

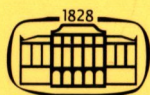
*Transition, Competitiveness
and Economic Growth*

5

THE REGION

REGIONAL DEVELOPMENT, POLICY,
ADMINISTRATION AND E-GOVERNMENT

Edited by GYÖRGY ENYEDI *and* ISTVÁN TÓZSA



AKADÉMIAI KIADÓ, BUDAPEST

THE REGION

REGIONAL DEVELOPMENT, POLICY,
ADMINISTRATION AND E-GOVERNMENT

*Transition, Competitiveness
and Economic Growth*

5

PUBLISHED
IN ASSOCIATION WITH BUDAPEST UNIVERSITY
OF ECONOMIC SCIENCES AND PUBLIC ADMINISTRATION
INTERNATIONAL STUDIES CENTRE

Series Editor:

JÓZSEF BERÁCS

Volumes published before:

- Vol. 1 BERÁCS, J.–CHIKÁN, A. (eds): Managing Business in Hungary
- Vol. 2 TEMESI, J.–ZALAI, E. (eds): Back to Market Economy
- Vol. 3 LENGYEL, GY.–ROSTOVÁNYI, Zs. (eds): The Small Transformation
- Vol. 4 CHIKÁN, A.–CZAKÓ, E.–ZOLTAY-PAPRIKA, Z. (eds):
National Competitiveness in Global Economy

THE REGION

*Regional Development, Policy, Administration,
E-Government*

Edited by

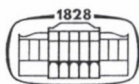
GYÖRGY ENYEDI

Member of the Hungarian Academy of Sciences

and

ISTVÁN TÓZSA

Budapest University of Economic Sciences and Public Administration



AKADÉMIAI KIADÓ, BUDAPEST

ISBN 963 05 8037 3
HU ISSN 1419-3159

© Akadémiai Kiadó, 2004
Member of Wolters Kluwer Group

All rights reserved. No part of this book may be
reproduced by any means, or transmitted or translated
into machine language
without the written permission of the publisher.

Published by Akadémiai Kiadó
H-1519 Budapest, P.O. Box 245

Printed in Hungary

CONTRIBUTORS

- GYÖRGYI BARTA Hungarian Academy of Sciences, Centre for Regional Studies, Central and North Hungarian Institute, Budapest, Directress
- ZOLTÁN CSIZMADIA Hungarian Academy of Sciences, Centre for Regional Studies, West Hungarian Institute, Győr, Researcher
- GYÖRGY DOMOKOS Environmental System Research Institute/ESRI Hungary Ltd., Budapest, Chief Executive Officer
- GYÖRGY ENYEDI Hungarian Academy of Sciences, Centre for Regional Studies, Budapest, Member of the Hungarian Academy of Sciences
- ÁDÁM FATSAR Environmental System Research Institute/ESRI Hungary Ltd., Budapest, Project Manager
- ISTVÁN FODOR Janus Pannonius University, Department of Environmental Geography and Meteorology, Pécs, Professor
- ANDRÁS GROSZ Hungarian Academy of Sciences, Centre for Regional Studies, West Hungarian Institute, Győr, Researcher
- IVÁN HALÁSZ Hungarian Academy of Sciences, Institute for Legal Sciences, Budapest, Researcher
- VIKTÓRIA HEGEDŰS Mayor's Office of Budapest, Chief Architect's Office, Budapest, GIS Manageress
- GYULA HORVÁTH Hungarian Academy of Sciences, Centre for Regional Studies, Pécs, Director General

- IVÁN ILLÉS Hungarian Academy of Sciences, Centre for Regional Studies, Transdanubian Institute, Pécs, Senior Researcher
- CHARLES JÓKAY IGE Consulting Ltd., Hungary, Budapest, Municipal Financial Advisor (as language reader)
- TIBOR KOVÁCS Hungarian Central Statistical Office, Regional and Coordination Department, Budapest, Chief Counsellor, Deputy Head of Department
- ANDRÁS KRÉMER Budapest University of Technology and Economics, Department of Sociology and Communication, Budapest, Senior Lecturer
- CECÍLIA MEZEI Hungarian Academy of Sciences, Centre for Regional Studies, Transdanubian Institute, Pécs, Researcher
- JÓZSEF NEMES NAGY Eötvös Loránd University, Department of Regional Geography, Budapest, Professor
- ISTVÁN NIKL InterMap GIS Consulting Ltd., Budapest, Manager
- JÁNOS RECHNITZER Hungarian Academy of Sciences, Centre for Regional Studies, West Hungarian Institute, Győr, Director
- EVÁ SEKERESOVÁ Matej Ben University, Faculty of Economics, Institute of Regional and Municipal Development, Banská Bystrica, Lecturer
- PÉTER SZALÓ Prime Minister's Office, National Office for Regional Development, Budapest, Vice President
- ERNŐ SZIGETI Hungarian Institute of Public Administration, Budapest, Senior Researcher
- PJOTR SZRENIAWSKI Marie Curie-Sklodovska University, Lublin, Assistant Professor
- MICHAEL TARISKA Comenius University, Department of Political Science, Bratislava, Doctoral Student
- ISTVÁN TEMESI Budapest University of Economic Sciences and Public Administration, Department of Public Administration, Budapest, Assistant Professor

ZOLTÁN TÉCSY	Miskolc University, Department of Environmental Sciences, Miskolc, Assistant Professor
ISTVÁN TÓZSA	Budapest University of Economic Sciences and Public Administration, Department of Public Management and Urban Studies, Budapest, Professor
VLADIMIR ZENKL	ArcData Praha Ltd, Prague, GIS Expert

GYÖRGY ENYEDI

After graduating from the Budapest University of Economics in 1953, he received his doctoral degree (M.A. 1957) and his Ph.D. in 1963. He spent a few years in teaching at different universities, then, in 1960 he entered the Geographical Research Institute of the Hungarian Academy of Sciences, where he had worked until 1983 as head of department and deputy director. In 1975 he obtained his D.Sc. In 1983 he left the Geographical Research Institute and founded a new scientific institution, the Centre for Regional Studies (CRS) of the Hungarian Academy of Sciences, of which, he became the Director General. Gradually he developed the CRS into a national network of four institutes, operating in nine cities in Hungary. These four institutes are: the Great Plain Institute (operating in Békéscsaba, Kecskemét, Debrecen and Szolnok), the Transdanubian Institute (operating in Pécs), the Central and North Hungarian Institute (operating in Budapest and in Miskolc) and the West Hungarian Institute (operating in Győr and Szombathely). After retiring from the directorship of the CRS, he serves as the President of the Scientific Council of the CRS network of institutions.

In 1982 Professor ENYEDI was elected a Member of the Hungarian Academy of Sciences. Between 1999 and 2002 he was the Vice President of the Hungarian Academy of Sciences. He is also a Member of the Academia Europea (London, 1990). His professional field of interest and research includes urban and regional studies. He is especially known for his scientific results in regional and settlement development in Hungary and in Central Europe. He has contributed to and headed a great many of major domestic and international research projects, the most outstanding of which are the survey of the World Rural Development (1972–1984) on behalf of the International Geographic Union (IGU), a project on the Environmental Policies in East and West (1984–1992) supported by the UNESCO, and another UNESCO research on the Socially Sustainable Urban Development (1998–2001).

Between 1984 and 1992 he was elected Vice President of the International Geographic Union, as an acknowledgement of his internationally prominent activity and scientific reputation. He was also the President of the Hungarian UNESCO Committee and, besides the Hungarian Geographical Society, he is a Honorary Member of the geographical societies of France, Finland, Poland, the United Kingdom and Croatia, too. He speaks English, French, Russian and Polish as foreign languages.

Professor ENYEDI spent altogether seven years with teaching and doing research jobs abroad: among others, at the Université Paul Valéry (at Montpellier, France), at the Ecole Normale Supérieure (in Paris, France), at the University of California (in Los Angeles, the USA), at Woodrow Wilson International Center for Scholars (in Washington D.C, the USA).

He is the author of 22 scientific books, and has edited 22 volumes. The most remarkable ones include *Geographical Types of Agriculture in Hungary* that was published by the Akadémiai Kiadó in Hungarian in 1965; *An Economic Geography* by Westview Press, Boulder in 1976; *Economic Geography of East Central Europe* published by Közgazdasági és Jogi Kiadó in Hungarian in 1978; *The Effect of Modern Agriculture on Rural Development* by Westview Press, Boulder in 1984; *Environmental Policies East and West* by TAYLOR GRAHAM, London in 1987; *Budapest, a Central European Capital* by Belhaven Press, London in 1992; *Social Changes and Urban Restructuring in East and West* by Akadémiai Kiadó in Hungarian. The total number of the scientific papers, reviews and publications of Professor ENYEDI exceeds 500.

In 2000, his numerous students, then all being well-known researchers, professors and representatives of the Hungarian regional research, published a volume in his honour, celebrating his 70th birthday. This outstanding scientific book, dedicated to Professor ENYEDI, summarises and analyses the regional development processes and the effect of regional policies in the spatial structure of Hungary over the 10 years of transition. Professor ENYEDI is regarded as a scientist with international reputation, who has established not only a network of academic institutions (CRS), but introduced a new way of scientific investigation and thinking in regional development, being referred to, as regional science.

ISTVÁN TÓZSA

Having graduated from the József Attila University at Szeged (1979), he obtained a doctoral degree (1981) on remote sensing in geography and his Ph.D. (1996) on geographical information systems supporting urban environmental decision-making. From 1980 to 1997 he had worked for the Geographical Research Institute of the Hungarian Academy of Sciences. Since 1998 he has been a professor at the National School of Public Administration that was integrated into the Budapest University of Economic Sciences in 2001.

Professor TÓZSA has served at various departments of the academic Geographical Research Institute, like at the Physical Geographical Department as a junior research fellow (1980–1985), at the Department for Land Evaluation Studies as a research fellow (1986–1991) and at the Social and Settlement Geographical Department as a senior research fellow (1992–1997). Between 1998 and 1999 he gave lectures at the Department for Financial Affairs and Settlement at the National School of Public Administration, where he was appointed head of the Department for Public Management and Urban Studies in 2000 as a full professor.

In 1981 he was the first in Hungary to edit and publish a digital LANDSAT satellite map showing the land use categories of the Budapest urban area. He won the Youth Prize of the Hungarian Academy for scientific findings in the methodology of urban ecological land evaluation twice (1982 and 1988) and received the special praise of the Secretary General of the Hungarian Academy for heading a project on Geographical Information System (GIS) application (1997). He is chairman of a civil organization engaged in environmental protection, publishing books and calendars to raise environmental awareness of people. In 1996 e.g. he won special support from the Ministry of Environment for the construction and production of an educational-environmental board game in thousands of copies for children, teaching the ecology and wild life of Lake Balaton and its surroundings, an idea that even Sir DAVID ATTENBOROUGH praised and encouraged. He is also President of the Board of Trustees of the E-Government Foundation on the Modernization of Public Administration. In 2002 he has introduced electronic government as part of the subject Management and Technology in Public Administration, issued an E-Government textbook, launched a multimedia post-graduate course on E-Government, to be the first in Hungarian higher education to do so.

One of his books on GIS entitled *The Application of Spatial Information Systems in Physical and Human Resource Management* (2001) engulfs the findings of 35 major scientific methodological projects all headed by Professor TÓZSA between 1980 and 2000. The main fields of his research involve satellite image processing, inventing early computer devices for the agro-ecological microregionalisation and for the evaluation of environmentally sensitive areas of Hungary in the first part of the 1980s, applying LANDSAT data in preliminary hydrocarbon exploration, and the combination of satellite data with GIS in finding ecologically instable landscapes. Monitoring the change of urban land use and the ground-

water quality under densely built up urban quarters in the City of Budapest, evaluating the environmental quality of the urban areas from the viewpoint of human habitats in the first part of the 1990s, working out Internet tools for settlement twinning and introducing electronic governmental devices into public administration in the early 2000s.

The records of the scientific activity of Professor TÓZSA can be characterised by 373 items, out of which there are 5 books, 79 studies published in scientific papers, bulletins or as book chapters, 32 project reports, 65 manuscripts, 27 newspaper and scientific magazine articles on his own findings, 44 newspaper articles spreading scientific knowledge, 64 book reviews, bibliographies, media interviews, and 56 conference papers both home and abroad.

CONTENTS

Contributors.....	5
Introduction	15
I. REGIONAL DEVELOPMENT	19
1. GY. ENYEDI: Processes of Regional Development in Hungary	21
2. T. KOVÁCS: Regions in Hungary	35
3. J. NEMES NAGY: Elements of Regional Disparities in the New Regional Pattern	62
4. J. RECHNITZER, A. GROSZ, Z. CSIZMADIA: The Hungarian Urban Network's Structure Based on the Information and Communication Infrastructure at the Turn of the Millennium	80
5. GY. BARTA: Regional Processes in Hungarian Industry	101
6. I. FODOR: The Environment in the Regional Development	118
II. REGIONAL POLICY.....	147
7. GY. HORVÁTH: Regional Challenges and Policy Responses in Central and Eastern Europe.....	149
8. I. ILLÉS: Borders and Cross-border Cooperation in the Countries of Central and South-East Europe.....	192
9. P. SZALÓ: Preparation of Hungarian Regional Policy for EU Accession.....	209

III. REGIONAL ADMINISTRATION	225
10. I. TEMESI: The History, Present and Future of Regionalisation in Hungary	227
11. C. MEZEI: Hungarian Public Administration and Regionalism	244
12. E. SZIGETI: The Area Structure of the Decentralised State Administrative Organisational System in Hungary	262
13. P. SZRENIAWSKI: Regions in Poland	277
14. I. HALÁSZ: The Creation of District Self-Governments and Public Administration Reform in the Czech Republic	293
15. M. TARISKA: Regional Administration in the Slovak Republic.....	310
16. E. SEKERESOVÁ: Institutions of Regional Policy at the Regional Level in the Slovak Republic	342
IV. REGIONAL E-GOVERNMENT DEVELOPMENT	371
17. I. TÓZSA: The Penetration of Information-Communication Technologies into Regional Public Administration	373
18. GY. DOMOKOS, VIKTÓRIA HEGEDŰS, V. ZENKL, Á. FATSAR: Application of GIS in Regional Planning	395
19. Z. TÉCSY: Internet and E-Government.....	415
20. I. NIKL: MedMap in the Regional GIS System for Public Health—Case Study	449
21. A. KRÉMER: Social Impact Assessment and Social Participation.....	456

INTRODUCTION

There is a growing interest for regional development in all over Europe. Regions are becoming more and more important territorial frameworks for socio-economic development and government activities as they take over competences and decision-making power from the central government (nation state). During the history of the European Union, there was a clear tendency for government decentralisation and a common policy for diminishing regional disparities. Post-communist Central European countries, ready for accession to the European Union, should take into consideration how to prepare their regional policy and regional administration system for a smooth adaptation to the EU norms. This is not a simple task since there have been fundamental changes in regional development processes and policy responses since 1989.

This volume, based mostly on Hungarian, partly other Central European studies, puts the region into the focus of four aspects. The first deals with new processes and conflicts of regional development. The second one analyses regional policy responses. The third aspect presents regional administration (i.e., the territorial subdivision of public administration). Finally, the fourth aspect introduces a new government technology, the electronic government on regional level. These four aspects defined the internal structure of this volume.

In Part I, new regional processes and new forms of spatial organization of the economy are discussed. *Enyedi* presents major changes in the conditions of regional development that happened after 1989: transition from a state-planned economy to a market economy; the structural and technological transformation of the economy (e.g., the rise of knowledge-based industry) and the increased effect of global economic process-

es. The paper describes the reasons and contents of new regional disparities as well as new spatial forms, like networks, transborder regions, etc. *Nemes Nagy* analyses the elements of regional inequalities; *Kovács* offers an overall socio-economic picture on the seven Hungarian regions. Three special aspects of the regional development have been also presented in this part: the relocation of the modernized industry (*Barta*), the propagation of the informational technology within the urban network (*Rechnitzer et al.*) and the growing importance of environmental protection in regional development schemes (*Fodor*).

Part II is devoted to regional policy. Regional policy can be identified as corrective government intervention into regional processes, generally aiming at reducing spatial disparities. Reducing territorial inequalities with a negative impact on the quality of life has been dictated to governments partly by social solidarity (what has a great significance in many European countries) and partly by political wisdom for avoid political tensions in backward regions. Regional policy, and funds for reducing regional inequalities play an important and growing role within the European Union, too.

This part consists of three papers, dealing with regional challenges and policy responses in Eastern and Central Europe (*Horváth*) the cross-border regional cooperation in Central Europe (*Illés*) and the preparation of the Hungarian regional policy for the EU accession (*Szabó*).

Part III describes the quite important changes what have happened in the regional public administration. After a long period of the over-centralised direction, the sharp turn towards decentralisation on the local level was somehow a natural consequence. In Hungary, after the Act on Local Governments, passed in 1990, most of the development competency was transferred into the hands of local (settlement) governments. In many cases, this competency has been weakened by the strong dependence of the local governments on the central budget. As a result, public administration on the regional level has lost as much regional development competency as the local level has won. However, in the glittering hope of the European Union accession, the Central European democracies have begun to develop territorial units of administration meeting the requirements of the Nomenclature of the Units of Territorial Statistics (NUTS). The studies by *Mezei*, *Halász*, *Szreniawski* and *Tariska* show us, how this process occurred in Hungary, the Czech Republic, Poland and Slovakia, respectively, and what the outcoming regional administrative formations are like.

Temesi surveys historical changes in regional public administration on the changing territories of the Hungarian state within the Carpathian Basin. The role of central government is also manifested in regional public administration via its territorial agencies, as it is described by *Szigeti*, taking the Hungarian system. On the other hand, the impact of civil organisations in regional administration is emphasized by *Sekeresová* in her Slovakian example.

Part IV deals with electronic government that is gaining importance all over the world. In a narrow sense, e-government means information-communication technologies (ICT) appearing in the everyday routine of the government agencies and municipalities. E-governance, however does not merely mean the use of ICT. When the products and devices of the new technology occur in administration, the workflow demands to be changed, to ensure a continuous dialogue between the client and the civil servant. Workflow changes bring into question the restructuring of public administrative institutes, the re-organisation of the civil servant staff and modifying of many of the legal rules defining their tasks. E-government and governance is the infinite tool to realise the on-line democracy, transparency and effectiveness in public administration.

Fields of e-government applications on the regional level include electronic data interchange (EDI) between the agents influencing regional development, general positioning system (GPS) in traffic operation, geographical information system (GIS) in land registry and zoning for physical planning, customer relationship management (CRM), regional Internet portals, etc., as it is described by *Tózsá*. The question of regional planning and the data bases and information technology behind it is especially important (see the chapter by *Domokos* et al.). The worldwide web is the major device e-government is based on. Its many aspects lead to the qualification system of the regional e-government portals as described by *Técsy*. Finally, some case studies describe the application of GIS in regional public health administration by *Nikl* and in the social impact assessment process regarding regional and technological interactions by *Krémer*.

The region in this volume is described from several sides on several Central European examples, being most detailed in Hungary. This volume offers a wide variety of readings to anyone being interested in understanding what region is, all from economic, geographical and political, administrative viewpoints. Since most examples regard Hungarian regional development, policy and administration, the editors found that

the manuscripts of the studies cannot be rewritten in order to avoid repetitions, without distorting their structures. Therefore certain facts and data are repeated in some studies, especially in the field of regionalization and regional public administration, but they are not too confusing in case one reads and uses the volume as a chain of independent studies concentrating on different aspects of regional administration or policy.

The Editors

I

REGIONAL DEVELOPMENT

PROCESSES OF REGIONAL DEVELOPMENT IN HUNGARY

GYÖRGY ENYEDI

INTRODUCTION: WHAT ARE REGIONAL PROCESSES AND REGIONAL DEVELOPMENT?

A *regional process* is defined as a sustained, short- or long-term, economic, societal, cultural or demographic series of occurrences with a specifically spatial impact or spatial consequences. These occurrences are brought about by the successive decisions of individuals, households, companies, institutions, local and national governments and international organisations. A great number of decisions are usually involved which are often motivated by different or even contrary objectives and are seldom directly concerned with regional development. Nevertheless, taken together they can contribute to improving (or worsening) the development, economic growth and quality of life in a given region. *By its very nature*, this spontaneous development *always* manifests itself in space in an unequal fashion. This is because natural and human resources as well as the geographical and infrastructural location of development are differently distributed for each point in space.

The political demand for governmental intervention to moderate the effects of spatial disparities with a negative influence on the quality of life was first voiced, in the name of social solidarity and in the interest of those living in backward regions, in the early twentieth century, especially in Europe. *Regional development policy* can be identified as this kind of corrective governmental intervention into spontaneous regional processes, generally aimed at reducing spatial disparities (ENYEDI 1996).

I would like to stress that regional disparities are not caused by mistaken policies, but rather by the uneven geographical distribution of

development resources. Spontaneous processes leading to discrepancies can be corrected by regional policies provided that (i) these policies are based on adequate information concerning the regional processes, which the intervention scheme is aimed at, and (ii) the intervention scheme is embedded in an adequate organisational and institutional framework.

The interest in regional discrepancies has been growing steadily in recent years. This can be attributed to a number of reasons:

- the intensification and the appearance of new forms of disparities in the 1990s;
- the growing importance of regional (redistributive) policies in the European Union which, incidentally, can greatly benefit the Hungarian economy provided that certain conditions are met;
- the increasing scope of decisions taken by local (governmental and economic) actors.

After 1990, there have been *three major changes* in the conditions of regional development in Hungary:

- transition from a state-planned economy to a market economy;
- the structural and technological transformation of the economy. This has led to both the decline of sectors (e.g., heavy industry), which previously drove economic growth and the simultaneous rise of other sectors (knowledge-based industries, business services). As a result, the map of economic development had to be redrawn. In countries with developed economies, this structural transformation began in the 1970s. The same process did not start in Hungary before the 1990s, but then it unfolded in a very intense fashion;
- an increased pressure to adapt to the consequences of globalisation and to external economic influences, in general.

The task of accommodating these changes poses a serious challenge to institutions, economic actors as well as individuals. At the same time, these fundamental changes are inevitable processes which cannot be avoided and the consequences of which cannot be ignored.

In different parts of the country, local economies and social groups have reacted differently to the mentioned processes. Successful regions have been able to re-adjust without delay, while large parts of the coun-

try have witnessed economic collapse, massive unemployment and impoverishment. It must also be added that although regional conditions of development have shown considerable disparities in the state-planned economy as well, budgetary redistribution has diminished inequalities of employment and income. The state-planned economy protected uncompetitive and backward economic sectors, which in turn was responsible for a serious delay of modern sectoral transformation at the macroeconomic level, as well as for long-term recession and continuously worsening economic positions relative to more developed countries.

It is important to specify, however, the nature of these disparities more closely. Economic output is usually measured in terms of GDP per capita in a given regional unit. But, as I have argued before, this kind of assessment is insufficient.

The Central Statistical Office did not break down the GDP to counties before 1990. This makes it difficult to evaluate the growth of regional disparities relative to former times. (Incidentally, an estimate of GDP per capita carried out by the National Planning Office in 1978 revealed similar differences among counties as today.) The Budapest agglomeration produced an economic output three-times higher than the backward counties, while advanced counties approximately doubled the output of their less developed counterparts. At the time, Budapest was followed by Komárom County, now by Győr-Sopron County. In other words, no significant geographical shift has taken place. I have chosen rather to focus on other social indicators: demographic figures on income, qualifications of the workforce and unemployment, i.e., data included in the Human Development Index (HDI). These figures also confirm that regional disparities (measured in terms of differences among counties) had first increased significantly, as a logical outcome of the transformational crisis of the early 1990s, but began to stabilise after 1996. There is even evidence of decreasing regional disparities after this time. Dynamic regions have remained the same (the Budapest metropolitan region, Northern Transdanubia and the region around Lake Balaton), but there has been a decrease in the number and area of crisis-stricken regions and towns.

I am going to discuss five aspects of the changes that the main factors of regional development processes have undergone. These aspects are the following:

1. international influences;
2. the changing role of distance;

3. new location factors in the economy;
4. changes in the significance of local conditions;
5. new forms of spatial structure in the economy.

NEW FACTORS OF REGIONAL DEVELOPMENT

1. *International influences* shape Hungarian regional development to a very large extent. Three levels of these influences can be distinguished (ENYEDI 2000): First, the *global* level: growth cycles of the world economy and business policies of multinationals, who play a very important role in the Hungarian economy, affect individual regions of the country in different ways. Developed regions react more sensitively to such fluctuations. This is because they are better integrated into the world economy and because the locations of most multinationals are also to be found in these regions. These processes can hardly be controlled by Hungarian actors. They require, therefore, high flexibility ensuring that Hungary profits from the resulting advantages and suffers less from the adverse consequences.

Second, the *continental* level: the European Union is the most important external market of the Hungarian economy (with a 70% share of all Hungarian exports). Regional development policies are adjusted to European Union regulations. This influence can change former guidelines for Hungarian economic development policies. The government allocated 88% of direct regional development subsidies of the budget to Northeast Hungary between 1990 and 1998, mostly in the form of social subsidies rather than within the framework of development programmes. But in comparison to the EU, even the region of Western Transdanubia ranks as a backward region. By the same token, even Budapest suffers from a number of relative disadvantages in the European metropolitan network. In short, although these regions count among the most advanced in Hungary it would be a foremost international priority to increase their competitiveness relative to European standards. Hungary can shape European influences to some extent.

At the *third* level, the scope for influencing and initiating cross-border regional cooperation is much greater. This increased scope is clearly the consequence of the political-economic transition. All Hungarian regions, and 14 out of 19 counties, have an international border. Hungary borders on seven countries and its economic relations reach out to all of these

countries. These countries themselves, including EU-member Austria but also the Ukraine, represent different economic levels and structures and have different economic, legal, institutional and cultural environments. In effect, Hungary's entire area can be regarded as a border zone. The various influences from neighbouring countries contribute to the diversity of the Hungarian economy's spatial structure.

Both in the state-planned economy and between the two World Wars, this spatial structure was shaped primarily by national economic conditions. By contrast, the significance of external influences has grown rapidly in the last decade. It is important to take these external influences into account when one tries to explain or deal with today's regional differences. Thus, for instance, increasing the competitiveness of Hungarian regions relative to more developed Austrian regions can be regarded no less a corrective measure against regional disparities than the decrease of internal, national discrepancies.

Globalisation processes are *disadvantageous* for small economies in the sense that these economies are strongly dependent on the control centres of the world economy. Meanwhile, the same processes are *advantageous* as the relative size of domestic markets has become less important and the difference between internal and external markets is expected to disappear (especially in an increasingly united Europe) (GOTO, BARKER 1999).

2. *Distance* used to play a crucial role in classical models of economic space and in how various regional levels came to be distinguished. The significance of distance, however, is becoming less great than before. This is also true of manufacturing processes as technological advancements and new means of transportation (e.g., pipe systems) lead to rapidly falling transportation costs. As a result, the availability of raw materials and that of semi-finished and finished products is becoming a location factor of only marginal importance. Industrial processing of raw materials has been divorced almost completely from the actual location of raw materials. Moreover, distance has become less significant both as a cost and as a time factor. This applies especially to information society where the dimensions of space (distance) and time are negligible in information transmission.

The fact that real-time information transmission has become possible from any one place to another is often mentioned in connection with information on the stock exchange, but it is also true of information relevant to the internal management of transnational companies operating

on several continents or of commercial and cultural information for household use (provided, of course, the appliances needed and the know-how they require are both available). This has caused significant changes in society and the settlement structure (I will come back to some of this below). This is not to say that one should go as far as CASTELLS who claims that information networks have already completely covered the entire world. The greater part of humankind is still busy producing, trading, going to school, moving from one place to another and even if they actively 'surf the net', they in part do so for fun (CASTELLS 1996).

3. In combination with the transformed structure of the economy, the factors listed have made the *spatial location of economy extremely flexible*. The services sector, in a broad sense, begins to dominate the economy. In production, sectors with fixed locations (requiring transport, raw materials, water or a large workforce) have been increasingly marginalised (especially traditional sectors of heavy-industry). Even if it is not true that the economy has become 'ubiquitified' (which is what several authors claim), a great number of settlements are possible candidates for a new company location, in or outside of a given country (KRUGMAN 1995). Settlements are in competition for obtaining new investments and institutions. New factors have emerged which can make a given location attractive including geographical location (connection to dynamic regions or urban axes), infrastructural level, the quality of the man-made environment and, pre-eminently, the quality and price of labour. High-level services associated with production, economic decision and R&D centres tend to concentrate in large towns. The spatial location of the economy in developed countries, including Hungary, has been characterised by the concentration of financial and company headquarters and that of knowledge-based economy, on the one hand, and the large-scale dispersion of other kinds of economic organisations, especially those of routine production, in the settlement network, on the other.

Location is to improve the competitiveness of companies. Most former local factors of competitiveness have disappeared due to the changes listed above. Nevertheless, the quality of the workforce still remains to some extent a local variable. Competitiveness depends on *knowledge-creation*. This is not even such a novelty: "In two countries which have the same population size and cultivate the same area and quality of land, products will be priced higher in the one with better expertise and machines to produce exportable goods", wrote RICARDO in 1817 (quoted in MASKELL, ESKELINEN et al. 1998, 23–24).

What is new is the role of knowledge-driven development in shaping the economy, i.e., the rapidly growing importance of the *knowledge-based economy*. The relative potential to create, import and spread innovation is responsible for regional differentiation everywhere, even in developed countries. The main elements of competitiveness are knowledge and the ability to learn (both of which tend to be rooted in local traditions). The geographical distribution of this factor overlaps only partly with former developed areas. A workforce capable of maintaining a knowledge-based economy poses special demands with regard to the local cultural environment and the quality of the settlement environment. Consequently, these demands also appear among the factors of location.

4. The significance of *local conditions* is also changing in our globalising world. Factors of production associated with sectors on the decline (e.g., brown-coal mining) and those which can only be competitive within a closed and protected economy, tend to become insignificant. There are more and more ubiquitous production factors. These have no impact on competitiveness and they are utilised in a contingent and random fashion.

At the same time, rare local capabilities based on specialised knowledge, which is difficult to imitate elsewhere, have grown in value. This knowledge often enables the production of unique, special quality goods. These products can often claim good market positions.

Natural resources are also to be included among special and unimitable local conditions. This is particularly true of resources, which increase the aesthetic value of the environment or play a role in leisure industry and health tourism. The broad institutional environment, however, is also to be seen as a local capability: "The institutional environment of a given region comprises organisations, guidelines, practices, customs, traditions and conventions associated with capital-supply, land, labour, product and services markets" (MASKELL, ESKELINEN et al. op. cit., 54). These elements come together in historical processes. If they favour the development of a knowledge-based economy, they may constitute a lasting advantage since they are difficult to copy elsewhere.

Needless to say, local conditions are classified as valuable in a knowledge-based economy as long as they can contribute to the creative-innovative potential of the local economy and enable local economic actors to use this knowledge ahead of other competitors operating in the same region. Such knowledge may include, not only cutting edge, high-tech expertise but also 'handicraft' skills to produce high-quality goods in tra-

ditional industries and agriculture (CSÉFALVAY 1999). When capable of putting special quality goods on the market, even traditional economic sectors can remain competitive (provided they acquire the most up-to-date methods for organising production and marketing). This kind of knowledge, which takes generations to emerge, can constitute a significant competitive advantage, as it tends to be unimitable elsewhere. In order to use this advantage, however, economic actors not only have to be able to learn but also to *forget* so that they can dispose of those elements of their tradition which may reduce their chances of success in the globalised market economy. For small countries, an intense involvement in traditional sectors opens up better prospects of independence and possibly even of prosperity than participation in extremely capital-intensive and rapidly changing high-tech sectors.

