THE EASTERN ENLARGEMENT
AND
THE POLITICAL RATIONALE OF THE EU REGIONAL POLICY

The Case of Hungary and the Implementation of the Partnership Principle

**Title**
The Eastern Enlargement and the Political Rationale of the EU Regional Policy: The Case of Hungary and the Implementation of the Partnership Principle

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**Abstract**
This paper addresses the so-called political rationale of the European Union’s (EU) regional policy in the context of the forthcoming eastern enlargement. The political rationale emphasises a particular type of organisation, involving multiple layers of governance and actors. This organisation is considered important in effectively reducing regional disparities. Regarding the great amount of EU regional funding the candidate states in Central and Eastern Europe (CEE) are expected to receive upon accession, capable institutions and structures for handling these funds are vital. Also, it is a crucial part of the EU’s accession criteria. By using Hungary and the implementation of the partnership principle as a case study, the process of preparing for the regional funds in CEE is investigated in-depth. A policy analysis of the cohesion between EU policy objectives and the Hungarian implementation process of the partnership principle serves as the overall basis for the analysis. In order to analyse and understand the implementation process, Historical Institutionalism (HI) is applied as a theoretical framework. It contributes by assessing the factors affecting the implementation process and thus, policy coherence. A triangulation of data consisting of interviews with Hungarian officials and EU Member State experts involved in
the implementation of partnership practices, primary and secondary texts as well as basic statistics is made against the propositions formulated through HI.

In turn, a number of analytical findings have been discovered. Firstly, the policy process is seen as highly constrained by formal and informal institutional factors, created by historical policy legacies. These have shaped the goals and preferences of the actors involved and have also privileged certain groups over others. In turn, path-dependency is noticed. Secondly, this has made policy cohesion rather weak, with certain short-term requirements being fulfilled but with a lack of more in-depth, long-term measures. Thus, there is a mismatch between the EU and the Hungarian regional policy organisation. Thirdly, although the formal institutional mechanisms for change are rather rigid, indications of informal mechanisms providing possibilities of institutional change were found, with some actors adapting to the EU enlargement context. This could lead to partnership practices gradually infiltrating some of the institutional and organizational features and in turn, become strengthened through the multi-level governance structure of the EU. Yet, implementation of the partnership principle is identified as a long and open process, with the real challenges arriving as Hungary enters the EU.

Nyckelord
Keyword
EU, eastern enlargement, regional policy, partnership principle, Hungary, historical institutionalism
Abstract

This paper addresses the so-called political rationale of the European Union’s (EU) regional policy in the context of the forthcoming eastern enlargement. The political rationale emphasises a particular type of organisation, involving multiple layers of governance and actors. This organisation is considered important in effectively reducing regional disparities. Regarding the great amount of EU regional funding the candidate states in Central and Eastern Europe (CEE) are expected to receive upon accession, capable institutions and structures for handling these funds are vital. Also, it is a crucial part of the EU's accession criteria. By using Hungary and the implementation of the partnership principle as a case study, the process of preparing for the regional funds in CEE is investigated in-depth. A policy analysis of the cohesion between EU policy objectives and the Hungarian implementation process of the partnership principle serves as the overall basis for the analysis. In order to analyse and understand the implementation process, Historical Institutionalism (HI) is applied as a theoretical framework. It contributes by assessing the factors affecting the implementation process and thus, policy coherence. A triangulation of data consisting of interviews with Hungarian officials and EU Member State experts involved in the implementation of partnership practices, primary and secondary texts as well as basic statistics is made against the propositions formulated through HI.

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Maps of Hungary, its Counties and NUTS II Regions

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# Abbreviations

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<th>Description</th>
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<tbody>
<tr>
<td>AP</td>
<td>Accession Partnership</td>
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<tr>
<td>CAP</td>
<td>Common Agricultural Policy</td>
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<td>CDC</td>
<td>County Development Council</td>
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<tr>
<td>CEE</td>
<td>Central and Eastern Europe</td>
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<td>CEEC</td>
<td>Central and Eastern European Country</td>
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<tr>
<td>CFSP</td>
<td>Common Foreign and Security Policy</td>
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<tr>
<td>EAGGF</td>
<td>European Agricultural Guidance and Guarantee Fund</td>
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<tr>
<td>EC</td>
<td>European Community</td>
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<tr>
<td>EMU</td>
<td>Economic and Monetary Union</td>
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<tr>
<td>ERDF</td>
<td>The European Regional Development Fund</td>
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<tr>
<td>ESF</td>
<td>European Social Fund</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>FIDESZ-MPP</td>
<td><em>Fidesz-Magyar Polgári Párt</em> (Federation of Young Democrats-Hungarian Civic Party)</td>
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<tr>
<td>FIFG</td>
<td>Financial Instrument for Fisheries Guidance</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HI</td>
<td>Historical Institutionalism</td>
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<tr>
<td>IGC</td>
<td>Intergovernmental Conference</td>
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<tr>
<td>IRC</td>
<td>Interest Reconciliation Council</td>
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<tr>
<td>ISPA</td>
<td>Instrument for Structural Policies for Pre-Accession</td>
</tr>
<tr>
<td>MLG</td>
<td>Multi-Level Governance</td>
</tr>
<tr>
<td>MS</td>
<td>Member State(s)</td>
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<td>MSZP</td>
<td><em>Magyar Szocialista Párt</em> (The Hungarian Socialist Party)</td>
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<tr>
<td>NDP</td>
<td>National Development Plan</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
</tr>
<tr>
<td>NI</td>
<td>New Institutionalism</td>
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<tr>
<td>NPAA</td>
<td>National Programme for the Adoption of the Acquis</td>
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<tr>
<td>NS</td>
<td>Nation State</td>
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<tr>
<td>NUTS</td>
<td><em>Nomenclature des Unités Territoriales pour la Statistique</em></td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>OPRD</td>
<td>Operation Programme for Regional Development</td>
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<tr>
<td>PAO</td>
<td>Public Administration Office</td>
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<tr>
<td>PFP</td>
<td>Partnership for Peace</td>
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<tr>
<td>PHARE</td>
<td><em>Pologne-Hongrie: Assistance à la Restructuration des Économies</em></td>
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<tr>
<td>PMO</td>
<td>Prime Minister’s Office</td>
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<tr>
<td>RDA</td>
<td>Regional Development Agency</td>
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<td>RDC</td>
<td>Regional Development Council</td>
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<tr>
<td>RPP</td>
<td>Regional Preparatory Programme</td>
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<tr>
<td>SAPARD</td>
<td>Special Accession Programme for Agriculture and Rural Development</td>
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<tr>
<td>SEA</td>
<td>Single European Act</td>
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<tr>
<td>SPP</td>
<td>Special Preparatory Programme for the Structural Funds</td>
</tr>
<tr>
<td>SZDSZ</td>
<td><em>Szabad Demokraták Szövetsége</em> (The Alliance of Free Democrats)</td>
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<tr>
<td>TEU</td>
<td>Treaty of the European Union</td>
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"Enlargement will have a profound effect on both the EU and the applicant countries, and make the predominant contribution to the way Europe evolves in the twenty-first century.” (Grabbe, H. & Hughes, K.)

I. INTRODUCTORY CHAPTER

I.1. Introduction

The European Union (EU) is currently facing one of the biggest challenges to its structure and policies in the form of the eastern enlargement. The 1st of May 2004 is set as the accession date for ten new members; a widening, which is unprecedented in the history of the Union both in terms of size and of anticipated effects. The EU regional policy is, together with the Common Agricultural Policy (CAP), seen as one of the most affected areas since the development disparities between the candidate countries and the existing Member States (MS) are substantial. Thus, considering the EU’s objective of economic and social cohesion, most of the candidates will upon accession be eligible for regional funding under Objective 1. In order to be able to absorb the regional funds, the development of capable structures and institutions in the candidate states are vital. Furthermore, one of the requirements of the accession criteria – to implement the *acquis communitaire* places demands on the

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2 Although Malta and Cyprus are also included in the next wave of enlargement, the term 'eastern' enlargement will be used considering the majority of Central and Eastern European candidate states.
4 Regional policy will be the naming used for the policy in this thesis although it should be noted that it is sometimes referred to as structural and cohesion policy. It encompasses the four Structural Funds: (the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG)) and the Cohesion Funds. Thus, although EU regional policy and the Structural Funds are not the same, reference to only the Structural Funds will occasionally be made regarding that it is the dominating part of EU regional policy.
5 The per capita GDP of the Central European candidate states ranges from one quarter to three quarters of the EU average. (The European Commission – ‘Phare’s Principal Focus: Moving to the Structural Funds’, [http://www.europa.eu.int/comm/enlargement/pas/phare/struct_funds.htm](http://www.europa.eu.int/comm/enlargement/pas/phare/struct_funds.htm))
6 From 2000 the Structural Funds focus on three priority objectives, where Objective 1 is meant to cover regions where the GDP per capita is less than 75% of the EU average.
7 The detailed laws and rules adopted on the basis of the EU's founding treaties, mainly the Treaties of Rome, Maastricht and Amsterdam.
candidates to implement the legislative framework of EU regional policy. According to the European Commission:

“(t)he acquis under Chapter 21 does not define how the specific structures for the practical management of Structural and Cohesion Funds should be set up, but leaves it up to the Member States. (…) However, upon accession, the candidate countries will have to comply with certain requirements, which are also addressed in the context of accession negotiations.”

Thus, the implementation of the acquis directly and indirectly obliges the candidates to adopt various requirements in order to manage EU regional policy. According to Gyula Horváth, in the case of Hungary, “(…) resources from the Structural Funds are distributed on certain conditions, which in Hungary’s own interest should be satisfied”. This involves implementing a regional policy organisation, which emphasises specific objectives and principles. At the heart of this is the partnership principle, which operates as the guiding principle for the conductance of the policy. It involves both horizontal and vertical forms of cooperation, meaning, on the one hand, close consultation between the Commission, the MS and the competent authorities at national, regional or local level. On the other hand, it means including economic and social actors in these consultations. The partnership principle can thus be seen as embodying the specific multi-level structure of the EU, defined as multi-level governance (MLG). Although negotiations on Chapter 21 have been provisionally closed for all of the first wave candidates, it is clear that the implementation of many issues continues, partnership being one of them.

In short, even though the requirements of the acquis are rather vague and ultimately left up to the candidates to interpret and implement, the actual implementation and operation of EU regional policy puts more direct demands on the candidates to adhere to specific requirements. Here, the partnership principle plays an overarching role. Thus, according to Lisbeth Hooghe, regional policy involves both a policy and a political rationale. The former

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means dealing more effectively with regional economic disparities while the latter puts an emphasis on creating a specific set of organisational structures, which involves multiple layers of governance and actors. This organisation emphasises collaboration between the Commission, the state executive and subnational actors. Empowering subnational actors to a larger degree and specifying how this empowerment should be organised is a particularly important aspect. Further, the political rationale is considered to be crucial to the success of the policy rationale of regional policy.12

1.1.2 Aim and Research Questions

This thesis aims to address the political rationale of EU regional policy in the context of the eastern enlargement process, using Hungary as a case study. As an overarching basis for the paper, a policy analysis will be made of the EU policy objectives in terms of regional policy organisation – with a focus on those related to the partnership principle - and its cohesion with the Hungarian implementation process. Both explicit and implicit EU requirements relating to the partnership principle will be considered. In order to have a focus in this rather wide implementation process, a specific programme of the EU pre-accession assistance (PHARE – Pologne-Hongrie: Assistance á la Restructuration des Économies) in Hungary - the Regional Preparatory Programme (RPP) – has been chosen for the analysis. A theoretical framework in the form of Historical Institutionalism (HI) is used in order to get an in-depth explanation of the implementation process. Two basic questions will underpin the analysis:

- How do EU policy objectives in terms of the partnership principle correspond to the implementation process in Hungary?

- What factors does the propositions of HI claim as significant in influencing the implementation process and how are they affecting the coherence between policy objectives and implementation of the partnership principle?

Furthermore, a number of sub-questions have been derived out of the issues and claims made by the proponents of HI. These will subsequently be applied in order to answer and explain the main research questions:

12 Hooghe (1996), p.89
1. How do institutions matter?
2. What path-dependencies can be identified?
3. What are the possibilities of institutional change?

A few sub-questions derived from empirical data will act as further guidance:

4. How do Hungarian interests regarding regional policy organisation correspond to the EU objectives?
5. What factors other than institutions might matter?

These questions will serve as a foundation for the structuring of the descriptive part and be central for the analysis. Thus, the purpose is not to test a hypothesis but, with the help of the above research questions and theories derived from HI, develop general propositions from the analysis.

Whereas much research on the enlargement tends to give a EU perspective\(^\text{13}\) , an overall purpose will be to contribute with a Hungarian perspective. The importance of such a perspective for a more varied understanding of the process does not need further elaboration. The narrow aim of the paper is thus to place the implementation of the partnership principle into a Hungarian and Eastern European context. The cost of enlargement for the Union’s regional policy has been one of the most debated areas in terms of the eastern enlargement. In comparison, not as much attention has been given to the preparation process for implementing EU regional policy, such as institutional and procedural implementation. Furthermore, there is generally a lack of implementation studies regarding EU policies\(^\text{14}\). Considering the perceived importance of regional funding in Central and Eastern Europe (CEE) upon accession, the topic deserves more attention. Studying the implementation of the partnership principle in particular is interesting in two respects: firstly, since it is a core principle of EU regional policy organisation and secondly, since it presents the Central and Eastern European Countries (CEECs) with a rather unfamiliar situation.

The wider aim of the paper is to contribute to the general debate on the enlargement process and its possible implications on the EU. The historical importance of the enlargement for the EU and Europe in general is clear. Thus, insights into an aspect of it will serve as a valuable foundation for understanding a wider EU, not only in a short-term but also in a long-term perspective. Indirectly, an increased understanding of the topic of this paper could not only contribute to a more effective implementation of regional policy in CEE but also to the implementation in other fields as well as in the overall future dealing with the CEECs.

I.2. Disposition

Chapter I provides an introduction of the issue under investigation, clarifies the methodological framework and presents a review of influential empirical and theoretical literature. Chapter II will give the theoretical framework of HI and thus outline the perspective of this thesis. Chapter III works as a background and overview of general issues, central for an understanding of the assessment. A basic account of important components of the EU’s enlargement strategy for the CEECs as well as of the partnership principle will be given. Chapter IV will more specifically present the EU policy objectives in terms of the partnership principle as well as explicit and implicit requirements of the implementation of the principle. Chapter V focuses on the relevant aspects of the history of (regional) development policy in Hungary from the Communist era until today. The analysis will start with Chapter VI where the implementation of horizontal and vertical partnership, implementation problems and possibilities of change will be considered. In this chapter, the main bulk of the sub-questions will be assessed. Chapter VII investigates policy cohesion as well as theoretical and empirical findings, thus, answering the basic research questions. Finally, in the concluding chapter (Chapter VIII) the assessment will place the case study in its general context and provide speculations on future developments with regards to both CEE and the EU.

I.3. Methodology

I.3.1. Case Study

A case study of Hungary is conducted in order to get an in-depth understanding of the process of preparing for regional policy implementation in CEE. The study is explanatory and involves an embedded analysis, where a specific aspect of the case (the partnership principle) is investigated. Robert K. Yin defines a case study as:

“(…) an empirical inquiry that investigates a contemporary phenomenon within its real-life context (…)” and “(…) relies on multiple sources of evidence, with data needing to converge in a triangulation fashion, and (…) [which] benefits from the prior development of theoretical propositions to guide data collection and analysis”.15

Apart from these points, conducting a case study is appropriate since it provides the opportunity to study the specific while illustrating broader tendencies. However, the question whether it is possible to generalize from one case should be taken seriously. Clearly, every case is unique. Simultaneously, a case study might be, in some respects, similar to other cases. In the introduction, certain propositions were put forward with regards to the enlargement process in the context of the Union’s regional policy organisation. By looking at Hungary, these propositions can be investigated and developed not only for Hungary but also for a broader applicability, that is, to other candidates in CEE. It is thus not a question of proving generalizability but of developing propositions, which can be investigated in further research – hence suggesting generalizability.16 It should, however, be noted that Hungary is first and foremost studied in its own right.

Hungary is chosen for a number of reasons. It was seen as the most convenient case study regarding time, resources and language knowledge.17 However, Hungary is clearly a suitable case. Firstly, it is amongst the first wave of candidates that has fulfilled the accession-criteria the most and could therefore be indicative of future trends. It has enjoyed a head start in political and economic transition and is an interesting case for analysing progress and

difficulties in this context. Secondly, being a CEE candidate, Hungary faces EU membership requirements while inhabiting a communist past, thus, struggling with more or less similar issues as the rest of the candidates. In the concluding chapter, what differentiates Hungary from the rest of CEE will be highlighted.

I.3.2. Policy Analysis

A case study does not have to compromise a single event but can also compromise a process. In order to assess policy coherence, a policy analysis of the implementation process is well placed. Studying implementation can generally be seen as studying the “(…) process of interaction between setting of goals and actions geared to achieving them”\(^\text{19}\). However, the implementation of the partnership principle is a rather new process. Thus, since partnership is being implemented within the wider regional policy organisation of Hungary, the early outputs of the implementation of this structure will simultaneously be considered. The flexibility of the policy analysis and its ability to draw on various frameworks makes it easy to approach, enabling one to pick the most suitable framework for the problem in question.\(^\text{20}\)

In this paper, an analysis of policy and not for policy is the aim although it indirectly wishes to improve implementation by enhancing the understanding of it.

An institutionalist framework, in the form of HI has been chosen. The fact that ‘institutions matter’ with regards to public policy has been increasingly reasserted. It provides the policy analysis with the needed contextuality, frames the process and makes it more open to critical understanding. Further, it acts as an explanatory framework, i.e. showing why something happens the way it does, encompassing a heuristic approach.\(^\text{21}\) Thus, the policy process is here regarded to be more of a political activity than a rational process; implementation is seen as problematic and constrained rather than taken for granted.\(^\text{22}\) Classical implementation theories, such as bottom-up or top-down approaches, were, in comparison, not considered suitable. Regarding the multi-level feature of EU policies and governance, it is difficult to apply these approaches, which are mainly accustomed for classical state structures.

\(^{17}\) For more on the ‘criterion of convenience’, see Flick, U. (1998) – *An Introduction to Qualitative Research*, p.70
\(^{19}\) Pressman, J. & Wildowsky, A. (1973) – *Implementation*, p.xv
\(^{21}\) Ibid., pp.57-58
I.3.3. Data Collection and Handling: Triangulation

An advantage of the case study is that it provides for the usage of multiple sources of data, aimed at corroborating the same information, so-called triangulation. This also addresses the problems of validity and reliability, since it provides for multiple sources of evidence, which give multiple measurements of the same issue. A convergence of information was thus aimed for.\(^\text{23}\) Using mainly qualitative research methods and data were found most suitable for the assessment regarding its aim to increase the understanding of a process. Further, the flexible nature of qualitative research fitted the research design, which has had an open development.\(^\text{24}\) By using triangulation, quantitative data, such as basic statistics, will also serve as a reinforcement of qualitative data.

Data has been collected via (a) textual analysis of primary documents and secondary sources in the form of books, journals and articles (b) open-ended but focused interviews and (c) quantitative data in the form of basic statistics. Secondary, specialised literature has provided the direction of the analysis, laying the basis for a discussion of the targeted issues. It has also been used to address the issue of external validity. Primary sources, i.e. official EU and Hungarian documents and reports have firstly, acted as an important source for analysing policy coherence and secondly, have further given more substance to the analysis. When analysing primary sources, such as official EU documents, the aim was to identify the rationale and hidden meaning of the documents, thus, ‘reading in-between the lines’.\(^\text{25}\) Open-ended but focused interviews were, firstly, a source for producing valuable and unique information and secondly, are an ingredient of triangulation and can, thus, back up specialised literature with empirical data. The way texts and interviews were addressed have also been closely related to the theoretical approach, as will be made more explicit below.

