms into a set of personal positions without having really contributed to the institutionalisation of the relationships between the organisations.

4.2. As a result of the lack of time occurring so often in regional policy and the fairly short application deadlines the aspect of handing in the application enjoys priority against the precise preparation or the involvement of the concerned. The tasks of the consultative bodies, civil organisations is often only the subsequent confirmation of the decisions and the cheating of rules is protected (hidden) by the common interest in the accession of the resources. Regional policy is a special public policy, in which the professional
political, technocratic, efficiency and the non-professional, equity and participation elements are fairly mixed anyway. The sensitive balance of those was until now hardly achieved in Hungary. It has also happened that exactly the lobby of the mayors was stronger than the technocrat groupings interested in economic development. Due to the predominance of mayors within the county development councils the principle of concentration and efficiency is much less enforced in the resource division than the principle of equity. As a result of that the resources are fragmented and they rather serve the basic infrastructure development of the certain settlements which shifts regional policy towards settlement development. The larger territory is concerned by the decision making the more the social, equity aspects are pushed to the background, but as a whole we have to state that the technocrats still have more opportunities to enforce their approaches than the local society.

The main contradiction is to be detected between the decentralisation demands of regional policy and the centralisation efforts of the central government. While the new institutional system of regional development was established in three levels, most of the decision making competencies and development resources remained under the authority of the central government and the ministries. The narrow action space of the territorial organs and the strict rule of resource division led to a kind of disillusionment among the local actors. In the mirror of the latest events it seems that not even the European Union insists upon the regional decentralisation in the accession states. In the national development plan being currently prepared there will be only one regional chapter, which implies the power relations following the European accession between the regions and the central government. It is known that this decision of the government was supported by the Union.

5. Summary, Conclusions

Ever since the systemic change we can witness a serious transformation of Hungarian public administration. It is also a fact that the regional policy encouraged innovation too:
- contributed to decentralisation,
- to the co-operation between the local and territorial actors,
- to the communication between the tiers,
- to the strengthening of the more flexible, professional, and efficient management approach.

However, it is also a fact that this process is not without any contradictions, the essence of which can be marked as its "quasi" character:
1. The organisations set up can hardly counter balance the overweight of the central government, and the decentralisation did not proceed with adequate speed.
2. The principle of partnership covers only the actors bearing public power, the economic and the civil sector did not yet acquire decision-making positions.
3. The corporations referring to the principle of partnership often serve the exclusion of the elected self-governments and publicity.
4. The co-ordination, integration and the establishment of networks contributed to the selection of a power elite, rather than to the exchange of information or to the addition of resources.
5. The flexible management able to adapt to the new circumstances is far not characteristic for every public administrative organisation and the representative body often looses control over the processes due to the contracting out of the project management.
The above phenomena obviously may be interpreted as initiatory difficulties which will be corrected by time. At the same time they also support the conclusion that the most modern, most innovative initiatives may lead to a dead end in public administration, if the larger state, constitutional, political surrounding is not yet ready for the adaptation of innovations.
Literature