5. The changes listed have created *new spatial organisational forms* of economy and society. Regional disparities cannot be adequately described in terms of administrative units (Fig. 1).

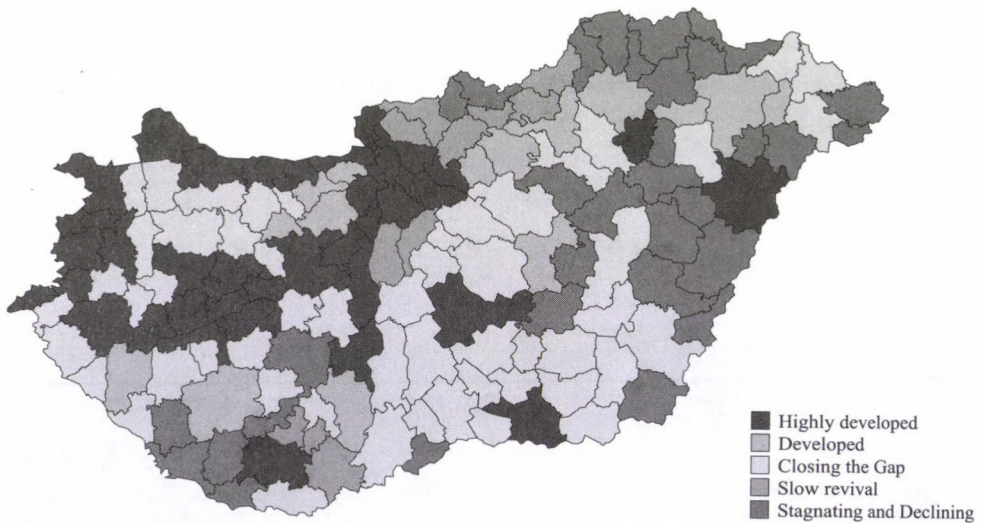


Figure 1. Regional structure of the economy

I would like to make the following remarks on this:

(i) There are no economically homogeneous regions. This is, of course, already well known from everyday experience. And yet, one can still read of a 'country split in two' or of the 'backward Hungarian Great Plain'—as if poverty or wealth, backwardness or development were cha-

racteristics applicable to entire regions. Having said that, I would not want to deny that the backward rural areas of the Hungarian Great Plain are larger in size and their population is more numerous than that of similar areas in Transdanubia. Nevertheless, development and subsidy programmes of governmental regional policies aimed at this type of regions cannot be restricted to one or two regions and three or four counties.

Spatial disparities display a complex structure in Hungary and can be best captured within a micro-regional framework. It is too simplifying to talk of backward or advanced counties and regions as such. Backward settlements are to be found even in the outstandingly developed Budapest region, depopulated settlement groups in the Western Transdanubia and dynamic, urban regions in Northeast Hungary, although this is usually classified as a backward region. Regional development policies involve the redistribution of budget resources. Redistribution can be realised through the institutional network of public administration. This is what explains the fact that regional development policies are conceived of in terms of counties or regions. Meanwhile, one has to be aware that backwardness or development can be more adequately represented in smaller spatial units.

(ii) *The location of modern economy can mainly be described through spatial networks. A network of global cities controls the World economy.* The control centres of transnational companies and international financial organisations typically settle in these metropolises. Nor do large manufacturing companies create industrial districts as in the first half of the twentieth century they tend rather to establish subcontracting networks, which are spread over extensive areas. Decision centres claim special positions within these networks, but otherwise networked towns are found to be horizontally organised without constituting a vertical hierarchy. The level and success of towns depends on the functions they can acquire within these networks. The nature and development of the surrounding agglomeration area is less important than before. As already mentioned, in goods and passenger transport technological development has greatly reduced, while in information and capital flow completely annulled the significance of *distance*. More precisely, the relative distance among cities integrated into the network of the global economy is close to zero, while for cities and regions not involved in the network the distance from their more fortunate counterparts is almost infinite. The *crucial question of regional policy* today is this: what will happen to the economies and popu-

lations of regions and settlements falling out of these networks? Will they be able to develop self-sustaining economies? Will they be able to re-integrate into the networks, and if yes, what functions can they assume therein? The other important question is how networked cities will be able to perform in the global competition. Will they be able to claim competitive advantages or will some of them be forced to leave these networks as well?

National regional development policies have, therefore, two important priorities in the globalised economy (Fig. 2):

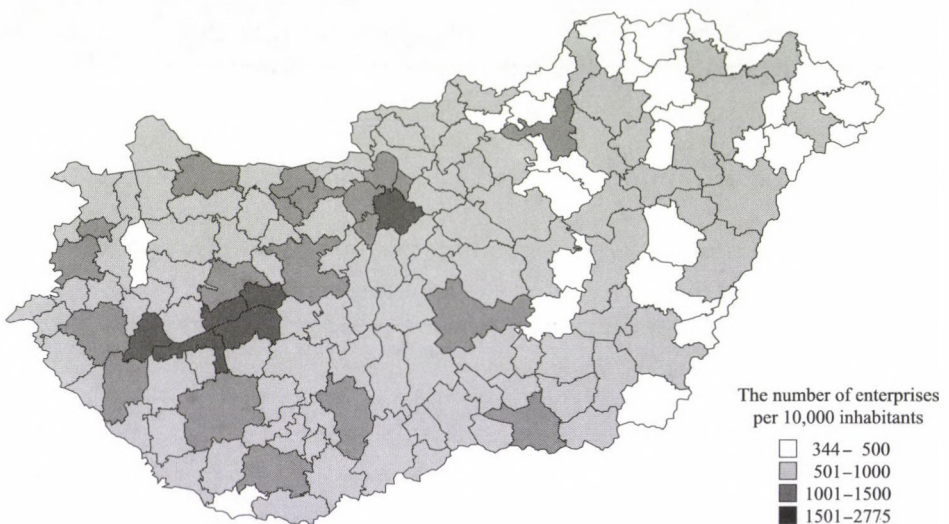


Figure 2. Regional differences in entrepreneurship, 1998

1. Improving the competitiveness of settlements and regions integrated into the global network;
2. Re-integrating settlements, which do not participate in networks.

Continental and regional national networks have also emerged in addition to global ones. These develop parallelly with a number of interfaces but no hierarchical relations among them.

(iii) These changes can also be observed in the transformation of the Hungarian economy's spatial structure. This is in essence a tripartite spatial structure (superimposed on the traditional Budapest vs. countryside and West vs. East dichotomies). The *first* level is constituted by the penetration of the global network into the Hungarian settlement network.

Budapest is of exceptional importance being directly connected to the European metropolitan network and functioning as a gateway between European and global influences, on the one hand, and the rest of the country, on the other. The Budapest–Balaton–Vienna axes are directly linked up with international networks through the business relations of transnational companies.

Smaller regional networks form the *second* level. Some of these are located within the country, while some extend a little beyond the national borders [e.g. Szeged–Subotica (Szabadka) or Szeged–Timisoara (Temesvár)]. These networks are based on the market and subcontracting relations of small- and medium-sized enterprises in Hungary and the Carpathian Basin. Geographically speaking, these networks are spread in the entire country, in the eastern and southern parts of Hungary as well, although they are more densely concentrated in developed regions. Large towns in the countryside form the nodes of such networks.

Mostly backward, rural areas represent the *third* level. These are not integrated into regional networks and are stuck between the axes of dynamic economic activity. Regional development policies tend to focus on this level (attracting most of the regional development subsidies of the budget) since their decline and economic recession has been generally growing. The success of government intervention is, however, questionable. As the distances involved are relatively small, connecting to dynamic networks seems easily realisable. Unfortunately, the cost being prohibitive, development of transport and communication infrastructure, which is generally poor in the entire country, is quite unlikely in these crisis-stricken, depopulated areas. An even greater problem is posed by the fact that the age structure and qualifications of local social groups hardly provide an adequate basis for economic development. This is why dynamic towns in the northern and eastern regions of Hungary function as enclaves with little impact on their surroundings. They develop spatial relations with other, more remote towns (*Fig. 3*).

It is also to be noted that Hungary's European integration and Hungarian ambitions to join the middle ranks of European countries would be better served by strengthening the competitiveness of towns newly integrated in the international network and by improving the road network connecting to great European axes than by the practice of allocating social subsidies to backward regions. The preferred areas and instruments of regional development policy will depend on whether the government decides to decrease regional disparities within the country



Figure 3. Net yearly income per inhabitants (estimation, 1998 in HUF)

or rather concentrate on reducing the gap between Hungary and other European nations. Harmonising the general aims of economic policy and the priorities of regional development would be desirable.

(iv) The new structure of the urban network strengthens the emerging spatial system outlined above. I used the methods of factor and cluster analysis to investigate in detail the transformation of the Hungarian urban network between 1991 and 1998 (ENYEDI 2000). This investigation yielded the following conclusions:

- (a) Towns were found to form five groups in both of the years investigated (with the exception of the capital which constitutes a unique case). In 1991, the main distinguishing factors were traditional agglomeration functions (trade, education, health care, etc.) and the level of infrastructure, whereas economic performance and innovation-absorbing potential were the crucial factors in 1998. Thus an obvious movement towards modern Western types of urbanisation could be registered in just a few years.
- (b) In 1991, an outstandingly high number of towns were ranked as declining or marginalised: two-thirds of all Hungarian urban settlements. This was the period marked by the collapse of large-scale state industries on which the economies of most Hungarian towns had been based. However, from as many as 108 towns in 1991, the

number of marginalised urban settlements had fallen to only 40 by 1998. All others had successfully transformed their economic structure and entered the path of innovative urban development.

- (c) Some of the marginalised towns have lost their former urban functions as agricultural market towns or settlements with shut down mines and closed industrial locations. These towns continue to hold on to their urban status only because of their formerly acquired urban administrative functions. Their disintegration from the modern urban network marginalizes their rural environment as well. The situation of still developing small urban centres in traditional rural microregions is somewhat different (e.g., along the river Berettyó). This development, however, usually involves the addition of previously missing small town urban functions. Functions and institutions enabling the integration into modern networks are still lacking.

CONCLUSION

The processes of Hungarian regional development have been to a large extent shaped by *international influences*. Hungarian economic and political actors can have an effect only on a small part of the processes that generate these influences (i.e., on those which originate in Central Europe). Adapting to worldwide trends and improved international competitiveness have become the most important challenges for Hungarian regional development policies.

Due to technological development (especially in information technology) and the transformation of economic structure, the location of economic activities has become flexible. Distance has lost much of its former significance, but the quality of labour and the attractiveness of the settlement environment have still remained to some extent distinguishing geographical factors of location. The main elements of the *knowledge-based economy*, which one hopes to see emerge in Hungary as well, are knowledge and the ability to learn, both of which are mostly rooted in traditions.

Globalisation has changed the role of *local conditions* as well. There are more and more ubiquitous factors including the availability of infrastructure and qualified labour. These factors no longer have an effect on competitiveness. On the other hand, unique conditions based on local capabilities, which are difficult to copy elsewhere, have grown in value. These

capabilities need not be related to high-tech industries. In fact, high-level activities in traditional economic sectors can constitute greater competitive advantages for small countries than extremely capital-intensive and quickly changing high-tech sectors.

These changes lead to the emergence of new spatial forms or to the re-evaluation of already existing ones. It is true that regional development policies, which take the form of state intervention financed by budgetary resources, can only draw up programmes in terms of administrative units. Nevertheless, there are no economically homogeneous regions. Under the conditions of the globalised economy, national regional development policies have to intervene in two important areas:

1. improving the competitiveness of settlements and regions integrated into the global network;
2. re-integrating settlements that do not participate in networks and promoting the development of local economies.

REFERENCES

- CASTELLS, M. (1996): *The Rise of the Network Society*, Oxford: Blackwell.
- CSÉFALVAY, Z. (1999): *Helyünk a nap alatt... Magyarország és Budapest a globalizáció korában* (Our place under the sun... Hungary and Budapest in the age of globalisation), Budapest: Kairosz.
- ENYEDI, GY. (1996): *Regionális folyamatok Magyarországon* (Regional processes in Hungary), Budapest: ELTE Szociológiai Intézet.
- ENYEDI, GY. (2000): Globalizáció és a magyar területi fejlődés (Globalisation and Hungarian regional development), *Tér és társadalom*, vol. 14. No. 1, 1–10.
- GOTO, A., BARKER, B. (1999): Small open economies in an increasingly connected world, *International Social Science Journal* no. 160 (June), 195–203.
- HORVÁTH, GY. (1998): *Európai regionális politika* (European regional policy), Budapest & Pécs: Dialóg Campus.
- KRUGMAN, P. R. (1995): *Development, Geography and Economic Theory*, Cambridge MA: MIT Press.
- MASKELL, P., ESKELINEN, H. et al. (1998): *Competitiveness, Localised Learning and Regional Development*, London & New York: Routledge.

REGIONS IN HUNGARY

TIBOR KOVÁCS

The territory of Hungary has been split into regions on several occasions and in several ways in the past few decades. These divisions were mainly prepared in scientific workshops hallmarked by the names of excellent regional planners and economic geographers, while politicians have drawn the others. Many different principles and aspects were taken into account and naturally the final results were different as well. Although this paper is not concerned with listing and presenting them, there are several ideas, reflected by a summary survey conducted in the near past that says that there are 15 solutions considering only the relatively well-known versions. The number of regions recommended in them represents all the values between 3 and 10.

A regional breakdown of eight regions was made for instance on the basis of agricultural characteristics. The *University of Economics* made a proposal for ten regions, taking into account physical geographical features. In the *Central Planning Office*, a regional breakdown of seven regions was determined based on industrial and production parameters, followed by a six-region breakdown for planning purposes. Different from these, a nine-region breakdown was prepared by the *Ministry of Construction* taking into consideration all the factors affecting regional breakdowns and to be used for the development of the settlement network. Later on, a territorial breakdown consisting of six 'planning and economic districts' was established. Another proposal for a six-region breakdown would have created an enormous central region including Fejér, Komárom-Esztergom and Nógrád counties. According to a drastically different recommendation for the territorial breakdown, Hungary should be divided into not more than four regions.

The large number of drafts clearly shows that a generally acceptable regional breakdown cannot be reached in the sphere of scientific research because all the scientific researchers and workshops prove and defend their positions, enumerating respectable research results and arguments. To find a consensus in this is like expecting a scientist to give up his conviction, which is certainly impossible.

Undoubtedly, these versatile ideas also result in the only common feature of the drafts too, i.e., actually neither of them has been institutionalised, no operating information system has been built on them, none of them has formed the basis of practical planning work and, what is more, not even their creators have continued their analysis. The chronological change of their situation and data has not been examined. The only exception to a certain extent from this summary statement is the *system of planning and economic districts*, a six-region territorial breakdown formed as a result of an interministerial agreement. Its description and use was included and regulated, respectively, by the Common Communication (OT-ÉVM) No. 101/1971 of the Central Planning Office and the Ministry of Construction and Urban Development. The Regional Statistical Yearbook of the Hungarian Central Statistical Office (HCSO) had regularly disseminated in a separate chapter a huge volume of data processed in accordance with this breakdown for one decade (1971–1981). Initiatives for development concepts were also based on the assignments of the Central Planning Office and the Ministry of Construction and Urban Development. However, lacking worthwhile working bodies, nothing encouraged a real cooperation between counties classified into different regions. The interested parties did not back the central initiative, and the system sank into oblivion without any enduring results or memories.

Since the thought of accession to the European Union was born, it has been (could be) clear for everybody that Hungary had to solve a number of tasks and to meet several criteria before the accession. These comprised the compliance with a seemingly simple technical condition, i.e., the establishment of a hierarchical regional breakdown that is in harmony both in structural and logical terms with the classification of the European Union, i.e., the requirements of the NUTS (Nomenclature des Unités Territoriales Statistiques) nomenclature.

THE NUTS NOMENCLATURE IN THE EUROPEAN UNION AND IN HUNGARY

The regional breakdown applied in the European Union is a five-level hierarchical classification. Its highest level is either the whole of a country or *large regions* within that, depending on the decision of each Member State. The second level—of an utmost importance—is that of actual *regions*, to which level the whole regulation of support in the frame of the Structural Funds, the related criteria as well as the conditions of applications for support (programmes, projects) are linked. The third level is more or less equal to the area of a county. The two additional levels are considered local levels in the Union. Creation of the fourth level depends on the decision of each Member State. The fifth level is uniformly that of *settlements*, thus forming the basis of the most detailed geographical information system (for both maps and data).

Table 1 summarises the number of regions in the European Union and data relative to the size of regions. (Area of the 15 Member States is subdivided into 1093 units at level NUTS 3.)

Establishment of the territorial breakdown in Hungary proved to be a rather time-consuming task. An agreement was made in a relatively short time that Hungary—similarly to Denmark, Ireland, Luxembourg and Sweden—should be considered one sole unit at level NUTS 1. It was unquestioned too that level NUTS 4 in Hungary means *statistical sub-regions*, while level NUTS 5 clearly equals the level of settlements.

To find a standpoint for the second and third levels was a more difficult issue. There was a clash between *regionalists* and *supporters of the county-breakdown*. The former—reviewing data and practice of the 15 Member States of the Union—expressed the view that the size of Hungarian counties does not reach the most important NUTS 2 level of the European Union. They said therefore that a territorial breakdown of Hungary by regions was necessary, while counties perfectly comply with the requirements of level NUTS 3. This opinion has always been in the majority. The latter have attempted to defend by any means the territorial breakdown by counties, which is one thousand years old in terms of historical traditions but not so in terms of regional aspects. They have tried to argue that counties in Hungary would manage to play the part of the regional level; therefore they could automatically be regarded as NUTS 2 regional units. It is clear that representatives of this view are in the minority nowadays.

It is a basic requirement that the NUTS 2 level regional breakdown, acceptable by the European Union, should meet the criteria of *stability* — and consequently—regular data supply (i.e., supply continuously data to be filled in 'Regio' database of EUROSTAT) as well as the criterion of covering the *whole* country *without overlaps*. Several concepts were prepared, and a lot of drafts were discussed by the ministries concerned, politicians, and representatives of science and self-governments of counties. It may not generally be known that initially the Act to be adopted on Regional Development and Regional Planning would have defined the territorial breakdown of Hungary. Discussions were drawn out; the aimed consensus could not be reached. Therefore the bill (Act XXI of 1996) could only be introduced with the inclusion in the text of a fixed verbal definition of a region—the *planning-statistical region* — in compliance with the above, as well as a less strict version—the *development region* —, which did not have to meet the above-mentioned requirements.¹

Table 1. Number and average population of regions in the European Union

Country	Number	Average population (1000 persons)	Number	Average population (1000 persons)
	of NUTS 1 regions		of NUTS 2 regions	
Austria	3	2697	9	899
Belgium	3	3405	11	929
Denmark	1	5330	1	5330
Finland	2	2583*	6	861
France	9	6489	26	2246
Germany	16	5130	40	2052
Greece	4	2629	13	809
Ireland	1	3745	2	1873
Italy	11	5241	20	2882
Luxembourg	1	433	1	433
Netherlands	4	3953	12	1318
Portugal	3	3330	7	1427
Spain	7	5631	18	2190
Sweden	1	8858	8	1107
United Kingdom	12	4958	37	1608
<i>European Union, total</i>	78	4802	211	1775

* This datum is not realistic. Due to specific reasons, Aaland, a small island in Finland, is an individual region. Therefore, regarding level NUTS 1, one of the regions has a population of 5.1 million, the other 25,000.

Source: selected issues of EUROSTAT News Releases and Statistics in focus.

¹ It proved true later that it was a mistake to call this latter version a region because its form and content complies with the denomination of 'association for regional development'. Act XCII of 1999 amending Act XXI of 1996 on Regional Development and Regional Planning solved this problem.

Afterwards, integrating the regulation of the regional breakdown into the National Regional Development Concept—which the Government wished to submit to the Parliament and to have it adopted by the Parliament—seemed to be the best solution. So the professional discussion went on, two regional breakdowns of 6 regions were on the agenda for a long time. The substantial difference between the two versions was the definition of a *central region*. One version recommended a smaller region consisting of Budapest and Pest County, the other would have listed Fejér, Komárom–Esztergom and Nógrád counties there too, in addition. (The remaining differences were essentially its consequences.) The counties concerned, however, did not agree to this version. After a long series of discussions, though, the ministries and counties concerned managed to agree in a planning-statistical regional breakdown comprising seven regional units. It was adopted by Parliament in the form of a Decision listing the names of regional units as part of the National Regional Development Concept on its session of 10th March 1998. The interested organs have regarded this version consisting of seven regions as the basis of their work ever since. The Hungarian Prime Minister's Office, the ministries concerned and certainly the Hungarian Central Statistical Office have used this breakdown.

HCSO, fulfilling the requirements of the European Union, has calculated the amount and per capita value of gross domestic product (GDP) broken by these regions since 1994. It is these regions that are used in HCSO publications for a huge volume of information. Representative sample surveys have been conducted respecting this regional breakdown, and this classification was reported by Hungary to the European Union and EUROSTAT. Parliament adopted this regional breakdown in the Act XCII of 1999, declaring that the 7 planning-statistical regions are in compliance with Point 5.2. in Chapter II of the Parliamentary [Decision No. 35/1998 (III.20) OGY] on the National Regional Development Concept. The round held on 30th July 2002 closing Chapter 'Regional Policy' of the series of accession negotiations declared this regional classification final and compliant with the requirements of the Union. (Regulation of the NUTS nomenclature recommends a population size of 800,000–3,000,000 persons at level 2. All Hungarian regions meet this criterion.) With this, the total five-level NUTS classification was established for Hungary.

Denominations and areas of the 7 planning-statistical regions (Fig. 1) are the following:

- Central Hungary:* Budapest, Pest county,
Central Transdanubia: Fejér, Komárom–Esztergom, Veszprém counties,
Western Transdanubia: Győr–Moson–Sopron, Vas, Zala counties,
Southern Transdanubia: Baranya, Somogy, Tolna counties,
Northern Hungary: Borsod–Abaúj–Zemplén, Heves, Nógrád counties,
Northern Great Plain: Hajdú–Bihar, Jász–Nagykun–Szolnok, Szabolcs–Szatmár–Bereg counties,
Southern Great Plain: Bács–Kiskun, Békés, Csongrád counties.



Figure 1. Planning-statistical regions and counties in Hungary

After adoption of the Act the debates continued. Professionals, newsmen and politicians come up with new ideas or recommendations from time to time. (The 15 versions mentioned in the introduction referred to them.) I do not wish to qualify the content of these recommendations in this paper but it is absolutely necessary to note that quite a lot of them are not in line with the requirements of the regulation in force in the European Union. Member States of the Union were nearly absolutely free

for a relatively long time to establish their territorial division (the NUTS classification). The basic principles that had to be respected were *stability* and *hierarchy* only. Changes to the NUTS nomenclature, however, caused tensions in many cases between the Commission and the National Statistical Institutes concerned. Therefore, the Union deemed it was high time to regulate the basic principles and operational requirements of the classification. On the one hand, I wish to refer to the section now where the optimal size of population was determined for each level, which was 800,000–3,000,000 persons at *level 2* and 150,000–800,000 persons at *level 3*. All Hungarian planning-statistical regions (level NUTS 2) and all Hungarian counties (level NUTS 3) lie within these thresholds. It is fixed in the Regulation on the other hand, that the Commission, at intervals, may adopt amendments to the NUTS classification not less than every three years, and the Commission shall amend the *non-administrative units* only if the amendment reduces the standard deviation of the determined size. (Hungarian planning-statistical regions are non-administrative units, their standard deviation of the size of all EU regions is not too high and their average size lies within the thresholds!) Amendments will enter into force two years after their adoption. During that time the country concerned must ensure the provision of historical time series for the new regional breakdown *for the last five years*. Evaluating thoroughly all this, the Hungarian Government considered it was not needed to amend the effective territorial breakdown in Hungary and informed the competent organs of the European Union that it regarded this breakdown as final.

The average area and population in the 15 Member States of the European Union at level 2 is 23.0 thousand square kilometres and 1.6 million persons, respectively. These values exceed the corresponding Hungarian data: 13.3 thousand square kilometres and 1.44 million persons, respectively. But comparing our recent figures to Austria or Portugal, with a similar size to Hungary, the picture is different. Level 2 is represented by smaller units on average in Austria (9.3 thousand square kilometres and a population of 879 thousand persons, respectively), while Portuguese data are nearly identical to ours (13.1 thousand square kilometres and 1.41 million inhabitants, respectively). At the same time the data reflect too that the opinion according to which Hungarian counties are of an acceptable size at level 2 in European terms, cannot be justified. Taking into consideration the average area of 4.7 thousand square kilometres and the average population of 509 thousand persons of the 20 Hungarian administrative units, they correspond to level NUTS 3. Regional units at

this level in the 15 Member States average 5.4 thousand square kilometres and 410 thousand persons.

I have already mentioned that both level 2 and level 3, i.e., regions and counties in Hungary, are needed in the NUTS nomenclature. These two do not exclude each other. A rational and professionally grounded division of labour can and should be established between the two regional levels, accepting that regions have the priority from the point of view of EU accession, elaboration of development projects and allocation of development funds (this task cannot be completed by counties). The distribution of domestic support funds, the management of subregional level tasks of development, assistance of local governments in settlement development, etc. are county-level tasks that cannot, and should not, be 'pushed up' to the level of regions.

Consequently, the two levels should not be confronted with each other. Their coexistence should have a reasonable and real content. Certain professionals have declared that the process of modernising public administration has to start on the basis of the territorial breakdown by regions. They see clearly that this process may last even a decade and—I repeat—that during that period of time these two structures should coexist and cooperate. The issue of *administrative regions* was involved too early in the discussions, significantly distracting the attention from the function and activities of regional development. In this respect you can even say that this caused harm to regions from the point of view of regional development.

The Community regulation of the European Union, which entered into effect on 1 January 2000, determined the NUTS 2 level where underdeveloped regions should be defined and development programmes established. According to the Community regulation, regions will have their role in the course of execution as well. The funds will be available as a result of programming processes. As described in Agenda 2000, regional programmes have to be elaborated for NUTS 2 regions, which should integrate structural policy purposes and regional actions, ensuring hierarchy of development.

The fact that the amendment to the Law aimed at closing the discussion about regions is especially important in view of preparing the accession. It is vital to understand that

- no homogeneous regions can be established even in a country with a relatively small area;

- no territorial breakdown by regions has a tradition in Hungary;
- all regional breakdowns can be disputed;
- all regional breakdowns can be defended somehow.

The point is that instead of waiting for the end of debates which may last several years, Hungary needs right now the final regional breakdown, regional development councils structured accordingly and mainly their stable working bodies with the necessary expertise. This way applications, projects and programmes of high standard can be made, which have the chance to be granted support funds.

The seven planning-statistical regions established in Hungary do not comprise homogeneous areas. However, they have recognisable profile, consist of similarly developed counties, their natural and geographical characteristics are alike. Furthermore, in terms of potential economic development and their problems to be solved, the regions are similar enough to elaborate and realise development concepts, projects and applications that are well interpretable and manageable at a regional level.

Character of the region of *Central Hungary* is clearly determined by the fact that its area includes Budapest, the capital of Hungary, which, comprising its conurbation is a unique-sized concentration in every respect. Thus this region has a leading position and a high importance among Hungarian regions. This region has the smallest area in Hungary but 28% of the population lives there. It concentrates 43% of the gross domestic product (GDP), 40% of active corporations and unincorporated enterprises, of which 61% of enterprises with foreign direct investment (FDI) and 69% of their subscribed capital.

The region comprises the Budapest conurbation, a homogeneous unit consisting of 79 settlements. Its development is managed as a whole as a result of the establishment of the Regional Development Council after several decades of insoluble administrative separation. In professional terms all attempts are evidently unacceptable that would see Budapest and Pest County separately in terms of the regional territorial breakdown.

The region of *Central Transdanubia* is characterised on the one hand by the fact that it is the second largest domestic concentration of industry, exceeded only by Central Hungary. The share of manufacturing industry is 35% of the total regional industry, while manufacture of fabricated metal products, chemical industry and food industry represents more than 10% each. Though the share of mining and quarrying is below 2%, it

represents 34% of the mining and quarrying sector in Hungary. On the other hand, thanks to its favourable natural resources, it has an excellent historic wine-growing area and extensive lands for cereals production. The density of pig populations is highest in this region of Hungary. Including the northern shore of Lake Balaton and the whole region of Lake Velence–Vértes Hills, the tourism potential of the region is especially high.

The concentration of industry in *Western Transdanubia* is nearly of the same size as in Central Transdanubia but is differently structured. There is a lack of mineral resources there, while there is a significant capacity of manufacturing industry, textiles and food industry, all which make up 70% of regional industry. The agriculture has a different structure too. The area of land used for green fodder production and grasslands enables this region to have the highest density of cattle stock in Hungary. Thermal baths of international renown can be found all around the region. The geographical position of Western Transdanubia allows for it to be a connecting link with Europe. This role is strengthened further by the functioning of a Euroregion cross-border cooperation with Burgenland in Austria.

Although there were several layoffs in coal and uranium mining, resources of the significant economic power of the region of *Southern Transdanubia*, the limestone stock of the region is suitable for cement production or, having changed colour in some places, can be used as marble. The performance of the nuclear power station in Paks is vital in the region, while the big number of rivers enable industry to settle down there, which has not been the case until now. The dual tourism potential of the region is guaranteed on one hand by the whole southern shore of Lake Balaton and the Mecsek–Villány Hills on the other, providing the opportunity of excellent vine culture and wine production, too.

The regional economy of *Northern Hungary* had been built on mining and metallurgy, which resulted in its long-term crisis. The natural characteristics of the area are not favourable for agricultural production except for the wine-growing area of international renown. The many different types of miscellaneous minerals, the lignite mined by open-cast method and the electric power plant installed on that play a key role in the regional mining even today. It is a newly structured industry and exploitation of the rich tourism potential that can bring about new prosperity in this area.

The Northern Great Plain is a typical agricultural area, united into a region by an east–west road and railway axis. This region represents 20% of the national gross domestic product in agriculture and the share of food industry in the total regional industry is high as well. The transfer (logistical and entrepreneurial) zone in Záhony is an essential potential. At the same time, the airports in Debrecen and Kunmadaras can also become essential economic resources.

The Southern Great Plain is an important agricultural region too, making up 23% of agriculture's gross domestic product. (Thus the share of the two regions of the Great Plain is 43%.) Its pig breeding is outstanding, with a share of 27% of the national pig population, on which an important industrial food capacity is built. Arable land has the largest proportion of land use. Production of cereals, potatoes and sugar beet makes this region the 'granary' of the country.