I.3.4. The Interviews

\(^{23}\) Yin (1994), pp.91-94
\(^{24}\) Punch (1998), p.153
The interviewees were, firstly, narrowed down by focusing on the officials involved in the RPP, since its objectives are directly and indirectly geared towards strengthening the partnership principle. Thus, the RPP is a concrete example of the implementation of partnership in Hungary. The focus was the whole of Hungary since according to involved officials, more or less similar measures in terms of institutional preparation are taken in all regions and similar problems seem to have been met, although the level of development obviously differs. Secondly, when picking a PHARE programme, the EU Delegation in Budapest was contacted and the RPP was chosen according to the objectives most suitable regarding the partnership principle as well as regarding the period of implementation (October 2001-February 2003). The RPP had, thus, been running long enough for officials to have an overview of the implementation process but since it was not completed at the time of the interviews (November 2002), an analysis of the ongoing implementation was well placed. Thirdly, the interviewees were picked according to the ‘snowball sampling’ method, where contacts at the EU delegation were asked to give suitable names to officials involved in the RPP and in preparing for regional policy implementation in general. In turn, the team-leader of the RPP was asked for contact names on the affected levels of implementation.

It should be stressed that the aim was not to get interviewees on the ‘street-level’ of implementation but more to interview officials with an overview of the RPP and the preparation for EU regional policy organisation in Hungary in general. Therefore, seven representatives from the central, regional and county levels were interviewed. They were not picked proportionally according to which level they were on but according to their knowledge in terms of the RPP. Further, two EU MS experts involved in the RPP were interviewed in order to include non-Hungarian perspectives. The aim was also to conduct interviews with Commission officials in order to add an EU perspective. Two Commission officials were also contacted but chose not to reply, despite several attempts to re-contact them.

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26 Interview with PHARE official A, 04.11.02
28 Seven of the interviews were conducted in Budapest, Hungary. Two interviews had to be conducted over the telephone from Linköping, Sweden, since there was no possibility of conducting these interviews during the stay in Hungary.
29 When asked about possible interviewees on the local level, the interviewees claimed that the role of the local level was so limited in the RPP that they did not know whom to advice.
30 These will be addressed as ‘PHARE officials’ in relation to the interview material.
The questions mainly concerned the implementation process of the RPP and the principle of partnership but also the preparation of Hungarian regional policy organisation in general.\(^{31}\) A focused but open-ended interview was considered the most suitable format regarding the aim of acquiring the personal opinion of the interviewees and not the official version. Questions were posed in a ‘naïve’ manner in order to avoid leading questions and thus, to follow the corroboratory purpose.\(^{32}\) Tape recording was seen as providing the most accurate rendition of the interviews. The majority of interviews were conducted in English except for when the interviewees did not feel able to express their views sufficiently in English. Then Hungarian was used. Obviously, it causes translation-problems, since the translator always reads her/his own interpretation into the translation. This and the fact that the interviewer’s Hungarian skills are limited were the main reasons behind the interviews being kept in English.\(^{33}\) Yet, by not having used Hungarian in some cases, valuable information could have been lost.

When handling the interview material the aim was, once again, not to validate a defined hypothesis. It is also not as customary in qualitative research.\(^{34}\) Instead, the interviews were analysed according to the research questions and sub-questions derived from the ideas of HI. Theory, in other words, generated guidelines to the questions to be asked and the form of analysis and interpretation to be adopted.\(^{35}\) The main purpose was to identify how formal and informal institutions affect the interviewees when discussing Hungarian regional policy organisation, with the help of the main propositions of HI, i.e. institutional path-dependencies evident in statements from Hungarian officials. Thus, on the one hand, the aim was to acquire the thoughts, beliefs and conceptions of the Hungarian officials. On the other hand, the aim was to acquire valuable, up-to-date information about the implementation process.

Obviously, the issue of subjectivity arises when conducting these kinds of interpretations. Yet, it is unavoidable; a degree of subjectivity is always present in any interpretation.\(^{36}\) However, an attempt to balance this has been made by applying triangulation as well as reviewing relevant literature in the field. Since the subjective opinion of the interviewees was expressed,

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\(^{31}\) For a more detailed account of the questions asked, see Annex 1.

\(^{32}\) Yin (1994), p.85

\(^{33}\) It should be noted that the interviewer’s Hungarian skills are very good as far as it comes to understanding but more limited in terms of speaking. However, a native Hungarian was also present when translating the interviews held in Hungarian, in order to avoid an incorrect translation.

\(^{34}\) See Punch (1998), p.39-41


many of their statements can furthermore not be taken as facts. The interviews can, thus, not be considered objective ‘truth’. The fact that it is difficult to measure the reliability of the information provided by the interviewees was also acknowledged. By using a triangulation of data, the interview material has been compared with other sources of information and was not used if not deemed reliable enough. Yet, it needs to be stressed that triangulation is no exact science and that the issues of reliability, validity and subjectivity are always present. However, the interviews with PHARE officials were also used as a backup of the statements of Hungarian officials. This, as well as having officials from different administrative levels, was done in order to once again increase the reliability of the interview material.

1.4. Review of Relevant Literature

1.4.1. Empirical Literature

The specific perspective of this paper can be seen as a rather unexplored field. Although certain aspects of it - such as the eastern enlargement, regional policy and the transition process in CEE in general - have a rich basis of literature, analyses focusing on the implementation process of EU requirements in the field of regional policy organisation in CEE are, in comparison, relatively few. Authors such as Horváth and Brigid Fowler have come close to the perspective of this thesis by considering Hungarian regional policy in the context of EU accession and have thus served as valuable foundations for the analysis. There is very little literature focusing explicitly on the partnership principle in the context of CEE. A possible explanation is that the issue is rather new, emerging only at the later part of the 1990’s, together with EU conditionality. In contrast, the implementation of partnership in Western Europe has attracted rather much attention, usually in the context of MLG perspectives. MLG proponents, such as Lisbeth Hooghe and Gary Marks, see EU regional policy organisation as a strategic attempt of the Commission to further a particular form of governance in the EU; that is, increased cooperation between the sub-national (local,
regional), national and supranational level. The MLG perspective has also influenced the formulation of the partnership principle in this paper, in contrast to an inter-governmentally inclined perspective.

Regarding CEE, research mainly appears to have focused on the overall institution-building process in the context of, for instance, decentralisation and regionalisation. Since these factors play an important role in relation to partnership, the material has not been less valuable. In these types of literature, as well as other EU-CEE related sources, much emphasis has been laid on the importance of the EU as an economic, political and social model for the CEECs. This has particularly been implied in the case of Hungary, which has been seen as especially eager to follow Western European models. Yet, it is important to note that the Organisation for Economic Co-operation and Development (OECD) also has been noted as influential. A second much highlighted aspect has been the legacy of communism. This and the intense transition periods are thus generally considered to be decisive in determining factors related to institution-building in CEE and in turn, the extent of Europeanisation.

From a more enlargement-related perspective, much light has been shed on the un-equal nature of the enlargement process; the ‘imposing’ manner of the Commission, the rigid enlargement framework and the weak bargaining position of the CEECs. In this respect, the fact that the candidates have to implement and be able to operationalise the acquis upon accession has, on the one hand, been regarded as a way for the EU to transfer most of the burden onto the candidate states. On the other hand, other authors have regarded it as vital in order to not upset the functioning of the Union. Yet, most authors agree upon the enormous challenge this entails for the CEECs. Further, some literature has questioned whether the EU accession requirements – in this case, the so-called Brussels model of regional policy take any role in governance. In established democracies, governance involves the coordination of many public and private sector bodies. For instance, those who implement policy take part of governance but not always government. (Hague, R. & Harrop, M. (2001) – Comparative Government and Politics: An Introduction, 5th Edition, pp.5-6)

41 Hughes, Sasse & Gordon (2001), p.42
44 See Avery, G. & Cameron, F. (1998) - The Enlargement of the European Union
organisation – are appropriate for the CEECs regarding, firstly, their administrative cultures and secondly, their phase of transition. It has been put in stark contrast to the way regional policy organisations have developed in Western Europe, namely in country-specific ways. This thesis has aimed to adhere to both above views but since a Hungarian perspective was aimed for, the view of EU as an imposer is undoubtedly dominating.

1.4.2. Literature on Theoretical Perspectives

HI is one of the perspectives placed under the heading of New Institutionalism (NI), which acts more as a grouping of various perspectives than a unified body of thought. NI offers a return to the roots of political science: the study of institutions. The ideas of NI can be dated back to a 1984 James G. March and Johan P. Olsen article, where an alternative to the behavioural domination of modern political science of the time is explicitly spelled out. This article and their work, *Rediscovering Institutions: The Organizational Basis of Politics*, have been influential for this thesis regarding the thinking surrounding institutionalism. Institutions remain to be the main concern for the various approaches, which have developed under the umbrella of NI. The different schools, have, however, remained remarkably distant from each other. Apart from HI, two main approaches are usually distinguished: Rational Choice Institutionalism and Sociological Institutionalism. This analysis has, however, relied on literature by established authors in the field of HI, such as work by Peter Hall and not the least, *Structuring Politics: Historical Institutionalism in Comparative Analysis*, edited by Sven Steinmo, Kathleen Thelen and Frank Longstreth, who have set out the general parameters for the theory used here. It should be noted that HI has often been applied when conducting comparative studies of countries in order to illustrate specificities of the countries

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45 See Bachtler & Downes (1999)
47 However, Guy Peters identify at least six versions of NI: normative institutionalism, rational choice institutionalism, historical institutionalism, empirical institutionalism, international institutionalism and societal institutionalism (Peters, G. (1999) – *Institutional Theory in Political Science: The ‘New Institutionalism’*)
48 Rational Choice Institutionalism uses a set of behavioural assumptions: (1) the relevant actors have a fixed set of preferences, behave entirely instrumental so as to maximise the gain of these preferences and do so in a very strategic manner that presumes calculation (2) politics is a series of collective action dilemma, where preferences should produce an outcome that is collectively sub optimal (3) the role of strategic interaction in the determination of outcomes is emphasised, where institutions structure such interactions and reduce uncertainty. (Hall, P. & Taylor, R. (1996) – ‘Political Science and the Three New Institutionalisms’ in *Political Studies*, Vol.44, No.4, pp.942-946) By contrast, Sociological Institutionalism sees: (1) institutions as including not just formal rules, procedures and norms but also symbol systems, cognitive scripts and moral templates - thus the divide between institution and culture is broken down (2) institutions provide filters for interpretation, of both the situation and the individual and from there action is constructed. (Ibid., pp.946-950)
in question. This will not be done here since this thesis has favoured a deeper perspective over a wider one. The theory is also associated with inductive approaches, since it has often been derived out of analysis of empirical material. In contrast, this paper has chosen to use the theoretical perspective as a framework, regarding its overall usability for the specific approach.

Concerning literature on implementation, it was an under-researched part of the policy process until the 1970’s. Since the best-laid plans all too often seemed to go wrong, considerations were given to what had gone wrong, why and how. Jeffrey Pressman and Aaron Wildawsky directed the attention to the implementation process, which they considered to be difficult even under the best of circumstances. According to them, implementation is an ability to forge subsequent links in a causal chain so as to put policy into effect - between the setting of goals by the decision makers and the implementers. These types of top-down approaches emphasises the importance of the definition by the top and less on those putting the policy into effect. Thus, if something goes wrong, it is due to the selection of the wrong strategy; wrong instruments; an incorrect programming of the bureaucracy or a poor operationalization. As a reaction to this approach, bottom-up models lay their emphasis on the ‘street-level’ implementers and their role in shaping policy. However, as Wayne Parson states:

“(…) whether the mode of implementation is top-down or bottom-up, those on the front line of policy delivery have varying bands of discretion over how they choose to exercise the rules which they are employed to apply”.

Interpreting and applying a general policy to specific circumstances is especially a problem for the EU, where European Community (EC) law “(…) show[s] considerable variation in how [it is] implemented by member countries”. As one author highlights in the case of EU environmental policy:

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49 See ibid.
50 Pressman & Wildawsky (1973), p.xiii
51 Parsons (1995), pp.463-467
52 Ibid., p.469
53 Ibid., pp.469-470
“Policy implementation depends on what happens inside each member state; national governments are responsible for compliance, and thus retain a large measure of control in the policy process, although in some member states the operational responsibilities lie with local or regional authorities, or special agencies.”


55 Ibid., p.306


57 Keating also identifies economic regions and ethnic / minority regions.

An ‘implementation deficit’ is therefore often mentioned in the case of the EU, arising from the misfit between the EU approach to regulations and the administrative culture within the MS.55 Seeing implementation as problematic and the administrative cultures of the implementation country as constraining have thus been assumptions guiding the analysis in this thesis.

I.5. Concepts

A few concepts deserve closer attention. By clarifying them in the introductory chapter, the thesis can be kept less fragmented but, nevertheless, illustrate an awareness of the debate surrounding the terms in question. Thus, this part should be used more as a reference than a contribution to the arguments or the theoretical perspective in this thesis.

Region. This thesis has chosen to follow the groupings of micro-regions made by Michael Keating.56 It will particularly refer to (1) administrative / planning regions, which are territories defined for policy-making or simply for gathering statistics. The Commission’s statistical model for regions, Nomenclature des Unités Territoriales pour la Statistique (NUTS), is an example of this. (2) Political regions, which possess democratically elected councils or assemblies, choosing executives accountable to the electorate through them. They are, thus, regional governments.57 Lastly, one should distinguish between regionalization and regionalism. The former refers to a top-down, centralizing and technocratic process i.e. where national governments or the EU define regional policies. The latter is a movement, which
demands greater control over regional affairs by people residing in the territory, hence bottom-up, decentralizing and political.58

Subsidiarity. There appears to be a general consensus on the fact that subsidiarity as a concept is characterised by fluidity and vagueness.59 It can, however, be regarded as a political and legal principle, developed and adopted in order to address issues of competence and allocation of tasks between the EU and MS as well as governing the shift of powers to the most appropriate level, depending on the issue at stake.60 Generally, there have been two dominant ways of interpreting subsidiarity: (1) as an instrument for increased centralisation, entrusting the EU with wider powers or (2) for decentralisation, where action should be taken as closely as possible to the citizen, on a national or sub-national level. Since there are different answers to which level is the most appropriate, depending on the issue, subsidiarity should be seen as working ‘both ways’.61

Political Culture. Political culture is a widely interpreted term. It can be defined as “the sum of fundamental values, sentiments and knowledge that give form and substance to political processes”62. The building blocks of political culture are thus the beliefs, opinions and emotions of individual citizens toward their form of government.63 Although this thesis will occasionally refer to political culture, it has chosen to examine the Hungarian regional policy organisation as a part of administrative culture. It can be seen to encompass similar features as political culture, but is more specifically referring to values and beliefs of Hungarian administration.

61 Grevi (2001), p.6
62 Hague & Harrop (2001), p.79
63 For a more detailed assessment of political culture see Eatwell, R. (1998) – European Political Cultures: Conflict and Convergence?
II. THEORETICAL FRAMEWORK

II.1. The Structure-Agency Debate

Before going into the characteristics of HI, the relationship between structure and agent needs to be assessed more in-depth, since it occupies a central position in the approach. According to Ben Rosamond, the structure-agency debate:

“(…) (r)evolves around the extent to which actors (or agents or subjects) have the space to be creative, and the extent to which the formal and informal properties of structure impose constraints and define the boundaries of possible behaviour”.64

It also brings up philosophical questions, such as the nature of social reality. Different positions with respect to structure and agency reflect different epistemologies and ontologies65.

In terms of institutionalism the main question is how formal and informal institutions (the structure) relate to individual action (the agent). Colin Hay and Daniel Wincott assert that by using an institutionalist perspective, a ‘structuralist bias’ is applied, where institutions are shapers of behaviour.66 This is in contrast to more ‘intentionalist’ theories, such as Rational Choice theory, where an actor’s behaviour is driven by strategic calculation and where institutions structure such interactions.67 However, as Hall replies: “‘institutionalists’ must remain structuralist at least in the sense that they seek to reveal how institutions shape social and political life. Otherwise, much of the analytical distinctiveness of institutionalism will be lost”.68

65 Ontology refers to the philosophy of the nature of the social and political world and of ‘social being’ in particular (what is there?). Epistemology refers to the nature of what constitutes an adequate and valid explanation of an event, effect or process (what causes what?). (Hay, C. (1995) – ‘Structure and Agency’ in Marsh, D. & Stoker, G., p.192)
67 Hall & Taylor (1996)
HI can be regarded to provide a middle ground between Rational Choice and Sociological Institutionalism, borrowing a little from both schools. However, by mixing these, HI explicitly faces the structure-agency problem. Rational Choice and Sociological Institutionalism are based on different ‘social ontologies’, a different view on the relationship structure-agency. HI is eclectic, since it uses both a ‘calculus approach’ (Rational Choice Institutionalism) – that actors are strategic – and a ‘cultural approach’ (Sociological Institutionalism) – that behaviour is bounded by an individual’s worldview – in defining the relationship between institutions and actions. In HI, institutions shape goals and preferences of actors, but institutions are simultaneously the conscious or unintended outcome of deliberate political strategies and of choice. Thus, ‘politics create policies, policies also remake politics’. In other words, HI does, to a certain degree, account for individual action, although its focus is clearly structural. HI can, thus, in some instances be regarded as embodying the structure-agency debate in trying to assert how structure relates to agent and whether humans are subjects or agents of historical change.

II.2. Historical Institutionalism

There are various types of HI, emphasising different aspects of the approach. However, this paper will apply it as a coherent approach, as done by proponents such as Hall and Steinmo, Thelen and Longstreth. The basic concept of HI appears rather simple at first sight: “(…) policy choices made when an institution is being formed, or when a policy is initiated, will have a continuing and largely determinate influence over the policy far into the future”. This can be described as ‘path-dependency’, that is, “(…) when a government program or organization embarks upon a path there is an inertial tendency for those initial policy choices to persist”. Nonetheless, these simple statements raise questions, which need to be addressed in order to fully understand the leverage of the approach.

69 Ibid., p.957
70 See Hay & Wincott (1998)
71 Hall & Taylor (1996) pp.939-940
72 Hay & Wincott (1998), p.955
73 See ibid.
74 Peters (1999), p.63
75 Ibid.
Firstly, one should assert what HI means by an institution. Hall has produced a widely accepted definition, where institutions include “the formal rules, compliance procedures, and standard operating practises that structure the relationship between individuals in various units of the polity and economy” 76. Steinmo et al define institutions both as formal organizations and informal rules and procedures that structure conduct. 77 This includes formal institutions such as government structures and legal and societal institutions as well as informal institutions such as routines, norms and codes of behaviour. Thus, the spectrum for what encompasses an institution is rather wide. Authors such as Hall furthermore stress the importance of ideas in defining the existence of institutions. 78 The fact that historical institutionalists do not distinguish between formal organisations and informal institution, but treat both as formal and informal institutions, can be seen as a shortcoming of the approach. In this thesis, this distinction will be made when necessary, in order to enhance clarity.