DIFFERENT STAGES OF DEVELOPMENT IN HUNGARIAN REGIONS

Regional disparities in the stage of development in Hungary result from a long historical process. Due to the economic decline at the beginning of the 1990s, they have become even more contrasted, which had different impacts on the areas with different resources and with different levels of

Table 2. Main demographic features of regions, 2001

Regions	Population, thousand persons 1 January 2002	Natural decrease <hr/> per 1000 population	Net migration	Ageing index ^a
Central Hungary	2826	- 4.0	0.3	106.9
Central Transdanubia	1121	-2.8	2.0	78.4
Western Transdanubia	1003	-3.7	1.9	93.4
Southern Transdanubia	995	-4.0	-0.1	93.7
Northern Hungary	1297	-3.5	-1.5	81.3
Northern Great Plain	1560	-1.7	-1.4	70.0
Southern Great Plain	1377	-4.2	-0.6	94.3
<i>Total</i>	10,179	-3.4	-	89.4
of which: <i>Budapest</i>	1738	-5.8	-8.6	129.8

^a Number of old-aged persons per 100 of child population.

development earlier on already. The negative effects could be felt to a lesser extent in Budapest and the conurbation of the capital, as well as in the areas of Western Transdanubia having a relatively developed manufacturing industry, while they led to a dramatic decline in the eastern part of the country: primarily in the bases of medium-quality mass production in metallurgy and food industry, and a few years later in areas of mining. These disparities are also reflected in the different outcomes of the trend of development after year 1993. Three regions—Central Hungary including the capital, Western Transdanubia and Central Transdanubia—emerged, while Northern Hungary and Northern Great Plain can be found at the other end of the scale. The two southern regions are close to these latter ones in most of the cases (Table 2).

Data still indicate that the three regions excel the rest of Hungarian regions both in terms of the level of development and importance that is why it is clear that these regions are *target areas of internal migration*.

Over 65% of gross domestic product (GDP) is produced by these three regions (43% by Central Hungary alone). It is only in these three regions that this indicator per inhabitant is higher than the national average. Growth and economic activity is higher, while unemployment rate is much lower than the average in these three regions (Table 3).

Table 3. Main economic indicators of regions, 2001

Regions	Regional distribution of gross domestic product (%) ^a	Gross domestic product per capita as a percentage of year 1995	Economic activity of population aged 15–74	Unemployment rate
Central Hungary	43.1	252.1	56.9	4.3
Central Transdanubia	11.1	265.3	55.9	4.3
Western Transdanubia	11.2	264.4	58.5	4.2
Southern Transdanubia	7.2	219.1	50.5	7.8
Northern Hungary	8.2	212.1	47.8	8.5
Northern Great Plain	9.6	212.7	48.3	7.8
Southern Great Plain	9.6	206.5	52.3	5.4
<i>Total</i>	<i>100.0</i>	<i>239.0</i>	<i>53.3</i>	<i>5.7</i>
of which: <i>Budapest</i>	35.0	257.8	57.2	4.2

^a Gross domestic product figures refer to year 2000.

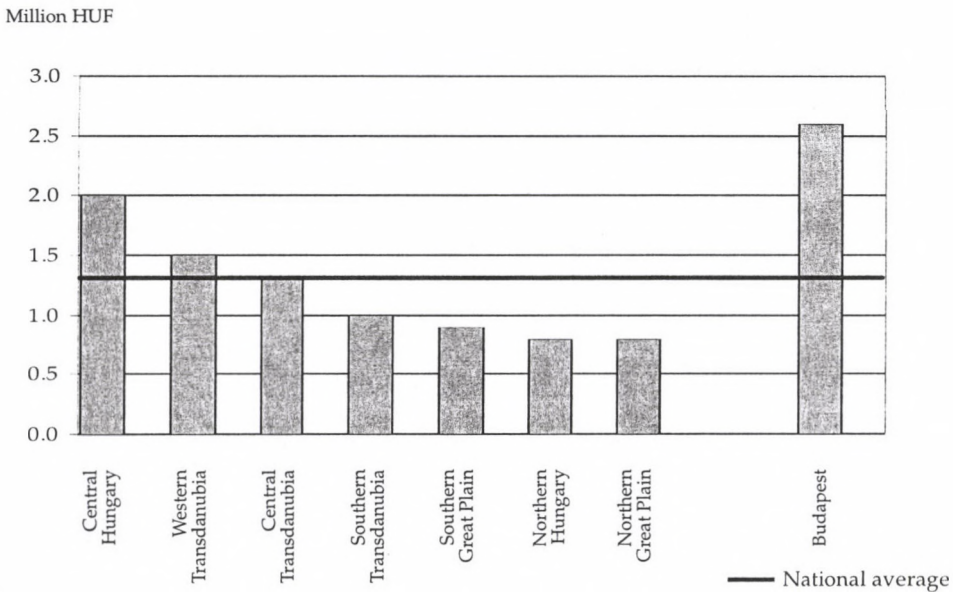


Figure 2. Gross domestic product (GDP) per head, 2000

Data of gross value added (Fig. 2) reveal differences in the *sectoral breakdown* of each region too. *Industry* represents 47% of the gross value added in Central Transdanubia and 45% in Western Transdanubia. The share of industry is 36% in Northern Hungary, while it remains below 30% in Southern Transdanubia and the two regions of the Great Plain. Industry shares with less than 20% in Central Hungary as a result of the unique effect of Budapest. However, 60% of the total value is added by the services sector in this region. As a consequence of the above, 67% of the value of industrial production is represented by the three developed regions. Each of the remaining four regions has a share of fewer than 10%, Southern Transdanubia remaining even below 6%.

Regional concentration of the *foreign direct investments* has remained very strong. Seventy eight per cent of enterprises with foreign direct investments, 84% of their total subscribed capital and—out of that—85% of foreign direct investments are concentrated in the three developed regions, a considerable proportion of which in Budapest and in its conurbation, respectively. The national average of foreign direct investments per inhabitant is 288 thousand Hungarian forints, compared to 724 thousand forints in Central Hungary (and 952 thousand forints in the capital), while it amounts to hardly more than 50 thousand forints only in South-

ern Transdanubia, less than 70 thousand forints in Northern Great Plain and 90 thousand in Southern Great Plain.

Differences in the level of economic development, different levels of qualification and differences in the sectoral breakdown of employment are reflected by *income* data too (Table 4).

Table 4. Main data of regional incomes

Regions	Average per capita gross earnings of households, 2000	Average monthly gross earnings of employees, 2001	Average pension of old-age pensioners, January 2002
as a percentage of national average			
Central Hungary	116.8	123.1	109.3
Central Transdanubia	110.3	92.3	102.0
Western Transdanubia	100.3	87.8	95.7
Southern Transdanubia	92.3	80.9	96.5
Northern Hungary	86.3	81.7	97.3
Northern Great Plain	85.6	78.1	91.9
Southern Great Plain	90.8	78.5	91.9
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
<i>of which: Budapest</i>	<i>126.9</i>	<i>129.2</i>	<i>115.4</i>

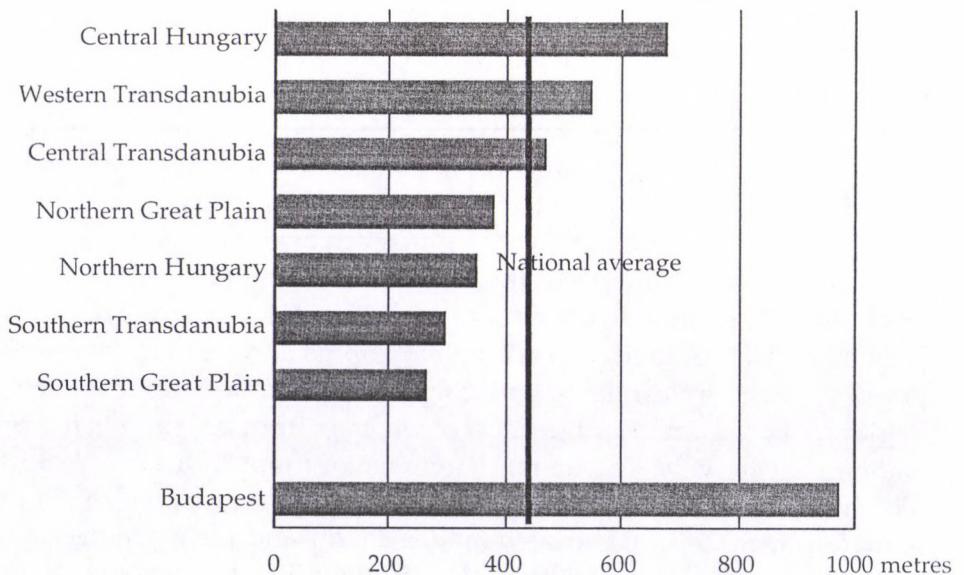


Figure 3. Length of public sewerage per one km of water conduit network, 2001

There are relatively lower regional disparities regarding certain infrastructure conditions (water supply, gas supply, supply with sewerage network), which depend, however, on aspects of the settlement network too in addition to mere incomes (*Fig. 3*).

Although the figures of Northern Hungary and the Northern Great Plain are far below the average, regional differences—leaving the outstanding values of Budapest out of consideration—, in terms of passenger car and telephone density are smaller than regional disparities in the level of economic development. While per capita GDP in Central Hungary is 2.4 times the value of the Northern Great Plain, telephone line density there is one and a half times and passenger car stock is 1.65 times that of the latter region.

REGIONS, INSTITUTIONS, ADMINISTRATION

Experts involved in regional development and administration, but also attentive newspaper readers know, that the legislation and decision about the planning-statistical regions on government level and its official announcement to the European Union by no means put an end to the debate about regional breakdown; even today several diverse opinions and proposals are published which claim amendment on various grounds.

Some of them urge that the present setup of the Central Hungary region (Budapest and Pest county) passes the limit value of subsidisation from the Structural Fund (which is 75% of the average per capita GDP in the European Union), therefore, it would be advisable to significantly enlarge the area of this region, in this way artificially deteriorating the value of the indicator with the incorporation of underdeveloped areas. The supporters of this view—besides assuming extraordinary naivety about the Union's apparatus—fail to take into account the difficulties and conditions of modification in the system of regions, as well as that the Union

- has not made definite proposals, has not expressed definite standpoint concerning the internal debates about the changing of subsidisation grounds;
- has not indicated which years' GDP figures will be taken into account in case of new members, and for which countries;

- cannot guarantee that at the accession of new members the same criteria will be effective for promotion as now.²

And finally it is also left out of consideration that even the concerned counties protest most vehemently against the extension of the central region, being exactly aware of the situation that they are less likely to deteriorate the results of the capital but are rather more endangered by being exposed to losing subsidisation.

Another up-to-date and popular version for modification is the concept of creating a *Balaton region*. Behind this proposal there is a basic miscomprehension, which merges the concepts of planning-statistical regions and associations for regional development, and disregards the fact that the implementation would require an entire restructuring of both the county system and the regions of the total Transdanubia as a whole. It neither has reality nor necessity.

I think that debates, anxieties and worries of today are no longer about this topic. Repeatedly and also in this respect the *relation between counties and regions* is in question, as well as which county seat could be the *centre of the region*, the 'capital' and what advantages this town may have on the short and long run over to their rivals. In this sense the problem exceeds the description of administration and involves the total institutional system of social services, with special regard to finances, health care, education and mainly higher education.

As a matter of fact three sectors are concerned, namely

- institutions outside public administration;
- non-elected public administration (i.e., offices of public administration and ministries, deconcentrated institutes of public authorities);
- elected public administration, i.e., regional and local governments.

From the three sectors the first—mainly certain parts—seem to be the most mobile.

At several county seats there is anxiety that banks, financial institutions and other branch offices or representations close down their county-level operation and create a regional organisation. Business organisations have quite high degree of freedom in doing so; their only commitment is

² These opinions have lost ground; in the present budget period (up to 2006) the European Union considers Hungary as a *whole* unit for subsidisation, and expects the presentation of a National Development Plan by 31 December 2002.

to report on workforce reduction above the limit. If they can organise activity more rationally and effectively, hardly any arguments can question their decisions; another issue is that the closedown of a unit may unfavourably affect a certain settlement. Institutions performing budgetary services are not so free in their action; however, dissolution of health care-, educational, etc., institutes or their certain sections is not absolutely impossible.

The common feature of the second sector is that its establishment, the determination of the scope of competence, abolishment etc. requires only government decision, or rather, in the majority of cases, the founding minister's (supervisor's) decision. The only difference between them is made by the circumstance, to what extent their activity is 'clientele-oriented'; if daily significant clientele turnover is not a basic feature, these units can as well operate within a regional organisation if the interests of inhabitants are not harmed.

Within the non-elected institutions of public administration 18 different units can be found, working at county level. Among them there are no units, for which the county level authority would plan regional restructuring. It is not advisable even theoretically to have any of these institutes separated from the constitutional system or regional breakdown, in other words: it is not desirable that any institutions of public administration prior to a political-government decision on restructuring of the units would establish an other organisational structure. In my opinion the institutions of public administration do not have such competency and freedom in decision-making, as is for instance true of the financial or the banking sector.

The scope for action of the third sector has been constitutionally limited; as long as according to the constitution in force, the country's area is subdivided into capital, counties, towns with county's rights, towns and villages, local governments have to be elected and local administration managed at these levels.

The root of the problem is that the institutional system has been concentrated in the centre of the region, creating real problems of employment, development and prestige for other towns, county seats. I am convinced that the concentration of institutes is the product of inadequate transport and communication possibilities, and it is by no means compulsory to sustain this situation among the up-to-date means of travel and information society conditions. There are several examples abroad that different important government offices are located outside the capi-

tal of the country; why would it not be conceivable that different towns of certain regions (not exclusively county seats) utilising their features, peculiarities and potentials should share functions of the region, and the institutional system. Revelation of this potential and utilisation could spare unnecessary expense, and can anticipate interest-based opposition, thus fostering the ability for settlements to cooperate. However, the reply to the following issue—will there be a self-government region in Hungary—is not mandatory on the basis of the above.

I am convinced that under the recent conditions a firm reply cannot be given to this issue. Owing to its constitutional character, mature political concept and intention as well as very well grounded interdisciplinary grounds are necessary. Today none of them exists.

For a long time it has seemed that specialists concerned with the modernisation of public administration mainly agree that in the long run regions can become not only territorial units of public administration, but also those of a medium-level self-government. Supporters of the county breakdown argue against this in several ways:

- the Hungarian system of counties is a construction of Hungarian administration (moreover public administration) looking back on thousand years of tradition, which is not advisable to change. This argument is quite conservative; it cannot be precluded that the developing, ‘expanding’ world (in traffic, communication and economic relation terms, etc.) will sooner or later not burst out of this traditional framework;
- it is a customary argument to refer to the sense of identity of the population as a force of cohesion. This belief is weakly founded; the geographical borders of the present counties that have been formed after several modifications. For people living there, the present area of the county does not inevitably mean roots, but, the newly united cut-county remains, which emerged at the Trianon borders of the country, do not carry a sense of identity of the population. (The real sense of identity is still for Abaúj, Zemplén, Szatmár, Bereg, Sopron, Bihar, etc., areas, and it is not a rare phenomenon that, from the point of view of the new county, sense of identity represents rather a separating than unifying force.) These traditional ties today have rather to do with subregions than with counties;
- another argument is that ever since districts have been abolished, county as a medium level of administration should not be located geo-

graphically far from settlements, and especially there should not be many local governments within a county. This argument is quite rational, however, only as long as the system of municipal administration follows the present pattern (which is not mandatory).

In nearly one-third of the settlements in Hungary, the size of population does not reach 500 persons, and three-quarters of them have less than 2,000 persons. It is debatable in this sense, whether a viable local government can operate below a definite number of population, and if it can how effectively.

In several countries the elected local government at settlement level and a primary public administration unit are not coinciding concepts. For example, in Poland, there are 880 towns and 2,486 *gminas* (communes), which represent 56,800 villages and rural populated area, respectively. In Romania along with the 262 towns 2,686 communities exist in municipal terms, each of which comprises 5–8 villages. Consequently, it is possible that along with the state-of-the-art organisation of administration at the subregional level, abundantly equipped with up-to-date means and human resources the region could be considered to be at the intermediate level. (This does not necessarily doubt the existence of elected local governments at the settlement level.)

In my view, *one elected medium level* is necessary *between* the national and the local levels, which would be in an optimal case, the region, because

- it can properly represent and enforce the interests and goals in the 'Europe of Regions';
- it constitutes a territory of adequate size for larger-scale economic and infrastructure investments;
- it may serve as a stronger and more effective unit against national over-centralisation efforts;
- it can better serve the aim of creating a highly qualified but less expensive public administration than the county.

The seven planning-statistical regions recently in legal force constitute such territorial units upon which a self-government-type regional system can be built.

Finally, the present situation can be concluded as follows:

- politicians do not seem to have a mature conception concerning the future of regions and counties on either side;
- if they do have, it is still uncertain which side could enforce the conception within the recent Parliamentary power relations;
- neither scientists are in a position to produce a thoroughly planned and elaborated, acceptable conception within a short time.

At present the only solution to be taken into consideration is that all institutes of public administration in alliance with professional and scientific institutions should do their best within the prevailing legal framework to implement their indispensably achievable objectives for the accession to the European Union.

TERRITORIAL BREAKDOWN BY STATISTICAL SUBREGIONS—LEVEL NUTS 4

As it is known, the county-*district* breakdown was abolished in Hungary on 1 January 1984, so theoretically public administration became a two-tier system. At the same time, the apparatus of the county councils was not prepared to perform direct governing of the settlements in every respect, therefore the country was split into 139 *administrative environs*, with the central settlement authorised for exercising definite administrative functions. (Owing to the low number of towns at that time, 34 villages had been authorised with such rights; the short-lived term of *large village with town's rights* was created.)

Act LXV of 1990 on the Local Governments abolished the term 'administrative environs' too, with the establishment of a two-level self-government system. In the next step, the Hungarian Central Statistical Office—starting from the concept that neither regional statistics, nor its users can disregard observation of links between settlements and subregions, and even the legal equality of settlements cannot question the existence of links like central agglomeration within the settlement system—prepared the ground for a non-administrative subregional breakdown covering the total area of the country, in the period between 1991 and 1993. This territorial breakdown system listed 138 *statistical subregions*. The system was set up as a result of thorough professional analyses, based on real work-; residential-, transport- and medium-level supply (education, health care, trade, etc.) relationships. In the subregional sys-

tem settlements have ties with central settlements performing one or more functions. In the system each town represents a centre of agglomeration (or co-centre), but in some cases village centres of agglomeration also occurred. The subregional system was formed in collaboration and opinion exchange with the county directorates of the Central Statistical Office, with local governments, as well as with other institutes dealing with regional and settlement-network issues. The final version of the proposal was discussed with the self-governments of the counties, with the ministries concerned and the scientific consultants of the Hungarian Academy of Sciences. The system created on the basis of common consent became effective by the Communication No. 9006/1994 (SK.3) of the President of the Hungarian Central Statistical Office on 1 January 1994.

At that time, however, the elaboration of the Act on Regional Development had already been at the stage of preparation. The setting up of rules for the allocation and use of funds intended for regional development and compensation, including the elaboration of calculation methods were underway. Especially the latter, the regional allocation of funds, required a territorial breakdown, which covers the whole area of the country without overlaps, and on the basis of which *favoured regions* can be determined by employing adequate calculation methods. Considering that for this purpose the area of Associations of Local Governments for Regional Development was not suitable (on the one hand they did not cover the total area of the country, on the other, they overlapped some parts), it was evident to use the only breakdown at hand, which met the requirements, i.e., the *statistical subregional system*, and to approve and state that this system complies with the fourth level of the NUTS system.

The Act XXI of 1996 on Regional Development and Regional Planning ordered the establishment of county councils for regional development and outlined the members of the association. According to Article 14, paragraph (1e) of this Act 'one representative of each statistical area of the associations of local governments for regional development, operating in the county' will be the member of this Council. So the Act does not give a clear-cut determination, however, in practice, the representation in the Council was adjusted to a statistical subregional system.

The regulation for the allocation of supporting funds was more explicit. Parliamentary Decision [No. 30/1997 (IV.18) OGY] on the guidelines of decentralisation, subsidisation of regional development and conditions of classification to favoured areas explicitly states that such areas have to be determined on the basis of statistical terms. The same parliamentary deci-

sion gives an itemised list of 28 parameters, according to which a complex range of indicators is calculated and ranked. Favoured areas have been selected according to this ranking, with regard to the limitation that the total population of included regions cannot exceed one-third of the total population of the country. Point 3 in Chapter II of this decision states that: "Decentralised funds should be broken down by counties."

At differentiation the following should be taken into consideration:

a) Target supports for regional development

- population of the county up to 20% of decentralisable financial assets;
- per capita GDP indicator characterising the stage of development of the county, weighted with the share of population, up to the 30% of decentralisable financial assets;
- the number of resident population in the favoured regions, up to 50% of decentralisable financial assets.

b) Financial assistance serving regional compensation

- per capita GDP indicator showing the stage of development of the country, up to 50% of the decentralisable sum;
- the number of resident population in the favoured regions, up to 50% of the decentralisable sum.

All the above reveals that the regional breakdown system, originally established for mere statistical purposes, has been gaining ground both from regional and local governmental aspects, and especially for professionals of supreme authorities involved in regional development. It was therefore evident that already at the stage of preparing of the law and the parliamentary decision it had been conceived that revision of the regional breakdown system was necessary, owing to the fact that calculations based on these grounds determined the share from target supports for regional development for three years (1997–1999).

The then responsible supreme authority, the Ministry for Environment Protection and Regional Development, in cooperation with the Central Statistical Office—besides explicitly turning down individual propositions in unison in 1996—were ready to make revisions in 1997 and implement professionally justified modifications. At the same time, the Ministry invited the presidents of general assemblies, being also presidents to regional development councils in the counties, to elaborate their proposals for modification in the territorial breakdown, to be enforced on

the basis of definite principles, after professional evaluation. Without going into detail of the working stages of revision, we can conclude that after multilateral conciliations and, as a result of consensus, the system was modified with the declaration that both the Ministry for Environment Protection and Regional Development and the Central Statistical Office considered the implemented changes valid for a long time, and ruled out again fulfilling individual propositions. The modified system comprises 150 statistical subregions. The high-level openness and readiness for compromise of the proposal evaluating institutions themselves in that proposals for the formation of new subregions were turned down only in 5 cases. Sixty-one motions for reclassification of settlements were accepted, and altogether 36 professionally unfounded such initiatives were not approved. The modified subregional breakdown system became effective on 1 August 1997.

Since the amendment to the system certain conditions have actually changed. The requirement for revision was more often expressed by local governments, which naturally could not have been met on an individual level to inevitably safeguard stability of the system. The amendment to the Act on Regional Development in 1999 (Act XCII of 1999) reduced the number of mandates of local governments. Irrespective of the number of subregions, they have only three places in the county regional development councils and one place by counties in the regional development councils. Thus the importance of how many subregions are located in a county decreased, however, in the allocation of financial funds they still have high interest. The new Parliamentary Decision [(24/2001 (IV.20) OGY)] gives new definition for the allocation of funds. The total sum of financial assistance serving regional compensation, and 65% of target supports for regional development have to be decentralised; the latter in a way that 35% should be allocated to regions and 30% to county level. Fifty per cent of target supports granted to the regional development councils should be allocated on the basis of the per capita GDP of the region, 20% based on the resident population of the favoured subregions and 30% on the basis of the total resident population of the region. The proportions of allocations financial assistance to county councils on regional development has remained unchanged. However, from the financial assistance serving regional compensation only a 30% share has been granted instead of the former 50% on the basis of the per capita GDP, while on the basis of the resident population of favoured subregions the frame has been raised from 50 to 70%. It is easy to conclude that due to

this change the local governments of settlements endeavour to get into the favoured subregion by carrying out a proposal on regional division which would assure access to support funds, even if at the price of disregarding the primary aim and basic principles of territorial breakdown by subregions.

Supreme authorities on this subject [Ministry of Interior (MI), Ministry of Agriculture and Rural Development (MARD), Prime Minister's Office (PMO) and the Hungarian Central Statistical Office (HCSO)] would not rule out again—after five year's time—organising a new revision. The session of the National Regional Development Council of 13 December 2001 approved the agenda of revision on the basis of the MARD/HCSO proposition, which will be implemented over a longer period than it was in 1997. Partly because of the inevitable waiting for the population census results and partly because of the evaluation of requirements to be met concerning the regional breakdown the amended system is going to be completed and become effective only in 2003.

In the revision, just like in 1997, the basic principles for the formation of statistical subregions will have been entirely complied with.

1. *The basic principle of top priority for statistical subregional system is that it entirely covers the territory of the country (counties); each settlement belongs to a subregion and only to one subregion.*

From the above formulation it follows that the area of statistical subregional system is not identical with the area of associations of local governments for regional development; they cannot be identical, because local governments are not forced to enter into an association on the one hand, and the same local government can be the member of several associations on the other. Besides, the statistical subregional system represents level four (NUTS 4) of the standard regional breakdown system of the European Union; and this system requires a hierarchical buildup of levels. Consequently, the statistical subregional system cannot cross the county border, while the association of local governments can (it did occur). In some counties the total identity of areas has been assured so that associations of local governments have been established on the basis of the subregional breakdown. Naturally, it is also possible to converge the two systems; compromises on behalf of the statistical subregions can also be taken into account during the revision, if they do not significantly harm basic principles.

2. *In the system of statistical subregions multi-centred agglomerations also exist, where more than one central settlement exercises central functions.*

This explicitly shows, that the number of statistical subregions is smaller than that of towns in legal terms; professionally, it is not justified to form independent agglomeration in case of each town. The number of towns rapidly increases at present their number is 252; it is not advisable and unjustified to disintegrate subregional system to such an extent. Recently, the promotion of a settlement to a town concerns almost exclusively settlements with low population number and selective institutions, which are not in a position to grant medium-level services to the inhabitants of a subregion. It is important to emphasise already at the stage of launching the revision, because, although we do not intend to turn down all proposals on justifiable grounds, but it is still an alternative to abolish or integrate subregions that are too small.

3. *The statistical subregional system has to be stable for a longer period of time both in compliance with the Act on Regional Development and in compliance with the operation of the system of financial assistance and in order to fulfil statistical functions.*

Stability is a requirement for the proper operation of the NUTS system, for statistical analysis of the subregional conditions and for assuring comparability of development over time. It follows from this that analysis, evaluation and thorough consideration of proposals initiating amendment of division, the coordination procedures to be implemented in several phases are time-consuming, but inevitable. The revised regional breakdown has to be enduring and stable for a longer period of time, and cannot consider promotions of villages to towns, as neither the voluntary, flexibly changed associations of local governments.

4. *The statistical subregional system is an agglomeration representing basic and medium-level supply relationships for the population; the regional unit of cohabiting, interdependent settlements.*

This definition shows primarily, that subregions are territorial units defined by the 'centre-periphery' principle. They are statistical units of areas smaller than a county, on whose development, provisional situation and change over time statistical comparative analyses are drawn up.

Explicitly formulated: this is the *basic function* of their creation and existence, and they can serve for other purposes only secondarily. In practice the implementation of the centre-periphery principle also means that agglomerations can be of various sizes, and a large centre and its environs will naturally mean greater territory and larger population number than the agglomeration of a smaller settlement. That is the reason why at the determination of the agglomerations, contrary to the political electoral districts, the proportionate distribution of population cannot be a requirement.

These are the requirements and basic principles upon the existence of which the modification in the number of statistical subregions or in settlement classification can be initiated.

In the circle of professionals engaged in the modernisation of public administration the idea has long before been conceived, that different venues of administration should be coordinated, and harmonised as far as possible. Nowadays this means primarily the coordination of the work of document issuing offices, guardianship authorities and supreme construction authorities, although there are opinions that the fields of notarial districts should also be included. These activities cover such areas that overlap in several cases. Thus the citizen has to face the drawback to travel to different settlements to arrange versatile official matters. The organisation of public administration is of course beyond the professional competency of the statistician, however, we consider it reasonable to make the coordination. In the preliminary talks we have expressed the opinion, and we shall do so in the future as well, that in case public administration carries out this harmonisation within his own competency, we are ready to make mutual compromises during revisions of the statistical subregional system, that is to move the classification of some settlements without significant harm to professional requisites, in order to make regional belonging uniform for statistical subregions. We still have reservations, however, because of the earlier detailed disputes with associations of local governments for regional development in the field of regional coordination. We see no real chance for coordination in respect of notaryships—notarial districts—as long as legal regulation assures such high mobility for perpetual changes in the area.

As a result of persistent work for years, it can be stated that the five-level regional breakdown system of Hungary has been created, which fully complies with the requirements of the NUTS system of the European Union in principle, contents and buildup (*Table 5*).

Table 5. Territorial breakdown of Hungary in accordance with the NUTS classification

Level	Denomination	Number of units
NUTS 1	Country	1
NUTS 2	Planning-statistical regions	7
NUTS 3	Counties (capital)	20
NUTS 4	Statistical subregions	150
NUTS 5	Settlements	3135

The country's basic interest is to preserve and guarantee the stability of the upper three levels till the accession, as well as to set up the institutional system of the second level as soon as possible and to operate it efficiently.

Minor modifications will be implemented at local levels in 2002–2003. The revision of subregions may bring changes on level four, and decisions made on the formation of villages, coming into effect during the local government elections of autumn 2002, will increase the number of settlements. With abolishment of the former settlement unification, and due to separating certain parts of settlements from other settlements, ten new villages have been formed, thus the number of settlements has reached 3145.

All further modifications require high-level political decisions.

REFERENCES

- FALUVÉGI, A. (1997): Az uniós területi osztályozás és a regionális támogatási rendszer (Regional classification system of the EU). *Statisztikai Szemle*, 75. 1. pp. 5–16.
- KOVÁCS, T. (1998): Vázlatrajz a magyarországi régiókról (Sketch on the Hungarian regions). *Területi Statisztika*, 1 (38) 2. pp. 144–153.
- KOVÁCS, T. (ed.) (1998): *Magyarország régiói 1–8. (Regions of Hungary)*, Vol. 1. Budapest: Hungarian Central Statistical Office.
- KOVÁCS, T. (1999): Polémia a magyarországi régiókról? (Debate on Hungarian regions) *Területi Statisztika*, 2 (39) 2. pp. 107–116.
- KOVÁCS, T. (1999): Régiók és területi különbségek a közép-európai országokban (Regions and territorial differences in Central European countries). *Területi Statisztika*, 2 (39) 3. pp. 224–234.

ELEMENTS OF REGIONAL DISPARITIES IN THE NEW REGIONAL PATTERN

JÓZSEF NEMES NAGY

In Hungary, the basic socio-economic changes launched by the political transition of 1989 had been more or less completed by the end of the 1990s: the institutions of political democracy and market economy have been established. As a result of these processes, a new regional pattern has emerged, being substantially different from that of the socialist period. The study below presents the most important features of this altered regional pattern.

Building a multi-party democratic constitutional state and a market economy in the 1990s has had far-reaching consequences for all levels of the society. The most fundamental change has taken place in the ownership structure. Following privatisation, land ownership compensation and new capital investments (especially the foreign direct investment to 20 billion USD by 2000), private ownership had become dominant by the mid-1990s. From 1996, more than half of all wage earners in every county worked for private or at least partly-private enterprises. Today there are some 700,000 individual entrepreneurs besides over 300,000 business enterprises in Hungary. The role of the state is now dominant only in the field of education, health services, and public administration. Hungary has been compelled to a complete reorientation of its external economic ties, with a subsequent deepening of the regional crisis in the manufacturing and agricultural industries which had been producing for the Soviet market. Economic decline reached a depth in 1993. The complete opening of borders served as a catalyst for changes in the spatial structure. The system of state-monopolised and centrally organised international relations began to prepare ground for cross-border cooperation. Previously acting as barriers and filters, being closed to economic ties,

some border regions soon became zones of dynamic activity. It is true, however, that at different sections of the border this process varied widely, and was full of contradictions. At the Austrian border, there were large-scale investments while at the southern border, there was only a controversial business boom fuelled by the Balkan crisis, based on only partly legitimate activities. On the eastern borders a network of illegal businesses sprang up. Therefore the geographic periphery of the country cannot be regarded as an economic and social periphery at the same time. On the contrary, the western border region should rather be considered to be a dynamic edge of the country.

MACROREGIONAL PATTERN OF DEVELOPMENT

The regional disparity pattern of the country has been subject to thorough investigation (see cited papers). Today the regional inequalities in Hungary have three main dimensions connected to one other regionally or as settlements (*Fig. 1*):

- the dualism between Budapest and the countryside;
- macro regional—West-East—inequalities;
- differences at the microlevel (microregions, urban-rural).

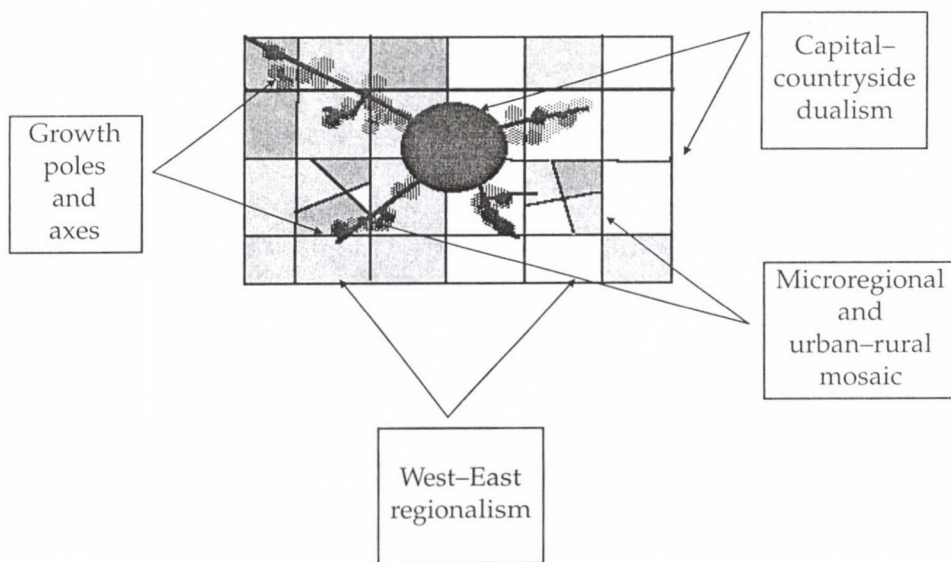


Figure 1. Multilevel spatial disparities at the end of the 20th century in Hungary (general model)

Principal growth poles (large towns) and developmental axes are outlined on the maps as well (first of all these appear along the motorways starting from the capital and in the western Austrian border zones).

These dimensions have strong stability. At the millennium the position of the macro- and microregions is very close to their position at the beginning of the transformation processes. The regional process that has partly started in the second half of the eighties and the first half of the nineties has a detrimental effect on the main trends of regional inequalities in the future.

The transformation of the spatial pattern of development can be shown by means of the *per capita GDP values*. With the use of GDP per capita data, which have been estimated on the county level since 1994 by the Hungarian Central Statistical Office (KSH), it is possible to make comparisons with the proportions existing in 1975 that indicate the typical spatial pattern of the socialist period (the regional data of GDP for 1975 have been estimated by the author based on official statistical information and data from Gy. BARTA 1977). The table of GDP data reflecting the development level of 1975 and the new pattern indicate extremely intensive changes in the relative positions of the counties (Table 1).

Comparing the development of the seven regions and the counties in earlier and newer periods (Tables 2 and 3) well-separable types emerge. From among the positive shifts, the position of the Central region and the capital, Budapest with its outstandingly high level of development deserves particular attention. Budapest, with regard to its dynamics and to the features of its economic development, has not only retained its advantage over the rest of the country, but it has further increased it. Outside the capital, it is only in the western, Transdanubian (Dunántúl) part of the country where counties with steadily improving positions can be found. The advancement of Vas County is the most spectacular. Also, Győr–Moson–Sopron has a development level firmly above the average, and it is still improving its position. These two western counties are, in the economic sense, the winners of the economic-political transition.

The areas on the eastern part of the country (some of them showed certain gains in the 70s) lagged behind after transformation in the competition among regions. The decline was very powerful in North Hungary as well and unstable economic situation characterises the southern counties of Transdanubia, too.

The different indicators measuring the growth of regional inequalities (maximum/minimum ratio in Table 1 and the figures of Table 4) generally show the increasing trend of the regional economic development disparities in the 90's.

Table 1. Regional disparities in the economic development level

Regions, counties	GDP per capita (country = 100)			Changes of the position (percent points)		
	1975	1994	2000	1975-1994	1994-2000	1975-2000
Budapest	139	180	195	41	15	56
Pest	61	76	78	15	2	17
<i>Central Hungary</i>	114	146	152	32	6	38
Fejér	106	96	127	-10	31	21
Komárom-Esztergom	131	80	83	-51	3	-48
Veszprém	116	80	85	-36	5	-31
<i>Central Transdanubia</i>	117	86	100	-31	14	-17
Győr-Moson-Sopron	111	103	134	-8	31	23
Vas	82	103	114	21	11	32
Zala	88	94	85	6	-9	3
<i>Western Transdanubia</i>	96	101	114	5	13	18
Baranya	108	84	76	-24	-8	-32
Somogy	71	76	68	5	-8	-3
Tolna	77	94	83	17	-11	6
<i>Southern Transdanubia</i>	88	84	75	-4	-9	-13
Borsod-Abaúj-Zemplén	111	70	65	-41	-5	-46
Heves	100	73	71	-27	-2	-29
Nógrád	77	62	54	-15	-8	-23
<i>Northern Hungary</i>	102	70	65	-32	-5	-37
Hajdú-Bihar	83	83	71	0	-12	-12
Jász-Nagykun-Szolnok	93	79	67	-14	-12	-26
Szabolcs-Szatmár-Bereg	59	62	54	3	-8	-5
<i>Northern Great Plain</i>	77	74	63	-3	-11	-14
Bács-Kiskun	79	77	68	-2	-9	-11
Békés	89	80	66	-9	-14	-23
Csongrád	109	94	83	-15	-11	-26
<i>Southern Great Plain</i>	91	83	72	-8	-11	-19
Max./min.	2.36	2.90	3.61			
Max./min. ratio						
without Budapest	2.22	1.66	2.38			

Source: Estimation of J. NEMES NAGY based on the 1994-2000 data of the Central Statistical Office.

Table 2. Changing development position of the regions

		Development trends in the new pattern (1994–2000)		
		<i>Decline</i>	<i>Stagnation</i>	<i>Dynamism</i>
Development trends in	<i>Dynamism</i>			Central Hungary Western Transdanubia
in the old pattern	<i>Stagnation</i>	Southern Transdanubia Northern Great Plain		
(1975–94)	<i>Decline</i>	Southern Great Plain	North Hungary	Central Transdanubia

Table 3. Changing development position of the counties

		Development trends in the new pattern (1994–2000)		
		<i>Decline</i>	<i>Stagnation</i>	<i>Dynamism</i>
Development trends in	<i>Dynamism</i>	Tolna Zala	Pest	Budapest Vas
in the old pattern	<i>Stagnation</i>	Somogy Hajdú–Bihar Bács–Kiskun Szabolcs–Szatmár– Bereg		
(1975–94)	<i>Decline</i>	Baranya Békés Csongrád Jász–Nagykun– Szolnok	Borsod–Abaúj– Zemplén, Heves Komárom– Esztergom Veszprém	Fejér Győr–Moson– Sopron

Table 4. Regional differentiation of the economic development levels (HOOVER-indices,¹ calculated by comparison of the regional distribution of population and GDP)

Year	Budapest countryside (n = 2)	Regions (n = 7)	Counties (n = 20)
1994	15.26	13.08	15.48
1995	15.19	13.86	15.72
1996	15.89	13.76	16.72
1997	16.09	14.40	17.58
1998	15.78	14.56	18.09
1999	16.46	15.95	18.81
2000	17.07	16.21	20.02

The present dynamics of the western regions is primarily due to their favourable geographic location. The present spatial pattern is strongly influenced by *the proximity of the economically powerful regions in Austria, South Germany and North Italy*. The prime beneficiaries of this external impact are the three counties mentioned above. Another unique advantage for this area is that the western border zone (for political-military reasons) was neglected during the heavy industrial stage of socialist industrialisation, therefore it arrived at the threshold of transition with a less obsolete and more flexible structure of economy and professional culture. This area is connected with a system of massive daily links with the adjacent Austrian regions. These factors are strengthening the advantages due to a common mentality built upon the socio-psychological heritage of remote historical times.

The inflow of foreign capital (Table 5) plays a prominent role in the fast development of this region (CSÉFALVAY 1995, ENYEDI 1996b, VAN HASTENBERG 1996, SWAIN 1998). Numerous multinational companies have settled a series of export-oriented industrial firms since the 90s into the counties of Vas, Győr–Moson–Sopron and Fejér (automobile industry, electronics). Business services, trade and settlement of company headquarters appear to be behind the considerable attraction the capital city of Budapest.

¹ HOOVER-index: $H = 1/2 \sum |x_i - y_i|$

Where: x_i and y_i are the shares (%) of the i . spatial units (regions, counties, microregions, settlement) in the total volume of the compared indicators (population and GDP, income, unemployment, etc.). $H_{\min} = 0$, $H_{\max} = 100$ (using personal income data, the same index is named *Robin Hood* index).

Table 5. Enterprises with foreign direct investment in Hungary

Regions, counties	Number of organizations		Subscribed capital (billion HUF)	
	1993	2000	1993	2000
<i>Central Hungary</i>	12.265	15.356	785	1.991
Budapest	10.953	13.453	725	1.626
Pest	1.312	1.903	60	395
<i>Central Transdanubia</i>	1.470	1.635	90	220
Fejér	439	422	41	99
Komárom-Esztergom	446	463	36	95
Veszprém	585	750	14	26
<i>Western Transdanubia</i>	2.006	2.713	74	224
Győr-Moson-Sopron	930	1.169	37	122
Vas	525	709	22	83
Zala	551	635	15	19
<i>Southern Transdanubia</i>	1.355	1.523	35	51
Baranya	715	749	21	25
Somogy	417	509	9	18
Tolna	223	265	6	8
<i>North Hungary</i>	681	800	45	162
Borsod-Abaúj-Zemplén	358	369	23	104
Heves	171	277	13	46
Nógrád	152	154	9	13
<i>Northern Great Plain</i>	832	1.160	41	105
Hajdú-Bihar	351	276	21	53
Jász-Nagykun-Szolnok	214	231	12	32
Szabolcs-Szatmár-Bereg	267	653	9	20
<i>Southern Great Plain</i>	2.390	1.945	43	124
Bács-Kiskun	1.003	788	18	35
Békés	282	242	15	29
Csongrád	1.105	915	11	60
<i>Hungary</i>	20.999	25.132	111	2.877

Source: Central Statistical Office.

While there has been significant development in the western counties, we are witnessing a radical decline in the North Hungarian region. There is Borsod-Abaúj-Zemplén county which has undergone through a long period of depression, and also Nógrád, which has fallen to the bottom of the hierarchy in economic development by now. It is only Heves where the results of our calculations show some positive turn in the first part of this decade. North Hungary is the typical example of a once developed region struggling with depression in the crisis of its out-of-date heavy

industries. The level of development in North Hungary, for the very reason of its economic demise, does no longer differ too much from the Great Plain (Alföld).

Neither does the development indicators of the traditionally less developed macroregion, the agrarian Great Plain, give any reason for optimism. It is only Csongrád that exceeds the average level of development in the Great Plain. Among the main reasons for Csongrád's relatively better position is the attraction by the city of Szeged, and the outstandingly high density of small-scale entrepreneurship, which has evolved due to immigration and an inflow of capital escaping from Yugoslavia, and which was heavily interwoven by 'black and grey' elements as well.

The depression and crisis (sharp decrease of production, high unemployment rates) in the first half of 90s *in the eastern counties had many reasons, too*. First of all one has to look for them not only in local features, but in the peculiar mechanism enabling the economy of the more developed regions (the capital in particular) to react to the difficulties by passing most of the burden of depression to the peripheries: the commuters were the first in the labour force to be dismissed, and the small plants in the countryside were the first to be closed down. (The high unemployment rate in the county of Szabolcs-Szatmár-Bereg was actually the result of the capital's ability to react fast.) Secondly, another cause of depression in the East was that the north-eastern counties were those hit most severely by the crisis of heavy industry and agricultural mass production oriented towards the collapsing Soviet market. Thirdly, in consequence of the insufficient macroregional infrastructure, the incoming foreign capital got stuck in the western part of the country and in Budapest, while in the east, it picked out and acquired by privatization, only few of the companies with the most promising markets.

The central part of the country is strongly divided also on the county level owing to its rather unstable transitional character. On the one hand, the county of Komárom-Esztergom, having suffered the greatest loss of position, during the last twenty years, and Veszprém, a county facing similar problems, can be found here. On the other hand, the county of Fejér directly adjoining the latter, has by contrast experienced a spectacular development since 1990. The reason for the present high GDP in Tolna (the county that has been second best in achieving a lasting development after Vas) is chiefly the great production potential of the Paks Nuclear Power Plant completed in the early 80s. Thus Tolna's relatively favourable position has nothing to do with the post-transition processes. This is

also evident from the fact that Tolna is not among the highest ranked counties, according to the economic health index. Considering the GDP indicator, in the county of Pest, closely tied with the administratively separated capital city, the improvement is also remarkable, although the GDP per capita allocated according to the actual place of production, certainly underestimates Pest's position. According to the economic health indicator, Pest ranks average among the counties, and that is quite realistic. Finally, the county of Bács-Kiskun is also part of this heterogeneous and unstable middle zone. Although it is located east of the Danube, Bács-Kiskun does not share the sluggish character of most of the Great Plain, but boasts with a rigorous small-enterprise activity.

THE COLLAPSE AND RESTORATION OF INDUSTRY

The transformation in the spatial pattern of development was accompanied by sharp changes in the economic structure of counties in the 1990s. Although, the most significant trend in the transformation of the economic structure in the 90s was the increase in the proportion of the services sector, this caused a noticeable shift only in the relation between the capital and the countryside (*Table 6*). The outstanding economic development of Budapest was in the first place due to the growth in the proportion of commerce, business and financial services, which has resulted in high incomes. In 1990, 46.6% of active wage earners were employed in the services of the economy. Its share had increased to 60%. At present, the majority of workers are employed in the services sector in all counties. In the capital city, this sector has a particularly important role, which is indicated by its substantial increase between 1990 and 2000 from, 62.5 to over 75%. There is no traceable macroregional pattern-altering effect of the agricultural sector, which is repressed now: the counties that were characteristically agrarian in the early 90s have remained the same: 15.5% of the total working population in Hungary was employed in agriculture in 1990, while now they represented only about 6%. From among the counties, it is only Bács-Kiskun and Békés where the proportion of agrarian wage earners exceeds 15%. It is a rather unfortunate fact, full of social and political tension, that economic crisis and backwardness today is strongly associated with the agrarian character. The shares of the three sectors in the GDPs of the counties are very similar to those in the employment structure.

Table 6. Regional employment structure (%) in 2002

Regions, counties	Agriculture	Manufacturing, construction	Services
Budapest	0.5	21.5	77.9
Pest	3.3	32.8	64.0
<i>Central Hungary</i>	1.5	25.5	73.0
Fejér	6.8	42.3	50.9
Komárom-Esztergom	4.3	45.2	50.5
Veszprém	5.1	42.3	52.5
<i>Central Transdanubia</i>	5.5	43.1	51.4
Győr-Moson-Sopron	5.5	39.3	55.2
Vas	5.6	46.0	48.4
Zala	5.6	39.2	55.2
<i>Western Transdanubia</i>	5.6	41.1	53.3
Baranya	6.4	33.2	60.5
Somogy	8.8	29.8	61.4
Tolna	10.7	38.0	51.3
<i>Southern Transdanubia</i>	8.3	33.3	58.4
Borsod-Abaúj-Zemplén	3.5	34.5	62.0
Heves	5.7	39.2	55.0
Nógrád	2.8	43.2	54.0
<i>North Hungary</i>	4.0	37.4	58.6
Hajdú-Bihar	9.7	31.5	58.8
Jász-Nagykún-Szolnok	7.9	36.9	55.2
Szabolcs-Szatmár-Bereg	6.1	31.2	62.7
<i>Northern Great Plain</i>	8.0	33.0	59.1
Bács-Kiskun	13.5	32.2	54.2
Békés	11.7	34.4	53.9
Csongrád	12.2	29.2	58.6
<i>Southern Great Plain</i>	12.6	31.8	55.6
Hungary	5.6	33.1	61.3

Source: Central Statistical Office.

In contrast to agriculture, and in comparison with the services activity, in the industrial sector (which, in all, has lost some of its weight), there has been an increase of such a great extent that it has become the most important to reorganise it as a factor of the regional economic pattern described above.

The rearrangement within the industry has been completed in two distinct phases in the 90s. The first phase can be characterised by a comprehensive, uniform, and radical decrease (*Table 7*).

Table 7. County-level characteristics of industrial growth
(Author's calculation on the CSO regional data)

Counties	Changes of the industrial production (Previous year = 100)		Industrial output in 2001
	1993/1987	2001/1993	1987 = 100
Fejér (C. Tr.)	65.7	645.4	424.1
Vas (W. Tr.)	105.6	301.5	318.3
Győr–Moson–Sopron (W. Tr.)	50.9	538.4	273.9
Komárom–Esztergom (C. Tr.)	63.9	356.3	227.5
Zala (W. Tr.)	83.9	200.2	167.9
Somogy (S. Tr.)	46.8	328.2	153.7
Hajdú–Bihar (N. G. P.)	78.5	148.4	116.6
Heves (N. H.)	57.3	191.5	109.8
Pest (C. H.)	59.4	182.2	108.2
Tolna (S. Tr.)	85.0	110.0	93.5
Jász–Nagykun–Szolnok (N. G. P.)	56.1	152.8	85.7
Bács–Kiskun (S. G. P.)	58.2	134.2	78.1
Budapest (C. H.)	54.9	137.6	75.5
Csongrád (S. G. P.)	60.0	122.0	73.3
Szabolcs–Szatmár–Bereg (N. G. P.)	47.8	149.1	71.3
Baranya (S. Tr.)	49.3	140.5	69.2
Veszprém (C. Tr.)	42.1	154.8	65.2
Békés (S. G. P.)	57.6	98.0	56.4
Nógrád (N. H.)	43.2	128.3	55.4
Borsod–Abaúj–Zemplén (N. H.)	42.7	128.0	54.6

Compared to 1987, industrial production has dropped considerably in all counties (by more than 50% in Nógrád, Borsod, and Veszprém, by 30–40% in the majority of the counties and in Budapest, and it was only Zala, where the decrease was less than 20%). The industrial crisis, which had some effect on the counties of heavy industrial character already before the year of 1989, reached its deepest phase in most of regions around 1992–93. However, at this time only the range of industrial development narrowed down, for those who were on the top fell back. The real change was coming later.

Although, in the mid-90s, industrial production started to grow again in all the counties (however, usually, accompanied by a further decrease in employment), in the traditionally industrial counties in North Hungary, and in the less industrialised ones on the plains, only a slow recovery process is taking place, thus production could not even reach its 1987 level in 2001.

In contrast, in the counties of Vas, Győr–Moson–Sopron, and Fejér, due to the huge processing works of multinational firms settled there, industry has almost doubled its production since 1989, and Komárom–Esztergom as well, is on the way of permanent recovery from economic depression. As a result of these developments, the most important industrial zone of Hungary is the western border area, the capital's role as an 'industrial base' has disappeared by now, the northern industrial axis has completely rusted away.

DIFFERENT TRENDS IN THE SPATIAL DISPARITIES

Examining different indicators behind the tendency of regional differentiation characterising fundamentally the last decade of the 20th century, specific regional processes are detectable as well. We chose three of these attributes:

- incomes (volume of taxable incomes)—complex measure of development;
- unemployment (registered unemployed persons)—main crisis indicator;
- supply of phone lines (main phone lines)—the most rapidly growing infra-sphere.

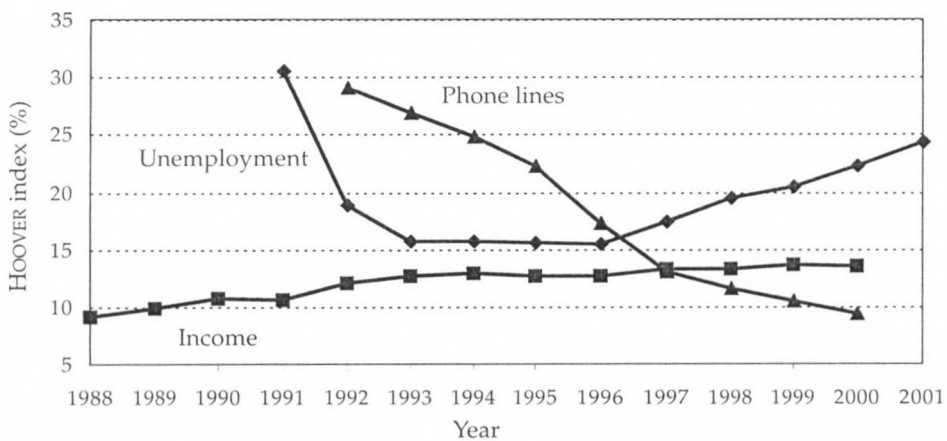


Figure 2. Trends of regional disparities of incomes, phone supply and unemployment on microregional (n = 150)

Selection of the three indicators mentioned above (income, phone lines, unemployment) is motivated by the fact that they radically differ from each other in their spatial inequality patterns at the end of the 20th century. All of them we can analyse from the level of settlements on all aggregated spatial level. *Figure 2* summarises and compares the different and unique trends of disparities on the level of micregions.

The source of data in case of phone lines and the population is the database of KSH TSTAR, in case of registered unemployment and in taxable incomes on settlement level we use the database of OMMK and PM-APEH, which is not a public database on the settlement level.

INCOMES

At the beginning of the 90s a marked trend in differentiation can be noted which stabilised itself on a high level resulting in a divided income space in the second half of the decade.

Table 8. Changes of spatial income disparities Robin Hood indices (%) of inequalities, calculated by comparison of the regional distribution of population and taxable income

Year	Budapest countryside (n = 2)	Regions (n = 7)	Counties (n = 20)	Micro- regions (n = 150)	Settlements (n = 3157)
1988	7.1	7.6	7.7	9.1	10.8
1989	7.5	8.1	8.2	9.8	11.7
1990	8.3	8.6	8.7	10.7	12.9
1991	7.5	8.0	8.2	10.6	13.3
1992	9.6	9.3	9.8	12.0	14.8
1993	9.9	9.6	10.2	12.6	15.1
1994	9.9	10.0	10.4	12.9	15.5
1995	9.5	9.7	10.1	12.6	15.2
1996	9.0	10.1	10.3	12.7	15.2
1997	9.3	10.5	10.7	13.2	15.4
1998	9.4	11.0	11.2	13.2	15.5
1999	9.7	11.1	11.2	13.6	15.8
2000	9.3	11.3	11.5	13.5	15.6

According to the data (*Table 8*), there are no definite turns in the levelling of differences in income even in 2000. An essential attribute of regional disparities of income during the whole period under survey is that the importance of income split between capital (Budapest) and the countryside is determinant in the differences. More than two-thirds of total inequalities are ascribable to this.

In results of calculation it is worth taking note of that since 1995 the graph of unevenness in relation of capital–countryside (basically showing stagnation) and the line of values calculated for regions and counties (showing explicit differentiation) have definitely separated. It shows that a definite differentiation began within the countryside in the second part of the 90s: the western areas of the country are ever sharply separating from the eastern regions. On the other hand, it deserves attention that county-level inequality is only a little higher than values measured among the regions. It verifies that counties belonging to the same region become more homogeneous (they assimilate each other) from the point of view of income. Calculations show too that income differences between micro-regions and settlements are stable.

PHONE LINES

In contrast with incomes in phone supply—which is the most dynamically developing sector of infrastructure—regional levelling is marked. The telephone was an emblematic example of the incomplete socialist economy.

Between 1992 and 2000 the number of phone lines grew by more than 2 million, today every household and every third person has a line. Nowadays the above development has resulted a fully supplied market on the national level. But the density of lines is rather different both among the cities and villages and among the different regions of the country.

Calculations according to the regional differences verify too that regional inequalities on telephone supply were extremely high in the early 90s (the value of HOOVER-index exceeded the values measured in case of income or unemployment: its value was 34.3% at settlement level in 1992, while it was 21.7. In case of unemployment and 14.8% from the income point of view). On the contrary, in 2000 disparities of the telephone supply are already the smallest!

Table 9. Changes of spatial disparities in phone supply
(HOOVER indices (%) of inequalities, calculated by comparison of the regional
distribution of population and number of main phone lines)

Year	Budapest countryside (n = 2)	Regions (n = 7)	Counties (n = 20)	Micro- regions (n = 150)	Settlements (n = 3,157)	Main phone lines
1992	23.24	17.89	23.59	29.02	34.32	1,291,922
1993	19.85	15.74	20.38	26.92	32.17	1,497,577
1994	18.48	15.01	19.38	24.80	30.08	1,785,441
1995	16.27	14.63	17.14	22.30	26.44	2,157,202
1996	13.26	13.09	13.64	17.31	20.43	2,651,215
1997	10.43	10.44	10.53	13.01	15.53	3,094,423
1998	9.33	9.21	9.39	11.53	13.72	3,383,597
1999*	8.50	8.40	8.60	10.50	12.40	3,430,000
2000	7.67	7.50	7.79	9.39	11.10	3,476,888

* Estimated values.

Equalising trends are the same in each of the different regional levels. At the same time, it is worth noting that in 2000 the HOOVER index became in case of capital–countryside relations, regional or the county level practically equivalent. It means that telephone supply was essentially balanced at the microregional level. However, microregional and settlement distribution has still remained which basically derives from the difference of level of supply between towns and villages. Variance of earnings already plays a role this time, which is ascribable to inequalities of the earnings and the different requirements concerning telephone services of residents living in towns or villages.

UNEMPLOYMENT

In case of unemployment we can see a special waving character of the regional inequalities.

Open, registered unemployment appeared in the late 80s and it increased in remarkably rapid pace (SCHWERTNER 1994). The reduction in the working force started first in the construction industry among the main economic branches, then the focal point was shifted over to heavy industry and agriculture, but no branch or activity group was exempt from this process. Employment touched bottom in 1993, when the number of the unemployed exceeded 700,000 persons. Thereafter it was reduced continuously, and sank below 400 thousand by 1999. The official unemployment rate was 5.6% in 2001, which is to be found below the European average.

Table 10. Changes of spatial disparities in phone supply (HOOVER indices (%) of inequalities, calculated by comparison of the regional distribution of taxpayers and number of registered unemployed persons)

Year	Budapest countryside (n = 2)	Regions (n = 7)	Counties (n = 20)	Micro-regions (n = 150)	Settlements (n = 3,157)	Registered unemployed persons
1991	17.52	26.35	26.71	30.53	33.16	136,903
1992	10.60	15.39	15.82	18.79	21.71	469,269
1993	8.91	13.01	13.57	15.66	18.21	697,148
1994	8.71	13.38	13.74	15.66	18.47	608,461
1995	8.17	13.34	13.69	15.62	18.74	537,685
1996	7.71	12.70	13.57	15.39	18.28	524,663
1997	9.07	15.04	15.86	17.43	20.07	492,247
1998	10.17	17.16	17.76	19.47	21.80	471,605
1999	10.28	18.06	18.54	20.40	22.66	442,408
2000	11.27	19.91	20.20	22.25	24.26	437,330
2001	12.01	22.50	22.58	24.30	26.46	408,316

Mass unemployment, the very process of the decade, which caused the greatest shock for the society was characterised by a special course both in time and space, and produced the mechanism of 'ebb and tide'. In the first phase of the transition process the phenomenon of unemployment—besides becoming a mass symptom—had a definite regional concentration (for the disadvantage of North-East). Afterwards the unemployment crises diffused in the country and by now it has again drawn back to its original spatial structure. The highest unemployment rates today are again in the north-eastern part of the country. Here, mainly in the rural areas, the labour market has become rigid without any hope for change, and the younger generation took the place of the permanently unemployed persons after elderly persons got excluded from the labour market.

LITERATURE

- BARTA, GY., CONTI, S. (1994): Budapest's changing position in Europe and Hungary. (In: HAJDÚ, Z., HORVÁTH, GY. (eds): *European Challenges and Hungarian Responses in Regional Policy*. Pécs, MTA RKK, pp. 170–182.
- BARTA, GY. (1977): A területi gazdasági különbségek változása 1960–1975 között (Changes of regional economic inequalities between 1960–1975). *Területi Statisztika*, 2.
- BARTKE, I. (1997): Social driving forces and state regulation of regional economic development. *Papers in Regional Science* 2. 155–174.

- CSATÁRI, B. (1996): *A magyarországi kistérségek néhány jellegzetessége.* (Some characteristic features of Hungarian microregions). Kecskemét: MTA RKK-KTM PHARE Iroda.
- CSÉFALVAY, Z. (1995): Raum und Gesellschaft Ungarns in der Übergangsphase zur Marktwirtschaft. (In: P. Mesburger, P., Klinger, A. (eds): *Von Plan zum Markt. Eine Untersuchung am Beispiel Ungarns.* Heidelberg: Physica-Verlag, pp. 80–98.
- CSITE, A. (1997): Vidékfejlesztési megközelítések Magyarországon 1970–1996: az új regionális politika (The new regional and rural policy in Hungary). *Szociológiai Szemle*, 1., 79–96.
- DORENBOS, R. J. (1996): Labour mobility flows between 1988 and 1992 in Hungary and Poland. In: *Workshop Transition Processes in Eastern Europe*, ESR, The Hague: ESR, pp. 137–162.
- EHRlich, É., Révész, G. (1995): *Hungary and its Prospects 1985–2005.* Budapest: Akadémiai Kiadó.
- ENYEDI, Gy. (1994): Regional and urban development in Hungary until 2005. In: Hajdú, Z., Horváth, Gy. (eds): *European Challenges and Hungarian Responses in Regional Policy.* Pécs: MTA RKK, pp. 239–253.
- ENYEDI, Gy. (1996a): *Regionális folyamatok Magyarországon az átmenet időszakában* (Regional processes in Hungary in the transition period). Budapest: Hilscher Rezső Szociálpolitikai Egyesület, Ember–település–régió sorozat.
- ENYEDI, Gy. (1996b): Külföldi működőtőke-befektetések hatása a regionális fejlődésre Magyarországon (Effect of foreign direct investment on regional development in Hungary). In: Dövényi, Z. (ed.): *Tér – Gazdaság – Társadalom.* Budapest: MTA FKI, pp. 247–256.
- GROEN, R., VISSER, A. (1993): Development chances for Békés county. Utrecht–Békéscsaba: Univ. of Utrecht–MTA RKK.
- HASTENBERG, H. VAN (1996): Regional and sectoral characteristics of foreign direct investment in Hungary. In: *Workshop Transition Processes in Eastern Europe.* The Hague: ESR, pp. 121–136.
- HORVÁTH, Gy. (1993): Entrepreneurship and regional policy in Hungary. In: Hajdú, Z. (ed.): *Hungary.* Pécs: CRS, pp. 263–277.
- HORVÁTH, Gy. (1996): A magyar regionális politika és az európai kihívások (The Hungarian regional policy and the European challenges). *Vezetéstudomány*, No. 1. pp. 17–29.
- HRUBI, L. (1993): Restructuring in a depressed zone and the role of new small enterprises: the case of Baranya county. In: Horváth, Gy. (ed.): *Development Strategies in the Alpine–Adriatic Region.* Pécs: MTA RKK, pp. 183–207.
- KEUNE, M., NEMES NAGY, J. (ed.) (2001): *Local Development, Institutions and Conflicts in the Post-socialist Hungary.* Budapest: ILO.
- LENGYEL, I. (1993): The Hungarian banking system in transition. *GeoJournal* Vol. 32, No. 4. 381–391.
- NEMES NAGY, J. (1994): Regional disparities in Hungary during the period of transition to a market economy. *GeoJournal* Vol. 32. No. 4. 363–368.
- NEMES NAGY, J. (2000a): Regional inequalities in Hungary at the end of the socio-economic transition. In: Kovács, Z. (ed.): *Hungary towards the 21th Century: The Human Geography of Transition.* Studies in Geography in Hungary 31. Budapest: Geographical Research Inst. HAS, pp. 87–98.