A second fundamental question is how institutions matter. This brings the relation structure-agent into focus and how institutions relate to individual action. HI is generally held as a rather structural perspective that sees institutions as shaping and constraining individuals and thus political outcomes. Hall stresses the way institutions shape (a) the goals and preferences of political actors and (b) the way actors structure power relations amongst one another, privileging some and putting others at a disadvantage. 79

On the one hand, institutions provide the context in which actors define their strategies and pursue their interests, leaving “their own imprint on political situations”. 80 In turn, actors are more prone to follow societally defined rules than acting strategically and rational. Individual behaviour is constructed by how institutions define their worldview. Thus, actors are not perfectly knowledgeable about institutional consequences, which therefore can be unintended. In this context, HI sees preference formation as problematic rather than given. It needs to be explained and a historically based analysis provides an explanation of what actors are trying to maximise and why they emphasise certain goals over others. 81 Institutions are regarded as relatively persistent features of history and one of the central factors that push historical

77 Ibid.
78 Peters (1999), p.66-67
79 Steimo, Thelen & Longstreth (1992), p.2
80 Ibid., p.9
81 Steinmo, Thelen & Longstreth (1992), p.9
development along a certain path. HI thus explains how institutions produce such paths, i.e. how they structure a nation’s response to new challenges.\(^{82}\)

On the other hand, historical institutionalists are particularly attentive to the way institutions distribute power unevenly and how some interests or groups are given disproportionate access to the decision-making process.\(^{83}\) As Ellen Immergut explains: “(v)arious institutional factors influence the political process that adjudicate among conflicting interests and may hence privilege some interests at the expense of others”\(^{84}\). In turn, institutions determine the degree of pressure or power an actor has over a policy as well as the direction of the pressure/power. There are always conflicting interests present. Institutions structure these by defining an actor’s relationship to other actors, thus, influencing the outcomes.\(^{85}\)

However, it should be stressed that even though institutions are seen as central in constraining politics, they are not seen as the only variable affecting outcomes. On the contrary, institutions are seen as putting these factors - i.e. actors, their interests and strategies, distribution of power and socio-economic development - into a context, structuring them and in this way, affecting political outcomes. According to Steinmo et al, institutions are intermediate, mediating between the behaviour of actors and outcomes.\(^{86}\) Institutions thus act as a framework, which influences strategies and goals.

A third central factors stressed by the HI framework is how institutions channel the flow of ideas. Ideas and beliefs are seen as constraining the limit for acceptable action, setting a ready solution for policy problems that arise and provide a meaning for policy choices.\(^{87}\) Hall, amongst others, further establishes a relationship between new policy ideas and the institutional configuration that mediates between such ideas and policy outcomes. For instance, some institutions may facilitate rather than impede policy change.\(^{88}\) Margaret Weir describes this process as ‘bounded innovation’, where certain institutions “(...) created opportunities for some kinds of innovation [but also] set boundaries on the types of

\(^{82}\) Hall & Taylor (1996), p.941
\(^{83}\) Ibid.
\(^{85}\) Steinmo, Thelen & Longstreth (1992), p.3
\(^{86}\) Ibid, pp.11-13
\(^{87}\) Peters (1999), p.66
\(^{88}\) Steinmo, Thelen & Longstreth (1992), pp.23-24
innovations possible." This can be related to Immergut’s ‘veto points’, which are “(...)
areas of institutional vulnerability, that is, points in the policy process where the mobilization of
opposition can thwart policy innovation." Shifts in the overall balance of power can make
these veto points emerge, disappear or shift location, causing ‘strategic openings’ for actors to
exploit."

It is rather clear that HI emphasises stability and offers explanations of continuity rather than
change. However, it does provide some explanations for change. One is the above perspective
of ‘bounded innovation’. Another model offered is ‘punctuated equilibrium’, which sees
institutions as characterized by long periods of stability, occasionally punctuated by a crisis. It
causes relatively abrupt institutional changes, after which institutional stasis again sets in.
This crisis emanate from changes in the external environment. During these periods, politics
become a struggle over the basic rules of the game rather than allocation within a given set of
rules and hence, new structures originate. Institutions are also seen as capable of change
through learning and can move towards equilibrium by responding to new information as they
move along their path. They are, furthermore, capable of incremental adjustment; institutional
rules and structures can generate attempts to solve the problem they initially have caused.
Gradual evolution, responding to changing demands or dysfunctional elements of the
institution, is thus possible. B. Guy Peters asserts how this gives a more dynamic way of
conceptualising path dependency. Steinmo et al also point out that institutions do not
operate in a vacuum. However, they tend to persist even during dramatic socio-economic
change. Yet, their impact on political outcomes can under these circumstances change. The
wider and deeper an institution is integrated into the society, the more rarely change occurs.

A third model of change - ‘dynamic constraints’ – focuses more on how actors manoeuvre
within institutions in response to external change. It emphasizes how institutional breakdown
is not the only source of institutional change. Actors can adjust their strategies to

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89 Ibid., p.25
90 Steinmo, Thelen & Longstreth (1992), p.7
91 Ibid.
92 Ibid., p.15
Transformationsprozesse', Osteuropa-Institut der Freien Universität Berlin, Arbeitspapiere des Bereichs Politik
94 Peters (1999), pp.68-71
95 Ibid., p.65
96 Steinmo, Thelen & Longstreth (1992), p.18
97 Schulze (1997)
accommodate changes within the institutions.\textsuperscript{98} Actors therefore play a certain role in institutional change – not the least the way they respond and translate constraints into action – but only as a response to changes within institutional constraints.

The issue of change also relates to the structure-agency debate. The above views on change all refer to the fact that institutions shape and constrain actors but also to how actors (consciously or unintended) shape the institutional constraints, in which they interact, through institutional choice, conflict and design. Thus, “(i)deas and interests develop and institutions and strategies adapt”\textsuperscript{99}.

However, one of the most obvious criticisms towards HI has been its difficulty to explain precisely change. Steinmo \textit{et al} point out how contradictory it is that institutions first shape politics and then when there is institutional breakdown, politics (or the environment) suddenly shape institutions.\textsuperscript{100} Furthermore, there appears to be no \textit{a priori} criteria for knowing when there is sufficient political or environmental pressure to generate change – it is only clear after it has occurred.\textsuperscript{101} It should be pointed out that HI is not a predictive perspective but focuses more on what there is, providing analytical insights.\textsuperscript{102} Yet, in this paper, attempts to use its more dynamic features will also be made. Further, the lack of falsifiability of HI has been criticised, since it “(...) can always generate an explanation that demonstrates the impact of previous decisions and inertial tendencies”\textsuperscript{103}.

To conclude, the specific approach of HI has been chosen for a variety of reasons. Firstly, as Steinmo \textit{et al} claim, it “(...) structures the explanation of a political phenomena (...) Thus, by placing the structuring factors at the centre of the analysis (...) [it] allows the theorist to capture the complexity of real political situations, but not at the expense of theoretical clarity.”\textsuperscript{104} Hence it is useful for capturing the complexity of the situation evident in Hungary. Secondly, HI helps in understanding implementation problems by seeing political actors as objects and agents of history.\textsuperscript{105} Regarding the communist past and intense transition period

\begin{itemize}
  \item \textsuperscript{98} Steinmo, Thelen & Longstreth (1992), p.17
  \item \textsuperscript{99} Ibid., p.27
  \item \textsuperscript{100} Ibid., p.16
  \item \textsuperscript{101} Peters (1999), pp.68-69
  \item \textsuperscript{103} Peters (1999), p.75
  \item \textsuperscript{104} Steinmo, Thelen & Longstreth (1992), p.13
  \item \textsuperscript{105} Ibid.
\end{itemize}
of Hungary (and CEE in general), it is difficult not to focus on constraints of the past, which generally has been seen as particularly burdening in the case of post-communist states.\textsuperscript{106} This is also the main reason why not any other institutional perspective is chosen: no other institutionalism highlights history as much as HI. Thirdly, the focus on the asymmetries of power associated with the operation and development of institutions gives another valid tool for assessing the implementation process.\textsuperscript{107} Finally, although HI clearly is a structural perspective, which emphasises policy continuities, it does allow for a degree of creativity for the agent. Thus, it is less static and more dynamic than one might initially think.

\section*{II.2.1. Analytical Tools provided by the HI Framework}

The framework of HI has been used to set the research agenda for the thesis by defining what is problematic and how such problems are to be conceptualised.\textsuperscript{108} The overall aim has thus been to use it as an analytical tool. Nevertheless, the limitations of the theory, such as its over-emphasis on structure, will be kept in mind. Thus, what the theoretical lens of HI does not help us see will be considered in Chapter VII. Awareness that a theory only constructs one reality amongst many is important to remember in order to see other potential perspectives.\textsuperscript{109}

Apart from the sub-questions derived from HI, which act as a general guidance of the analysis, the theory provides some propositions for grasping the implementation process. How these will be used need to be mentioned separately for a clearer understanding of the analysis:

- The tracing of the formation and development of institutions and thus of preferences, goals and strategies of the actors - so-called ‘process-tracing’ - will be made by considering the policy development in a historical context.

- The structure of power relations will be identified by looking at the degree of power/pressure certain actors have over a policy as well as the direction of this power/pressure.


\textsuperscript{107} See Hall & Taylor (1998)

\textsuperscript{108} Jupp & Norris (1993), p.39

\textsuperscript{109} Parsons (1995), pp. 488-490
- The institutional mechanisms for accommodating new policy ideas will be investigated, including possibilities of ‘strategic openings’.

- The degree of creativity of the agent will be assessed.
III. THE EU ENLARGEMENT STRATEGY AND THE PARTNERSHIP PRINCIPLE

III.1. The EU Enlargement Strategy

III.1.1. The Accession Framework

The CEECs have ever since the 1989 collapse of the communist regimes emphasised full EU membership as essential in their wish to ‘return to Europe’. Although the EU’s response was initially hesitant, it has gradually evolved a broad policy strategy to deal with CEE. The first concrete step towards the establishment of a new relationship could be seen in 1991, in the *Europe Agreements* between the EU and Hungary, Poland and Czechoslovakia. It established a trade agreement, supplemented by a political dialogue, backed by technical and financial assistance and cooperation. However, a clear link to future membership of the EU was only made with the 1992 Copenhagen Criteria. It provided a framework for a future enlargement policy by stating that:

“(…) the associated countries in central and eastern Europe that so desire shall become members of the European Union. Accession will take place as soon as an associated country is able to assume the obligations of membership by satisfying the economic and political conditions required.”

These conditions refer to the CEECs having: (1) stable institutions (guarantee of democracy, rule of law, human and minority rights) (2) a functioning market economy and capacity to cope with competitive pressures inside the EU (3) ability to adopt the *acquis*; accepted aims of political, economic and monetary union. Also, the EU has to have: (4) the capacity to absorb new members without endangering the momentum of European integration. As indicated, the focus of this thesis will be on the conditions of adopting the *acquis*. It is related

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112 Sedelmeier & Wallace (2000), p.441
to the ‘classical Community method of enlargement’, where the CEECs have to adopt a series of measures in line with current EU practices, enabling them to take on the acquis. The EU is also devoted to assisting the CEECs in this task, which was embodied in the ‘pre-accession strategy’ outlined at the 1994 Essen European Council. Although the results appeared undramatic, enlargement seemed more feasible by including some key-elements with the Europe Agreements, such as further trade liberalisation; the White Paper on integration into the internal market; the structured relationship between the EU’s institutions and the associated countries agreed at the Copenhagen Council and the PHARE (pre-accession aid) programme.\textsuperscript{113}

Poland and Hungary officially delivered their applications for EU membership in 1994. Romania, Slovakia, Estonia, Latvia, Lithuania and Bulgaria followed in 1995. As a result, the Commission was requested at the 1995 Madrid European Council to prepare its official opinions (avis) on the applications, a composite paper for evaluating the effects of the enlargement on EU policies and to make proposals for a ‘financial perspective’ for the EU budget.\textsuperscript{114} The result was Agenda 2000: For a Stronger and Wider Europe. It covered the above areas as well as a ‘framework enlargement strategy’. It assumed that the acquis would be applied fully upon accession (with the possibility of some transitional arrangements), with a reinforced pre-accession strategy for all applicant countries. This was founded both on pre-accession aid and a new Accession Partnership (AP), which provides an assessment of the priority areas in which the candidates need to make progress in order to prepare for accession. It was to be reviewed annually. Agenda 2000 thus directed the attention towards policy and political issues.\textsuperscript{115}

For the first time, the CEECs were also differentiated, with some countries seen as more advanced than others in fulfilling the Copenhagen Criteria\textsuperscript{116} although none fully fulfilled them at the time. The 1997 Luxembourg European Council agreed to launch an accession process on a bi-lateral basis, in contrast to the previous multi-lateral strategy. Accession negotiations with each of the candidates were formally opened 1998. The core of the

\textsuperscript{113} Gower (1999), p.9
\textsuperscript{114} These were to be delivered after the 1996 Amsterdam Intergovernmental Conference (IGC), which was supposed to prepare the EU institutions for the enlargement. However, the IGC proved to be a disappointment with only minor reforms achieved.
\textsuperscript{115} Sedelmeier & Wallace (2000), p.448
\textsuperscript{116} These were Hungary, Poland, Estonia, the Czech Republic and Slovenia.
accession process is the AP, seen as a new legal instrument for governing relations between EU and each candidate. It brought together all forms of EU assistance available to support the candidates in adopting the *acquis*, including PHARE assistance. Regular Reports are annually published by the Commission in order to assess the CEECs progress towards fulfilling the Copenhagen Criteria and serve as a basis for the Council of Ministers to take decisions on the conduct of negotiations.

The bi-lateral accession negotiations and the APs laid the foundation for a more specified enlargement strategy. The Commission opinions on the accession progress of the candidates and the Regular Reports made the conditions of adopting the *acquis* more explicit than the original, vague requirements. The *acquis* is thus the touchstone for enlargement to proceed. In terms of regional policy organisation, it has exposed the CEECs to specific requirements, with Chapter 21 of the *acquis*, ‘Regional Policy and Coordination of Structural Instruments’, providing the basis.

Two factors emerge as particularly interesting in the EU’s enlargement strategy. Firstly, the central role of the Commission in the process was asserted with Agenda 2000. Its role in sketching an incremental pathway for enlargement and its close bilateral relations with the CEECs has established it as an important actor in setting the parameters for enlargement. Secondly, the role of the CEECs in the EU’s accession framework has, in contrast, been reduced. The APs are a more rigid approach, where “(...) there is rather little scope for the candidates themselves to shape their pace and consent, causing considerable criticism that the language of partnership disguises rather thinly the imposition of EU priorities”.

**III.1.2. The PHARE Programme**

As indicated, the APs outline the ways in which the PHARE programme will support accession preparations. Each country’s AP is complemented by its ‘National Programme for the Adoption of the Acquis’ (NPAA), which gives details of each country’s commitment in achieving the Copenhagen Criteria and in adopting the *acquis*. Financial assistance is linked to the candidate’s progress and compliance with the *acquis*, as recorded in the Regular

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117 Gower (1999), p.15
118 Hughes, Sasse & Gordon (2001), p.10
119 Sedelmeier & Wallace (2000), p.452
The PHARE programme is one of three pre-accession instruments financed by the EU to assist the CEECs for EU membership. In the programming period of 2000-2006, PHARE is providing €11 billion of co-financing for institution building support through ‘Twinning’ and technical assistance for investment support. It is to help the CEECs in their efforts: (1) to strengthen their public administration and institutions to function effectively inside the Union (2) to promote convergence with the EU’s extensive legislation and reduce the need for transition periods and (3) to promote economic and social cohesion. The last point is one of the main challenges for 2000-2006; PHARE “(…) must familiarise them [the CEECs] with the structures and procedures that they will need if they are to use Structural Funds efficiently and effectively upon accession”. One way of doing this has been the decentralised nature of PHARE.

This thesis will concentrate on the institution building aspect of PHARE, with regards to social and economic cohesion (Structural Funds), as reflected in the RPP. Institution building generally prepares the CEECs for adopting the *acquis*. ‘Twinning’ is the main instrument by which the candidates’ capacity to implement and enforce the *acquis* is developed. It involves making MS expertise (technical assistance, training and know-how) available to the candidates by temporarily transferring civil servants and accompanying expert missions with the support of the EU.

### III.2. The Partnership Principle

#### III.2.1. The Development of the Partnership Principle

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121 The other pre-accession instruments are the Instrument for Structural Policies for Pre-Accession (ISPA), providing support for transport and environment infrastructure and the Special Accession Programme for Agriculture and Rural Development (SAPARD).
123 The responsibility of the Contracting Authority in the Commission has been transferred to the recipient countries. Responsibility has also been deconcentrated to the Commission delegations in the CEEC’s. Implementation of the programmes is further entirely up to the Implementation Agencies of the candidates.
Although forms of partnership have existed in one way or another in the MS for a longer period, it was only formally institutionalised with the 1988 reforms of the Structural Funds. It was a direct result of the 1987 Single European Act (SEA), which committed the EU to strengthening economic and social cohesion through the amendment of the structure and operational rules of the Structural Funds. Article 4 of the 1988 Regulations, defined partnership as:

“(c)lose consultation (…) between the Commission, the Member State concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal.”

The Commission presented partnership as the guiding principle of the whole reform, not the least because it was meant to apply to all stages of the policy-making process: the preparation, financing, monitoring and assessment. For the first time, not only supranational but also sub-national actors were officially recognized by the regulation. It was considered to be a unique and ambitious goal, “(…) given that these uniform procedures were expected to work equally well in twelve different political systems, having diverse territorial relations and regional policy traditions, in some cases with extremely weak sub-national authorities”. The Commission has been seen as decisive in determining the reforms. While MS governments remained central to policymaking, a further range of policy actors, mainly Commission officials and sub-national actors, moved further into the core policy-making procedures. According to Hooghe, partnership enabled European institutions to “(…) penetrate politics and society of the individual MS”.

126 Partnership was institutionalised alongside the other guiding principles: ‘concentration’, ‘additionality’ and ‘programming’ ‘Concentration’ involves a focus on a set of priorities; ‘additionality’ stipulates that spending from the funds should add to rather than substitute for MS spending and ‘programming’ means the elaboration of strategic plans rather than piecemeal projects. (Begg, I. (1998) – ‘Structural Fund Reform in the Light of Enlargement’, SEI Working Paper No.25, Centre on European Political Economy Working Paper No.1, pp.7-8, http://www.sussex.ac.uk/Units/SEI/pdfs/wp25.pdf)
131 Hooghe (1996), p.5
Subsequent reforms of the partnership principle (1993, 1999) have, however, been seen as a reassertion of the influence of national governments. For instance, the partnership provisions of the 1993 regulations made it clear that it was the central governments, which identified the appropriate authorities for partnership at the sub-national level. The Commission states how: “(t)here remains [on the part of central governments] much administrative inflexibility and reluctance to share powers” A central reform proposal made by the Commission to strengthen the partnership principle was the inclusion of economic and social partners (such as trade unions and trade and industry associations) under the principle. In 1999, environmental agencies and other non-governmental organisations (NGO’s), e.g. bodies dealing with the promotion of equal opportunities for men and women, were also included. Thus, partnership now referred to both vertical and horizontal partners. The 1999 regulations also attempted to simplify the programming procedure by clarifying the roles to be played by each of the partners. The Commission is therefore meant to have a larger role in setting the overall priorities for Structural Fund assistance, whereas national and sub-national actors should take a larger role in the implementation and monitoring of the funds.

To sum up, partnership can be understood as follows:

“(A) policymaking device that allows public authorities and societal actors to trade access, information and commitment, based on a ‘multilevel administrative’ core that stresses local ‘executive’ involvement and that, in particular, requires the participation of the Commission in all policy stages and its presence at all policy relevant layers of government during implementation.”

III.2.2. The Rationale of the Partnership Principle

The underlying rationale of the partnership principle can be seen as two-fold: (1) a means to allocate resources more effectively (a policy rationale) and, (2) a means to promote MLG in

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133 Sutcliffe (2000), p.301
134 Ibid., p.302
the EU by upgrading the participation of sub-national actors and strengthening weakly hierarchical networks (a political rationale). Related to this, or perhaps an issue in itself, is the linkage of partnership to an increased legitimacy of the EU, and thus, a measure, which could improve the weak democratic credentials of the Union.