- NEMES NAGY, J. (2000b): The new regional structure in Hungary. In: PETRAKOS, G., MAIER, G. and GORZELAK, G. (eds): *Integration and Transition in Europe: The Economic Geography of Interaction*. London: Routledge, pp. 170–186.
- OECD (1995): *Social and Labour Market Policies in Hungary*. Paris.
- PROBÁLD, F. (1995): Regionale Strukturen des Arbeitsplatzangebotes in der Agglomeration von Budapest. In: Meusburger, P., Klinger, A. (eds): *Von Plan zum Markt. Eine Untersuchung am Beispiel Ungarns*. Heidelberg: Physica-Verlag, pp. 182–208.
- RECHNITZER, J. (1993): Szétszakadás vagy felzárkózás (A térszerkezetet alakító innovációk), (Division and cohesion. Innovation in the regional development). Győr: MTA RKK.
- SCHWERTNER, J. (1994): Parázsló munkerőpiac (Labour market in move). *Tér és Társadalom*, No. 1–2. 59–82.
- SIK, E. (1994): From the multicolored to the black and white economy: the Hungarian second economy and the transformation. *International Journal of Urban and Regional Research*, Vol. 18. No. 1, March, 46–70.
- SILINCE, J. A. (1987):+ Regional policy in Hungary: objectives and achievements. *Transaction*, Vol. 12. 451–464.
- SWAIN, A. (1998): Governing the workplace: the workplace and regional development implications of automotive foreign direct investment in Hungary. *Regional Studies*, No. 7, 653–671.
- SZIRMAI, V. (1998): A budapesti régió társadalmi problémái (Social problems in the Budapest region). In: *Munkaerőpiac és regionalitás* (Human resource market and regionality). Budapest: MKTA KK KI, pp. 196–187.
- TURNOCK, D. (1998): Socio-economic stress, spatial imbalance and policy responses in the new democracies. In: PINDER, D.: *The New Europe*, Chicester: J. Wiley & Sons, pp. 323–339.

THE HUNGARIAN URBAN NETWORK'S STRUCTURE BASED ON THE INFORMATION AND COMMUNICATION INFRASTRUCTURE AT THE TURN OF THE MILLENNIUM

JÁNOS RECHNITZER, ANDRÁS GROSZ, ZOLTÁN CSIZMADIA

INTRODUCTION

The Hungarian urban network has been influenced by the changes in the political and economic systems. Past research targeted the network's ways of accepting the media of socio-economic renewal (RECHNITZER 1993). The analyses established that centres with concentrated economic and public administration functions, and with a regional role, were more fit to face the challenges of change. Traditional middle-sized towns were encountering a longer transitional period, the results of which are yet to be seen at the time of the present study. At the same time, small towns can clearly be regarded as losers in the first phase of the changing system. Several studies (NEMES NAGY 1995; BELUSZKY 1999; LENGYEL; RECHNITZER 2000) underlined that in addition to the presence of institutions adopting urban roles, the geographical location of the centres influenced the processes of the transition period. Studies repeated at the end of the 90s (RECHNITZER 2001) show a more differentiated urban network. Business and economic services, accessibility and transportation played a decisive role in dividing the network. The centres with regional roles have stabilised their positions, small- and medium-sized towns specialising in new functions (tourism, metropolitan agglomeration) have emerged. In Hungary there is a different administrative level for communes and towns. The town rank is given by the Parliament to selected communes. The traditional small- and medium-sized towns, that had gained their town rank 20–30 years ago, have improved their position (e.g., strengthened their organising responsibilities on territorial level, stabilised their institutional structure, etc.) as compared to the situation at the beginning

of the decade. However, towns located in the peripheries and the centres gaining town rank in the 90s were not able to integrate into the network. These towns have traditional urban functions, but the instruments and institutions for carrying out innovations are rare so their influence is rather limited.

When exploring the characteristics of the Hungarian urban network, one should not forget about examining the network's readiness to absorb the latest and most dynamically spreading technologies and the set of knowledge related to them. At the end of the 90s information technologies spectacularly proliferated in Hungary and the urban network had a decisive role in this. We tried to perform a multi-level analysis to evaluate the features of the reception of information and communication technologies (ICTs) in Hungarian towns.¹ This study presents a particular section of the analysis, specifically the division or segmentation of the network itself as a result of the emergence and spread of the set of instruments embodying changes in technology and lifestyle.

THE INDICATORS USED DURING THE INFORMATION AND COMMUNICATION ANALYSIS

The analysis is based on a list of 251 Hungarian settlements ranked as towns in 2001. Budapest, the capital, has not been taken into account, as its indicators show extremely different values that would have caused significant distortions in the analysis. The results would have been dominated by the particular differences between Budapest and the other towns, not reflecting the existing differences between the towns in terms of development and competitiveness in the field of information and communication.

We used two sets of indicators for the purpose of analysis. One of the analyses was based on a more complex set of criteria comprising a total of 32 different variables, while the other concentrated more on the ICT sector, applying 12 indicators. In the complex set of indicators, in addition to the *ICT variables*—accounting for almost half of the total number of indicators—, we considered it necessary to use—with less weighting—

¹ Az információhoz való hozzájutás társadalmi és földrajzi különbségei Magyarország városszövetében (Social and geographical access to information in Hungarian urban network) (2003): NYUTI Közlemények 136. Győr: MTA RKK Nyugat-magyarországi Tudományos Intézet.

some basic criteria showing the state of the towns' development, such as *demography, incomes, economic figures, and features of the human resources*, since such variables are closely related to the information and communication characteristics of the towns. The size of the settlement (the number of inhabitants) and their level of income influence the *demand side* of the sector, while the most important characteristics of human resources and the general indicators of the business sphere may determine the *supply side* of the sector. The description of the complex and the narrow ICT variable systems—together with the variables used, the reference dates and the resources of data—can be found in the *Appendixes*.

In order to make the database more suitable for factor analysis, the system of indicators consisted only of static factors applicable to a given date or period without the formation of dynamic indicators measuring changes over time. In case of indicators showing a strong correlation with each other (e.g., total number of enterprises, number of operating enterprises, enterprises with a legal entity, etc.) we applied the ones that give a broader picture on the settlement structure. In general data originated from the latest KSH T-STAR database² available, thus they refer to the year 2000. Nevertheless, in some cases we had to use data from 1999 due to the gaps in the database of 2000. In case of indicators not available in statistical databases we had to collect our own data (e.g., the number of enterprises belonging to the ICT sector) allowing the input of information related to the year 2001 (see *Appendixes 1–2*).

Some of the variables used are of an extensive nature (data are accumulated by adding the cases, e.g., the number of inhabitants), with a volume-type factor in the background. While others are of an intensive nature or proportional type (forming a weighted average by adding the cases, e.g., the number of cars per 1000 inhabitants), mostly connected to some dynamic factor.

As there are several gaps in the statistical surveys concerning the ICT sector, ICT indicators—with a limited number of exceptions—are based on individual data collection and they are not included in the database of the Hungarian Central Statistical Office (HCSO). It is worth presenting the details—content and resources—of these indicators. The 17 indicators include variables representing IT training, ICT enterprises, Internet services and telecommunications infrastructure. The number of secondary

² KSH T-STAR is the Regional Statistical System of the Hungarian Central Statistical Office (HCSO).

education institutions offering secondary level IT training³ in each city was collected from the internet (www.palya.hu), and the number of higher education institutions⁴ is based on the *Higher Education Reference Book* of the Ministry of Education. The number of business organisations and of enterprises active in the ICT field in each city was collected from the *HCSO's Company Code Register* database. ICT companies are further classified according to the official grouping of the HCSO.⁵ Enterprises in the media sector, as one of the most important fields of the ICT sector, are grouped under a separate variable.⁶ The number of Internet service providers active in the cities and the number of different Internet-based services⁷ are based on the information supplied by the Budapest Communications Authority's Telecommunications Services Department. The number of domain servers registered in the cities is data collected by us.⁸

³ Secondary schools offering IT or computing technology specialisations in the training year 2001/2002.

⁴ State and private higher education institutions (universities and colleges) offering IT, IT engineering, programming mathematician, or computing technology specialisations in the academic year 2000/2002.

⁵ According to the 2001 HCSO publication [Az információs és kommunikációs technológiai szektor Magyarországon 1995–1999 (The info-communication technologies sector in Hungary) (2001): Budapest: Központi Statisztikai Hivatal] the enterprises in the ICT sector can be classified into the following sub-sectors on the basis of their statistical codes:

- ICT manufacturing industry: 3001 manufacturing office equipment, 3002 computer manufacturing, 3130 manufacturing insulated wires and cables, 3210 manufacturing electronic equipment, 3220 manufacturing industrial telecommunication products, 2330 manufacturing telecommunications consumer goods, 3320 manufacturing measuring equipment, 3330 manufacturing industrial process management systems.
- Enterprises offering ICT services connected to products: 5143 wholesale of electronic consumer goods, 5164 wholesale of office machinery/equipment, 5165 wholesale of other machinery/tool of transportation, 7133 lending office equipment and computers.
- Enterprises offering ICT services not connected to products: 6420 telecommunications, 7210 hardware consultation, 7220 software development, consultation, 7230 data processing, 7240 databank activities, 7260 IT activities.

⁶ Enterprises in the media sector include those involved in activities connected to the printed, visual and audio media, PR and advertising service providers, telecommunications, postal services, TV, radio and movies.

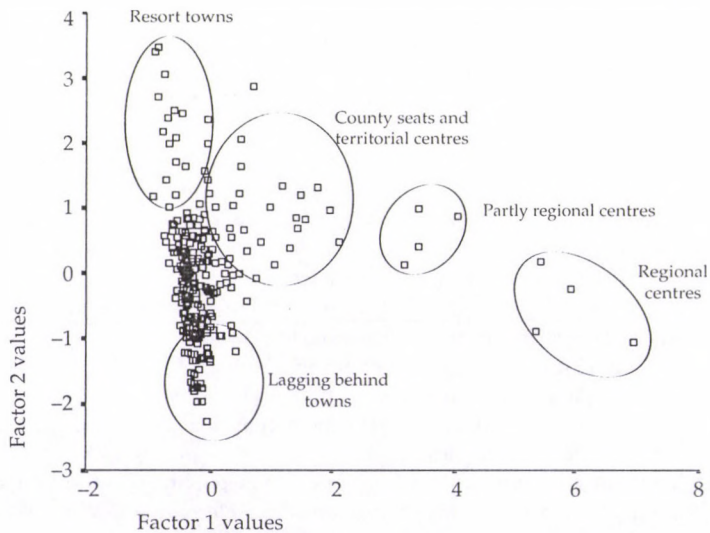
⁷ In addition to internet services, the indicator includes the following forms of telecommunications services: separated business network services, Internet access services, VoIP services, other data network services, integrated telecommunications services, other telecommunications services, wired broadcast signal services, electronic message management and information services, TV broadcast services, connection services, teleconference services.

⁸ Collected by the MTA RKK ATI Computer Centre, covering domains registered by the whole public administration sector, NGO's, parties, education and research institutions, enterprises, and private individuals, too.

Finally, in the survey of the communications infrastructure we considered it important to include in our database not only the number of traditional telephone lines, but that of mobile phone users as well.⁹

CHARACTERISTIC FEATURES ON THE BASIS OF FACTOR ANALYSIS

In order to define the various urban types, or at least to set up preliminary groups it is enough to show in two dimensions the values of the factors (main factors 1 and 2) obtained from the two indicator systems. The first two factors of the complex indicator system explain 65% of the original 32 variables, while in the case of the ICT indicator system this rate is more than 70%. On this basis, the information and communication urban types resulting from the cluster analysis may be differentiated clearly. As the two indicator systems result in quite similar urban types, only the result of the complex indicator system is described here (*Fig. 1*). The most



Source: Authors' elaboration.

Figure 1. Potential types of the Hungarian urban networks, on the basis of the 1st and 2nd factor values resulting from the complex indicator system

⁹ From the Hungarian mobile telecommunications providers Pannon GSM and Vodafone informed us of the number of their subscribers, but Westel refused to cooperate. However, according to the contracts, subscriber data can only be used for analyses without references to individual users.

important urban types are the regional centres, partial regional centres, county seats and territorial (medium-level) centres, the active, dynamic towns (including the group of resort towns), towns lagging behind, and the group of stagnating small- and medium-sized towns. The town of Budaörs, in particular, as ICT sectoral indicators are concerned, stands alone, not fitting into any grouping.

INFORMATION AND COMMUNICATION URBAN TYPES ON THE BASIS OF CLUSTER ANALYSIS

For the typology of cities, in order to define various urban types we ran the *K-mean dynamic cluster analysis* several times on the values of the six factors obtained with different parameters (number of clusters, cluster centres).¹⁰ The results obtained were checked with discriminatory analysis, allowing changes to the grouping of some cities to get more precise results. Running the analyses resulted altogether in six urban types, differentiated quite well from each other within the Hungarian urban network. There is a certain hierarchy in the urban typology, based mostly on the demand factors linked to the size of the cities, but on the other hand differences can be perceived between cities of similar size and function as their activity and resource mobilisation are concerned in the field of ICT. Budapest, the capital city alone represents an outstanding category, thus it was not involved in the survey. The six urban types are the following:

- regional centres;
- county seats and territorial centres;
- active small- and medium-sized towns;
- resort towns;
- stagnating settlements;
- declining towns.

The grouping resulting from the analysis of the ICT indicators alone (12 variables) is quite similar to the results obtained on the basis of the complex indicator system. The main differences are the formation of a separate group of partial regional centres, taken from the group of coun-

¹⁰ Naturally, the factor analysis was performed on the ICT indicators alone. These results, being very similar, will be mentioned briefly later.

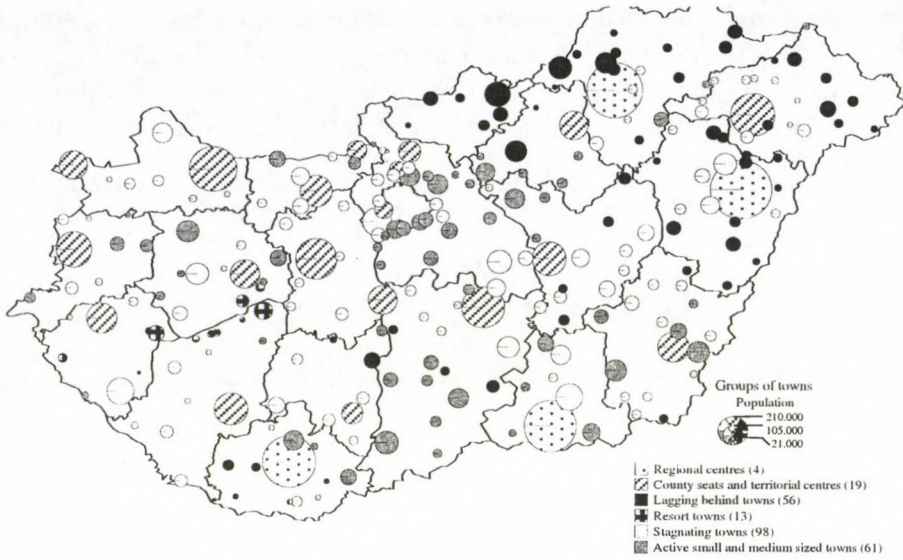


Figure 2. Potential groups of Hungarian towns on the basis of the complex indicator system

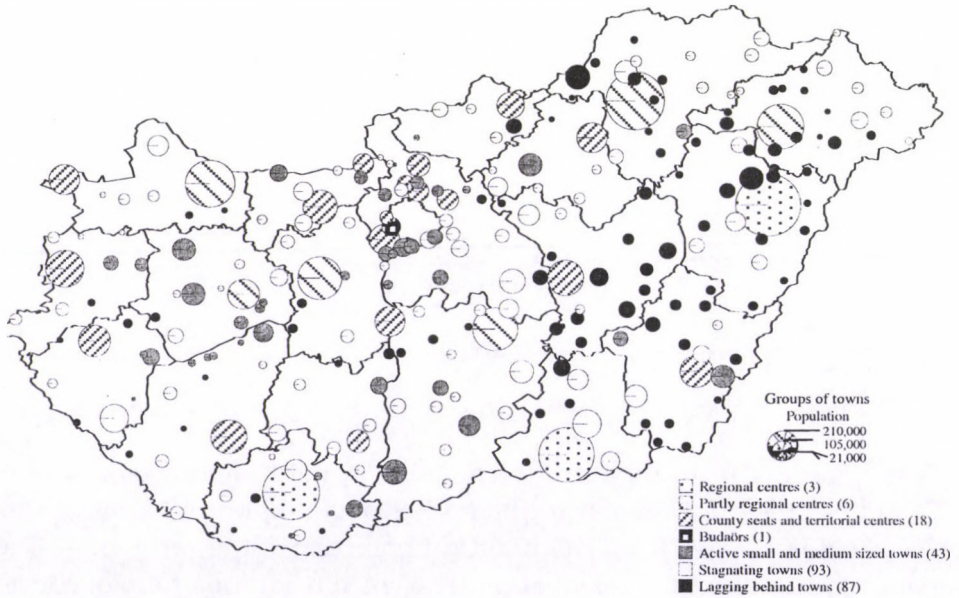


Figure 3. Potential groups of Hungarian towns on the basis of the ICT indicator system

ty seats and territorial centres, and the classification of the resort towns into other groups (most of them falling into the group of innovative, active small- and medium-sized towns). Due to its extremely high factor values, Budaörs is not included into any grouping (this town is quite far from any cluster on the basis of the complex indicator system, too). The information and communication urban types linked to the complex and ICT indicator systems are shown in Figs 2–3.

The urban groups are of different size concerning both the number of the cities belonging there, and the number of inhabitants represented by them (Table 1). The group of regional centres contains only four cities, 1.5% of all cities, but they represent 15% of the urban population—slightly more than 700 thousand people. The weight of county seats and territorial centres is even bigger, with as much as 1.3 million people living here—in spite of the group containing only 19 settlements. The group of dynamic small- and medium-sized towns is much larger with 74 towns classified here. It is a cluster with a population of 1 million, containing a sub-grouping of resort settlements totalling 13 towns. The biggest group is the category of settlements classified as stagnating as far as information and communication is concerned. There are altogether 100 towns with a population of another 1.3 million inhabitants. This group, however, contains not only small towns, but bigger settlements as well. Finally, the group of towns lagging behind has quite a number of settlements (56). Altogether 2 million inhabitants—with the ones who live in stagnating settlements, too—from the total urban population in Hungary, face the danger of losing ground by being left out of information and communication technology developments. The proportions are more or less the same with the application of the ICT indicator system, although the number of towns lagging behind (and the population living there) is a bit higher (Table 1).

We did not succeed in proving our basic hypothesis stating that the towns that gained their town rank after the change of the political system shall clearly be classified as declining and stagnating ones in terms of ICT—similarly to their relatively poor results in general development and regarding the number and quality of their central and territorial organisational functions. *There is no significant correlation* between the date of gaining town rank and the settlement's cluster classification, meaning that the information and communication urban typology is independent from the date of gaining town rank. Of course it must be interpreted with the exception of the first two clusters, as it is a long development process

Table 1. The size of various urban types on the basis of the results from the two calculations

Groups	Complex indicator system (32)				ICT indicator system (12)			
	Towns, %		Population, %		Towns, %		Population, %	
1. Regional centres	4	1.6	718	14.6	3	1.2	534	10.8
2. Partly regional centres	-	-	-	-	6	2.4	705	14.3
3. County seats and territorial centres	19	7.6	1.263	25.6	18	7.2	894	18.1
4. Active small- and medium-sized towns	61	24.3	906	18.4	43	17.1	631	12.8
5. Town: Budaörs	-	-	-	-	1	0.4	23	0.5
6. Resort towns	13	5.2	106	2.2	-	-	-	-
7. Stagnating settlements	98	39.0	1.284	26.1	93	37.1	1.353	27.5
8. Declining towns	56	22.3	651	13.2	87	34.7	789	16.0
<i>Total (except Budapest)</i>	<i>251</i>	<i>100.0</i>	<i>4.928</i>	<i>100.0</i>	<i>251</i>	<i>100.0</i>	<i>4.928</i>	<i>100.0</i>

Source: Own elaboration.

for a city to become a territorial or even a regional centre, therefore it is not possible for very young towns to achieve such status. The occurrence of young towns in all other types is almost *completely balanced, with significant territorial discrepancies.*

One-fifth (20 settlements) of the towns that gained such a title after 1990, are classified in the group of lagging behind, underdeveloped settlements. Half of them are located in the Northern Great Plain, the others can be found in North Hungary, Southern Transdanubia or the Southern Great Plain. In these regions there are only a very few dynamic small- and medium-sized towns (Pécsvárad, Lőrinci, Újszász, Jászárokszallás, Vésztő, Lajosmizse and Kecel). Half of the towns are classified as stagnating, and one fifth can be regarded as dynamic small towns. It is true, however, that the majority of the latter belong to the *metropolitan agglomeration area* or are located close to it (e.g., Aszód, Gyál, Veresegyház, Dunaharaszti, Vecsés, Tököl). There are no young towns in the more developed parts of the country that could be regarded as underdeveloped. Fifty per cent of towns around Budapest and in Central Transdanubia are classified as stagnating while the other half as dynamic, however, in the West Transdanubian region the picture is less favourable. Over 62% of them are classified as stagnating towns and only Répcelak is regarded as keeping up with the pace of development. On the contrary, in the North Hungarian region more than half of the new towns are clas-

sified as underdeveloped, lagging behind settlements, with the exceptions of Emőd, Felsőzsolca and Lőrinci as a result of their favourable location.

THE GROUP OF REGIONAL CENTRES

The first urban group consists of *Miskolc, Szeged, Pécs, Debrecen*, the four big cities, mentioned earlier, with *regional centre functions*. These four centres have a prominent position compared to the other members of the urban network in terms of information and communication. The average population of these big cities is as high as 180 thousand inhabitants—altogether some 720 thousand people live in such centres—, but the trends of migration from all of them are significant, which can be clearly regarded as a *suburbanisation tendency* (even in case of Pécs, the number of those who leave the city exceeds that of the immigrants by 18%, but in Szeged this rate is 39%). It is important to note that in Northern Transdanubia—considered as the winner of the socio-economic changes of the past 10 years—there is no regional centre of a full potential, such as the traditional university centres functioning in other parts of the country. Of course, *economic potentials are concentrated significantly* in such regional centres. They have a prominent position compared to the other towns, as the ICT sector is concerned. In particular it is true for the *IT training* (especially at a higher education level—university centres—, but also at a secondary level). In the regional centres the level of concentration of enterprises linked to the ICT sector is much higher than the total concentration of businesses, showing that in this sector it is still an important factor to be close to the settlements functioning as centres. Within the sector, the most prominent fields are the *ICT services* connected and not connected to products. Although, as far as the number of Internet providers is concerned, there are other groups catching up with the regional centres, in these cities potential clients still have more possibilities regarding Internet services than in other towns. However, in the field of *traditional* (as it is perceived today) *communication technologies* the position of these four big cities is not prominent at all. In terms of the number of telephone lines, business telephone lines, or even the number of mobile phone subscribers regional centres are not different from the medium-level centres in the next cluster. There are 1000–1500 domain servers registered in these towns, with the exception of Miskolc with only about 550 servers. Regarding the role of regional centres in the ICT sector it is im-

portant, that according to the analysis based solely on ICT sectoral indicators, only three of the four centres (Debrecen, Szeged, Pécs) qualify as being an important centre.

THE GROUP OF COUNTY SEATS AND TERRITORIAL CENTRES

There are altogether 19 towns in the second group of towns. 12 of them are county seats and two more are cities of county rank (Sopron, Dunaújváros). Therefore it is justified to name this group the urban type of *county seats and territorial centres*. The remaining four members of the cluster are dynamically developing middle-sized towns with special location in the agglomeration of Budapest (Budaörs, Esztergom, Szentendre, Vác). Their relatively good information and communication position compared to their size is inevitably the result of their strong links with the capital. The location of the towns can be regarded as balanced, although the *North Transdanubian Region* is quite strongly represented. Taking into account the four towns mentioned above as well, we see that there is only one county (Nógrád, which is the last on the list of the counties' general development level) with not a single higher- or middle-level centre, while in three counties (Győr–Moson–Sopron, Fejér and Komárom–Esztergom) there are two of them, and there are three of such centres in Pest county. Budaörs is located the farthest from the centre of the group – this town is worth studying in more detail due to its special situation and function. According to the analysis based solely on ICT variables, Budaörs is a group by itself (Fig. 3). Altogether 1.3 million people live in these settlements classified as territorial centres, which means that a bit more than a quarter of the urban population belongs to this group. The four partial regional centres, mentioned in the first group as well, are located a bit farther from the group's centre of gravity.

The most typical settlements of the cluster are *Kaposvár*, *Szolnok* and *Tatabánya* with 70–80 thousand inhabitants. A slight migration from the towns can be observed in this group, too, but it is lower than in the case of regional centres. Following the regional centres, the settlements in this group have a clear *leading position in the settlement structure* in terms of the ICT sector. On the one hand, in the hierarchic settlement system it is the second level where the training connected to the ICT sector is concentrated, primarily in the field of secondary level IT and computing technology education—in addition to some higher education institutions.

Together with training, these towns are characterised by intense economic activities in the fields of the most up-to-date ICT sectors. The density of both the processing industry ICT companies and the ICT service companies is much higher than the level of concentration of all operating enterprises. Of course, the contribution of the available *infrastructure and service background* is inevitable (Internet service forms, the number of domain servers registered), as these features show a more favourable picture compared to other towns.

THE GROUP OF ACTIVE SMALL- AND MEDIUM-SIZED TOWNS

Cluster 3 is the group of *active small- and medium-sized towns with an information and communication infrastructure developed above the average* and with an operating ICT sector. There are altogether 61 settlements in this group, with an average population of around 15 thousand inhabitants, thus the cluster represents over 900 thousand people. According to their geographical location, the cities are classified into two main groups. Most of them can be found in the vicinity of the capital (at a distance of 60–70 km), in particular, within the agglomeration zone (e.g., Dunakeszi, Gyál, Törökszentmiklós, Vecsés), while the other major group can be found in the Southern Great Plain (e.g., Baja, Kiskőrös, Kiskunhalas, Makó, Oroszáza, etc.). In addition to the areas mentioned above, several dynamic small towns may be found in Northern Transdanubia (Komárom, Dorog, Várpalota, Pápa, Sárvár, etc.), but there are only a few of them in other regions of the country (e.g., Komló, Tiszaújváros, Tokaj, etc.). The *migration difference* is a dominant factor of the group's identity. It is the only cluster representing a capacity of absorbing new population. In these settlements the number of immigrants is higher than the number of those who leave the towns by an average of 15%. The most important factor affecting migration is the dynamic development of the economy. In these towns both the income indicators and the indicators related to the ICT sector (especially the services connected to ICT products and the media enterprises) are higher than the averages of the following groups. The number of mobile phone subscribers is significantly higher—by 30%—than in the stagnating settlements, while in the fields of registered domain servers and accessible Internet services the level of the difference is almost twofold.

THE GROUP OF RESORT TOWNS

Cluster 4 consists only of 13 settlements that represent not more than 100 thousand inhabitants—as they are small towns with an average population of 8 thousand. However, it is one of the most characteristic and homogeneous urban groups. The cluster includes mainly settlements by Lake Balaton (Balatonfüred, Balatonboglár, Balatonlelle, Fonyód, Keszthely, Balatonalmádi, Siófok Balatonföldvár) together with prominent centres of thermal tourism (e.g., Harkány, Hévíz, Zalakaros). The *economic activity factor* is dominant in forming the group's identity, but the migration difference rate is also significant. Resort towns are undoubtedly small towns, but their development potential is well illustrated by the fact that the number of immigrants is much higher (by 10%) than the opposite migration. The favourable economic environment and possibilities, as compared to the national average of course, encourage migration. The *economic activity* of these towns is rather high: the average number of business organisations per 1,000 inhabitants is double the rate of other small- and medium-sized towns of similar size. The specific indicator of operating enterprises and sole proprietorships is in particular high—both groups' averages are 90% higher than the average of 251 towns. The number of cars—similarly to the number of telephone lines—is the highest among all groups: by 42% higher than the overall urban average. Nevertheless, in terms of indicators related to the ICT sector (ICT enterprises, training, IT education) resort towns are quite similar to other towns of similar size. As the number of companies active in the ICT sector is concerned, the group is showing similarities with the stagnating small- and medium-sized towns (see Cluster 5). The level of IT training, access to Internet services, and the number of domain servers are all on par with the average.

THE GROUP OF STAGNATING SETTLEMENTS

Cluster 5 consists of almost 100 settlements—primarily small- and medium-sized towns—classified as *stagnating*, regarding the development of the ICT. The cluster is highly *significant*, both in terms of the number of settlements represented and the population covered, totalling almost 1.3 million. They are typically small- and medium-sized towns (with an average population of 13 thousand), but there are also some larger settle-

ments in the cluster (Nagykanizsa, Hódmezővásárhely, Érd). The geographical location of the towns is not as concentrated as in the case of the previous groups—stagnating settlements can be found in each region of Hungary. It is interesting that in Győr–Moson–Sopron and Fejér counties—considered to be the most developed ones in socio-economic terms—great differences can be found when concentrating on the analysis of the ICT sector. In both counties only the cities of county rank (two in each) show good results, while all other towns are classified as stagnating ones. Stagnating, moderately developed towns can be found in South Transdanubia (e.g., Barcs, Dombóvár, Siklós, Tolna, etc.), and in the agglomeration zone around Budapest, too (Budakeszi, Pomáz, Pilisvörösvár, Töröksenkmiklós, etc.). Their concentration is significant in the eastern part of the country, in particular in the Northern Great Plain Region. Most of them are settlements that *gained town rank in the past decade* (e.g., Demecser, Rakamaz, Létavértes, Baktalórántháza, Tiszaföldvár, Máriapócs, Polgár, Jászfényszaru, Ibrány, Tiszalök, Újfehértó). The most typical towns of the cluster are *Lengyeltóti, Kisbér, Oroszlány, Nagykőrös, Sásd, Tamási, Mindszent*. Their stagnating state is well demonstrated by the zero balance of migrations into and from the towns. The unemployment rate in these towns is around the national average (6.5%). The *rate of ICT-related enterprises is low*, as compared to the number of all enterprises.