Firstly, implementation is seen as made more effective by fostering co-ordination between all relevant actors. Linked to this is the perceived need for more bottom-up measures. The Commission states that partnership “(…) should lead to some decentralization of the Community’s structural action, enabling it to be geared more closely to realities in the field, both in assessing needs and in implementing measures”. By making actors work in the ‘pursuit of a common goal’, consensual decision-making and information exchange across various actors is the aim. Whether the partnership principle has been more effective can be debated.

The focus here, will, however, lie more on the second rationale, the so-called political rationale of partnership. The Commission has, through the principle, actively aimed to introduce a particular set of organizational structures for increased cooperation across horizontal and vertical layers of governance. In particular, the empowerment of sub-national actors has been a central aim and thus, indirectly, the altering of the gate-keeping role of national governments. In this respect, partnership has been seen as a variation of the principle of subsidiarity. According to a former Commissioner for Regional Policy “(…) partnership is one of the more concrete examples of how subsidiarity can be put effectively into practice”. Partnership relates more to the federal, decentralised interpretation of subsidiarity, referred to in Art.1 of the Treaty on the European Union (TEU), where decisions in ‘an ever closer Union’ should be taken “(…) as closely as possible to the citizen”. In this context, partnership can also be seen as a potential solution to the legitimacy crisis of the Union. The involvement of governmental and non-governmental voices, which in some

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136 Hooghe & Marks (2001), p.114
137 According to Thielemann, “(t)he emergence of the partnership principle has to be seen against the background of a paradigm shift in the regional economic literature. (…) New economic thinking (…) stressed the importance of a region’s endogenous potentials rather than the importance of external impulses. (…) According to this logic, regional policy initiatives should rely heavily on sub-national actors who best know the needs and potential of regional economies.” (Thielemann (2000), p.4)
138 Ibid.
139 See Hooghe (1996)
140 Thielemann (2000), p.4
141 See part I.4.
cases hitherto has been excluded from the policy process, might provide a way to ‘capture the link between authority and consent’, which the EU is aiming for.  

III.2.3. The Partnership Principle in the MS

Considering the above, has partnership been established and thus, furthered something resembling MLG in the MS? Since the aim is not to thoroughly evaluate this question, this part will only highlight two main issues, which are relevant for the general assessment.

Firstly, the MS have very different institutional histories in terms of regional policy. A 1999 evaluation report of the partnership principle points out how this is one of the main factors determining partnership forms. In this context, political or administrative culture plays a role. Generally, weaker partnership structures have been identified in poorer, southern MS, as a result of incompetent or under-resourced local administrations and clientelism. Thus, previous patterns of national and sub-national relations or involvement of social and economic partners play a decisive role. Most importantly, the absence of previous forms of partnership is a general disadvantage. In turn, the implementation of partnership has been rather uneven across the Union and country-specific types of partnership have emerged. The biggest variations have been on the horizontal axis of partnership. As a result, the ambitious intentions of the Commission of imposing uniform structures in the EU have been toned down. Moreover, the reluctance of the MS to give decision-making powers to the partnership arrangements or include more societal actors, illustrate how partnership remains largely under MS control.

Secondly, it is important to note that the application of partnership has differed significantly in the various stages of the policy cycle. For instance, during the preparatory phase of the National Development Plan (NDP), government authorities at a higher level still dominate,

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144 Hoogehe & Marks (2001), p.114
145 Kelleher, Batterbury & Stern (1999), p.31
146 Bauer (2001), p.4. This is also evident in the 1999 reforms, which stresses efficiency more than sub-national participation. (Hoogehe & Marks (2001), p.115)
147 The (National) Development Plan means the analysis of a situation by the MS in the light of the objectives of the Structural Funds and the priority needs for attaining those objectives, together with the strategy, the planned action priorities, their specific goals and the related indicative financial resources. (Reg. 1260/1999)
with partners mainly having a consultative role. During the implementation and monitoring of programs, partnership on the regional level is more developed, although implementation is in many instances still dependent on central authorities.\textsuperscript{148}

Nevertheless, it is generally agreed upon that the principle has established a certain pattern of regional policy organisation, which involves sub-national actors to a higher extent. As one author highlights: “Central governments are important. So too, however, are the Commission and sub-national actors. (…) The 1999 reforms have not renationalised the structural funds.”\textsuperscript{149} Therefore, according to a MLG-perspective, an unavoidable degree of spill-over seems to have occurred with the partnership principle introducing certain operations, which have increased the inter-dependence of the various actors involved. For instance, national governments have increasingly had to depend upon supranational and sub-national actors, especially in the implementation stage.\textsuperscript{150}

\textsuperscript{149} Sutcliffe (2000), p.306
\textsuperscript{150} Hooghe (1996), p.17
IV. EU POLICY: REGIONAL POLICY ORGANISATION

In order to assess policy coherence, the accession requirements of EU policy in the field of regional policy organisation should be clarified. This is easier said than done; as mentioned, assuming the regional policy *acquis* requires more than simply implementing the basic regulations. The biggest challenge is being able to put regional policy into effect, that is, implementing it upon accession. The Commission has highlighted that it is up to the new MS to define the structures for the practical management of the funds. Yet, they have to comply with ‘certain requirements’ and “(…) (i)n order to profit from the funds, the candidate countries will have to have the appropriate system in place by the time of accession”\(^\text{151}\). The following part will highlight the explicit and implicit requirements of this ‘appropriate system’ in the context of the partnership principle.

IV.1. The Acquis Communitaire under Chapter 21

To begin with, the *acquis* under Chapter 21 needs to be clarified. The foundation of the policy is provided by Article 158 of TEU: “In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion”. This is mainly done through the Structural Funds. As a EU member, Hungary has to adhere to this, whilst “(…) respecting the principles, objectives and procedures which will be in place at the time of its accession”\(^\text{152}\). The Council Regulation (EC) 1260/1999 lays down the general provisions for the Structural Funds.\(^\text{153}\) The Commission has clarified that although the Chapter 21 *acquis* does not require transposition into the national legislation of the candidates, requirements derived from Regulation 1260/1999 need to be fulfilled. This section only aims to highlight the ones, which play a role in the implementation of the partnership principle, although it is difficult to separate it regarding its overall applicability.

\(^{151}\) The Commission – ‘Chapter 21: Regional Policy and Co-ordination of Structural Instruments’


\(^{153}\) Regulations are binding upon all MS and are directly applicable within the states. It signifies that regulations are to be part of the national legal system automatically without the need for separate national legal measures. (Craig, P. & De Búrca, G. (1998) – *EU Law: Text, Cases and Materials*, 2nd Ed., pp.106-107)
Firstly, the appropriate **legislative framework** allowing for the implementation provisions under the *aqcuis* has to be in place. In other words, the governmental acts allowing for the realization of the requirements below is vital. Secondly, **territorial organisation** is required. The candidates need to agree with the Commission a provisional NUTS classification\(^{154}\) for the implementation of the Structural Funds. It provides not only statistical information for the eligibility of receiving funds but are also the administrative level at which regional funds are managed.\(^{155}\) Thirdly, the **administrative capacity** is essential. Tasks and responsibilities of the bodies and institutions involved in preparing and implementing the regional funds and an effective inter-ministerial coordination need to be ensured. This last point is particularly decisive since the Commission emphasises that the judgement of a country’s ability to take on the *aqcuis* also depends on its administrative and legal system’s ability to put the principles into effect and to enforce the *aqcuis* in practise.\(^{156}\) It can be seen as the biggest challenge, considering the complete overhaul of institutions and practises, which is sometimes required. In other words, ‘regional administrative capacity’ is a core requirement both for the implementation of the *aqcuis* and the dispersion of Structural Funds. Fourthly, the candidates should have **programming capacity**, which includes the need to design a NDP and to ensure the implementation of the partnership principle at the different stages of programming, monitoring and evaluation of assistance.\(^{157}\)

**IV.1.1. Article 8: ‘Complementarity and Partnership’**

In terms of the partnership principle, Article 8 of Regulation 1260/1999, ‘Complementarity and Partnership’, states:

“Community actions shall complement or contribute to corresponding national operations. They shall be drawn up in close consultation, hereinafter referred to as the ‘partnership’, between the Commission, the Member States, together with the authorities and bodies designated by the Member States within the framework of its national rules and current

\(^{154}\) The NUTS system consists of five different levels. NUTS II categories are the main instrument for the formulation and implementation of regional policy in EU.

\(^{155}\) For instance, Article 13 of Regulation 1260/1999 states: “Plans submitted under Objective 1 shall be drawn up to the geographical level deemed by the MS concerned to be most appropriate but shall, as a general rule cover a single region at NUTS II level”.

\(^{156}\) The Commission DOC/97/13, p.113

\(^{157}\) The Commission – ‘Chapter 21: Regional Policy and Co-ordination of Structural Instruments’
practices, namely: the regional and local authorities and other competent public authorities, the economic and social partners, any other relevant competent bodies within this framework.

(…) All the designated parties, hereinafter referred to as the ‘partners’, shall be partners pursuing a common goal.

(…) Member States shall ensure the association of the relevant partners at the different stages of programming, taking account of the time limit for each stage. In application of the principle of subsidiarity, the implementation of assistance shall be the responsibility of the Member States, at the appropriate territorial level according to the arrangements specific to each, and without prejudice to the powers vested in the Commission, notably for implementing the general budget of the European Communities.158

At first sight, Article 8 does not seem to indicate more than that partnership must involve the Commission and the MS. It is up to the MS to determine which bodies compromise ‘competent authorities’ and the role of economic and social partners, in accordance “(…) with the spirit of the regulations, the institutional culture of the state and the realities on the ground”159. However, “Commission documents as well as statements/actions by Commission officials make it clear that the Commission has its own views what ‘partnership’ means and what its minimum standards should be”160. As touched upon earlier, the reference to sub-national actors as ‘partners’ indicates a possibility for them (and the Commission) to bypass national governments. Partnership is thus not vertical in the hierarchical sense. Moreover, the mentioning of that all parties are partners ‘in the pursuit of a common goal’ suggests that real power relations are disguised behind the image of equal cooperating partners.161 The regulation includes not just an informal role for sub-regional actors and the economic and social partners but the Commission also actively encourages formalised participation in the implementation structures of regional policy, such as the Monitoring Committees.162 They have been established for each programme, in order to monitor and control programme implementation and involve all partners.

158 Council Regulation (EC) 1260/1999
159 Kelleher, Batterbury & Stern (1999), p.39
The intention of the Commission is, furthermore, that the partnership arrangements should lead to some kind of decentralisation. The 1999 report on the partnership principle emphasises that both vertical and horizontal partnership is situated in the context of decentralisation – it is both conditioned by and conditions partnership. Hence it continues by stating that the implementation of partnership has required some governments to invent a regional tier although the nature of it obviously varies. Nevertheless, a second process of devolution is also observable, namely a de-concentration of powers and activities from the centre with the control of the central state (administrative decentralization). Thus, partnership, as viewed by the Commission, differs from a strict reading of its definition in the regulation. Although it can be discussed how much power the Commission has in determining regional policy organisation in the MS, its influence in shaping enlargement requirements has already been asserted as central.

IV.2. Chapter 21 and Hungary

The above requirements provide the foundation for the assessment of the progress in Chapter 21, as published annually in the Commission’s Regular Reports. What is remarkable is that it does not provide a detailed template of how the structures in the CEECs should be set up – it is not supposed to. Yet, the Commission’s assessment of the progress in the field indicates that specific standards need to be fulfilled. Thus, one has to read in-between the lines to distinguish the EU requirements, which, nonetheless, remain rather general. In terms of Hungary, six general requirements can be identified: (1) an appropriate administrative framework and capacity to ensure the efficiency and effectiveness of the management and implementation of the Structural Funds (2) the need for human and financial resources, particularly for the newly established bodies such as the Regional Development Councils (RDC) (3) strong institutional structures for regional development, particularly with regards to the Development Councils on county and regional level (4) a clarification and allocation of tasks between the governmental bodies as well as co-ordination among ministries and between the central and local level (5) genuine partnership structures both at national and regional level, with the involvement of economic and social partners and a strong input of the

162 Thielemann (2000), p.21
163 Ibid., p.4
164 Kelleher, Batterbury & Stern (1999), p.158
165 The Commission – ‘Chapter 21: Regional Policy and Co-ordination of Structural Instruments’
regions in the process at national level (6) strengthen the capacity of regional and local actors and other relevant partners to prepare and implement projects.\textsuperscript{166}

What is noticeable from the above is, firstly, that the Commission encourages a decentralisation process of regional policy implementation, particularly with the emphasis on strengthening the capacity of regional and local levels. This can be seen as rather peculiar regarding that in the MS it has been up to the central level to decide this (also, as according to reg. 1260/1999). Secondly, the role of the regions appears to be increasingly highlighted in every \textit{Regular Report}. The NUTS level classifications do not necessarily have to correspond to the average size of NUTS II regions. These institutions do not have to exist at the regional level. However, this has, through the \textit{Regular Reports} implicitly been presented as the appropriate template.\textsuperscript{167} Furthermore, the emphasis on strengthening the regional level also suggests that regionalisation constitutes a requirement. Once again, this is in stark contrast to the bottom-up regionalism, which has developed in many MS.\textsuperscript{168} Thirdly, the levels for partnership are according to Reg.1260/1999 up to the MS to decide. Yet, the Commission encourages that they should ‘strongly’ involve the regional level as well.

The more concrete measures for matching Chapter 21 requirements can be found in Hungary’s NPAA.\textsuperscript{169} Apart from setting out the necessary legislative framework and the institutions in charge of regional policy implementation\textsuperscript{170} and the NDP, there appears to be an overall emphasis on the necessity to strengthen the regional level, through, for instance, training administrative personnel. Here, the PHARE programmes in the field are stressed as important. An emphasis is also laid on a further decentralisation of assistance resources in terms of regional programmes, e.g. to the regions, in order to prepare for the Structural Funds. Further, “(…) according to the principle of subsidiarity – the delegation of the tasks of implementation to regional or local levels have to be made more unambiguous\textsuperscript{171}. Also, the

\begin{footnotesize}
\begin{enumerate}
\item Hughes, Sasse & Gordon (2001), p.23
\item See ibid.
\item The Ministry of Agriculture and Regional Development is responsible for regional policy and for managing and coordinating the planning and implementation of the regional programmes. At the regional level, the tasks of planning and implementation are performed by the Regional Development Councils and Agencies as implementing institutions.
\item Ministry of Foreign Affairs Hungary (2000/2001), p.49
\end{enumerate}
\end{footnotesize}
relation among government levels is seen to play a major role. In short, the NPAA presents a commitment on paper to implement the EU requirements in the field.

**IV.2.1 The Regional Preparatory Programme**

As highlighted, the RPP is meant to assist Hungary in Structural Fund implementation. It can be seen as embodying many of the requirements of the Commission. The wider objectives of the programme are:

“Preparing the Hungarian regional authorities for their role in the programming, implementation and monitoring of the Structural Funds financed Operational Programme for Regional Development and the Sectoral Operational Programmes (…) The co-ordination between central and regional institutions is developed in order to facilitate the absorption of Structural Funds.”

Thus, strengthening the regional level is an explicit aim of the programme; “(…) since the region has an important role in the bottom-up programming, implementation and monitoring of the Operational Programme for Regional Development (OPRD) there is a need to establish sound and efficient regional and local structures (…)”. Two main fields are concentrated on: (1) developing capacity building in the regions in accordance with EU Structural Funds Regulations (2) developing and testing a regional programme for Structural Funds. In short, the project aims are to define the operational procedures for the OPRD at the regional level, assure appropriate regional input for the design of the programmes and for the Monitoring Committee, define the procedural framework for Structural Fund implementation,

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172 Ibid., pp.379- 387
173 The RPP is the second preparatory programme with regards to implementation of the Structural Funds. It is meant to be complementary to the first programme, the Special Preparatory Programme for the Structural Funds (SPP), which focused on preparing the institutional structure at national level for the Structural Funds. There is now a SPP II, which again mainly focuses on the central institutions.
175 Ibid., p.2
176 Within these fields, four project components can be identified: (a) programming preparation of the Operational Programme for Regional Development (OPRD) (b) institutional preparation, i.e. of the Regional Development Agencies (c) project pipeline development and partnership development (d) sustainable training of staff, who will be involved in Structural Fund implementation, with a focus on Regional Development Agencies and associated staff. (Interview with Hungarian official D, 07.11.02)
strengthen the partnership framework at regional level and develop necessary skills for the associated bodies.¹⁷⁷

Although developing partnership at the regional level is an explicit component, the strengthening of vertical and horizontal partnerships can also be seen as figuring as an overarching, underlying aim of the project. This can, for instance, be identified in the emphasis on co-operation between regional and central authorities, the need for bottom-up approaches and the training of regional, county and local officials as well as economic and social partners, including NGOs.¹⁷⁸ Being the biggest Twinning programme, with a budget of €4 million and 1.54 million Hungarian Forint, the RPP has the potential of being an important influence.

IV.3. Summary: The Brussels Model

Regarding the above, one can distinguish a Brussels model of regional policy organisation. According to Jim Hughes, Gwendolyn Sasse and Claire Gordon, the sparseness of the acquis in the area of regional policy means that regional policy organisation has been open to broad and varied interpretations.¹⁷⁹ Since 1997 a specific Commission strategy for the field has become increasingly apparent, partly through the Regular Reports and partly through the use of the pre-accession instruments, e.g. PHARE. It has been the central source of funding and expertise for institution-building in Hungary, with a large share going to regional institution-building. However, according to the Commission:

“A country’s choice of implementation structure is also flexible. Regional programmes need not be implemented by regional structures. They can be implemented by national ministries/agencies, if more appropriate. The need for the above differentiated approach for each particular country is critical if the structures developed, strategies designed and programmes financed through PHARE are to be sustainable after accession. However, (…) such differentiation must respect the conditions and requirements of the single acquis on Structural Funds and its supporting regulations.”¹⁸⁰

¹⁷⁷ The EU Delegation Budapest (2001), p.3
¹⁷⁸ See ibid.
¹⁷⁹ Hughes, Sasse & Gordon (2001), p.22
¹⁸⁰ The European Commission – ‘Phare’s Principal Focus’
Yet, the *aquis* does not specify the need for decentralisation or for regional institutions to handle regional policy. Rather, the requirements in the *Regular Reports* can be associated with the Commission’s wish for a particular administrative and institutional structure. A similar pattern can be observed with the partnership principle. Although the *aquis* requires partnership arrangements, the *aquis* does not explicitly require the degree of decentralisation or involvement of sub-national actors - particularly regional - as encouraged by the Commission in its emphasis on ‘genuine partnership structures’. Thus, even though the Commission cannot legally force the candidates to organise their regional policy structures in decentralised ways, it appears to rely on soft policy means such as the *Regular Reports*.\footnote{For more on the soft policy means of the Commission in the context of regional policy, see Tömmel (1997)}

Hungary has also been one of the cases where the EU has been the closest involved in forming regionalisation.\footnote{Hughes, Sasse & Gordon (2001), p.42}

However, there are contradictions in the EU’s advice to the candidates. This concerns the issue of decentralisation versus control and efficiency. The Commission encourages regionalization and increased involvement of sub-national actors but simultaneously, certain EU incentives and constraints increase the weight of central state bodies. This is most apparent by the fact that the whole accession process is dominated by national governments.\footnote{See Grabbe (2001) and Hughes, Sasse & Gordon (2001)}

In short, the central components of the Brussels model and also important in fostering partnership practices have been determined as **decentralisation**, **regionalisation** and **initiatives of involving multiple actors**. Although partnership is an explicit requirement, other requirements such as a functioning administrative framework, a legislative basis and a clarification of tasks between the governmental levels play a fundamental role in its implementation. Therefore, these have been addressed in conjunction with the partnership principle.
V. A HISTORY OF HUNGARIAN (REGIONAL) DEVELOPMENT POLICY

In order to assert, firstly, which organisational and institutional factors matter in terms of the implementation process and secondly, help us single out relevant path-dependencies, this chapter will assess the development of Hungarian regional policy organisation. The end of World War II and the beginning of the communist era are in this case considered a ‘punctuated equilibrium’, which has altered the pre-war institutional structure. The analysis therefore begins with a brief description of the communist era, continuing with the post-communist transition process, which can be divided into two parts: (1) the founding period and (2) the accession period.\textsuperscript{184} It should be noted that the issues in focus have been singled out according to their relevance for horizontal and vertical partnership structures.

V.1. The Communist Era 1949-1989

Hungary is traditionally a unitary and a homogenous state, with its ethnic minorities dispersed. Thus, there has never been any basis for regionalism. However, there is a long history of territorial entities in the form of counties (megyék) dating back to King István (1000-1038), the founder of Hungarian statehood. World War I resulted in Hungary losing two thirds of its territory, forcing a territorial restructuring. However, the entities were of artificial nature, with the administrative structures adapted to political demands. Further, the state was highly centralized.\textsuperscript{185} This facilitated for the communist regime, which after World War II introduced new administrative divisions, based on the doctrine of the leading role of the Communist Party, the unity of the state and on the principle of ‘democratic centralism’. It meant a highly centralised and hierarchical structure, founded on party and not on state structures. In other words, it was a top-down system, with an effective control by the central Communist Party apparatus over the county level, with the local government being abolished.

\textsuperscript{184} Wollman divides the institution building process in CEE into a similar categorization. However, his ‘founding period’ refers to the decisions emerging in the immediate years after the 1989 revolutions. The mid-1990’s is referred to as ‘the consolidating period’, where the newly institutionalised structures have to prove their viability in the political and economic turbulence of the still-ongoing transformation process, prompting new reforms. (See Wollman, H. – (1997) ‘Institution building and decentralization in formerly socialist countries: the cases of Poland, Hungary, and East Germany’ in Environment and Planning C: Government and Policy, 15, pp.463-480)

This Stalinist blueprint was relatively similar in the whole of CEE. From the 1970’s and onwards – possibly as a late reaction to the 1956 uprisings – a cautious decentralisation of the administrative and economic structures could be noticed in Hungary. The 1971 Third Council Act introduced a modest form of local self-administration to the municipalities.\textsuperscript{186} A distinct regional development strategy was also seen from 1971 and onwards. Still, it was divided along sectoral lines and sectoral objectives dominated over regional concerns in government policies.\textsuperscript{187} Signs of political pluralisation and fragmentation based on local self-government could be noticed in the mid-1980’s. However, this did not mask the reality of centralised party-control and the structures of local government were ‘hollowed out and ritualistic’.\textsuperscript{188} Similarly, the direct and indirect control of the Communist Party made it practically impossible for interests in the form of an independent civil society to exist.\textsuperscript{189} A central figure during this era was János Kádár who ruled Hungary 1956-1988.\textsuperscript{190}

Thus, “(…) for most of the Communist period the organizing principles of economic policy and politics were, rather than territorial ones, the needs of sectoral economic branches, and the supremacy of the central party leadership, respectively”.\textsuperscript{191} The first generation of post-communist leaders were after 1989 faced with “(…) the legacy of extreme centralization, vertical top-down administrative hierarchies, weak horizontal networks, and a lack of capacity in terms of resources, efficiency and qualified personnel at the sub-national level”.\textsuperscript{192}

V.2 The Founding Period 1989-1996

Characteristic for the Hungarian transition in 1989 was how it was largely shaped by negotiations amongst the political elite, where the opposition forces and the Communist Party – with its reformist wing getting the upper hand – agreed on amending the constitution.\textsuperscript{193} Thus, the Hungarian ‘revolution’ came about as a result of a consensus amongst the elite.

\begin{flushright}
\textsuperscript{186} Wollman (1997), p.465  \\
\textsuperscript{187} Horváth (1999), p.166  \\
\textsuperscript{188} Hughes, Sasse & Gordon (2001), p.12  \\
\textsuperscript{190} János Kádár was at first a minister under Imre Nagy but established a counterregime during the 1956 uprisings with Soviet support. Kádár remained a consistent supporter of Soviet foreign policy but his economic and social policies were, by Soviet-bloc standards, relatively liberal. During his rule Hungary become known as the freest and most modern country of CEE.  \\
\textsuperscript{191} Fowler (2001), p.7  \\
\textsuperscript{192} Hughes, Sasse & Gordon (2001), p.12  \\
\textsuperscript{193} Wollman (1997), p.465
\end{flushright}
‘The founding period’ can be seen as laying the basis and preconditions for the present constitutional and institutional setting of Hungary. It is partly in the context of this setting that the adaptation to EU requirements has to work. Most noticeable during this period is the reaction against the communist era in the form of decentralisation. According to Fowler, “(…) political and administrative decentralization was seen as an essential element in the replacement of communism with democracy”194. This spirit was embodied in the 1990 Local Government Act. It established a two-tier, non-hierarchical system of self-government at both county and local levels, with each having its own separate mandate and jurisdiction. The local governments gained a much stronger standing vis-à-vis the counties. Each settlement could establish a local government (resulting in 3200 ones); they received tax-raising powers and could take on any task affecting the local community not awarded elsewhere. The counties (19 in total, plus Budapest) were only given functions that are beyond the reach and resources of the municipalities, thus, inhabiting weak competencies and political influence. This reflected the ambiguous approach to the counties, which on the one hand, were seen as a proud, national tradition and on the other hand, had been the sub-national organ of communist rule and leadership preferences, resulting in an ‘anti-county’ mood. A chapter on sub-national government was, however, included into the constitution, for the right of self-government at local and county level.195 Compared to other CEECs, Hungary became extensively decentralised and the system was seen as one of the most liberal worldwide.196

Furthermore, de-concentrated state administrative offices (‘decos’) – independent of county and municipal governments but responsible directly to the central level – were set up, managing administrative matters falling outside the authority of the municipals. Simultaneously, Commissioners of the Republic for seven ‘regions’ and the capital were established on the basis of the communist era planning regions, involving supervision and coordination of local state administrative authorities.197 More institutional change was noticeable with the 1994 parliamentary election, which resulted in a centre-left coalition198. The Commissioners of the Republic were replaced by Public Administration Offices (PAOs), subordinate to the Minister of Interior. In contrast to the Commissioners, the PAOs are a

195 Dierenger & Lindstrom (2002), p.8
196 Ibid.
197 Hughes, Sasse & Gordon (2001), p.18
198 The ex-communist Socialist Party (MSZP) and the Alliance of Free Democrats (SZDSZ).
fully-fledged administrative structure at county level, which means that the central
government can choose giving devolved administrative tasks to the counties or to the PAOs.
Yet, the reforms strengthened the counties by making the county councils directly elected.199

The environment for a Hungarian regional policy changed with the political and economic
reforms of the transition, most noticeably, with the post-1989 social and economic changes,
which increased territorial differences. A Regional Development Fund was established in
1991, enforced by 1993 legislation, which provided a new definition of the main tasks and
means of regional policy.200 The 1994 reforms also included the provision that regional
development was to be the responsibility of County Development Councils (CDC) – to be
created under future legislation – reflecting a consensus on boosting the meso-level, in line
with European practises.201 As debated, an advantage of the new bodies was the opportunity
to involve actors from outside the sub-national government sectors, i.e. employers’ and
employees’ representatives.202 Further, a tripartite commission, the Interest Reconciliation
Council (IRC) was established in 1990, with the participation of several trade unions and
employers’ organisations. However, lacking widespread legitimacy or stable constituencies,
they were not the social partners they aspired to be.203 Moreover, other interest groups than
unions and business groups were excluded from IRC.204 Most noticeably, the government saw
the job of social transformation as its own business, not that of the unions or anyone else. By
1998, the IRC had turned into “(…) an informal consultative body legitimising government-
imposed neoliberalism”205.

However, Terry Cox and Lászlo Vass note that the government in power has been important
in determining the degree of interest representation in Hungary. The policy of the right-wing
government (1998-2002) has not been as accommodating for interests groups as the former

199 Wollman (1997), p.476
200 These were regional crisis management and the economic transformation of depressed and backward regions;
the implementation of selective infrastructure projects, focusing on backward areas; and the establishment of the
basis for internal and international coordination. (Horváth (1999), p.166)
201 Fowler (2001), pp.16-22
202 Ibid., p.24
203 Tripartism in Hungary began not as a result of the government trying to mediate the conflicting interests of
labour and capital, but as a way of providing societal support for the government to reform the economy as it
wished.
Europe-Asia Studies, Vol.52, No.6, p.1106
Identities’ in Politics & Society, Vol.28, No.4, pp.508-509
socialist government, limiting the number of actors allowed in consultation. Nonetheless, overall, a problem is that the elitism of the Kádár-days has been retained - as a result of the peaceful transition - since the old regime has been dispersed into the state bureaucracy and the business sector. Thus, “(…) although they may conflict with each other, or attempt to influence each other, (…) they do so through their own channels and not by attempting to mobilise popular support more widely”207. The government generally has had a significant advantage in access to information and organisational know-how.208

Yet, noticeable during the founding period is a shift from a sectoral to a territorial approach in regional policy. With few sources other than foreign ones, the EU emerged as the most prominent source for innovation in regional policy thinking. The institutionalisation of the counties and the initiation of CDCs were emphasised as important in the need to conform to European institutions and perceived norms in sub-national government and administration.209 This was enforced by EU regional policy aims having the same aims as the Hungarian; lessening inter-territorial disparities and enhancing social cohesion.210 As seen below, this willingness to adhere to European formats has intensified during the latter part of the 1990’s.


It is clear that accession to the EU has coloured Hungarian regional policy organisation all through the 1990’s. However, it is only with the latter part of the 1990’s - as a response to the accession driven approach of the EU – that a more thorough compliance is observed. According to Hughes, Sasse and Gordon “(…) the scale of Brussels’ involvement has given rise to local level claims of EU ‘colonization’ at worse and the feelings of ‘forced marriage’ at best”211. Ever since 1992, various PHARE programmes have been involved in preparing government strategies of regional development, involving the development of institutional structures enabling decentralisation. The EU has continued to ‘guide’ Hungarian regional policy structures, leading to measures such as the 1996 Law on Regional Development and

207 Ibid.
208 Ibid.
210 Ibid., p.26
211 Hughes, Sasse & Gordon (2001), p.29
Physical Planning. In principle, this law created a EU-compatible system of regional development in Hungary, determining the tasks and competences of the central state institutions and regional and local organizations. Regional development tasks were to be coordinated by the CDCs. RDCs could be established voluntarily at the initiative of the CDCs, under the supervision of the National Council for Regional Development. Further, in 1998, a National Regional Development Concept was completed.

What emerged from these reform initiatives was firstly, a model for merging three counties into regions (with the exception of Budapest, which is merged with Pest only), resulting in an amendment to the law in 1999, which confirmed the establishment of seven ‘planning-statistical regions’ corresponding to EU NUTS II regions. (See Figure 1) They were guaranteed state funding and their role in programming and implementing regional development programmes was defined. Further, RDCs were now compulsory rather than voluntary bodies. The number of central state organs in the RDCs was also increased at the expense of sub-national and civil society representatives. This altered the original idea of that if Hungary was to have a meso-level it would be constituted by the counties. The consensus was now that territorial units larger than the counties were required. These would, however, be purely administrative and functional in character, reflecting that regions were being instituted solely for EU accession purposes and the prospect of receiving EU transfers; they did not inhabit any traditional meaning. Regions were therefore to be different from counties. Yet, a basis was laid for the notion that regions are an alternative or threat to the counties. However, the county-based solution for regions offered a way of creating regions quickly, building on the counties’ regional development experience and existing administrative structures and institutional relationships.

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212 Ibid.
213 They consist of representative of county general assemblies, local government associations, economic chambers, organizations representing employees’ interests and the Ministry of Environment and Regional Policy (Horváth (1999), p.167)
214 Ibid., pp.167-168
215 These are Western Transdanubia, Central Transdanubia, Southern Transdanubia, Northern Hungary, Southern Great Plain and Central Hungary.(Dieringer & Lindstrom (2002), p.10)
216 Hughes, Sasse & Gordon (2001), pp.30-31
217 Some maintain that Hungary could have made its counties its NUTS II levels, referring to the smallness of some EU states’ NUTS II regions. (Fowler (2001), p.30)
218 Ibid., pp.30-32
Secondly, the organizational system of the 1996 law is intended to build on the principles of decentralization and partnership (*partnerség*), amongst other EU principles, which is supposed to be embodied in the set-up of the new councils.\(^{219}\)

**Figure 1. The Present Institutional System of Regional Policy in Hungary.**

Source: Horváth (1999), p.167

It should be mentioned that the Hungarian political parties have been deeply divided over the structure of the institutional system of regional policy during the 1990’s. Parties on the right (mainly the Federation of Young Democrats-the Hungarian Civic Party, (FIDESZ-MPP)) have been supporting a more centralised approach, whereas the liberal Alliance of Free Democrats (SZDSZ) have been favouring more decentralist measures. In this respect the Hungarian Socialist Party (MSZP) has also advocated a more decentralised approach, with some notions found in EU regional policy appearing more natural to them than to their opposition.\(^{220}\)

In short, what can be observed during the accession period is an eagerness to comply with the EU regional policy and requirements in the *Regular Reports*, underlining Hungary’s

\(^{219}\) Ibid., p.27

\(^{220}\) See Fowler (2001)
dedication to become a member of the EU as soon as possible. This period will be assessed more in-depth in the analysis of the implementation of the RPP.

**V.4. Summary**

**V.4.1. The Hungarian Regional Policy Organisation**

According to Horváth, “(...) regional policy in Hungary is in a state of flux, with dynamic processes of change at regional and national levels”\(^{221}\). The Communist period established a certain pattern of conducting regional development, which can be summarised as sectoral and centralised. Although the reaction to this was highly decentralising policies in the early post-communist years, the coming analysis will argue that a local government sector was created, which still need the central state. Hungary has thus remained a centralised state. A similar tendency is evident in terms of social and economic interest representation, where the elitism of the Kádár regime and the peaceful transition has left its imprint. Hungary developed its own form of negotiated political transition, where a pact was agreed between political elites, hindering more deeply rooted interest representation.\(^{222}\)

The EU has been an important external influence, particularly in the latter part of the 1990’s. Nevertheless, in this respect, the timing of the EU’s demands for regional policy organisation appears to have been a difficulty since it came after Hungary had established a directly elected meso-level (the county), reflecting its own model of regional policy organisation. Therefore, as Fowler states:

“(…) it is clear that, rather than there being simply a journey from communism to ‘Europe’ unconstrained by any intervening factors, developments that have already taken place in the decade of post-communist reforms have added their own institutional constraints to the communist legacy facing all post-communist administrations.”\(^{223}\)

Thus, three distinctive fields can be identified as influential in the present formation of regional policy organisation in general and the partnership principle in particular: (1) the

\(^{221}\) Horváth (1999), p.175

\(^{222}\) Cox & Vass (2000), p.1107
structure established during the Communist era, i.e. centralisation, elitism and a sectoral way of handling development policy (2) the Hungarian model of regional policy organisation, with a meso-level in the form of counties and large autonomy for the local level (3) a closer compliance to the Brussels model, i.e. the creation of an administrative regional level and incentives for strengthening partnership.

V.4.2. The Hungarian Regional Policy Organisation from a HI Perspective

By placing some of the above considerations into the framework of HI, a model for contextualising the Hungarian regional policy organisation can be established.

Figure 2. Hungarian Regional Policy Organisation from a HI Perspective


In Figure 2, the Hungarian regional policy organisation has been asserted as the formal institution (or organisation). Its specific components will be investigated more in-depth in Chapter VI. As according to Steinmo et al, the institutional setting is regarded as intermediate since it mediates between the behaviour of actors and policy outcomes.224 The institution thus filters human behaviour (the agent) and in turn shapes developments. It should be stressed that

223 Fowler (2001), p.44
224 Steinmo, Thelen & Longstreth (1992), pp.11-12
political choice and conflict are therefore always within institutional constraints. Yet, since institutions simultaneously are the product of conflict and choice of the agent (leading to a specific policy outcome), there is constant interaction. Furthermore, the institution can be seen as mediating the effects of macro-level socio-economic structures, which in this case has been defined as the administrative culture of Hungary. It displays specific informal institutional features. Obviously, the administrative culture is the regional policy organisation but for the sake of clarity, the analysis has chosen to highlight both. Moreover, the institutional structure defines the channels and mechanisms by which new ideas are translated into policy. Thus, it can be seen as a ‘policy process filter’. In our case, EU regional policy organisation and the partnership principle are the new ideas, which the institution is supposed to absorb. Finally, this all happens within a broader political context: the political and economic transition of Hungary, which has become intertwined with the EU enlargement process and which has the potential of influencing the institution.
VI. ANALYSIS OF IMPLEMENTATION OF THE PARTNERSHIP PRINCIPLE

The partnership principle is in Hungary a relatively new concept. Accordingly, when considering the implementation of the principle in Hungary, it is clear that one cannot look at the same issues considered in studies of the implementation process in EU MS, i.e. the inclusion of multiple actors and the influence of sub-national actors in policymaking. Instead, the basic requirements needed for an establishment of the principle in the context of the enlargement conditionality will be assessed. The overall focus is on decentralisation, regionalisation and initiatives for including social and economic actors and other interest representation in the context of the RPP. It is thus the principle at a very early stage, which is considered. It is important to point out that the aim is not to evaluate the RPP, but to use it as a reference for the implementation of the partnership principle and highlight the main issues involved. The sub-questions derived out of HI will then provide an explanatory framework. The time frame of the analysis will mainly stretch over the implementation period of the RPP, 2001 and 2002, but also inevitably touch upon the general patterns of the later part of the 1990’s.

VI.1. The Implementation of the RPP

VI.1.1. Vertical Partnership: Decentralisation and Regionalisation

As identified, both vertical and horizontal partnership has been related to a degree of decentralisation or regionalization, where sub-national levels are strengthened. A central aim of the RPP has also been to strengthen the regional level and enforce the concept on the central level. According to most PHARE and Hungarian officials, the introduction of this new territorial level has been the biggest change in terms of Hungarian regional policy organisation. Although Hungary now has regions corresponding to the NUTS II levels, the role of these regions remains ambiguous and here earlier policy legacies play a vital role. As

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225 See Hooghe (1996)
226 See Chapter IV.
227 It should be noted that the level of development of Hungarian civil society will not be evaluated but rather the different measures to involve interest representation of the governmental and administrative levels.
highlighted, a problem for Hungary has been that it already had an existing meso-level – the county - before more precise EU requirements for territorial units were set. The regions are thus purely administrative units, whereas the counties inhabit the role of being publicly elected. However, according to Hungarian official D, the government proposed to modify the constitution in their 2002 election campaign, making it possible to arrange direct elections on the regional level in 2006. Yet, the counties are clearly unwilling to confer their powers onto the regions. A further problem is the fact that the regions are based on three or two counties. It has resulted in cooperation difficulties between the counties, since they are used to regarding themselves as separate and rivalling entities.

Another decisive issue is finances. Hungarian official B points out how the regions only have sufficient finances for the maintenance of the administrative costs and nothing for strengthening its influence in regional policy. Hungarian official F regards the central level to ‘gloat over’ their finances. Further, fiscal resources for regional development are only partially decentralised, particularly regarding the fact that although RDCs and CDCs are entitled by law to gather their own resources, no mechanisms or practices have been provided for them to do so. Although counties are legitimised by being directly elected, they are missing a normal amount of tasks, including tax-raising powers, which also increases dependency on the central level or on the ‘decos’ - the de-concentrated offices of the central level - in handling development matters. The regions and counties are thus both highly dependent on the central level for funding. The legacy of central planning is evident, with only a few elements of regional development grants being decentralised and placed under the discretion of RCDs or CDCs.