THE GROUP OF DECLINING TOWNS

Cluster 6 is the group of the *least developed* towns in terms of ICT, with a total number of 55 settlements—more than one-fifth (22%) of Hungarian towns. They are typically small- and medium-sized towns in the north-eastern part of Hungary—their average population is under 12 thousand inhabitants—with some bigger settlements (e.g., Ózd, Kazincbarcika), and even a county seat (*Salgótarján*), although the distance of the cluster from the centre is relatively great. The cluster's towns represent more than 650 thousand people. The group is the most concentrated one in geographical terms. All towns of Nógrád county, 13 out of the 20 towns of Borsod–Abaúj–Zemplén county, 12 out of the 19 towns of Hajdú–Bihar county, and 8 towns from Szabolcs–Szatmár–Bereg county belong to this cluster. In addition to the towns of North–East Hungary, there are some towns from the South Great Plain Region and from Southern Transdanubia, mainly from Baranya county (e.g., Bóly, Sellye, Szigetvár, Szentlőrinc) in

the group. Typical settlements located close to the cluster's centre are *Bátonyterenye, Simontornya, Kiskunmajsa, Sátorajáújhely, Sárospatak, Borsodnádásd*. The problems related to underdevelopment, the lack of faith in the future and uncertainty are well demonstrated by the 10% negative balance of migration. The underdevelopment of the ICT sector is the result of the very poor level of general development and general level of incomes. The number of cars per 1000 inhabitants is the lowest in the country (20% below the national average) and the number of flats with at least four rooms is lower than one-fourth of the 251 towns' national average. In the towns of the underdeveloped cluster the specific indicators related to the number of business organisations, operating enterprises and sole proprietorships are the lowest, and, as a result, they are at the end of the list in terms of *ICT-oriented enterprises* as well. The same applies to basic infrastructure, necessary for the development, and also to the *information and communication infrastructure*. In addition to the lowest figures related to the number of registered domain servers and Internet service providers, the number of telephone lines and the use of mobile phones are below the average of other towns. Consequently, it is not surprising that both the *unemployment rate* and the *rate of those permanently unemployed* are more than the double of the rates observed in other urban types.

CHARACTERISTIC FEATURES BASED ON THE ICT INDICATOR SYSTEM

As mentioned earlier, the analysis based solely on ICT indicators resulted in the formation of seven urban types. These ICT urban types are very similar to the groups created by using the complex indicator system. The main development tendencies are clear, there are only minor differences between the two analyses, and we shall concentrate on describing such differences briefly.

Similarly to the other analysis, we observed that the *cities with regional centre functions* play a prominent role in the urban network. In this analysis there are nine cities classified in the group (with the addition of Veszprém, probably as the result of the polytechnical university-background). There are two clusters within the group: *Debrecen, Pécs* and *Szeged*, as traditional university centres are much more active in the ICT than the other regional centres. The prominent position of these regional or high-level centres is inevitably the result of their functions in higher education and

their considerable size, which means a significant market demand for the enterprises concerned.

There is an important hierarchical level following the regional centres, containing 18 cities. These cities overtake other towns in terms of ICT development, as some of them are *cities of county rank and territorial centres, or middle-sized towns* (Dunakeszi, Vác, Budakeszi, Esztergom and Érd) *located in the neighbourhood or agglomeration of Budapest. Budaörs,¹¹ situated similarly in the Budapest agglomeration area, is a group in itself.* It cannot be classified into any of the urban types in ICT.

Taking into account ICT indicators alone, there is only a limited number of towns—with the exception of high- and medium-level territorial centres—with *markedly positive trends* in the field of ICT-related infrastructure developments and the activity of businesses active in that sector. There are only 43 towns classified into this category in the country. Concerning their location, primarily *small towns around Budapest together with small- and medium-sized towns in North Transdanubia* are capable of adapting ICT. The number of such active towns is very limited in other parts of Hungary.

The biggest cluster is the *group of settlements stagnating* in terms of their ICT features; they do not show dynamic development, as they neither lag behind or are underdeveloped. There is no geographical concentration regarding the location of these 93 towns—they can be found both in the most and least developed regions of Hungary. They are mainly small- and medium-sized towns, but cities of county rank as Nagykanizsa and Hódmezővásárhely are listed here as well.

There are quite a lot of settlements classified in the type of underdeveloped towns, lagging behind in terms of the information and communication activities, with a total number of 86 towns. They are concentrated in the eastern part of the country (primarily in Jász–Nagykun–Szolnok, Hajdú–Bihar, Szabolcs–Szatmár–Bereg, Békés and Borsod–Abaúj–Zemplén counties), but the underdeveloped Transdanubian regions are represented as well, such as inner Somogy, Baranya, or the border of Vas–Zala–Veszprém counties. It is the result of the capital's radiation effect that there are no towns classified into this category in the wider neighbourhood of Budapest.

¹¹ Budaörs is a town in a special situation, very close to the capital. Its extraordinary ICT infrastructure caused several nationally significant business entities to move their headquarters there from Budapest (e.g., mobile telephone company, commercial enterprises, etc.), and the number of inhabitants is increasing dynamically, too, particularly those with higher income and high qualifications.

SUMMARY AND CONCLUSIONS

Finally, let us give an overview on the most important features of this urban typology. Accordingly, various different groups may be defined on the basis of analysing the towns' development in the ICT, the infrastructure available and the ICT services. Although there is a lot of factors influencing the above features, certain, particularly important characteristics are worth observing.

One of the most important factors influencing ICT development of the settlements is their *size*, and the related *central role and function* of the towns, gained in the course of historical development. Traditional centres of the country—*county seats, cities of county rank, regional centres*—have been functioning as nodes of the socio-economic development for long decades, and they are prominent members of the urban network in terms of information and communication development, too.

The majority of ICT-related *enterprises* are concentrated in these towns (both processing industries and service businesses); the *communication infrastructure* available (both traditional types and the most up-to-date Internet-based ones), the scope of connected *services* is much wider than the possibilities in small- and medium-sized towns and they have significant advantages in the field of *IT training* as well. Traditional regional centres (*Debrecen, Szeged, Pécs* and probably *Miskolc*) form a special group within this cluster. Their position is strengthened by university functions.

Following these four centres, but at the same time separated from the group of county seats and territorial centres, the cluster of *partial regional centres* can be found. According to their ICT indicators, *Győr, Kecskemét, Székesfehérvár, Nyíregyháza* and—due to its university traditions—*Veszprém* is classified into this group.

County seats and territorial centres may be grouped into two basic categories. On the one hand, there are *county seats and cities with county rank* in the next hierarchical level. They play a traditionally prominent role in the settlement structure. While on the other hand, there are some medium-sized towns *close to Budapest* that belong to this cluster: *Vác, Szentendre, Budaörs, Gödöllő, Budakeszi, Dunakeszi, Érd* and *Esztergom*. All of these towns benefit from the vicinity of the capital and the suburbanisation trends encountered in the past decade, including the *spreading* of the information and communication sector that resulted in the dynamic development of these towns.

There are several active and dynamically developing small- and medium-sized towns located in the *agglomeration zone of Budapest*, in *Northern Transdanubia*—which is in general a well-developed region in socio-economic terms—, and in the *Southern Great Plain Region*. The level of the information and communication infrastructure and the activity of ICT enterprises is *above the national average*.

The group of resort or spa towns is a homogeneous cluster regarding their activities and mobility, however, they are specialised settlements that do not show any particular advantage in the ICT field. Most small- and medium-sized towns— as much as 100—are not active in the ICT sector, they can be classified as stagnating ones. Finally, there is a significant number of towns (58) belonging to the cluster of underdeveloped towns, lagging behind – concentrated in particular in the north-eastern part of Hungary (of course, there are a few of them in other regions, too).

In summary the information and communication classification of the urban types of Hungary's urban network is primarily influenced by the size of the towns (differences between *traditional big cities, county seats, and small- and medium-sized towns*), the geographical location of the towns (territorial disparities between *dynamically developing, stagnating and lagging behind regions*), and by other special features (such as being a *resort town*, belonging to the *metropolitan agglomeration, university and higher education centres*). However, contrary to our basic hypothesis, there is no link between the *date of obtaining the town rank* and the *development level in the ICT sector*. With the exception of the group of regional and territorial centres, new towns that gained their title in the past decade can be found in all clusters: active, dynamic towns, stagnating and underdeveloped small towns.

It is our conclusion that regarding the level of information and communication development, the infrastructure available and the services offered, there are only 20–25 cities out of the 251 cities of Hungary that qualify as *really developed* ones—accounting for 40% of the population living outside Budapest (2 million inhabitants). In addition, there is a population of 1 million living in 70–75 relatively active small- and medium-sized towns trying to catch up with the more developed ones, while there are more than 150 towns *without any positive trends*. What is more, 60 of them are regarded as markedly underdeveloped or lagging behind in development. As a result, as many as 2 million people *in the urban population are in fact deprived of the benefits of the development of the information and communication sector*.

As information and communication are concerned, the spatial structure and settlement network of the country is more or less segmented, there are certain inequalities. In addition to regional and territorial centres, the most developed towns can be found in *North Transdanubia* and the *agglomeration ring around Budapest*, while the regions in the southern and eastern parts of the country (Southern Transdanubia and the area east of the River Danube) are in a less favourable situation. The location of the towns lagging behind corresponds to the above trend, they are concentrated in *North-east Hungary*. In terms of ICT, the least developed parts of the country are the areas situated *east of the line of Salgótarján–Szolnok–Békéscsaba*.

REFERENCES

- BELUSZKY, P. (1999): *Magyarország településföldrajza* (Settlement geography of Hungary). Budapest–Pécs: Dialóg Campus Kiadó.
- LENGYEL, I.–RECHNITZER, J. (2000): A városok versenyképességéről. In: HORVÁTH, Gy. és RECHNITZER, J. (eds): *Magyarország területi szerkezete és folyamatai az ezredfordulón* (Competition potential of towns). Pécs: MTA Regionális Kutatások Központja, pp. 130–152.
- NAGY, G. (2002): Területi különbségek az információs korszak küszöbén. – Mit mérünk, és hogyan? (Areal differences in the beginning of the information revolution). *Területi statisztika*, 1. pp. 3–25.
- NEMES NAGY, J. (1995): Soprontól Nyíradonyig. Városok a piacgazdasági átmenetben (Towns during the transition to market economy). *Comitatus*, pp. 8–9.
- RECHNITZER, J. (1993): *Szétszakadás vagy felzárkózás? Az innovációt alakító térszerkezet* (Spatial structure forming innovation). Győr: MTA Regionális Kutatások Központja.
- RECHNITZER, J. (2001): A városhálózat az átmenetben, a kilencvenes évek változási irányai (Urban network in the transition period in the 1990s). *Tér és Társadalom*, 3. (under publication).
- Fejlődési pályák a magyar városhálózatban (Development trends in Hungarian urban network) (2000): *NYUTI Közlemények* 110. Győr: MTA RKK Nyugat-magyarországi Tudományos Intézet.
- A gazdasági-társadalmi hatásvizsgálatok és értékelések (Socio-economic impact assessment) (2001): *NYUTI Közlemények* 134. Győr: MTA RKK Nyugat-magyarországi Tudományos Intézet.
- Hírközlési Statisztikai évkönyv 1999* (Telecommunication Statistical Yearbook) (2000): Budapest: Hírközlési Főfelügyelet Piaci Monitoring Igazgatóság.
- A magyar gazdaság a 2000. évben* (Hungarian economy in 2000) (2001): Budapest: Gazdasági Minisztérium.

Appendix 1. Variables of the complex indicator system

Variable	Year	Source
1. Settlement size, ha	1999	KSH T-STAR
2. Number of permanent inhabitants, persons	2000	KSH T-STAR
3. Migration difference, %	2000	KSH T-STAR
4. Seniority index, %	2000	KSH T-STAR
5. Number of flats, pc	1999	KSH T-STAR
6. Flats with 4 or more rooms built during the year, pc	2000	KSH T-STAR
7. Cars per 1000 inhabitants, pc	2000	KSH T-STAR
8. Total of the personal income tax basis, HUF 1000	1999	APEH SZJA
9. Total of the personal income tax paid, HUF 1000	1999	APEH SZJA
10. Proportion of registered unemployed people in the population of the age of 18–59, %	2000	KSH T-STAR
11. Proportion of permanently (longer than 180 days) unemployed people in the population of the age of 18–59, %	2000	KSH T-STAR
12. Number of active physicians, persons	1999	KSH T-STAR
13. Number of elementary school classrooms, pc	1999	KSH T-STAR
14. Number of secondary school classrooms, pc	1999	KSH T-STAR
15. Number of all secondary training institutions, pc	1999	KSH T-STAR
16. Number of secondary training institutions offering IT training, pc	2001	Internet (www.palya.hu)
17. Number of higher education institutions offering IT training, pc	2001	OM
18. Number of all business organisations, pc	2001	KSH CKT**
19. Total number of operating enterprises per 1000 inhabitants, pc	2000	KSH T-STAR
20. Total number of sole entrepreneurs per 1000 inhabitants, pc	2000	KSH T-STAR
21. Number of processing industry ICT enterprises, pc	2001	KSH CKT
22. Number of product-related service ICT enterprises, pc	2001	KSH CKT
23. Number of non-product-related service ICT enterprises, pc	2001	KSH CKT
24. Number of enterprises active in the media sphere, pc	2001	KSH CKT
25. Number of Internet service forms, pc	2001	CA
26. Number of Internet service provider enterprises, pc	2001	CA
27. Number of domain servers, pc	2001	MTA RKK ATI
28. Telephone lines per 1000 inhabitants, pc	2000	KSH T-STAR
29. The share of business telephone lines out of the total, %	2000	KSH T-STAR
30. Number of telephone lines per one operating enterprise, pc	2000	KSH T-STAR
31. Vodafone mobile telephone subscriptions per 1000 inhabitants, pc	2000	Vodafon Co.
32. Pannon GSM mobile telephone subscriptions per 1000 inhabitants, pc	2000	Pannon GSM Co.

Abbreviations: KSH T-STAR: the Regional Statistical System of the Hungarian Central Statistical Office; KSH CKT: the Company Code Register of the Hungarian Central Statistical Office; APEH SZJA: the Personal Income Tax Database of the Hungarian Controlling Office of Tax and Finance; OM: Ministry of Education, Hungary; CA Communication Authority, Hungary; MTA RKK ATI: Alföld Research Institute, Centre for Regional Studies, Hungarian Academy of Sciences.

Appendix 2. Variables of the ICT indicator system

Variable	Year	Source
1. Number of secondary training institutions offering IT training, pc	2001	Internet (www.palya.hu)
2. Number of higher education institutions offering IT training, pc	2001	OM
3. Number of processing industry ICT enterprises, pc	2001	KSH CKT
4. Number of product-related service ICT enterprises, pc	2001	KSH CKT
5. Number of non-product-related service ICT enterprises, pc	2001	KSH CKT
6. Number of enterprises active in the media sphere, pc	2001	KSH CKT
7. Number of Internet service forms, pc	2001	CA
8. Number of domain servers, pc	2001	MTA RKK ATI
9. Telephone lines per 1000 inhabitants, pc	2000	KSH T-STAR
10. The share of business telephone lines out of the total, %	2000	KSH T-STAR
11. Vodafone mobile telephone subscriptions per 1000 inhabitants, pc	2000	Vodafone Co.
12. Pannon GSM mobile telephone subscriptions per 1000 inhabitants, pc	2000	Pannon GSM Co.

* For abbreviations see footnote to Appendix 1.

REGIONAL PROCESSES IN HUNGARIAN INDUSTRY

GYÖRGYI BARTA

INTRODUCTION

Industry has ranked first among the most successful sectors of the Hungarian economy in the decade following the political-economic transition in the early 1990s. It has played a decisive role in the modernisation of the economy and especially in economic growth (*Table 1*). Its weight in the Hungarian economy is greater than in other Central and Eastern European countries. Industrial productivity is the highest in Hungary among all Eastern and Central European countries, demonstrating the competitiveness of Hungarian industry:

Table 1. The industrial sector as the driving force
of the Hungarian economy

The share of industry in the economy in 2000	%
Employment	26.3
GDP	29.2
Investments	35.7
FDI	46.5
Exports (manufacturing)	88.0

Source: Hungarian Statistical Yearbook (2000): Budapest:
Central Statistical Office.

The contribution of companies in foreign ownership to the industrial output (manufacture, exports) has been particularly high. Both general and special reasons can be listed to explain why foreign investors have chosen to concentrate on manufacturing. The speedy transition to market

economy, the continuous economic and political stability throughout the whole transition process, Hungary's favourable geopolitical location and its relatively advanced economy have all contributed to making Hungary an attractive place for foreign direct investment. The Hungarian government was quick to offer substantial incentives for foreign investors immediately after the transition. Low production costs, low wages in particular, constituted the main attraction for investors. In addition to these general tendencies, privatisation has had a special Hungarian character because Hungary decided first to offer the bulk of large industrial companies for sale to foreign investors (BARTA 2000).

Industry-led economic development has slowed down after 2000. This can be attributed to the completion of the privatisation process, repercussions of the economic recession in Western European countries as well as to important changes in Hungarian economic policy.

Hungarian industry has undergone wide-ranging sectoral transformation that helped considerably to advance economic modernisation (the share of machine industry increased five-fold between 1990 and 2000). At the same time, production figures clearly point to serious discrepancies—the so-called 'dual structure'—in Hungarian industry. These discrepancies are, on the one hand, due to characteristic features of ownership (domestic vs. foreign ownership), and to company-size (large vs. small companies), on the other. This dual structure weighs very heavily on Hungarian economy and industry. Massive differences have emerged between domestic and foreign enterprises in terms of their size and especially in terms of capitalisation. In the industrial sector, foreign companies are on average four times larger than their domestic counterparts, while their capitalisation exceeds that of Hungarian industrial enterprises by more than twenty times. The average productivity of foreign industrial companies is three times higher than that of domestic companies (CSÁKI 2000).

In this paper, I would like to review the regional processes induced by the general boom of Hungarian industry and the recent fluctuations of industrial growth. How has the basic structural transformation of industry influenced its regional structure? Can the dual structure of industry also be discovered at the regional level? These are the questions that I discuss in the following.

REGIONAL CHANGES IN THE CAPITAL-ABSORBING POTENTIAL OF THE INDUSTRIAL SECTOR

The emerging market economy has been confronted with the grave legacy left behind by the state-planned economy: a semi-developed, structurally deformed, more or less autarchic industry spread all over the country, established in almost every town and in many larger villages as well. Existing industrial capacities and the whole industrial environment have not only presented themselves as obstacles to change, but also as independent factors which themselves may or may not attract investments.

Location was motivated by a number of characteristic factors in the state-planned economy. These motivations no longer exist in the transition economy: the 'hunt' for additional resources has disappeared, many economic actors have been replaced, company objectives and strategies have become markedly different. This is why what is regarded, as an advantageous location under market conditions may not have been seen as one in the state-planned economy. In other words, local advantages are nowadays offered by other regions and settlements. As a result, the relationship between economy and location has undergone radical changes.

In transition economy, the key distinguishing factors among industrial enterprises as investors are *ownership* (foreign vs. domestic) and *company size*. Nearly all the differences among companies in terms of profitability and export shares are to be traced back to these factors. These are the factors to consider when accounting for the success and competitiveness of companies. Three distinct groups of investing companies have emerged: large foreign companies (multinationals and their subcontracting SMEs), large companies of predominantly Hungarian ownership, and SMEs of Hungarian ownership. These three groups also differ from one another in terms of investment strategies and location.

- The location of large foreign companies depends principally on geographical factors (proximity to the Western border and the capital), *accessibility* (telecommunications networks and motorways), *supply of better qualified and trained labour, support and incentives by the central and local governments*. Locations of companies in this group are concentrated in the region of Northern Transdanubia and the Budapest agglomeration (FAZEKAS, KÖLLŐ 1998).

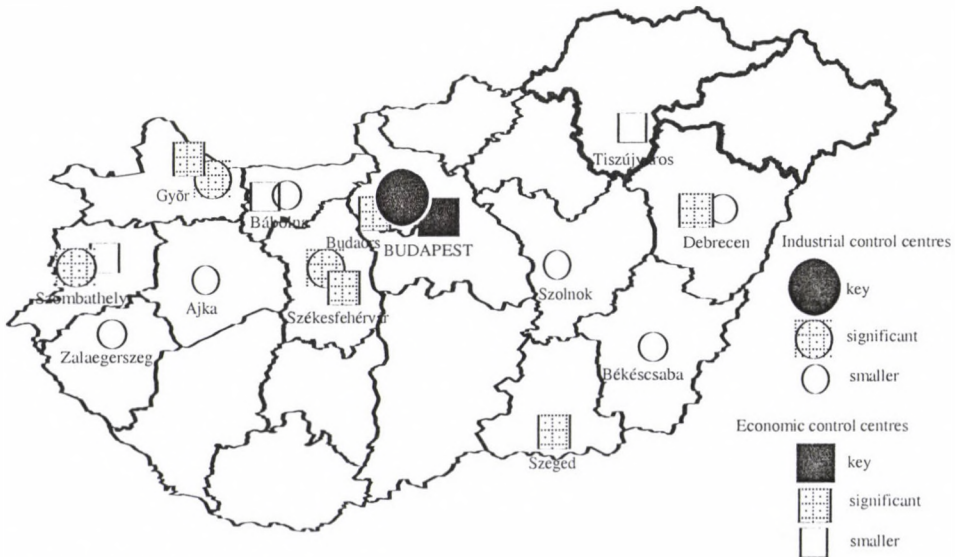
- Most large Hungarian companies had already existed before the transition as well. Their location is, therefore, a legacy. Many companies in the chemical industry have survived the transition, but they can also be found in other sectors. Companies in this group are mostly located in the Budapest agglomeration and the region of Northern Transdanubia, although there are a few enterprises based in the eastern part of Hungary as well.
- SMEs, most of which are of Hungarian ownership, have been established in great numbers either as a result of company transformation and privatisation or as new enterprises after the transition. A clear correlation can be observed between the number of enterprises and the economic development and prosperity of regions. The country divides into two clearly separable parts along the Budapest–Szeged axis according to the density of enterprises (the number of enterprises per capita). The western part is characterised by economic growth, while the eastern region is less developed and still stagnating. Enterprises are concentrated in towns. The extent of the concentration of enterprises corresponds to the hierarchy of settlements. Large towns lead the rankings with a higher density of enterprises even in relatively backward or slowly developing regions. It is also true, however, that the regional distribution of SMEs is less uneven than that of large foreign and domestic companies (LADOS 1999).

The period of transition has changed both the internal organization of companies and inter-firm network systems. Reconnecting the newly established companies and the atomic units of the disintegrated large companies of the state-planned economy takes a long time. Meanwhile, several networks based on previous ownership structures and cooperative relations in manufacturing continue to exist, even though the general economic framework is now different and the status and significance of the actors have undergone considerable changes. New, large green-field companies and privatised large companies of foreign ownership have generated new networks. Their most important characteristics are that they establish links between large Hungarian companies and foreign decision-making centres and international organizations.

The organizational transformation of companies has had a drastic spatial impact as well:

New Regional Concentrations of Capital have Emerged:

- Budapest's leading position in the Hungarian economy has been re-affirmed.
- Győr, becoming one of the most important centres of car industry, emerged on top among the five large towns at the second level of the urban hierarchy.
- Differences in the capital-absorbing potential of the other county-seats, 13 large towns, have increased. County seats in the Southern Transdanubia and the Hungarian Great Plain have generally lost their previous positions.
- Medium-sized towns located in the Budapest agglomeration as well as those located 60 to 80 km from the capital have radically improved their positions in the urban hierarchy.
- The positions of some of the traditional industrial towns continued to remain strong after the transition. There have been significant investments into successful industrial sectors, especially the chemical industry, in these towns.
- The majority of small- and medium-sized towns, however, have fallen behind the top-ranking group. These towns do not attract significant amounts of capital.



Source: TOP 100, TOP 200—1999

Figure 1. Industrial and economic control centres

The concentration of company headquarters has resulted in the creation of *new control centres* in Hungary. The key position of the capital is indicated by the fact that nearly 50% of the registered headquarters of large companies, especially those in foreign ownership, are located in the Budapest agglomeration. The location of control centres is somewhat different in the industrial sector. Budapest concentrates only one-third of the headquarters of industrial companies, while another one-third settled in the large towns of the North Transdanubia, including Győr, Székesfehérvár and Szombathely (*Fig. 1*) (BELUSZKY 2000).

The transitional period from a state-planned to a market economy (which is now coming to an end) has seen substantial changes in the conditions of location and investment. This has also altered the capital-absorbing potential of regions and settlements. New capital concentrations have emerged creating in turn new centres, networks and spatial relations. A new spatial structure has begun to take shape in industry. I now turn to the macrolevel processes of this new spatial structure.

Long-term trends of industrial production

Industrial recovery beginning around 1993 has been far from balanced among Hungary's counties and regions. On the contrary, this process has been marked by *strong regional differentiation* (*Table 2*):

Table 2. Difference in the growth of industrial production among counties between 1970 and 1999

Period	The relative dispersion of the annual average of counties*
1970-74	13.8
1975-79	8.9
1980-84	19.3
1985-89	10.0
1990-94	51.7
1995-99	68.3

* Including Budapest.

Source: *Regional Statistical Yearbooks* (only for companies with more than 50 employees from 1994 and 1997).

I have chosen here to compare two periods of economic growth in order to study relative differences among the industrial output of counties: the period between 1970 and 1984 and the second half of the 1990s (the period between 1984 and 1994 was characterised both in counties and at the national level by falling production).

Differences among counties can be observed to have increased between 1995 and 1999 in comparison to the first period studied. Between 1970 and 1984, the growth of industrial production was close to the national average in 60% of the counties with 20% of the counties above and 20% below the average. By contrast, between 1995 and 1999, only 25% of the counties approximated the national average, while two-thirds of the counties fell below and two counties towered high above the average.

The ranking of counties in terms of the growth of industrial production also changed significantly. Two-thirds of the counties occupied a different position in the second period. This indicates a modification of long-term regional trends as well (Fig. 2) (NEMES NAGY 2001).

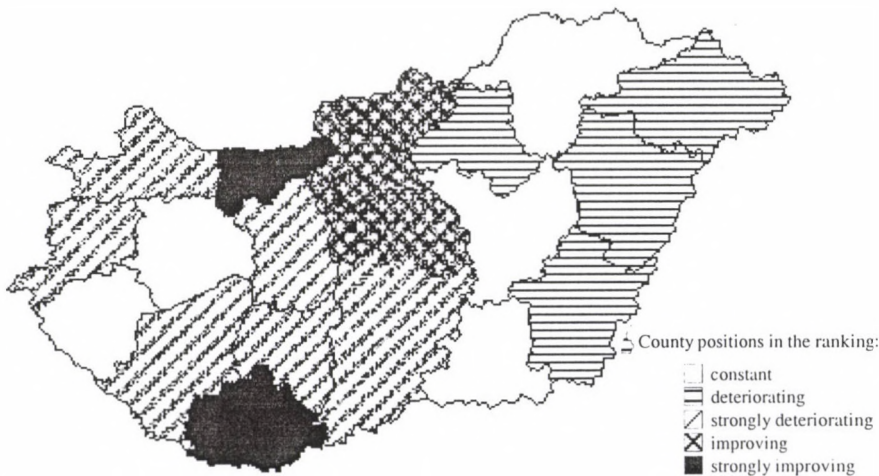


Figure 2. Regional changes in industrial growth.
Changes in county ranking to growth of industrial production
(between 1970 and 1999)

CHANGES IN THE REGIONAL DISTRIBUTION OF INDUSTRIAL PRODUCTION

GDP generated in manufacturing in 1999 can be divided into three areas according to the location of production. Although markedly different in size, the output of these three areas was nearly equal in manufacturing:

- one-third produced by the manufacturing industry of the Northern Transdanubia region;
- approximately one-third produced in the Budapest agglomeration
- the Great Plain, Northern Hungary and the Southern Transdanubia producing the remaining one-third of the GDP in the manufacturing industry.

In short, the spatial distribution of the manufacturing industry, expressed in terms of the contribution to the GDP, is extremely uneven. *One-quarter of the country's area has been responsible for producing two-thirds of the manufacturing output.*

Since 88% of all Hungarian exports are generated in manufacturing, exports can also be taken to be a reliable indicator of the regional distribution of industry. Export capacities, however, show an even stronger regional concentration: export revenues of regions with a dynamically developing manufacturing sector (Northern Transdanubia and the Budapest agglomeration) exceed 80% of the total (*Table 3*):

Table 3. The regional distribution of industrial production and exports in 1970 and 1999 (%)

Region	Estimated GDP in the industrial sector (1970)	GDP in the industrial sector (1999)	Net export revenues in 1999
Central Hungary	38.0	30.5	32.7
Central Transdanubia	15.3	15.8	21.7
Western Transdanubia	8.1	17.4	26.1
Southern Transdanubia	7.2	7.7	4.9
Northern Hungary	15.9	10.5	4.5
Northern Great Plain	7.2	9.2	5.7
Southern Great Plain	8.3	8.9	4.4
Total	100.0	100.0	100.0

Source: Regional Statistical Yearbook, Budapest: KSH 2000.

The last decade has seen the emergence of a new spatial structure in the industrial sector: Northern Hungary has lost much of its former influence due to severe cutbacks in mining and metallurgy, while the region of Central Hungary has been weakened by the deindustrialisation process taking place in the capital. By contrast, the Northern Transdanubian region is the unchallenged winner of the last decade. FDI has arrived here in a concentrated fashion with several multinational companies and their mainly foreign subcontractors. These companies are responsible, among others, for establishing the Hungarian car industry as well as for the rapid development of the electronics industry.

THE INTERDEPENDENCE OF ECONOMIC DEVELOPMENT AND SECTORAL STRUCTURE

The economic structure of the capital differs fundamentally from that of the countryside. Needless to say, agriculture is hardly present in Budapest's economy. Public services and construction play approximately the same role in the economy of Budapest as in that of the countryside. At the same time, the share of industry in the countryside is nearly twice as high as in Budapest, and conversely, the share of business services in the capital is double that of the countryside average.

Table 4. The sectoral structure of the GDP and economic development in the regions in 1999 (%)

Regions	The sectoral structure of the GDP			GDP per capita
	Agriculture	Industry and construction	Tertiary sector	
Central Hungary	1.3	24.3	74.4	151
Central Transdanubia	4.8	46.8	48.4	94
Western Transdanubia	5.4	47.3	47.3	115
Southern Transdanubia	5.0	39.4	55.6	78
Northern Hungary	8.6	33.3	58.1	66
Northern Great Plain	10.1	30.9	59.0	64
Southern Great Plain	11.4	29.2	59.4	74

Source: Regional Statistical Yearbook, Budapest: KSH 2000.