Dependence on central funding is a problem also for the local level. Table 1 shows that roughly 1/3 of local government revenues come from central government resources. However, other sources estimate even higher numbers, with 60-70% of local government revenues

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228 Interview with Hungarian official D, 07.11.2002
229 Interview with Hungarian official C, 07.11.2000, see also Fowler (2001), p.32
230 Interview with Hungarian official B, 06.11.2002
231 Interview with Hungarian official F, 08.11.2002
233 Dierenger & Lindstrom (2002)., p.9
234 Interview with Hungarian official D, 07.11.2002
235 Kálmán (2002), p.53
coming from central resources and only 0-40% being sourced locally.  \(^{236}\) It should, however, be noted that handling 16% of the country’s GDP is a rather significant amount for municipalities. The problem with the local level lies not so much in receiving too little central funding or having no possibility of gathering own resources – as mentioned, they have tax-raising powers – but rather that the territorial entities are too small. Around 90% of the municipalities have fewer than 5000 residents. \(^{237}\) Consequently, their own resources are limited, which causes difficulties to effectively handle the large amount of administrative tasks assigned to them. Thus, they remain dependent on the central level. There is also little or no willingness of local authorities to cooperate, since they are used to competing against each other for central grants. \(^{238}\) The territorial-administrative structure of Hungary is thus to a certain degree incoherent and dysfunctional.

### Table 1. Local Government Revenues 1993-1999 (per cent of GDP)

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<tbody>
<tr>
<td>Total Revenues</td>
<td>16.1</td>
<td>15.9</td>
<td>13.6</td>
<td>13.0</td>
<td>12.8</td>
<td>12.0</td>
<td>12.3</td>
</tr>
<tr>
<td>Own Current Revenues</td>
<td>3.0</td>
<td>2.8</td>
<td>2.6</td>
<td>3.0</td>
<td>3.3</td>
<td>2.9</td>
<td>3.5</td>
</tr>
<tr>
<td>Revenue Sharing w/ Central Government</td>
<td>1.4</td>
<td>1.5</td>
<td>1.7</td>
<td>1.6</td>
<td>1.7</td>
<td>1.9</td>
<td>1.8</td>
</tr>
<tr>
<td>Transfers from Central Government</td>
<td>7.7</td>
<td>7.3</td>
<td>5.7</td>
<td>5.0</td>
<td>4.3</td>
<td>4.2</td>
<td>3.9</td>
</tr>
<tr>
<td>Transfers from other Public Sectors</td>
<td>2.8</td>
<td>2.9</td>
<td>2.4</td>
<td>2.4</td>
<td>2.4</td>
<td>2.3</td>
<td>2.2</td>
</tr>
<tr>
<td>Capital Revenues</td>
<td>0.7</td>
<td>0.9</td>
<td>0.8</td>
<td>0.6</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
<td>0.4</td>
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</tr>
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In short, the meso-level can in Hungary traditionally be seen as rather weak, with the local level inhabiting a more prominent position. However, here a similar problem as with the

\(^{236}\) The numbers depend on the size of the local territory. (Ibid.)


\(^{238}\) Ibid., p.134
counties is encountered, namely established patterns of behaviour. EU requirements are creating new and unfamiliar institutional structures and procedures. According to PHARE official A:

“(…) the only problem is that they have always been doing things slightly differently. You have people that have been doing programming (…) for years but obviously the programmes; the project operations (…) of the EU are a bit different. Plenty of people are very good in their work but they are not completely aware of the differences that are going to arrive. (…) If you are lucky, people say: ‘we are managing PHARE so we can manage the Structural Funds’. (…) Otherwise, people are saying: ‘I have been doing this for 40 years so I will do everything right’.”

A similar mentality is found in the statement of Hungarian official E: “(…) I have learnt that issues can be handled on a higher level. It is important with decentralisation and subsidiarity. But with bigger decisions, the strategies are easier for the central level”240. Thus, the difficulty of changing the mentality of the officials involved is often directly or indirectly referred to as an obstacle.241

Yet, both Hungarian and PHARE officials have stressed how much Hungary has actually achieved during these few years: regions have been created, the institutional set-up for the implementation of the Structural Funds is in the final stages, most importantly, Chapter 21 has been closed. “I think we have made progress in adapting our practices to EU ones. I cannot claim that we are completely unprepared for the EU adaptation even though we have problems regarding capacity and resources.” Vertical partnership is also being enhanced with regional actors increasingly involved in the preparation and implementation of PHARE, ISPA and SAPARD programmes.243 The RPP is often referred to as central with regards to the development of these issues. Simultaneously, pessimism concerning the future and a strengthening of these new structures is expressed: “If you consider the tasks and necessary

239 Interview with PHARE official A, 04.11.2002
240 Interview with Hungarian official E, 07.11.2002
241 See interview with Hungarian official C, 07.11.2002
242 Interview with Hungarian official F, 08.11.2002
243 Interview with Hungarian official D, 07.11.2002
skills, which need to be developed, the coming years appear frightening. In every field, something has to be done and improved: institutions, systems within institutions, etc.”

In conjunction with this, a problem appears to be the gap between the rhetoric and practise of the central government. A rhetorical commitment to the principle of decentralisation is evident in the NPAA but in reality, the issues of, for instance, regionalisation seems to be more a question of public administration, promoted by the central level, rather than decentralisation per se. It is evident from how regionalisation seems to have grown out of perceived regional development needs and has been housed in the ministry responsible for regional development, rather than any organically formed regionalism. According to Hungarian official F, a strong wish for decentralisation exists on paper, but in reality there is a tendency towards increased centralisation, reflected in the unwillingness of the central level to delegate power and resources downwards. At best, there seems to be a process of deconcentration, with the ‘decos’ handling decentralised matters. However, through the PAOs and ‘decos’ the central government frequently exercise the right to interfere in regional and local matters. As one FIDESZ-MPP deputy argued:

“It’s not written anywhere that decentralization is the only instrument that might be used to reach the goals. Our view is that it’s completely natural that there can be state dominance at the regional level. (…) In my reading [EU pressure] primarily means that we have to create an effective system of institutions, which guarantees the Union the effective use of the funds it sends (…) [In Portugal] the regional system is a completely state one, but is still spends the money effectively.”

This illustrates how EU membership is even being used as an excuse for continued centralisation. Although the rhetoric of the present socialist government (2002-) could indicate a different direction – e.g. the prospective of direct elections at the regional level in 2006 - a Hungarian official points out how now when the government can make a difference at the sub-national level, they have just initiated a selection process, where the ones, who are

244 Interview with Hungarian official E, 07.11.2002
245 See Fowler (2001)
246 Interview with Hungarian official F, 08.11.2002
247 Interview with Hungarian official F, 08.11.2002
248 Fowler (2001), p.40
not belonging to the right party lose their job, disregarding their knowledge in the field.  
This indicates a certain degree of continuity of the rule of party and clientelism, which existed during the Kádár era. Furthermore, as one author notes: “(…) the opposition parties are more eager to decentralise than are those already in power – it is easier for a party to demand the devolution of powers that it does not itself possess at the moment”  
Virtually all post-1990 governments, whatever political colour, have been accused by their political opponents of centralization.

Policy legacies, in the form of Hungarian development policies previously being sectoral, are also evident in how information does not move that well between the various sectoral ministries, as a result of an unwillingness to share information. In turn, there are further tendencies of re-centralisation in the government - e.g. a strengthening of the Prime Minister’s Office (PMO) - perhaps as a way of improving the information problems. Moreover, the creation of RDCs, where the number of central government representatives have been increased and the number of sub-national government, employers’ and employees’ association and the civil sphere representatives were reduced and given only consultative status, has been considered to enforce centralisation.

Nevertheless, a few Hungarian officials believe there is a decentralisation process set in motion but see the problem more at the lower levels, particularly the local, with actors being unprepared for handling Structural Funds. In general, human resources are a problem. There appears to be a core of officials, mainly on the central level, who are well prepared for EU regional policy procedures. Yet, according to Hungarian official E: “(…) the general knowledge of the actual implementation process is poor”. Lack of competences on the lower levels is also put forward as an obstacle for decentralisation. It means that at least in the first programming period (until 2006), the OPRD, the Monitoring Committee and management of the Structural Funds in general will mainly be handled on the central level.

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249 Interview with Hungarian official F, 08.11.2002  
251 Fowler (2001), p.43  
252 Interview with PHARE official A, 04.11.2002  
253 Fowler (2001), p.39  
254 See interview with Hungarian official B, 06.11.2002  
255 Interview with Hungarian official F, 08.11.2002  
256 Interview with Hungarian official E, 07.11.2002  
257 Interview with PHARE official B, 09.12.2002
One problem is that EU and PHARE programmes in general have been organised through central ministries. They are sectorally driven and are rarely delivered on a territorial basis. This has led to poor knowledge of EU operations and the EU in general amongst the local levels. In statistics from 1999-2000 regarding the knowledge of EU programmes amongst the local elite in Pecs, around 50% were seen as having poor knowledge, around 15% limited and only around 35% good. Further, subsidiarity – one of the core principles of regional policy – ranked low amongst the Pecs local elites’ perception of the EU.

An impressive way to combat the lack of EU knowledge amongst implementers is a EU training program initiated at the end of 2000 and supported by PHARE. This means that every Hungarian civil servant entering the system of public administration must demonstrate knowledge of the EU when taking the basic examination. It is too early to see the effects of this initiative but it might very well become influential.

Another key issue of the RPP has been the definition of different layers, divisions and responsibilities in terms of the implementation of the Structural Funds; an important feature of a functioning partnership. However, there has been a lack of governmental decisions, e.g. regarding the role of the regions. An absence or delay of basic governmental decisions is generally referred to as problematic by the interviewees and appears to be a central obstacle. For instance, Hungary was meant to have seven OPRDs, one for each region, when the RPP was initiated. Now it has been decided that only a single OPRD for the whole country is necessary. According to PHARE official A: “(...) we are working in a quite difficult situation because nothing is 100% decided yet. (...) We just have to adapt to the Hungarian decision-making process”.

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258 A general impression of the Hungarian officials interviewed was how many of them were young (in their late 20’s or 30’s) and had a good knowledge about the EU and regional policy in general. However, it should be kept in mind that the interviewees were in charge or, in one way or another, highly involved with the implementation of EU practices and thus have a large amount of expertise in the field.

259 Respondents were asked: Can you name (up to) three (or more) current EU funded (wholly or partly) projects in your city?

260 Around 5% of the respondents saw subsidiarity as one amongst five of the following phrases as best summing up the EU: Free Trade, Economic Cohesion, Economic and Monetary Union (EMU), Europe of Regions, Common Foreign and Security Policy (CFSP), CAP, Structural Funds, Partnership for Peace (PFP), Europe of Nation States, Subsidiarity, Common European Home, Federal Europe, Missing. (Huhges, Sasse & Gordon 2001, pp.34-39)

261 Szegvári (2002), p.147

262 See interview with PHARE official A, 04.11.2002

263 Ibid.
An important point finally needs to be emphasised. In general, a repeatedly stressed issue amongst the Hungarian interviewees was how partnership is not in the Hungarian culture, both in terms of vertical and horizontal partnership. Hungarian official B points out how they are initiating partnership by having workshops on the regional level, including for instance local governments, but how those who are invited to take part, are not aware of what partnership involves: “they are participating but they are not telling anything. [They are] just pushing their interests but about their plans they do not want to say anything (…) the Hungarian institutional system is not a very participatory system”\textsuperscript{265}.

\textit{VI.1.2 Horizontal Partnership: Involving Diverse Interests}

The RPP is also geared towards strengthening vertical forms of partnership, particularly on the sub-national levels, through training. This involves initiatives of including social, economic and other actors more in terms of information sharing with public authorities, particularly on the sub-national levels. For instance, workshops are being organised by the RDC’s and the Regional Development Agencies (RDA), inviting NGO’s, universities, research institutes and other partners, together with sub-national governmental actors. The county level is also trying to involve social and economic partners in the field of regional development.\textsuperscript{266} A special unit within the PMO, which is responsible for partnership, information and communication, has furthermore been established. Thus, there appears to be an amount of initiatives to involve diverse interests. However, the implementation of the RPP indicates similar problems regarding cooperation in horizontal partnership initiatives as in vertical. There seems to be an unwillingness to discuss and involve others in decisions. PHARE official A claims that people are afraid of putting ideas on the table that could be stolen. The lack of experience in terms of partnership in the EU sense - where the very essence lies on sharing projects, experiences and ideas - is thus highly present.\textsuperscript{267} As Hungarian official D puts it:

\begin{footnotesize}
\textsuperscript{264} Ibid.
\textsuperscript{265} Interview with Hungarian official B, 06.11.2002
\textsuperscript{266} Interview with Hungarian official F, 08.11.2002
\textsuperscript{267} Interview with PHARE official A, 04.11.2002
\end{footnotesize}
“(…) partnership is definitely one crucial point. We have to focus on partners; we really do not have the experience. We do not feel the need for partners and this is the problem. We just feel it as a pressure (…) like we have to have it because it is in the record (…)”

It should be noted that partnership appeared to be interpreted in various ways amongst the interviewed Hungarian officials, with most highlighting the vertical aspect more than the horizontal. Yet, all the Hungarian interviewees had a fairly clear conceptualisation of the principle. According to Hungarian official B, many other officials (particularly on the lower levels) do not see how they can fit into the partnership process and therefore choose not to participate. To her/him, it appears that many simply do not understand what it involves. Weak conceptualisations of the principle could prove dangerous since it allows dominant groups to ascribe their own meaning to the term, reproducing existing asymmetrical power relations.

From a more general perspective, an investigation conducted in 1998 with a number of interest groups in Hungary shows that a relatively large proportion of trade unions (68%) and business/employers’ groups (78.6%) reported on sometimes using formal meetings with the central government. A similar pattern was revealed in terms of informal meetings (50% of employers’ groups and 45.5% of trade unions). The IRC can be seen as providing the basis for this but it is noteworthy to see how interest groups not included in the IRC reported 72.2% for formal contacts with the government and 45.5% for informal contacts. However, the IRC only provides a forum for the central level. PHARE official B sees the central level as more inclusive in terms of economic and social actors and also, for instance, environmental organisations. However, these organisations do not have branches on the regional or county levels, complicating partnership on these levels. It is also important to note how many groups experienced tensions in their relationship with the government in the 1998 survey. When asked why respondents felt they had not been successful in their contacts with the central government, the main impediment to effective action was considered to be an

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268 Interview with Hungarian official D, 07.11.2002
269 Interview with Hungarian official B, 06.11.2002
272 Ibid.
273 Interview with PHARE official B, 09.12.2002
unresponsive political establishment (mentioned by 46.2% of all groups).274 These are interesting figures since it shows an increased establishment of interest representation in the government. Yet, this appears to happen mainly on the central level but there, elitism (on behalf of the central government) appears to colour the relationship. As mentioned, the IRC has also been regarded as merely symbolic. According to one author, legacies from the party state can be noticed in how powerful political parties and groups still directly control policymaking.275

As highlighted earlier, a change of government seems to play a role in this context since the policy of the present socialist government is allowing a wider participation of interest representation in the policy process.276 How this rhetoric will correspond to the reality remains to be seen.

VI.2. Implementation Problems

It has already been asserted that it is the informal and formal features of the Hungarian regional policy organisation, which is analysed in this thesis. Regarding the current state of flux of this organisation, one can see it mainly as composed of informal institutions, where certain rules, norms and codes of behaviour predominate. However, there are a few formal, organisational features of the institution as well, such as a certain governmental structure in terms of handling development issues. These informal and formal features appear to have been established to a large extent during the post-war period although a certain path-dependency can be derived from even earlier policies. The centralised tradition of Hungary is, for instance, much older than post-war policies. In a classical historical institutionalist sense, the 1989-revolutions could be regarded as a ‘punctuated equilibrium’, where socio-economic pressures were so strong that the institutional setting had to change. These changes could be seen as embodied in, for instance, the highly decentralising initiatives and the delegation of the responsibility to the counties for handling regional development policies in the 1990’s. Yet, the analysis of the implementation of the RPP suggests differently. A number of influential path-dependencies from the communist era can still be identified.

274 Cox & Vass (2000), p.1109
275 Ibid., p.1095
VI.2.1. Informal Features: Centralised Leadership and a Lack of Cooperation

The centralised tradition of handling development policies is clearly deeply embedded. Although a regional development policy is not to speak of before the reforms of the 1990’s, the existence of a development policy, which was exclusively handled by the central level, has left distinctive path-dependencies in the attempts of creating a regional policy organisation in line with the partnership principle. This brings up the question of how institutions matter. From a historical institutionalist perspective, the institutional setting has structured the power relations and influenced the policy process by continuing on the path of privileging the interests of the central level, particularly the decision makers, at the expense of the sub-national levels. There are clearly conflicting interests amongst the actors of the Hungarian regional policy organisation, with some actors (especially on the sub-national levels) wishing more decentralisation. However, these are underprivileged by the institutional setting. Considering the above analysis, many implementation problems seem to originate in the policies of the central government. For instance, difficulties have often stemmed from a lack of appropriate legislation from the decision makers at central level.

The legislation, which has been carried out - such as the establishment of the regions and earlier, the highly autonomous local governments - still illustrate the persistence of centralisation by not being accompanied by more in-depth measures, for instance, delegating more finances or financial independence to sub-national levels or creating larger, local units. Also, regionalisation is mainly a project lead by the central state. Furthermore, the institutional framework has privileged the central level in terms of the EU accession process, resulting in poor knowledge of EU procedures amongst particularly the lowest levels. It has reinforced the structure of power relations and established a routine, where the central level continues inhabiting many EU related tasks, which normally are decentralised. Thus, the implementation of the partnership principle appears to be determined by central political interests. However, the preferences and goals of the central actors are just as constrained by the institution as the underprivileged actors. Consequently, the policy choices of the central actors are not fully strategic but follow the logic of institutionalised rules and norms. Hence policy outcomes are often unintended. It explains why the decentralising policies of the early 1990’s have been counter-productive or why certain political actors are keen promoters of the

276 Interview with Hungarian official F, 08.11.2002
Brussels model and yet, former policy paths continue. Preference and goal formation is thus another example of how institutions matter.

Many of the Hungarian officials involved in the RPP indicate an appreciation for partnership practises. Yet, phrases such as: “it is not in the Hungarian culture” and “I understand if those of the central level are against it” simultaneously appear to illustrate that partnership is not considered appropriate for the present regional policy organisation. Thus, it shows an unintentional bias for the existing institutional structure - in the form of an acceptance of it - with EU requirements seen as something that needs to be applied in order to receive regional funding. In other words, partnership represents “(...) an attractive element of the recently developed vocabulary, which fits, in best case, in the ideology, but not in the behavioural patterns of the government”. A preference for certain procedures has been institutionalised, constraining the behaviour of actors and hence obstructing the implementation of partnership practises.

The highly centralised, hierarchical and strict system through the rule of party has also established certain rules and patterns of behaviour, which can be seen as non-cooperative and closed. This path-dependency is noticed in the process of moving from sectoral to territorial and cross-sectoral ways of handling development issues. However, it appears to be a problem in general, also in terms of sector-wide cooperation and across governmental levels as well as their cooperation with social and economic actors. Cooperating and sharing information does not fit earlier practises in the field. Keeping information to yourself can be seen as a way of defending your interests and your place in the hierarchy. Further, actors appear suspicious of sharing information with, what they regard, an indifferent and elitist government.