Industry has played a decisive role in the structural differentiation of the economy of the countryside. Although the tertiary sector dominates the economic structure of the countryside (both the relative share of the workforce and the contribution of this sector to the GDP exceed 50%), a clear correlation can be observed between the economic development of countryside regions (GDP per capita) and the GDP generated in industry. The correlational coefficient (at +0.5) showed a considerably less close connection in 1995 than (at +0.79) in 1999 (KISS 1998) (Table 4).

Manufacturing has become the driving force of modernization of the economy of the countryside. This is due to two main reasons: first, because advanced manufacturing has significantly contributed to growing employment, and second, because relatively more productive industries tend to be located in the economically more developed regions. Individual sectors have had a special impact on the economic development of the countryside:

- development has been driven by industry. The marked differentiating effect of industry (between industry-dominated regions and those with little industry) is clearly observable, even though some of the counties dominated by the industrial sector count among the most developed ones, while others occupy the least favourable positions in the same ranking. The regional differences of the sectoral structure of the countryside economy are largely to be attributed to regional divergences in the development of the manufacturing sector;
- despite its dominant share, the tertiary sector could never seriously contribute to economic development. Low-productivity services have continued to prevail in this sector (BARTA 2002).

By contrast, the capital's economic development can clearly be traced back to the increasing importance of tertiary activities. The concentration of high-productivity services in the capital is especially remarkable (in 1999, 66% of the GDP generated by financial services originated in Budapest, while 49% of the GDP of real estate transactions, 44% of trade, tourism and catering and 41% of transport, postal services and telecommunications were produced by the capital's economy). It must also be added that the specific indicators (sectoral GDP per capita) in all of Budapest's economic sectors exceed those of the countryside, although to a lesser extent in industry than in other sectors.

It is usually assumed that there is a correlation between economic development and changes in the sectoral structure (when looking at ear-

lier times the level of economic development is expressed in terms of the extent to which the industrial sector has gained ground at the expense of agriculture, while in the post-industrial age, economic development is represented as a function of the growing importance of the tertiary sector and the corresponding contraction of industry). *This pattern, however, is only partly applicable to the case of Hungarian regions since the tertiary sector has become dominant even in the most backward regions of the country.* Changes in sectoral structure can generally be used to represent economic development because the economic importance of more productive sectors tends to grow at the sectoral level. Nowadays, however, both industry and services comprise sectors of high and of rather low productivity in Hungary. The main reason for this is not the sectoral structure but rather the fact that there are crucial discrepancies in the output and conditions of enterprises. These discrepancies are to be attributed to differences between companies of foreign as opposed to those of domestic ownership. *Sectors and regions capable of concentrating significant amounts of foreign capital steadily perform at exceptional levels.*

The sectoral structure of FDI clearly mirrors the characteristic structural difference between the capital and the countryside (Table 5):

Table 5. Sectoral distribution of FDI in Budapest and the countryside (%)

Sectors	Distribution of the investments of companies in foreign ownership (%)			
	Budapest		Countryside	
	1998	2000	1998	2000
Agriculture	0	0	1	1
Industry	27	32	72	76
Services	70	67	25	23
– trade	9	14	7	6
– catering and tourism	2	3	0	0
– transport, postal services, telecommunications	24	29	16	13
– financial services	16	7	1	1
– real estate	19	14	1	1

Source: County Statistical Yearbooks, Budapest Statistical Yearbooks 1998, 2000. County and Central Statistical Offices 1999, 2000, 2001.

In addition to the structural differences between the capital and the countryside, differences are primarily represented by the relative share of industrial and tertiary investments, *Table 5* also shows that in recent years the industrial sector has strengthened its positions in terms of foreign investments both in Budapest and in the countryside. This has been reflected in the growing capitalisation and further investments of already existing companies in Budapest. In the countryside, the same trend has resulted in additional green-field investments as well (which are decreasing but still significant). Green-field investments amounted to 22% of all foreign investments in 1998. Two-thirds of these were located in the region of Northern Transdanubia and two-thirds were claimed by the machine industry. It is true that green-field investments could be observed moving southward along the Danube and even to cross the Danube towards the eastern regions of the country. But this trend has not yet proved to be very significant. What available figures indicate is a rather slow extension of previously frequented areas. New industry tends to settle in towns and counties in the neighbourhood of already active industrial centres.

CHANGES IN THE SECTORAL STRUCTURE OF INDUSTRY

The sectoral structure of industry has undergone fundamental changes in the last ten to twelve years. The production of the mining sector fell to one-third, that of the textile and clothing industry to two-thirds of its output in 1990. Similarly, production in other sectors (food, chemicals, non-metal minerals, metallurgy and electricity) is still below the 1990 level, but all sectors can be said to have passed their worst phase (with the exception of mining). Machine industry can boast of exceptionally good results having increased its production five-fold between 1990 and 2000. The wood, paper and printing industries also deserve to be mentioned. This was the sector, in addition to machine industry, which could increase its share within the industrial sector (owing mostly to the printing industry).

Production and marketing are, of course, closely tied up with one another. Hungarian industry has an export-oriented structure. Only chemical industry and mining have failed to reach the exports levels of 1990. Otherwise, all sectors were able to increase their exports since 1993. Ma-

chine industry, once again, has been exceptionally strong with a nine-fold increase of exports in the said period. Domestic markets still perform quite poorly. Manufacturing reached its lowest point in 1997 when as little as 75% of the 1990 level was marketed on the domestic market (Table 6).

Table 6. Changes in production and marketing between 1990 and 2000 in industrial sectors (1990 = 100)

Industrial sector	Production	Domestic markets	Exports
Mining	35.4	35.3	105.8
Food	93.3	121.9	119.0
Textiles and leather	83.6	43.6	177.3
Wood, paper and printing	156.3	130.9	495.2
Chemicals	81.4	86.2	68.1
Non-metal industry	102.6	78.7	337.9
Metallurgy	109.1	86.2	187.1
Machine industry	519.4	127.9	888.5
Manufacturing	160.4	89.9	339.5
Industry total	149.1	92.8	336.9

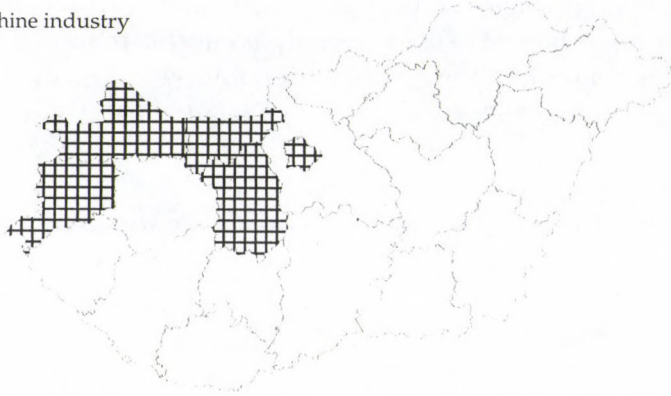
Source: Hungarian Statistical Yearbook 1998, 1999, 2000. *Industrial Statistical Yearbook 2000*. Budapest: Central Statistical Office 2000 (my calculations).

The sectoral structure of manufacturing has been dominated by machine industry (42%) together with the food (14%) and chemical industries (15%). The combined output of these three industries amounted to three-quarters of the total industrial output in 2000. Employment displays somewhat different relative sectoral shares than production. This is due to the labour-intensive character of some economic activities, on the one hand, and to differences in productivity among various sectors, on the other. The three sectors mentioned above claim a 53% share of the employment structure.

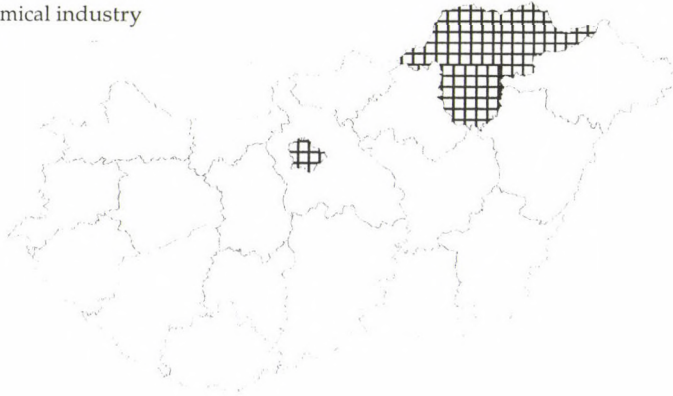
There have been considerable changes in the spatial location of industrial sectors as well. Machine, chemical, metal-processing and the wood, paper and printing industries are strongly concentrated in a few regions. The food, textile and clothing industries as well as the manufacture of non-metal mineral products, i.e., those industrial sectors which rely more heavily on domestic natural resources and raw materials can be observed to spread more evenly (Fig. 3).

Industry in the majority of counties is monocultural or is very strongly dominated by a handful of sectors. A wider range of industrial sectors

Machine industry



Chemical industry



Food industry



Source: Megyei Statisztikai Évkönyvek, 2001

Figure 3. The regional structure of the main industrial sectors in 2000
(counties producing 75% of the total output)

with a nationally significant output can be found only in Budapest and in Pest, Győr-Sopron and Borsod–Abaúj–Zemplén counties. Extensive areas, however, lack significant production in any of the industrial sectors mentioned.

Industrial districts have begun to emerge in a few sectors: machine industry in the region of Northern Transdanubia, chemical industry in the Budapest agglomeration and the county of Borsod–Abaúj–Zemplén, wood, paper and printing industry in the Budapest agglomeration, etc.

In comparison to its former complexity, the structure of Hungarian industry has become simpler. Machine industry has assumed a dominant position in the new sectoral structure of industry. This latter fact can safely be judged to be a positive development. This is not only because this structure is better suited to Hungary's local conditions. Further reasons supporting this evaluation are, first, that machine industry is itself a complex sector (machines and appliances, electronics industry, precision engineering and vehicles constitute the bulk of Hungarian machine industry) and, second, that by increasing productivity the machine industry makes a fundamental contribution to the development of Hungarian industry.

The development of the spatial structure of industry, however, does not merit the same positive assessment. It is not only that Hungary's regional structure in industrial production has become seriously unbalanced which in turn has led to a regional differentiation of the economy. An even more worrying fact is that the industrial structure of large regions has become seriously distorted and one-sided.

INDUSTRIAL SPACES AND AGGLOMERATIONS

No industrial district has emerged yet in Hungary, which would meet Marshall's definition. Hungarian industrial spaces are still basically spatial agglomerations of industry. Four regional groups of industrial agglomerations can be distinguished, primarily in terms of their *size*. These comprise basically the whole Hungarian industry:

- *Industrial towns* surviving the transitional period include those small- and medium-sized towns the economies of which have always been predominantly monocultural. [There are more than twenty such towns. This group also includes former industrial towns of the state-planned

economy (BELUSZKY 1999).] Some of these were at least partly able to hold on to their former positions after the political transition. This is mainly to be attributed to the prosperity of their dominant industrial sector (especially in the chemical industry). Unfortunately, economic diversification is still uncommon in these towns. At the same time, the re-organisation and successful privatisation of large companies and their investments, partly financed by foreign investors, have contributed to consolidating the economic structure in some of these towns. Nevertheless, the majority of former industrial towns (especially those with a strong presence of mining and metallurgy) have begun to decline.

- *Large towns* have been the most attractive areas for economic activities in general and for the industrial sector in particular. The industries of large towns tend to be complex including the locations of large companies and concentrating production as well. The reason is that this is where large companies can find a sufficiently large workforce and demand as well as modern services and cooperating partners. Most SMEs are also concentrated in large towns. A close correlation can be observed in Hungary between the size and competitiveness of towns, on the one hand, and their economic and industrial potential, on the other. The economies of large towns attracted the greatest share of FDI. In 1999, investments into the economies of the 15 'most competitive' towns amounted to as much as 72% of all investments in Hungary (and this share is still increasing).
- *Economy in the region of Northern Transdanubia* is driven by the industrial sector. The sectoral structure of industry is dominated here by machine industry in terms of production figures as well as in terms of productivity and export shares. In 1999, 21 towns in this region belonged to the group of the top 50 Hungarian towns with the highest exports. Four towns among these—Győr, Székesfehérvár, Szentgottárd and Szombathely—were responsible for nearly 40% of the country's exports. This exceptional output is mainly to be attributed to the activities of multinational companies, which include Audi, Philips, Opel, Suzuki, and IBM (which, however, has recently closed down its production).
- Industrial transition in the *Budapest agglomeration* has been characterised by complex processes. Although deindustrialisation in the capital has been intense, the capital's industry is still to be 'reckoned with'. With about 100 thousand jobs, this is still the largest industrial con-

centration in Hungary. Among its three dominant sectors—chemical industry, food industry and machine industry—the last of the three has undergone the most dynamic development. Budapest's controlling role has been strengthened in Hungary's economy and industry. An efficient division of labour can be observed taking shape between the Budapest agglomeration and the region of Northern Transdanubia. Multinational companies located in Northern Transdanubia generate significant demand for advanced services offered in Budapest. These two regions are beginning to merge more and more, constituting together a part of the potential Vienna–Bratislava–Győr–Budapest industrial region.

REFERENCES

- BARTA, GY. (2000): A külföldi működőtőke szerepe a magyar ipar duális struktúrájának és regionális differenciálódásának kialakulásában. In: HORVÁTH, GY., RECHNITZER, J. (eds): *Magyarország területi szerkezete és folyamatai az ezredfordulón* (The role of foreign capital in shaping the dualistic structure and regional distribution of Hungarian industry). Pécs: MTA RKK, pp. 265–282.
- BARTA, GY. (2002): A magyar ipar területi folyamatai, 1945–2000 (Areal processes of Hungarian industry). Budapest–Pécs: Dialóg Campus Kiadó.
- BELUSZKY, P. (1999): *Magyarország településföldrajza* (Settlement geography of Hungary). Budapest–Pécs: Dialóg Campus.
- BELUSZKY, P. (2000): A magyar városok versenyképessége (Competition potential of Hungarian towns). Budapest: MTA RKK KÉTI.
- CSÁKI, GY. (2000): Befektetésösztönzés és működőtőke-bevonás: magyar lehetőségek az Európai Unió csatlakozás előkészítésének időszakában (Operating capital import and investment stimulation in Hungary during the EU pre-accession). Budapest: GKI Gazdaságkutató Rt.
- FAZEKAS, K., KÖLLŐ, J. (1998): A külföldi érdekeltségű vállalatok munkaerő-keresletének jellemzői Magyarországon 1995-ben. In: FAZEKAS, K. (ed.): *Munkaerőpiac és regionalitás az átmenet időszakában* (Characteristics of labour demand in Hungarian joint ventures). Budapest: MTA Közgazdaság-tudományi Kutatóközpont, pp. 29–59.
- KISS, J. (1998): Az ágazati gazdaság szerkezet szerepe a regionális differenciálódásban Magyarországon (The role of sectorial economic structure in regional differences in Hungary). *Tér és Társadalom*, 1–2. 138–162.
- LADOS, M. (1999): A növekedés tényezőinek eloszlása a vidéki térségekben (Distribution of the factors of growth in rural areas). *MTA RKK NYUTI Közlemények*, 103.
- NEMES NAGY, J. (ed.) (2001): Helyi fejlődés, intézmények és konfliktusok a magyarországi átmenetben (Local development, institutions and conflicts in Hungarian transition). *Regionális Tudományi Tanulmányok* 5. Budapest: ELTE Regionális Földrajzi Tanszék.

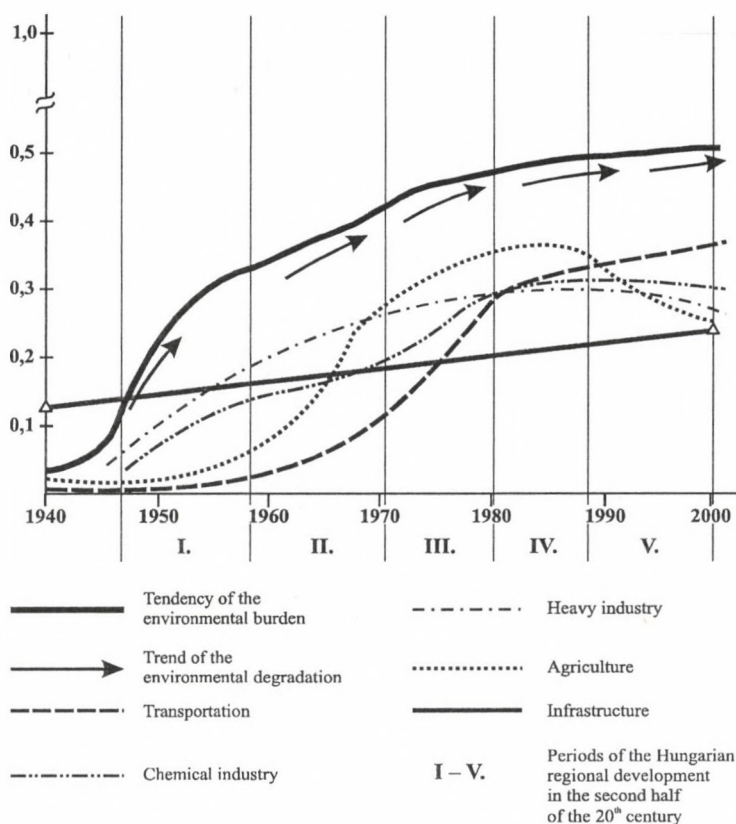
THE ENVIRONMENT IN REGIONAL DEVELOPMENT

ISTVÁN FODOR

In order to analyse from an environmental aspect the relationship among the natural environment, and the use of natural resources and regional development, we applied a theoretical model by which we explored the temporal processes of environmental pollution, together with its socio-economic background (FODOR 1994). We examined how and to what extent the development of regional policy producing regional development affected the situation of nature protection.

On the basis of the synergy effect of the most important polluting sectors, we created a theoretical model for the temporal change of the environmental quality of Hungary in the period between 1945 and 2000. Among the most polluting branches we selected heavy industry, chemical industry, agriculture, transport and infrastructure (*Fig. 1*).

The burden posed by the polluting sectors was demonstrated in a relative scale, where the horizontal axis shows time, the phases of the regional development of Hungary from 1940 to 2000, while the vertical axis shows the change in the environmental burden in a 0 to 1 scale. Zero value means the lack of pollution, whereas a value of 1 shows the deterioration of the environment. The same relative scale demonstrates the change in the environmental quality: the point zero and the values around it show a healthy natural environment, while a value of 1 means a completely degraded, dead environment. We could have chosen several methods for the qualification of the environment. In order to explore the correlations, we started from the generally accepted statements of the professional literature, i.e., the fact that the Hungarian environment was only degraded in a few places in the 1940s (primarily the underdeveloped infrastructure, the mining activities, metallurgy, coal-heated power



Source: Model by the author.

Figure 1. A theoretical model for the tendency of the change of the environmental burden and the regional policy in Hungary in the second half of the 20th century

stations and to some extent the steam engines of the trains caused pollution of limited extent, but in some places there were long-term degradations, as well, especially caused by mining). By the end of the 1980s and 1990s, the final part of the horizontal axis, Hungary became a medium polluted country. This is a generally accepted statement both in the professional literature and the government organs controlling environment policy. By this time there were heavily degraded industrial regions in Hungary, but the rural areas were also heavily burdened in many places (e.g., the nitrite pollution of the first subsoil water level). This is justified by the fact that the value of 0.5 in the Figure demonstrating the environmental quality is compatible with the 1986 evaluation of the Central Statistical Office (the environmental situation of Hungary is of medium

degradation) and is also in harmony with the analysis of the Ministry of the Environment and Regional Development and the report of the Hungarian National Committee made for the World Conference in Rio.

We examined the role of the different sectors of the economy in this process. However, when we analyse the spatial structure of environmental and nature protection and seek the ways to strengthen regional environmental policy, it is important to relate the progress of environmental and nature protection to regional development. The latter will be more meaningful if we consider those socio-economic processes, too, which are in the background of both phenomena—environmental and nature protection, and regional development—, and whose dominance plays a decisive role in the progress of these. For the analysis of this type I made the theoretical model that reflects the tendencies in the change of the environmental state of Hungary as a function of the increasing environmental burdens; the phases of regional development as defined by ENYEDI (1996), and the socio-economic and societal tensions. I constructed the development track of the economy by the version of the 4th KONDRATIEV cycle¹ adapted to Hungary, using the analyses by BENKO (1992), RECHNITZER (1996, 1999), SIPOS (1986, 1989, 1993, 1998). We outlined the short but definite deviations of the economic development from the KONDRATIEV cycle, which had a long-term and strong effect on the regional processes and the environmental burden of Hungary even if economic political corrections on ideological and political grounds were able to smoothen these short-term crises. An important circumstance for this analysis is the short period of the recent Hungarian history, which was not free from political crises. The correlations of the process are demonstrated in *Fig. 2*. The horizontal and vertical axes in the figure are identical with those applied in *Fig. 1*.

The starting point of the analysis is the fact that any socio-political-economic system is built on three pillars:

- a) if it is legitimate or not;
- b) if the accepted rules, existing habits and conventions make a coherent system and
- c) whether the welfare results achieve the support of the institutional system by the population.

¹ The KONDRATIEV waves model the regular moves of the economic booms. The period of rising prosperity are more or less followed by periods of declining prosperity. We can distinguish between two main types of the cycles of such fluctuations: the large cycles that cover approximately 50 years and the small cycles that usually last for 8–11 years (SIPOS 1998).

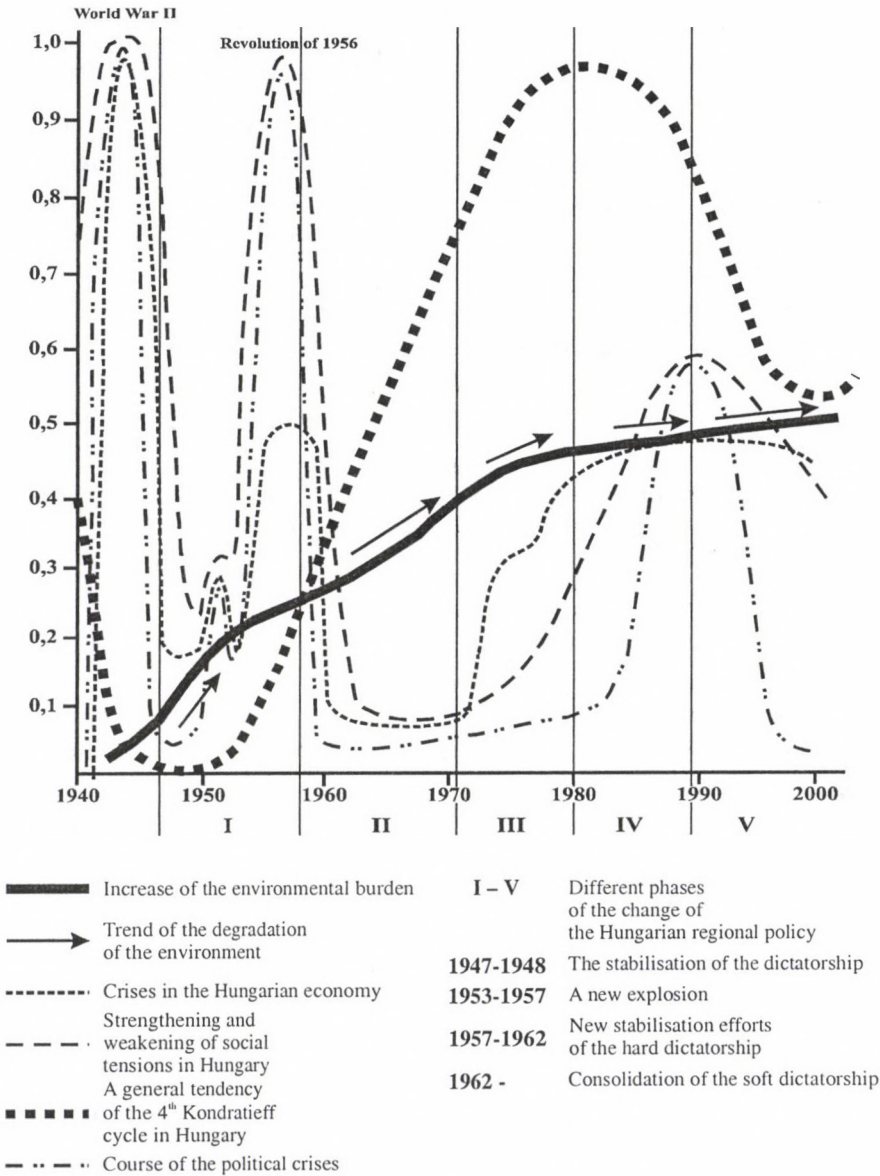


Figure 2. A theoretical model for the degradation of the state of the environment in Hungary, with the background of the economic, social and political crises

THE CHANGE OF THE REGIONAL DEVELOPMENT AND ENVIRONMENTAL BURDEN IN THE 1950S

The first period of regional development was the creation of the state-owned and state-controlled economy, the time of forced industrialisation.

The economy developed rapidly after the end of World War II, especially after the first systemic change in 1947. The three-year plan, which meant the introduction of the centrally planned system of economic management, was made for the period between 1st August 1947 and 1st August 1950, but it was completed in less than three years, by the end of 1949. Based on contemporary statistical data, industrial output exceeded the production value in the last year before World War II (1938) by 40% instead of the planned 27%. Within that, the development of heavy industry was even more significant, e.g., the output of mechanical engineering doubled. Agricultural output exceeded the figure for 1946–47 by 52.5% by the end of 1949, still it was 15% lower than the figure of 1938. This economic policy developed traditional heavy industry and the energy supply with a low efficiency, a high raw material and energy input and heavily polluted the environment (see *Fig. 1*). In the shaping of the socio-economic space, the creation of the large industrial and mining regions was dominant, which would be the most polluted regions in Hungary for a long time.

Urban growth was exclusively connected to industrialisation, which also served equalisation purposes (the industrialisation of the towns in the Great Hungarian Plain), but it even more promoted the increase in the difference in the development level of the industrialised and agricultural regions, which resulted in a significant migration (ENYEDI 1996).

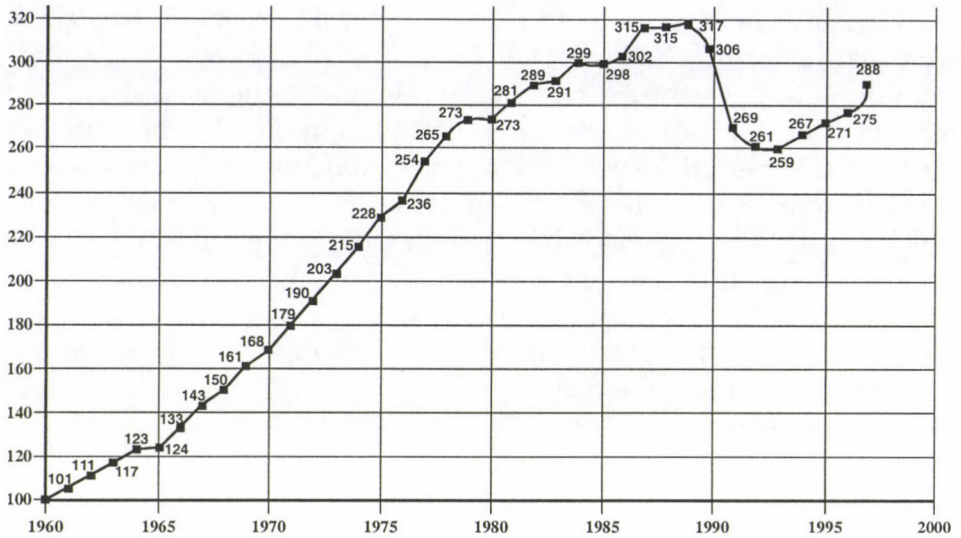
The socio-political dissatisfaction was suppressed by the hard dictatorship, but not one of the three pillars of the socio-political-economic system was valid. The disproportion of the economic growth, the total disharmony of the accepted rules, existing habits and conventions and the lack of legitimacy led to the explosion of the socio-political tensions, despite the suppressing efforts of the dictatorship (1953), then the deepening of the crisis resulted in the Revolution of 1956. The economy and politics of Hungary was completely subordinate to the COMECON (Council of Mutual Economic Assistance, i.e., an economic cooperation of the European communist countries that was dissolved actually in 1989, legally in 1991) and the Warsaw Treaty manifesting the Soviet Union and the socialist alliance. This meant that the fluctuations of the economic

growth and the elimination of the socio-political tensions, in fact, crises, were managed from Moscow.

In the first phase of the regional development, the natural environment of Hungary received the heaviest pollution (*Fig. 1*). The main polluters in this period were heavy industry and the energy production, chemical industry, mining and the underdeveloped infrastructure in the rapidly industrialising and urbanising regions. Environmental pollution extended to regional scale: heavily polluted regions emerged along the northeast–southwest industrial axis and in the area of the industrialising large cities. In South Transdanubia e.g., such a regionally polluted area was the Pécs–Komló agglomeration.

THE CHANGE OF REGIONAL DEVELOPMENT AND ENVIRONMENTAL BURDEN IN THE 1960S

ENYEDI (1996) defines the 1960s as the second period of regional development in Hungary. The government managed to stabilise Hungary after the socio-political crisis following the suppression of the Revolution of 1956 only with the assistance of the East-Central European socialist countries. For the sake of consolidation, the state power changed hard dictatorship for the so-called 'soft' dictatorship; it sought legitimacy and tried to achieve the support of the population for its institutional system. The upwards direction of the 4th KONDRATIEV cycle (*Fig. 2*) shows that the world economy avoided crises and fluctuations just as the Hungarian economy did. The economy grew, indicated by the development of the GDP indices (*Fig. 3*). In the industrial structure, manufacturing strengthened and since it was not as concentrated geographically as the formerly created heavy industry, it played a role in the move towards spatial equalisation. "The deconcentration of industry allowed that after the collectivisation of agriculture the migrants from the villages did not have to move in large numbers to the capital city and the old industrial districts; in many cases they could become industrial employees and daily commuters besides keeping their village residence. Regional development and the development of the settlement network were related, the regional disparities in the incomes decreased" (ENYEDI 1996, p. 14). Although the stable socio-economic background created a great possibility for economic development and the economic reforms of 1968, aiming at the modernisation of the socialist economic management (new economic



Source: Calculations by the author based on data of the Central Statistical Office, Budapest, 1998.

Figure 3. The development of gross domestic products (GDP) in Hungary in 1960–1997 (1960 = 100%)

management mechanism), it bore the possibility of the modernisation of the economy only for a short while, these effort soon failed because of the limits of the political ideology.

The situation of nature and environmental protection continued to worsen. The large industrial regions created in the first phase went one polluting the environment. The occasionally intolerable levels of pollution—which brought about the danger of the damage to human health—resulted in end-of-pipe technological interventions, with very high extra costs and extremely low efficiency. In addition to the heavily polluting heavy industry, the second phase of the strong development of chemical industry started. In this process the new consumer of chemical industry, agriculture, was the biggest stimulus and client. Besides industry, agriculture became the number two, regionally most extended polluter of the environment. The lagging behind of infrastructure, at the same time, became a more and more serious environmental burden because of the unsolved urban environmental problems, the growing amount of sewage and the non-collected waste. The environmental polluting effect of transport also increased.