A specific administrative culture, where certain norms, routines and codes of behaviour dominate, has thus been institutionalised:

277 See interview with Hungarian official B, 06.11.2002
279 This especially appears to be the case with the socialist government, the former communists, since many interest groups cannot forget what role they played during the Communist era.
- A centralised leadership appears the norm, not only in terms of dominating regional policy issues but also regarding the central level having the most access to information through social and economic actors (e.g. IRC) and other interest groups.

- However, since independent interest representations were excluded from policymaking during the communist era, this legacy is evident partly through the government using its own channels for information access, via the established political elite (illustrating elitist, party state path-dependencies) and partly through how many Hungarian officials, especially on the lower levels, cannot understand the need of including these social and economic interests or how they could fit in.

- The legacy of the strict, hierarchical system has remained in the form of a certain suspicion towards cooperation and coordination between different levels, sectors and actors and an unwillingness to share information. There is a general lack of understanding the need of both vertical and horizontal cooperation.

VI.2.2. Formal Features: The Hungarian Model of Regional Policy

As mentioned, the decade after the fall of communism has added its own institutional constraints on Hungarian regional policy organisation.280 The establishment of a formal institutional structure, a ‘Hungarian model’ – with an autonomous local level and the counties as the meso-level – before the more concrete features of the Brussels model were presented, has influenced issues such as the nature of the regions, leading to merely administrative regionalisation.281 Thus, a policy continuance is noticeable, with, for instance, the county and local levels being more privileged than the regions but with the meso-level considerably weaker than the local level.

Obviously, the centralised structure of Hungary and the sectoralised way of handling development issues can also be seen as formal features of the organisation. However, since these simultaneously display important unwritten codes of behaviour and rules, the analysis has chosen to highlight them mainly as informal institutions.

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280 Fowler (2001), p.44
281 Ibid., p.45
In short, deeply embedded institutions do appear to persist. It makes them persist even during
dramatic socio-economic change.\textsuperscript{282} The regional policy organisation and the administrative
culture institutionalised during the communist era appear to be such a case. Particularly its
informal features such as an elitist and centralised routine of handling policymaking vertically
and horizontally as well as a non-inclusive, closed ways of conductance, on and across all
levels, seem to be deeply institutionalised. These institutional settings are in various ways
shaping the behaviour of its actors, their preferences and goals and thus, implementation, in a
partly intentional and partly unintentional manner. The Hungarian interviewees express an
unintentional bias for the existing institutional and organisational setting (which illustrates the
institutional constraints), despite showing an intentional disapproval of central government
policies and an interest in partnership practises. Also the central level actors are not fully
aware of their policy choices and preferences, causing unintended outcomes.

The negotiated transition of Hungary can be seen as the root cause behind this inertia:

“(…) the main problem is that ‘the political elite’, which participated in the transition, did not
establish a new political culture. Instead, it strengthened the components of traditional
Hungarian political culture while it also kept the attitudes, mentality and ways of thinking
learned in the Kádár regime.”\textsuperscript{283}

The emphasis of HI and hence this sequence is on path-dependency and the inertia of
institutions. Yet, the question of whether there are possibilities for institutional change is
unavoidable. The EU regional policy organisation and the partnership principle have provided
new policy ideas, which are meant to influence the institutional setting. The next section will
assess if there are appropriate institutional mechanisms for accommodating these ideas, thus
resulting in some type of institutional change.

\textbf{VI.3. New Policy Ideas and Change}

Since change in HI can express itself in various ways, the following part aims not only to
identify whether there are possibilities for change in the Hungarian regional policy

\textsuperscript{282} Steinmo, Thelen & Longstreth (1992), p.18
\textsuperscript{283} Cox & Vass (2000), p.1107
organisation. If there are, it will also be examined what types of change seem most likely for the Hungarian situation. The agent appears to be determinant for most possibilities of change in HI since it is through the behaviour of the agent that one notices the capacity of the institution to ‘sell’ the new ideas.\textsuperscript{284} It is thus the agent, which directly and indirectly is the focus. However, as we have seen, radical change within the socio-economic context can also play an important role. Although it has been highlighted that its role (that is, the transition) has not been determinant in terms of changing particularly informal institutional features in Hungary, it still needs to be taken into consideration, not the least because of its possible influence on the agent.

\textit{VI.3.1. Formal Mechanisms}

The present socio-economic context - the EU accession process - has demanded a degree of institutional and organisational adaptation, where new policy ideas have to be implemented. Hungary has been prominent in terms of meeting accession criteria. The fact that negotiations under Chapter 21 have been provisionally closed reflects that Hungary has fulfilled the most pressing criteria in the field. Yet, as the above analysis indicates, it is questionable if these so far have been accompanied by any deep-going measures. Instead, a mere cosmetic change of the old institutional setting has been done. Necessary EU requirements have been implemented but under the surface, policies inclined towards centralisation still dominate. In terms of the partnership principle, it is evident that more in-depth changes are needed. The interviews conducted in Hungary all indicate the newness of the policy ideas of the RPP: “we have to admit that this is a system, which is really new for us. (...) Challenges… I think everything. Just setting up a new system for new actors, for implementing new programmes”.\textsuperscript{285} Many thus point to the challenges, which lie ahead and express scepticism in incorporating the new policy ideas of the RPP in a sustainable way, at least in the near future.

At first sight, the institutional mechanisms of the Hungarian regional policy organisation appear badly equipped for incorporating new policy ideas. While most of the interviewees express a wish for further decentralisation and a disappointment in the measures of the government, they remain the underprivileged amongst the conflicting interests of the institution. Measures of, for instance, a strengthened process of decentralisation need to be

\textsuperscript{284} Peters (1999), p.71
\textsuperscript{285} Interview with Hungarian official D, 07.11.2002
taken on the central level by the national political elite and would, in some instances (e.g. the change of local level legislation), require constitutional change. Similarly, the government obstructs introducing a more participatory system by, for instance, not strengthening the formal or informal channels of interest representation (e.g. IRC) in the decision-making process. The institutional setting thus provides little possibility for sub-national and social and economic actors to influence decision-making. The central government is, in the end, the agent, which has most access to power and pressure over the policy process, where they act within the limits of past policy choices.

It remains to be seen if the present socialist government will introduce more profound changes, e.g. making the regions publicly elected. However, as noted, opposition parties are always more eager to propose decentralisation. This illustrates how once part of the institutional structure, the interests and strategies of the new actors are constrained by earlier policy choices. Also, the socialist government is not a new actor. Being the former communist party, they formed a part of the old elite and thus bear the responsibility for old legacies.

Hungarian official B refers to the difficulty of introducing new policy ideas. He sees the RPP as useful in providing a link between the sub-national and national levels:

“(…) as an outside person, entity, they can tell our opinions to the higher levels (…) I think it contributes to the clarification of tasks. However, the whole system is constructed in a way that they cannot break through things. (…) I think they can interfere but they cannot shift things in the other direction.”

What appears necessary is“(…) a new constellation of power and actors and a new process of compromise finding and conflict resolution to overcome that institutional inertia and resistance to change”.

The above account can be seen as embodying more formal institutional (organisational) mechanisms, where new policy ideas can penetrate. Regarding more informal mechanisms - i.e. changing the mentality of the actors involved in the regional policy organisation and thus,

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286 The general division of Hungary is fixed by the constitution. (Szegvári (2002), p.142)
287 Interview with Hungarian official B, 06.11.2002
288 Wollmann (1997), p.479
changing norms, ideas and ways of conductance – the challenge might at first sight appear greater. Yet, it is here an opening could be provided.

**VI.3.2. Informal Mechanisms**

PHARE official A observes that although it is too early to see the impact of the RPP, it is achieving a lot ‘psychologically’ since it is spreading EU practises to all levels of governance, including the central. Moreover, according to Hungarian official E, those who have come in contact with partnership many times seem to realise its advantage. In other words, introducing the partnership principle is emphasised as a learning process, where the EU (PHARE) plays a central role: “(...) those related to setting up partnerships and increasing the capabilities of the partners also recognise and formulate partnership in the process”.

In general, a lack of knowledge of what the EU regional policy organisation entails, particularly on sub-national levels seems to be one reason behind implementation problems and thus, a continuance of old policy patterns. Familiarising them with the new ideas, as the RPP and also the EU training programme do, can prove to be a valid step. It is further important to note that EU policy ideas will continue to be present and be even more prominent when Hungary is a member. The interviews conducted, amongst other sources, indicate that there are conflicting interests (particularly between the national and sub-national levels), with a wish for change in the institutional features. As partly self-conscious actors, they seem to have exercised the possibility of reflecting over how to proceed within the institution. Further, even though the experiences of the interviewed officials point to a great deal of confusion regarding the partnership principle in the regional policy organisation, there is, as illustrated, optimism: “I think that the necessary partnerships will not be a problem; they will in practise be strengthened”.

The picture emerging from the above is of a rigid institutional system, where new policy ideas have difficulties establishing themselves but where they, nevertheless, to a certain degree, have infiltrated themselves, particularly amongst the underprivileged actors. This can be explained by how the EU accession context is mediating a different impact of the institution,

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289 Interview with PHARE official A, 04.11.2002
290 Interview with Hungarian official E, 07.11.2002
291 See Immergut (1998)
causing different demands.\textsuperscript{293} This could, in the longer run, provide incentives for change. According to the ‘dynamic constraints’-model, piecemeal change is possible from strategic manoeuvring and conflict between political actors within institutional constraints. Groups and individuals are not only spectators as conditions change to favour or disregard them in the balance of power. They are also “(…) strategic actors capable of acting on “openings” provided by (…) shifting contextual conditions in order to defend or enhance their own positions”.\textsuperscript{294} These strategic openings can also be seen as ‘veto points’. It is here that the EU comes in. Although it is far too early to claim that the Hungarian regional policy organisation is experiencing ‘strategic openings’ or ‘veto points’, the channel for policy ideas provided by the changing context - embodied in the accession criteria and, more specifically, PHARE programmes such as the RPP – could indicate the beginning of such openings. It mobilises those belonging to the organisation to be reformed. Also, as highlighted by Fowler, “(…) regional development has been a policy field especially open to EU influences”\textsuperscript{295}. Although the 1989 revolutions is no ‘punctuated equilibrium’, it can be seen more as a critical juncture of institutional choice, where a branching process or point of departure from established patterns can be observed.\textsuperscript{296}

The Commission’s role in regional policy organisation and in framing the accession criteria has already been asserted. However, it needs to be stressed that with Hungary being a candidate to EU membership and more prominently, as a member, Hungarian regional policy organisation is experiencing a new actor in the form of the Commission. Whether this will change the overall balance of power is perhaps debatable since central governments, through the Council of Ministers, remain influential in terms of EU regional policy. One also needs to remember that dealings with the EU have so far mainly been handled by the central government and that there are clear indications of them continuing this domination. Yet, by taking what has happened in the MS into considerations\textsuperscript{297} – the process of MLG – the EU enlargement process and the Commission could embody this ‘strategic opening’. As shown, the links between sub-national governments, interest representations and the Commission has, to different degrees, eroded the gate-keeping role of central governments in MS. Thus, in

\textsuperscript{292} Ibid.
\textsuperscript{293} See Peters (1999), p.70
\textsuperscript{294} Thelen, Steinmo & Longstreth (1992), p.17
\textsuperscript{295} Fowler (2001), p.26
\textsuperscript{296} Ibid., p.27
\textsuperscript{297} See part III.2.3.
Hungary, a way of strengthening the underprivileged actors of sub-national levels and social and economic groupings would be to take advantage of the MLG-structure of the EU.

Finally, it has been highlighted how the central government has justified some centralised policies by drawing on EU demands and experience in the field\textsuperscript{298}. This could prove to be an overall obstacle for the EU’s possibility of prompting decentralisation. According to Fowler: “(…) there are thus grounds for doubting whether ‘Europeanization’ in Hungary is promoting only decentralization rather than centralization, as has often been assumed will be the case”\textsuperscript{299}.

\textbf{VI.4. Summary}

It appears that Hungarian regional policy organisation is experiencing a dual development. On the one hand, old policy legacies have left its imprint on the institutional setting, leaving it highly centralised, elitist and closed. These are deeply embedded forces, which have been institutionalised since the end of World War II. The actors of the regional policy organisation behave under these constraints and indicate an intentional or unintentional bias towards it, thus, reinforcing old norms and rules of behaviour. This provides a number of implementation problems for the partnership principle. On the other hand, the actors appear highly aware of the institutional constraints and some express a wish for it to change. New policy ideas, mediated by the EU accession context, add to these conflicting patterns in the regional policy organisation, by introducing new ways of conducting regional policy (e.g. the partnership principle) where underprivileged actors can gain more access to decision-making. There are signs of actors learning this, thus, indicating possibilities of gradual policy evolution as an adjustment to changing demands from the enlargement context. Further, with Hungary entering the MLG-structure of EU, the Commission could provide these interests with a ‘strategic opening’ in an institution, which otherwise provide few mechanisms for accommodating new policy ideas.

\textsuperscript{298} See, for instance, the FIDESZ-MPP quotation in part VI.1.1. Also, by pointing to the EU’s demands of managerial competence in terms of handling regional funding, the weak sub-national levels are not deemed capable enough, thus, justifying the dominance of the central level in the field.

\textsuperscript{299} Fowler (2001), p.45
Yet, paradoxically, the EU also appears to have had a more negative impact, as seen with central government actors twisting EU conditionality in their favour. Their great amount of control over EU issues could provide a hurdle for institutional change.

The above illustrates the duality of the Hungarian case as explained by HI; the agent is mainly constrained by the structure, yet, to a certain degree it is left some creativity to make conscious choices about its situation. Obviously, the predictions about change are highly hypothetical. The changing socio-economic context, from 1989 and onwards, can be seen to have prompted a certain degree of change in patterns of the regional policy organisation, which, as the enlargement process illustrates, is far from over. It is also highly difficult to predict how it will end. The institutional arrangement could channel opportunities for some kinds of innovation but also set boundaries on the forms of innovation possible.\textsuperscript{300} So far, institutional path-dependencies remain strong, with possibilities for change being in a very embryonic stage.

\textsuperscript{300} Thelen, Steinmo & Longstreth (1992), p.25
VII. ANALYTICAL FINDINGS

VII.1. Policy Cohesion

For Hungary, Chapter 21 is provisionally closed, with the Commission stating that: “Hungary is generally meeting the commitments it has made in the accession negotiations on this chapter”\(^{301}\). However, as mentioned, the closing of Chapter 21 does not mean that the implementation process is finalised. \(^{302}\) On the contrary, the Commission ends its 2002 Regular Reports by stating that “(…) the correct application of the partnership principle [needs to be] ensured”\(^{303}\). Thus, regarding the assessment of how EU policy objectives in terms of the partnership principle correspond to the implementation process in Hungary, several issues can be noted.

It cannot be denied that Hungary has generally fulfilled its commitment with regards to the acquis under Chapter 21. The legislative framework is in place, so is the territorial organisation in the form of the NUTS II regions, its administrative capacity is being developed as well as its programming capacity. \(^{304}\) These are all necessary requirements for the implementation of partnership practices.

However, these have not been accompanied by some rather fundamental requirements, which have been raised in earlier Regular Reports\(^{305}\) and all through this paper. A clarification and allocation of tasks between the different levels are still lacking, particularly with regards to defining the role of the regions in relation to the counties. Although the institutional structure for regional development is in place, the ambiguous role of the regions and counties in regional development is complicating a firm establishment of this structure. Further, regarding the financial situation of the sub-national levels, it is questionable if their capacity to prepare and implement Structural Fund programmes (OPRDs) can be strengthened, not to mention, achieve a strong input in the process on a central level. Overall, sub-national bodies are

\(^{302}\) This illustrates how the Regular Reports are more of an indicator of that the implementation process is steadily on its way rather than finished.
\(^{303}\) Ibid.
\(^{304}\) See the Commission, Regular Report on Hungary 2002, pp.100-103
\(^{305}\) See Chapter III.
lacking human and financial resources. This is also why the central level will be handling most of the management of OPRDs in the first programming period. It is still unclear what place the sub-national levels will have in national planning and implementation priorities in the future, especially considering the NDP. Regarding the involvement of social and economic partners on all levels, it so far appears most developed on the central level. In general, knowledge and experience about partnership practises appear unevenly distributed and frequently severely limited.

Once again, it needs to be stressed that the implementation of institutional structures for partnership practises is in a very early stage. However, what is important about the above issues is the wider trend they indicate or perhaps do not indicate, namely a process of decentralisation. Since both horizontal and vertical partnership needs to be situated in this context, it presents a very bleak picture for the establishment of the partnership structures, which at the moment are being initiated. Furthermore, the Commission has continuously stressed decentralising measures in the Regular Reports. However, instead, a process of de-concentration seems to have occurred. Although it has been asserted that partnership structures also can function in a context of de-concentration, it is questionable if de-concentration in the form of increasing the power of the central level on behalf of sub-national actors is appropriate for the long-term establishment of the principle.

In sum, the policy coherence between objectives and implementation process can be seen as rather weak at this stage. Important short-term components for the principle are in place but in a longer term, more in-depth requirements are lacking. Implementing regional funds involves more numerous and sophisticated tasks than PHARE entails, which means that the present arrangements need strengthening and further developing. Thus, the reality of decentralisation, regionalisation and involvement of multiple actors lag behind the normative ideals, expressed in, for instance, the NPAA.

VII.2. Empirical Findings

There are obviously a number of factors affecting policy cohesion, which the theoretical framework of HI does not contemplate. These need to be mentioned in order to do justice to their apparent significance and their relation to a number of factors.
Firstly, one cannot forget that Hungary has ever since 1989 experienced a very difficult and intense transition period, which has meant an overall difficult financial situation. This has complicated the implementation of many PHARE programmes, since public administration has lacked adequate human and financial resources for handling the implementation process. The Hungarian public administration is overburdened with the present workload and as Hungarian official E claims: “(t)he people involved in the Structural Fund management are already working 8-10 hours a day. The question is when to invest time in the future of managing the Structural Funds?” Thus, the overall phase of transition of Hungary inevitably influences policy implementation.

Secondly, taking on the *acquis* of Chapter 21 is a great challenge considering that it has sometimes developed over 40 years in the MS. The CEECs are thus expected to achieve much in little time. This is a difficult task, especially considering their background and phase of transition. As one author notes: “(t)he challenge with which public institutions are faced in Central and Eastern Europe, is to redefine their role in society, or more concretely, their relationship with politics, the economy and the civil community.” It is therefore important to put the implementation process in a wider perspective, where it, for the time being, is unrealistic to expect too much.

Thirdly, one aspect brought up by some of the Hungarian interviewees regarding the implementation of the RPP was that although they found it valuable, they sometimes also found it too inflexible and expressed criticism towards how it had been operated by the MS experts:

“(t)he problem with each case of the foreign experts is that they don’t know anything about the Hungarian institutions. They just come here, they have the best practices from Italy or from Germany or from the countries they are coming from. So it is quite hard for them to understand what the situation is in Hungary, what the problems are, why we have these

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306 Kálman (2002), p.52
307 Interview with Hungarian official E, 07.11,2002
problems and not others, the possible ways to move on and what is not an option (…). They just put a proposal on the table, which is just not feasible in Hungary (...).”

This indicates a lack of taking the country-specific context into consideration, by the MS experts. It reinforces the perspective of HI, which emphasises precisely these aspects. Overall, it is questionable if the policy objectives of the EU have been set realistically. The above statement further indicates that implementation problems of the RPP can be found in more practical issues such as operational and managerial difficulties of the actors involved.

Fourthly, Hungary and the other CEECs are in many respects ‘new’ NS. They have not gone through the same process of state building observed in Western Europe during the post-war period. Instead, they have recently gained full sovereignty and thus, the central state is sensitive to delegating powers to other actors. Therefore, one cannot expect a similar development of decentralisation or of organic regionalism.

Finally, policy legacies can be important not only with regards to determining a certain policy path but also with regards to prompting a completely opposite policy path. In Hungary, many of the policies of the Communist era have been discredited, particularly amongst the younger generation. In this context, an incentive for incorporating new policy ideas might simply be a reaction towards the old ways of the communist era, as seen with the decentralising initiatives of the early 1990’s. In terms of this, Hungary’s peaceful and negotiated transition could be seen as the factor, which not only has retained institutional features developed during the post-war period but which also could continue the transitional and gradual change typical for the Hungarian political culture.

In sum, the conclusion derived from these findings is that the main emphasis of HI misses, on the one hand, the wider importance of the socio-economic context in the implementation of the partnership principle. It is important not only during change but also in retaining the status

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309 Interview with Hungarian official D, 07.11.2002
310 The advice of the MS experts can sometimes be seen as somewhat random since it depend on the experience and assumptions of the adviser, who in turn is influenced by his or her nationality and background. (Grabbe (2001) and interview with PHARE official B, 09.12.2002)
311 Kirchner (1999), p.2
313 Cox and Vass (2000), p.1112
quo. On the other hand, it does not leave the dealings of the actor enough importance in influencing policy implementation. This includes both the role of external actors (i.e. PHARE officials and the objectives of EU policymakers) and internal actors, where more practical and organisational issues might be the problem rather than the wider institutional setting. Further, the institutional setting can prompt a completely opposite reaction, illustrating that agents inhabit more creativity than suggested in HI.

VII.3. Theoretical Findings

HI has provided a framework for the analysis of the policy coherence by (a) indicating the factors, which are influential in terms of the implementation of the partnership principle and (b) explaining how these have affected the policy coherence. Its specific theoretical lens has thus led us to a number of general findings in terms of the analysis of the implementation process.

Firstly, it has illustrated evident clashes between the EU and the Hungarian regional policy organisation. It has shown how policy implementation depends to a great degree on earlier policy legacies and on the formal organisational and informal institutional features created by path-dependencies. These have obviously not been taken into account by the Commission’s Brussels model, which in many respects is directly opposite to the Hungarian model and administrative culture.

Secondly, by pointing to how institutional features shape goals and preferences of the actors, HI has contributed to explaining why policy coherence, so far, is rather weak. By identifying certain historical policy legacies as constraining, it determines, on the one hand, why national decision-makers have chosen a certain policy path over another. On the other hand, by looking at how these institutionalised legacies shape goals and preferences of the actors, it explains why actors behave in such an incompatible way, thwarting policy implementation. Further, the development and operation of this institution has privileged certain groups over others, distributing a greater share of power to some, whose interests have been represented to a greater degree. The fulfilment of some vital short-term requirements of the partnership principle indicates that the pressure of the enlargement context is recognised amongst key decision makers. Simultaneously, the lack of long-term solutions shows an absence of
political commitment to a policy not entirely compatible with organisational and institutional factors. Adapting to EU requirements can, thus, be considered as primarily symbolic, where real preferences lie in keeping the status quo of the Hungarian regional policy organisation.

Thirdly, despite its static appearance, the HI framework offers tools for seeing possibilities of change. On the one hand, the actor has a degree of creativity. By seeing how she/he, firstly, can reflect over and respond to changing outside demands and secondly, intentionally or unintentionally can shape institutions with his/her choices, piecemeal change is possible. It is here the RPP, not to mention, the process of time (i.e. Hungary getting increasingly familiar with EU practices as a member) can prove valuable. On the other hand, by recognising that underprivileged interests can take advantage of ‘strategic openings’ - where the MLG framework and the Commission is suggested to play an important role – it offers a way around an institution where mechanisms for new policy ideas seem closed.

Fourthly, the dualism of HI, where the ‘calculus’ and ‘cultural’ approach of an actor is combined, has been useful in illustrating the dual attitude of many of the actors involved in the implementation of the RPP. It has shown a degree of calculative thinking, where preferences are simultaneously constrained. Thus, even though this combination has been regarded as a limitation of the perspective314, the approach of this thesis has found it useful in illustrating the complexity of reality.

Yet, HI does leave gaps in its argument. It sees change as possible but cannot foresee or explain when or even if it will happen. Thus, when and why are actors suddenly capable of discarding institutional constraints and taking advantage of the strategic openings? Further, when and how is the context influential enough to influence the actors and the institutional setting? Although varied answers have been provided by historical institutionalists,315 they remain rather vague and prompt even more questions. This can be seen as a general problem. Change characterises social arrangements as much as continuity but when, why and how change occurs remain difficult for theoretical models to explain.

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314 See Hay & Wincott (1998)
315 See Hall & Taylor (1998)
VII.4. The Hungarian Perspective

An underlying aim of this thesis has been to assess the policy coherence from a Hungarian perspective. It has thus emphasised Hungary’s unique background in the field of regional policy organisation. This makes it possible to acknowledge that implementation requires Hungarian actors to pursue, what for them might appear to be, rather alien ideas. In turn, a more in-depth and varied picture has been provided in contrast to the vague and EU-centred Regular Reports. From the above analytical findings, it is clear that Hungarian traditions in regional policy organisation have not been accommodated by the Commission’s conditionality. Moreover, the Commission has clearly demanded too extensive changes, which have not been demanded by the present MS.

Thus, regarding the question whether Hungarian interests have corresponded to EU objectives in terms of regional policy organisation, EU (or Commission) interests can be seen to have taken precedence over Hungarian interests. Yet, in a long-term perspective, the answer is more ambiguous. The interests of sub-national actors are, in principle, clearly more in line with partnership practices, whereas the central levels is not. Yet, as seen, the rhetoric of EU objectives has often been interpreted in favour of the central level, even acting as incentives for strengthening centralisation. On the whole, it is clear that the conditionality of the Commission has been a heavy burden on Hungary’s regional policy organisation but in a longer term, it is less clear whether it has entirely been out of line with Hungarian interests in the field.
VIII. CONCLUDING CHAPTER

“Is it necessary to move so fast? It is true that the central European transition countries have ‘no other way’ but to join the EU. It is also true that they have survived a big ‘big-boom’ adjustment following the transition process. However, the ‘big-boom’ was a one-time affair. Integration in the EU is a constantly evolving process.” (Dr. Jovanovic, M.)³¹⁶

VIII.1. General Propositions: CEEC and EU Regional Policy Organisation

The case of Hungary and partnership implementation illustrates a number of specific and general tendencies in terms of the development of EU regional policy organisation in CEE. Hungary is a specific case in many ways. Perhaps most significantly, its political tradition involves some reformist elements, which always put it at the forefront in adopting new reforms, evident during the communist era. This is also evident in how it has come further than most other CEECs in terms of adhering to EU accession criteria. Therefore, its reform-friendly tradition might not have left it with such a heavy burden in terms of its communist past in comparison to other CEECs. Also, at first sight Hungary might appear the most decentralised country in CEE but as illustrated, it is still a centralised state. Furthermore, an impediment could be found in the fact that Hungary, unlike other CEECs, lacks a basis for historical or ethnic regionalism.

HI highlights how policy implementation always depends on the specific policy path and historical context, which prompted this path and which obviously differs from country to country. It is thus important to take the situation of each individual CEEC into consideration. Yet, this paper adopts some general propositions for CEE since it regards these countries to share several similar features by inhabiting a communist past and a future in the EU.

However, it does so by stressing to keep country-specific issues in mind, not the least, specific policy traditions in the regional development field.

It is clear that the EU accession framework has presented CEE with a great amount of challenges to their (regional) development organisations. Implementing the Chapter 21 *acquis* does not only involve adopting a legislative framework but also includes introducing new structures, institutions, procedures and not to mention, new ways of thinking. The partnership principle can be seen as particularly challenging in this context, since it needs rather in-depth changes. The principle is situated not only in a context of decentralisation or regionalisation but also requires channels of cooperation and coordination, vertically and horizontally, on all levels. In turn, the principle is conditioned by factors such as a developed administrative framework and appropriate financial and human resources, particularly on the lower levels. The implementation of these basic features of the principle has proven to be problematic because:

- Previous policy choices have shaped the regional policy organisation and left lasting legacies of formal organisational and informal institutional features. These can be regarded as having been established during the communist era but the post-communist period has also added to these legacies. The formal features include factors such as a specific institutional structure, i.e. centralised and, in the case of Hungary, a tradition of counties as well as a sectoralised way of handling development issues. The informal factors entail a specific administrative culture, which can be summarised as centralised, hierarchic, elitist, non-cooperative and closed.

- These legacies have left path-dependencies in the institutional setting, which on the one hand has shaped the goals and preferences of the involved actors and on the other, has privileged the actors on the central level in terms of power and influence.

- This has created rigid formal institutional mechanisms for introducing new policy ideas, which would favour other actors than the central level.

Yet, there are informal channels found in the policy learning provided by the enlargement context. This indicates possibilities of changing the preferences and biases of the underprivileged interests, towards the existing institution. The EU context can thus provide
the beginning of strategic openings for these interests, which could become institutionalised with EU membership. As parts of the MLG framework, similar opportunities provided for sub-national actors in the MS, could be offered. However, although 1989 can be seen as a critical juncture, where a new pattern in terms of regional policy organisation was initiated, it is still in a state of flux, where old policy legacies remain persistent. Hence it is difficult to predict whether, when or how it will settle.

Further, it has been noted that other factors, e.g. the wider process of economic and political transition the CEECs are undertaking, will inevitably also influence the implementation of the partnership principle.

**VIII.2. Future Developments**

This thesis has mainly focused on the implementation process of partnership in the context of the early outputs of the Hungarian regional policy system. In turn, it is clear that the analysis of the implementation and the outputs provides valuable insights and possible indications of future developments in this field. This section will therefore very briefly touch upon some of the issues, which are relevant for CEE and the EU in a wider perspective.

**VIII.2.1. CEE**

It is obvious that many implementation problems remain, which could complicate the absorption of EU regional funding. A fundamental question is whether or not the actual framework of EU regional policy organisation and the partnership principle are enough to solve challenges in the CEECs in terms of regional disparities. This has not always been the case in Western Europe. It is too early to provide an answer but according to one observer:

“(…) it can be said that the EU structural policy framework provides better chances (more adequate institutional models and much more abundant, though, still insufficient, financial resources) for the CEEC’s to address regional policy challenges than they would have without a change in this direction.”

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Yet, another author states that: “(….) a more sophisticated approach to understanding the evolving paradigm of regional development in the transition economies is required”, referring to the need of taking the CEECs own traditions of regional development policy more into account.318

With regards to adhering to the ideals of the regional policy organisation of the Commission, i.e. decentralisation and vertical and horizontal partnerships, the above analysis as well as other factors indicate the relative greater significance of central authorities in the CEECs than in most EU MS.319 In this respect, it is more likely that CEE follows the path of countries like Portugal, where a de-concentration of powers has become the norm and where the partnership process is often led by the central state.320 Nevertheless, with our analytical findings in mind, the path of Ireland is also possible. Ireland is a relatively centralized MS in politico-administrative terms but in recent years the involvement of sub-national actors has risen to such an extent that the central government now has to take their opinions more into account when preparing the NDP.321 It is clear that, in reality, there is no European model of regional policy organisation. Instead, each MS has developed its country-specific model, according to former institutional structures. The Commission can in this respect be seen to have emphasised a Brussels model, which does not exist, thus, overextending the conditionality in terms of Chapter 21. As members, the CEECs will not be in such an asymmetric relationship as they were as candidates. Hence a country-specific regional policy organisation is likely to develop, a hybrid between functional needs and historically grown structures. Thus, “(…) the effort to export a single regionalization model is undermined by the diversity of Europe itself”322.

As one author notes: “(…) the transformation process is very complex, full of tensions and contradictions and extremely hard to predict”323. Thus, implementing EU practises such as the partnership principle will inevitably be a long and open process.324

317 Szemlér (2000), p.35
318 Bachtler & Downes (1999), p.13
319 See Szemlér (2000)
320 See Syrett (1997)
321 Bollen (2000), p.64
322 Fowler (2001), p.47
324 Hungary’s eligibility for regional funds is estimated to last for 30 years. However, some parts of CEE may reach prosperity levels that result in the phasing out of support, e.g. capital regions such as the Central Hungarian Region. (Kálman (2002), p.53)
VIII.2.2. The EU

The eastern enlargement presents the Union with a wide spectrum of possible implications. The analytical findings in the case of this thesis illustrate the difficult legacy of the past, as candidates prepare for membership of an organisation, largely shaped by the interests of previous members. Further, it shows how “(t)he EU is just not expanding across blank spots on the map of Europe. It is moving into countries with certain particular histories (…)”\textsuperscript{325}. Thus, there is a need for an increased understanding of the administrative cultures in CEE and perhaps an adaptation of policy objectives to these circumstances, in order to make policy implementation more effective.

It is clear that principles such as partnership, subsidiarity and MLG are new to CEE and that past policy practises complicate the institutionalisation of them. Regarding their centrality to EU governance and their perceived importance to the Union’s future governance – as emphasised in, for instance, the Commission’s \textit{European Governance: A White Paper}\textsuperscript{326} – the implementation problems could have wider implications in a long-term perspective. The eastern enlargement and the current reform of the EU can be regarded as parallel and intertwined processes, where the former has been central in influencing the latter. Bringing in a large amount of new MS, who have difficulties in implementing the above principles and whose current form of governance implies very different solutions, could complicate the process of strengthening these principles. Michael Goldsmith highlights the significance of implementation: (…) implementation serves as a feedback and driving force to new undertakings, which may accelerate or decelerate integration (…)”\textsuperscript{327}. Thus, the implementation difficulties might not only prove important for the individual CEECs but also for the EU as a whole.

VIII.3. Final Summary

The EU is the most influential external actor in the transition process in CEE. The accession framework has involved conditionality, which had to be fulfilled in order for the CEECs to become EU members. The accession date has now been set, thus, illustrating the satisfaction amongst the present MS of the degree to which the eastern candidates have adhered to EU conditionality. In turn, the candidates have implemented many features of the political and economic model of the Union. Yet, the analysis of Hungary and the focus on the implementation of the partnership principle illustrate present problems and point towards challenges yet to come. The basic requirements of decentralisation, regionalisation and initiatives of involving multiple actors were determined as central in terms of a firm establishment of partnership practices and have thus been the focus. They are also important features of the Brussels model.

On the hand, this thesis demonstrates that cohesion between the EU policy objectives and the Hungarian implementation process has been weak. Short-term components of the Brussels model are in place but the more in-depth, long-term ones are lacking. Hungary has been one of the most eager candidates to Europeanise its regional policy organisation. Still, former policy legacies, both in terms of formal organizational structures and informal features of the administrative culture constrain the implementation process. These path-dependencies have been determined as: centralised leadership and a centralised institutional structure; a sectoralised way of handling development issues; a tradition of a weak meso-level in the form of counties instead of regions and a rather autonomous local level; a weak establishment of involving diverse interest representations, particularly on sub-national levels; a hierarchical and non-cooperative administrative culture, causing suspicion towards exchanging information with other actors and a tendency to keep information to yourself. These policy legacies have constrained the goals and preferences of the actors involved and privileged the interests of central level actors over sub-national actors. There is thus a mismatch between the EU and the Hungarian regional policy organisation. The fulfilment of EU conditionality has been determined as merely symbolic in order to gain membership and regional funding.

On the other hand, actors appear to be taking advantage of openings in the informal institutional mechanisms provided by the enlargement context, adapting to new policy ideas.
This points to possibilities of on-going change in the institutional structure, although developments are still in their infancy. Other factors besides institutions have been asserted as influential, such as the general burden of the transition and the EU enlargement. In general, EU interests have been considered as taking precedence over Hungarian interests. Yet, this can vary for different actors in the long-term.

The future of the Hungarian regional policy organisation and the implementation of partnership practices remains open. It is clear that the implementation process does not end with Hungary becoming a MS. On the contrary, it is after accession many of the real challenges await.

**VIII.4. Future Recommendations**

There are many possibilities for continuing the research of this paper. Combining different policy implementation perspectives is one example. Accordingly, combining various institutionalisms could be useful in tackling many of the shortcomings of these perspectives. Both of these issues could contribute to a wider interpretation of the implementation process and the possibility of explaining some of the empirical findings more in-depth, with the help of theoretical tools. In combination with the theoretical framework, a more thorough account of the MLG-perspective can also be done.

Furthermore, conducting interviews with a wider array of Hungarian and Commission officials in terms of other PHARE or, in the future, Structural Fund programmes, could be done in coming research in order to build on the findings in this paper. In this context, periodically doing research on the implementation of the partnership principle when Hungary is a EU member could investigate the theoretical propositions put forward in this paper and evaluate the further influence of the EU on Hungarian regional policy organisation over time. Obviously, the focus on the partnership principle could be extended to other principles and issues of the Union’s regional policy organisation. Doing a comparative perspective with other CEECs or with Western European MS could also provide interesting findings. Furthermore, as this paper proposed in the beginning, presenting general propositions at the

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328 For instance, combining Rational Choice Institutionalism and Historical Institutionalism in order to more adequately address the structure-agency relationship. (See Hall & Taylor (1998))
end, which in coming research can be applied in terms of other CEECs, thus investigating its
generalizability, is an important incentive for further research, which could be extended to a
wide spectrum of CEECs and beyond.

Word Count (excluding abstract, footnotes, graphs and tables): 25 575
IX. ANNEXES

IX.1. Annex 1: Interview questions

Since an open structure was used for the interviews, the following questions were only applied as a focus and were not followed strictly. Further, some questions were sometimes added or not asked, depending on the occupation of the interviewee. Questions were also not always asked chronologically.

1. What is your jobtitle? What are your personal responsibilities / the responsibilities of your office?
2. What was your initial impression of the institutional system for handling regional development in Hungary?*
3. (a) What do you think have been the biggest challenges, which Hungarian institutions and officials have had to face in order to comply with EU requirements for regional policy?
   (b) How have the competencies of the local, regional and central levels changed?
4. What have been the main difficulties in terms of creating a new (regional) level?
5. How independent are you from the central level?*
6. To what extent do you involve social and economic actors and NGO’s?
7. (a) From your perspective, what does the principle of partnership involve and mean to you in terms of regional development policy in general?
   (b) How well does this correspond to the Hungarian system?
8. (a) What have, according to you been the general achievements and difficulties of the RPP so far?
   (b) What is the relative strength or role of the local / regional / county levels and of social and economic partners? What about cooperation and a clarification of tasks?
9. (a) What, from your point of view, have been the factors behind eventual achievements? What have been the factors behind eventual difficulties?
   (b) How receptive were Hungarian officials to advice from you?*

* Asked only to PHARE officials.
* Asked only to sub-national officials.
10. To what degree do you feel influenced by your own country’s practices when working with the RPP in Hungary?*

11. What, in your opinion, would be the most appropriate way to handle regional development policy in Hungary? Which governmental level would be the most appropriate? Is this the general opinion?

12. How prepared do you think Hungarian officials and institutions are for handling the actual Structural Funds?

13. How will you be involved in the implementation of the EU regional funds after accession?*

14. (a) What possible future developments and trends can you identify in terms of the decentralisation process and the involvement of social, economic and other actors after EU accession?
   (b) Are there any lessons the EU can learn from Hungary in this context?

15. Is there anything you would like to add?

* Asked only to PHARE officials.
* Asked only to Hungarian officials.


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**Interviews**

Interview with Hungarian official A, 06.11.2002, Budapest, Hungary.

Interview with Hungarian official B, 06.11.2002, Budapest, Hungary.


Interview with Hungarian official D, 07.11.2002, Budapest, Hungary.

Interview with Hungarian official E, 07.11.2002, Budapest, Hungary.

Interview with Hungarian official F, 08.11.2002, Budapest, Hungary.


* The names and occupations of the interviewed officials have been chosen to be confidential.