THE CHANGE OF REGIONAL DEVELOPMENT AND ENVIRONMENTAL BURDEN IN THE 1970S

The third phase of regional development started in the second half of the 1960s, when industrialisation had been finished and the need for the growth of the services sector was realised. As far as the territorial development of Hungary is concerned, this development phase was the start of a new era, because politics for the first time declared the importance of the moderation and elimination of the territorial disparities in living standards. This meant a recognition that "industrialisation in itself does not lead to regional equalisation and the objective of regional development cannot be exclusively production: the societal expectations have to be taken into consideration, too..." (ENYEDI 1996, p. 15). A favourable condition for the strengthening of regional development and the spread of concepts made for the moderation of regional disparities was created by the effort of politics to secure a superficial legitimacy by achieving a relative welfare and thus a stable socio-economic background. The actual effect, however, was that the economic policy working on ideological basis held back the economic development of Hungary and the natural progress of regional processes by the maintenance and operation of the outdated economic structure.

In the beginning of the 1970s, the developed capitalist world was shocked by a huge economic crisis. The unbroken and rapid economic growth following World War II came to a halt, which affected the East-Central European state socialist block to various degrees (e.g., the first and second oil crisis). Hungary, because of its relatively open economy, was especially heavily struck by the oil crisis, but the consequences only emerged later. The developed capitalist world rather soon found the way out of the crisis by the post-Fordist economic model, which resulted in a new and rapid economic boom. This is well demonstrated by the new upward section of the real KONDRATIEV cycle. The essence of the post-Fordist economic model on the basis of the KONDRATIEV cycle is the fact that all booms start on the ground of so-called basis innovation. The basis innovation is always explored sooner, when the previous cycle is moving upwards and is introduced when the growth of the economy starts (SIPOS 1986, 1989, 1993). In the case of the post-Fordist model this meant that the knowledge-intensive sectors were in the foreground, not the traditional ones. In employment, tertiary and even more quaternary sectors became the most important. These opportunities for the renewal of the economic

structure were cut from the still extensively developing Hungarian economy by the Moscow-directed state socialist politics of the Eastern block. The performance indices nevertheless showed a stable rise, influenced and manipulated by the character of the Soviet economy. The effects of the crisis of the world economy in the 1970s were tackled by the Hungarian economy by taking foreign credits, in fact, the Hungarian GDP went on increasing, although the deceleration of the increase was evident by 1976 (*Fig. 3*). The large amounts of foreign credits, leading to the indebtedness of Hungary, had three objectives: to maintain full employment, to preserve welfare achievements (the artificial maintenance of the living standards) and to conserve the outdated and 'old' industry that required too much raw material and energy and produced more and more waste. The version of the 4th KONDRATIEV cycle adapted to Hungary is thus a track of continuous economic growth from the 1950s. In this period, industry and agriculture grew by mass production, which showed their significant hazard as well: the burden of the environment increased enormously. The demand for the development of infrastructure was stated, but the above-mentioned triple political priority consumed not only the foreign credits but also the inner resources. Although regional development aimed at the equalisation of the regional disparities within the settlement network, in reality the regional differences measured by the level of infrastructure and the accessibility of public services reinforced in the second half of the 1970s. As a result of the structural problems, the economy showed the signs of a crisis. Despite the political efforts, the social dissatisfaction strengthened (*Fig. 2*).

The state of the natural environment continued to deteriorate rapidly because of the regionally differing but heavy and stable burden. In the already existing large industrial regions, more than 40% of the Hungarian population was exposed to the detrimental effect of the heavily polluted air (BULLA 1989; FODOR 1991, 1992). The situation was exacerbated by the fact that in these regions with polluted air, all living beings were exposed to the harmful effect of not only one pollutant or two (e.g., SO₂ or NO₂), in most cases the accumulative and synergetic effect of six to eight or even more pollutants (dust, soot, lead, other heavy metals, CO, CO₂, SO₂, NO₂, different carcinogenic polycyclic carbohydrates, etc.) was palpable, which meant that the parallel presence of the individual pollutants reinforced each other to different degrees, but nevertheless often considerably. The result was, in addition to the hazard for the flora and the fauna, the extremely rapid increase of the health problems deriving from envi-

ronmental pollution: allergies, cancers and other diseases (FODOR 1991, 1992).

By the early 1980s, the use of pesticides in agriculture more than doubled compared to 1960. Before 1960 and after 1990, the use of pesticides was below 2 kg/hectare in Hungary, while figures in excess of 4 kg/hectare/year were typical in the years between 1975 and 1987.

Until the 1970s, running water supply and sewage system barely developed in the villages. Water supply was mostly provided from wells. Human and animal wastes were usually deposited within the settlements, in the soil, which resulted in the more and more serious contamination of the subsoil water, the water-base of the wells. In the western and northern regions of Hungary, where water supply was provided from wells giving subsoil water, an emergency evolved. In the north, in Borsod-Abaúj-Zemplén County, the water quality of 50% of the public wells was already seriously contaminated by nitrate. The situation was similar in Baranya County, where as early as in 1979 almost 60% of the villages did not have one public well with adequate water quality.

The intensification of agriculture entailed an increasing use of fertilisers. In 1950 the use of fertilisers was 6 kg/hectare, by 1981 it reached 216 kg/hectare! As a consequence, the nitrate content of the subsoil water increased not only within the settlements but in many places in the outskirts, too, jeopardising the wells outside the settlements. In Nógrád county, for example, the average nitrate content of the public wells was 8 mg/litre in 1967, which increased to 25 mg/litre by 1984.

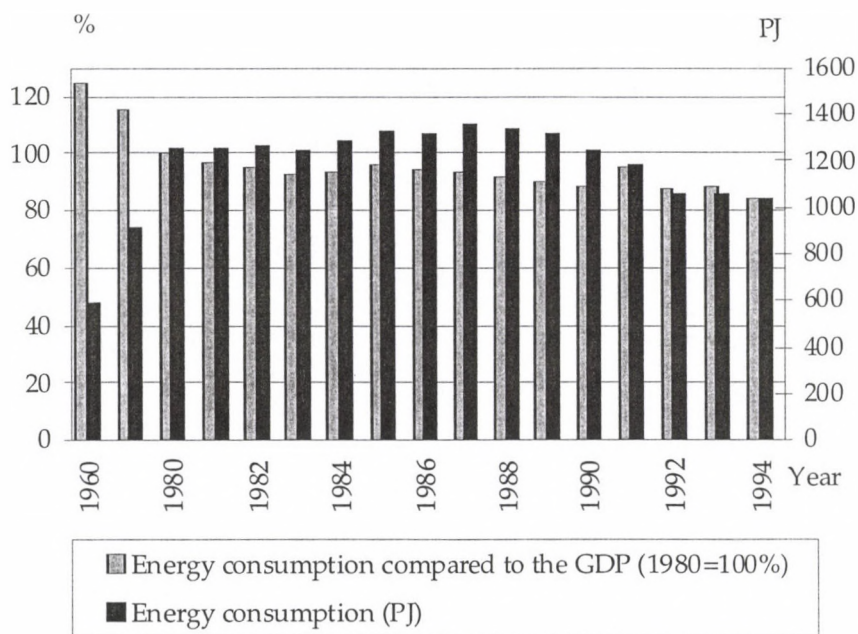
The contamination of the first subsoil water level resulted in serious illnesses; in fact, infants and children were exposed to methaemoglobinaemia. The extremely rapid deterioration of the state of the environment and the increasing international prestige of environmental protection forced Hungarian politics to create the first act on environmental protection (Act No. II of 1976 on the protection of the environment), which defined the range of objects to be protected: soil, water, air, flora and fauna, landscape and urban environment. In this respect the act was really up-to-date. The problem was posed by its effective enforcement. The sanctions of the act did not produce any real results, because the interests of environmental protection (together with education and health care) were handled on the residual principle after the political and economic priorities, both at the level of interventions and in the budget. The environmental behaviour of the biggest polluters was defined by the same political and ideological priority that defined governmental economic

policy, too, so the act did not result in any improvement in the field of environmental protection. The only real result was that it allowed the foundation and building of an organisational and institutional system of environmental protection.

THE CHANGE OF REGIONAL DEVELOPMENT AND ENVIRONMENTAL BURDEN IN THE 1980S

ENYEDI (1996) describes the contradictory processes of the 1980s as the fourth period of regional development. The outdated Hungarian economic structure started to collapse because of the growing indebtedness. The economic crisis and the growing socio-political tensions became more and more striking. The artificially manipulated economic growth was more and more difficult to sustain (*Figs 2 and 3*), and the dictatorship was no longer able to control the conventions.

At the same time "regional development policy reflected the fight that the centralised power fought against the reform powers aiming at decentralisation. At the level of theory, the need for an innovation-oriented spatial policy emerged, but the economy was against innovation..." (ENYEDI 1996, p. 15). Regional policy at that time pursued the objective of catching up the regions with multiple deprivations. The regional disparities, however, increased. The role of Budapest strengthened (e.g., in the R & D sector), the number of private businesses increased after 1982 (economic partnerships, associations), half of them operating in Budapest. The large industrial companies with their high raw material and energy consumption and basically outdated structure had very serious operational problems. The emission of pollutants decreased, partly as a result of a decreasing output, but the large companies still did not move towards the more up-to-date and environment-friendly production technologies (*Fig. 4 and Table 1*). The structural crisis of industry could be seen in the changes in the use of the sources of energy, among other things (*Table 2*), but the energy balance (*Table 3*) significantly transformed in these years, too. Until 1985 there was a clear increase in the use of energy per 1 billion HUF of GDP, but the use of energy stagnated after 1985 and slowly decreased after 1990. The analysis of the production value of the most important sectors shows that apart from a few service activities, the GDP continuously decreased from 1980 to 1992 (*Fig. 5*). It is interesting to look at the proportion of environmental investments compared to



Source: Calculations by the author, based on the data of the Ministry of the Economy and the Central Statistical Office, Budapest, 1999.

Figure 4. The trend of the energy consumption of Hungary in 1960–1994

the GDP (right vertical column in Fig. 6), which reached its peak in 1986 and 1987, with 1.05% and 1.02% of the GDP, respectively. Within the investments, the protection of the waters had the biggest share (the Bős–Nagymaros dam was under construction at that time), followed by air cleanliness protection and waste management investments (Fig. 7).

Table 1. The trend of the consumption of the main sources of energy in Hungary in 1980–1997

Source of energy	1980	1985	1990	1996	1997
Coal (in thousand tons)	27,544	25,626	20,305	1,644	16,242
Lignite (in thousand tons)	8,479	7,203	5,657	7,646	7,979
Brown coal (in thousand tons)	14,121	13,924	10,752	6,995	7,025
Black coal and anthracite (in thousand tons)	4,944	4,499	3,896	1,403	1,238
Crude oil (in thousand tons)	9,550	8,466	7,778	6,792	7,029
Natural gas	9,751	11,182	11,167	12,827	12,200
Coal- and coke briquette (in thousand tons)	1,816	2,407	2,561	370	229

Table 1 continued

Source of energy	1980	1985	1990	1996	1997
Electric power (in million kWh)	31,262	37,603	39,538	37,299	37,545
Black coal coke (in thousand tons)	2,243	2,000	1,183	968	685
PB gas (in million m ³)	277	328	332	346	364
Petrol (in thousand tons)	2,256	2,139	2,410	1,884	2,121
Petroleum (in thousand tons)	199	221	233	254	227
Diesel oil (in thousand tons)	4,350	3,708	3,012	1,725	1,785
Fuel oil (in thousand tons)	3,150	2,786	1,712	2,262	2,256
Wood (in thousand tons)	1,087	1,147	752	1,158	1,175

Source: Data of the Environmental Statistics. Budapest: Central Statistical Office, 1999.

*Table 2. The trend of the consumption of energy in industry
by sources of energy in 1980–1997
(in terajoule)*

Source of energy	1980	1985	1990	1996	1997
Coal	262,550	223,640	198,055	128,529	129,172
Lignite	57,874	49,421	37,349	51,773	53,381
Brown coal	129,044	115,003	94,485	61,404	60,365
Black coal and anthracite	75,632	59,216	66,221	15,952	15,426
Crude oil	391,575	347,092	318,878	278,472	288,202
Natural gas	280,104	266,657	231,573	215,154	199,738
Coal- and coke briquette	490	555	4,245	22	15
Electric power	70,427	77,843	74,142	61,669	62,466
Black coal coke	53,386	48,068	31,148	26,480	19,710
PB gas	571	711	312	1,669	1,806
Petrol	40,437	36,919	28,255	23,358	32,947
Petroleum	225	389	160	343	530
Diesel oil	25,036	27,090	14,172	15,575	14,533
Fuel oil	115,551	103,686	65,015	84,174	88,043
Wood	972	787	484	303	297

Source: Data of the Environmental Statistics. Budapest: Central Statistical Office, 1999.

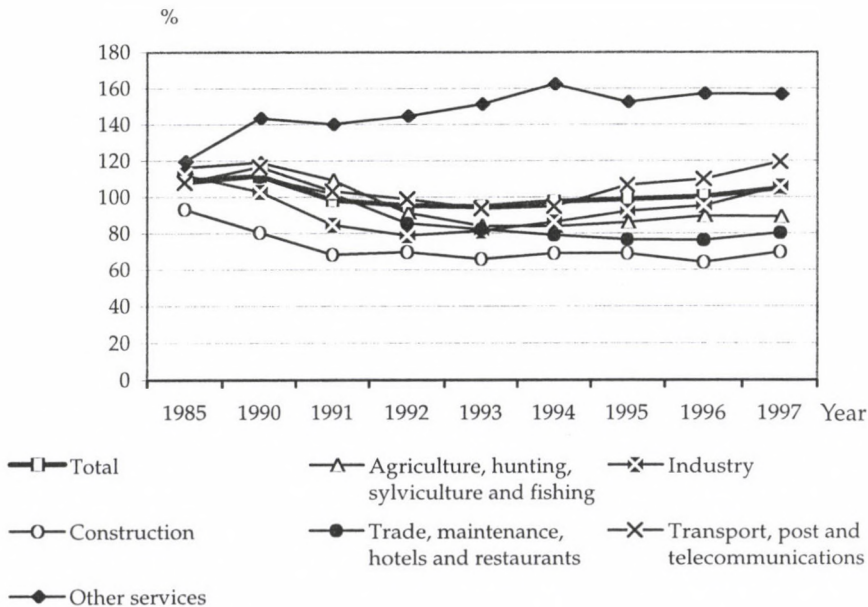
Table 3. Trend of the energy balance of Hungary in 1980–1997, in million kWh

Source of energy	1980	1985	1990	1995	1996	1997
Output of the public power stations	22,664	25,821	27,463	33,199	34,206	34,528
Output of other power stations	1,211	975	948	723	813	783

Table 2 continued

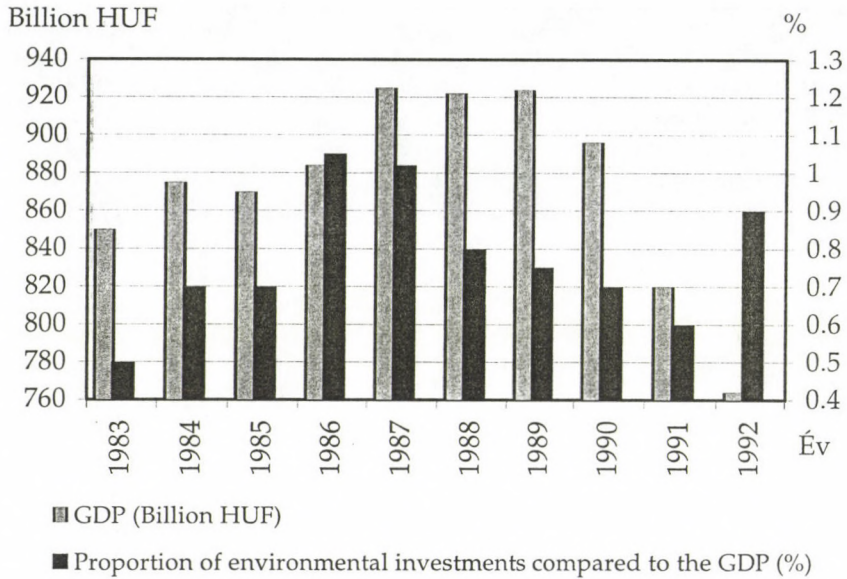
Source of energy	1980	1985	1990	1995	1996	1997
Total of industrial output		26,737	28,377	33,922	35,019	35,396
Output of other sources of power (waste incinerators)		59	34	95	83	85
Total of Hungarian output	23,875	26,796	28,411	34,017	35,102	35,396
Thermal power station	23,875	20,316	14,680	19,991	20,922	21,428
Nuclear power station		6,480	13,731	14,026	14,180	13,968
Import	10,182	12,731	13,308	3,210	3,473	4,410
Total of sources	34,057	39,527	41,719	37,227	38,575	39,806
Consumption of power stations	1,963	2,242	2,542	2,754	2,745	2,964
Public power stations	1,794	2,078	2,388	2,631	2,643	2,866
Other power stations	169	164	154	123	102	98
Mains and transformer loss	2,831	3,585	4,015	4,749	4,677	4,736
Home consumption	28,430	34,014	35,523	28,919	29,877	29,845
Export	2,796	1,924	2,181	805	1,276	2,261
Total of use	34,057	39,527	41,719	37,227	38,575	39,806

Source: Data of Environmental Statistics. Budapest: Central Statistical Office, 1999.



Source: Calculations by the author, based on Central Statistical Office data, Budapest 1999.

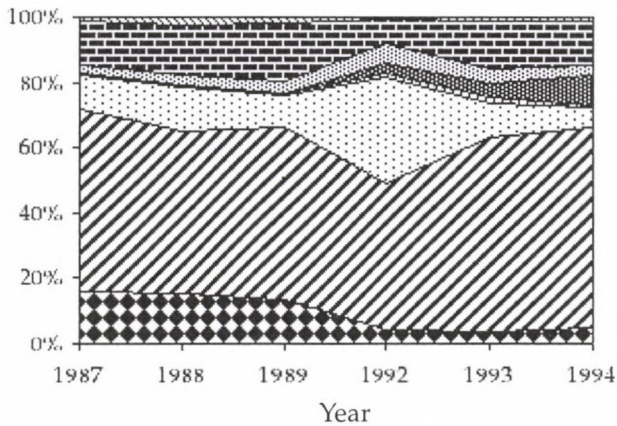
Figure 5. The trend of development of GDP in some of the major sectors in Hungary in 1980-1997



Source: Calculations by the author, based on the data of the Ministry of the Economy and the Central Statistical Office, Budapest 1989, 1999.

Figure 6. The trend of GDP and environmental investments in Hungary in 1983–1992

The contradictory situation of environmental and nature protection could be seen in the fact that although industrial emission considerably decreased as a result of the production crisis (the SO_2 emission of the power stations decreased by almost 200,000 tons/year between 1980 and 1988, the SO_2 emission of industry fell by 125,000 tons/year and the emission of solid pollutants decreased by more than 50%), the emission figures were still high and the size of the polluted industrial regions hardly changed. Despite the crisis in agriculture, the burden of the environment increased, and the creation of a production structure neglecting the natural endowments resulted in a serious environmental degradation of the rural areas (FODOR 1991). The central control of agriculture did not consider the interests of environmental and nature protection and the ecological requirements, neither by using the better agro-ecological endowments with smaller inputs and higher efficiency nor by avoiding the economic and ecological burdens coming from the unfavourable endowments (e.g., the adjustment of the production structure of agriculture to the agro-ecological potential) (LÁNG 1980c, 1993).



- Protection of arable soil/land
- ▣ Protection of waters
- ▨ Protection of air
- ▩ Protection of wildlife
- ▤ Protection of nature
- ▧ Protection of urban (built) environment
- ▦ Protection against harmful effects of wastes
- Protection against noise and vibration

Source: Calculations by the author, based on the data of the Central Statistical Office, Budapest 1994.

Figure 7. Breakdown of the environmental investments by objectives in 1987-1994

The biggest problem, in addition to the large amounts of chemicals used, was still the unprofessional storage and the application of inadequate technologies, as in the 1970s.

In the 1980s, the environmental burden caused by traffic increased. After the liberalisation of the import of used cars, the stock of cars greatly increased in Hungary, but its environmentally unfavourable structure further worsened because of the mass import of old and outdated western cars that had high fuel consumption and low performance, just like the socialist cars. The average age of the cars suddenly increased and so did the environmental burden, not only because of the emission of the fuel used with a low efficiency but also because of the lack of the treatment of the derelict cars or the ones taken to the scrap yards.

The utility gap opened further. In 1980, 75% of the Hungarian population was supplied with tap water, in 1990 already 91%. The share of population living in canalised homes only increased from 40 to 54% in the same period, the utility gap widened from 35 to 37%. In the rural regions

with small- and medium-size settlements, the situation was much worse. The rate of canalisation in the village was below 8%, whereas in the regions of small villages it was only 2–3% by the national average (FODOR 1996). The burden of the surface waters considerably increased, approximately 80% of the sewage flew into the surface waters without any treatment.

On the other hand, as the effect of the act on environmental protection, the size of nature protection areas increased. The Aggtelek National Park was founded in 1985 for the special protection of the Aggtelek karst area. The establishment of the institutional system of nature and environmental protection continued, regional centres of nature and environmental protection were created under the control of the regional water management directorates, then in 1991 they seceded from the framework of the water management directorates and were transformed into independent regional inspectorates of nature and environmental protection.

THE INCREASE OF ECONOMIC GROWTH AND ENVIRONMENTAL POLLUTION TO REGIONAL SCALE IN THE STATE SOCIALIST SYSTEM

The change of the quality of natural environment, its burden and the process of its destruction and improvement are mainly determined by the operation of the economy regulated by society. The fundamental features of the socialist state's direct control in Hungary—just like in the other Central-East-European countries—were state property, central planning and central redistribution. The socio-economic processes of this period are analysed by a rich literature, and the spatial appearance of nature and environmental protection was analysed in the previous chapters. The moral is that Hungarian political control did not consider in one of the development phases the preservation and protection of the quality of the natural environment in the management of the processes shaping the spatial structure of Hungary. Even if such intentions were stated, e.g., in the middle of the 1970s by the enactment of the act on environmental protection, effective interventions were not achieved. During the management of the economic space typical of the first period of regional development, the Hungarian industrial regions were established, which had a fundamental effect on the regrouping of the labour force (the change of the employment pattern) and the reshaping of the settlement

structure (most of the so-called socialist towns were built in this period). These developing regions also became the first heavily polluted regions of Hungary. In the second phase, agricultural production developed rapidly after the restructuring of agriculture, the living condition of the agricultural population improved, but the rural regions became polluted, too. In the third period of regional development, during the development of the settlement network, the urban environmental problems arising from the underdeveloped infrastructure (sewage, waste collection, underdeveloped urban and inter-urban road network, etc.) became serious. The general socio-economic and environmental, ecological crisis unfurling by the end of the 1980s (theoretical model featured in *Fig. 2*) resulted in the collapse of those former large-scale industrial and agricultural systems that were only able to produce products of inferior quality. They used a considerable amount of raw materials and energy in excess, unlike the competing companies in the developed economies, which had chosen the post-Fordist way of development. The decline in the output decreased the emission of pollutants into the natural environment in several places (e.g., SO₂, dust), in other places, however, the emission increased (air pollution caused by traffic, the amount of waste and sewage, etc., FODOR 1993).

THE EFFECT OF THE BUILDING OUT OF MARKET ECONOMY ON REGIONAL DEVELOPMENT AND ENVIRONMENTAL PROTECTION

The fifth phase of regional development in Hungary is the period of the 1990s.

From the point of view of nature and environmental protection the way Hungary would find out of the crisis of 1989–1990 was also significant. Hungary escaped from the political crisis relatively rapidly after the systemic change. The fast political consolidation promoted the breakdown of the political and economic structure of the traditional centrally controlled system and the construction of the market economy could start in the beginning of the 1990s. The new, democratic institutional system of politics and state administration was built out relatively soon, and the local base of regional development was created by the establishment of the system of local governments with decision-making powers. The process was accelerated by the preparation for the EU accession. From

the aspect of regional policy, the birth of the new economic space is especially important. The interest of a new and effective nature and environmental protection moving toward the direction of sustainable development has to relate closely to the socio-economic processes of the regional space. It is a question, however, how the first step of sustainable development can be reached in Hungary, as the operation of the society and the economy did not show the slightest signs of sustainable development until the end of the 1990s. The economic restructuring is a much more difficult task for Hungary than the creation of the political stability was (FODOR 1993). The Hungarian economy had to carry out economic restructuring, modernisation that the developed market economies established in the 1970s by the creation of the modernised post-Fordist economy. The process of the renewal of the Hungarian economy was held back by the lack of capital and serious indebtedness (even by the East-Central European standards). The outdated product structure of the large industrial companies and the collapse of the traditional export markets led to a 20% decrease of the Hungarian GDP from 1989 to 1992. According to the data of the Central Statistical Office, the inflation rate was 25% in 1990 and 37% in 1991. By the end of 1991, the number of the unemployed exceeded 500,000 (10% of the economically active population), the social tensions were still serious. The burden of the economy was exacerbated by the fact that after the breakdown of the old structure, almost parallel to that, in the early 1990s, the economy had to be reconstructed by establishing the market economy. One of the most important elements of this process, also from the aspect of nature and environmental protection, was privatisation. The process is demonstrated by the theoretical model in *Fig. 1*. The privatisation of the economy was the fastest in Hungary among the East-Central European countries and it seems to be the most successful, as well, despite all its weaknesses. As soon as in 1992, some 200,000 private farms operated in Hungary and as a result of the compensation, more than 400,000 small holdings were given back to the original owners. The different sources evaluating the performance of the economy (Central Statistical Office 1999, Environmental Performance Reviews 2000) assess the boom after the nadir of 1990–1992 as the start of the successful restructuring and modernisation process. In 1995–1996 growth was moderate, 1.0–1.05%, which started to increase in the second half of 1996 and reached a value around 5% in 1997–1998 (*Table 4*).

Table 4. The development of the gross domestic product (GDP) of Hungary in 1995–1998 as compared to some international figures

	1995	1996	1997	1998	Growth in four years (%)
	growth compared to the previous year (%)				
European Union	2.4	1.7	2.6	2.9	9.8
OECD	2.2	2.8	3.0	2.2	10.6
CEFTA	5.9	4.6	2.7	1.1	15.1
Hungary	1.5	1.3	4.6	5.1	13.0

Source: Central Statistical Office, 1998.

In 1998, 58% of the businesses was managed by self-employed persons. The businesses were quite concentrated spatially, 40% of the operating businesses could be found in the Central Hungarian Region around Budapest. The lowest number of businesses was registered in the North Hungarian region in 1998 (Central Statistical Office 1999).

The regional disparities are well reflected in the value of GDP per person in 1997 (Table 5). The Central Hungarian Region stands out with its figure of HUF 773,000/person, which is approximated by West Transdanubia. The lowest figures were recorded in the Northern Great Plain and North Hungary. The differences within the investments per person were even bigger. The first region in this respect is the Central Hungarian

Table 5. Regional breakdown of the population and the gross domestic products (GDP),^a 1997

Region	Share from the population (%)	Number of counties	Share from the territory (%)	Density of population (persons/km ²)	GDP per capita (HUF 1000)	Domestic investment per capita (HUF 1000)
Central Hungary	28	1 ^b	7	416	773	183
Northern Great Plain	15	3	19	87	390	61
Southern Great Plain	14	3	20	75	453	50
North Hungary	13	3	15	96	401	52
Central Transdanubia	10	3	12	99	499	78
Southern Transdanubia	10	34	15	70	463	87
Western Transdanubia	10	3	12	89	559	106
National average	100	19	12	109	544	102

^a Prices of 1995.

^b Including Budapest.

Source: OECD, 2000.

Region again, with a figure of HUF 183,000/person, the Southern Great Plain only reached 27% and North Hungary 28% of this figure. The second region following Central Hungary is Western Transdanubia again, with 58% of the figure of the former, the figures of Central and Southern Transdanubia compared to the Central region were 43% and 47.5%, respectively, making them third and fourth in the order of the regions. These indices demonstrate the dominance of the capital city region and the strengthening role of the Budapest–Vienna axis.

It is promising from the aspect of environmental protection that economic growth accelerating after 1994 did not require the increase in the use of energy. This is proved by the fact that in 1995–1998 the average 3% economic growth required only 0.2% increase in the energy consumption, and the use of energy decreased by 6.8% in 1997 and by 4.9% in 1998. Compared to the developed economies, the use of energy is still high in Hungary for the income-generating capacity of the economy, 20% higher than in France or Great Britain, but the energy efficiency is better in Hungary than in the Czech Republic, Poland and Romania. The first favourable signs of the possibility of moving toward sustainable development is the 3.3% decrease of the energy consumption of industry in 1994–1998, as well as dynamic growth in the output. The long-term decrease of the specific energy demand of industry correlates to the favourable transformation of the structure of industrial production, which in the case of the Hungarian economy means the progress of the less energy-demanding mechanical engineering and the decrease of the importance of the more energy-consuming sectors, such as metallurgy or chemical industry. It is important from the aspect of the development of the national economy that the export volume of the products of mechanical engineering dynamically grew year after year, in which foreign direct investments played a very significant role. A similarly favourable trend in the economic restructuring from environmental aspect is the growing volume of investments in manufacturing industry. This sector grew by 1.7 times from 1994 to 1998, making one quarter of the investments of the Hungarian national economy. Just as favourable is the increase of the services sector, within which transportation, storage, postal services and telecommunication reached a 19% share of the investments of the national economy in 1998. A much less favourable sign, indicating the vulnerability and the deficient resources of the economic restructuring, is the fact that the value of investments in health care and social care decreased. Investments in education decreased by 20% in 1998 compared to the figure of 1994. On

the whole, the development of the Hungarian economy still shows a favourable picture compared to the other East-Central European countries (Table 6).

Table 6. Economic trends in selected East-Central European countries

	Change in GDP, 1989–1998 (%)	Aggregated decrease of GDP before the economic boom (%)	Consumer price index 1989–1998 (%)	Average of foreign direct investments in 1991–1997 in % of the GDP	GDP per capita*, 1994 (USD 1000)
Hungary	-5.6	-18.1	564	5.4	6.3
Czech Republic	-6.7	-20.7	263	3.1	9.9
Poland	18.2	-17.8	5,727	1.1	5.0
Slovakia	-1.3	-25.0	255	0.7	6.7
Romania	-16.2	-25.0	51,567	0.9	3.9
Bulgaria	-34.6	-37.2	201,182	1.3	4.4
Slovenia	3.2	-17.1	9,786	1.0	9.9
Russia	-46.6	-43.1	629,250	0.3	7.3
Ukraine	-59.7	-60.0	1,402,995	0.2	..

* GDP at 1994 prices and purchasing power parity.

Note: the data contain preliminary (1997) and projected (1998) figures.

Source: OECD, IMF.

In the 1990s, the privatisation process forming the basis of the market economy after the systemic change created new possibilities for the assertion of the interests of nature and environmental protection, too. Most of the natural resources became private property. The double function of the state as regards nature and environmental protection ceased to exist: formerly the state, as the owner, had to control and limit itself during the operation of its own (state-owned) companies in order to meet the environmental obligations. We have already mentioned the transformation of the economy favourable from the aspect of environmental protection (decline of the heavily polluting and energy-consuming industries) and the positive effects of the assertion of the market interests, fighting back environmental pollution. The systemic change created a chance to pass laws that allow the assessment and elimination of the former, unsolved long-term environmental degradations. The process of the establishment of private holdings made it necessary to settle the legal background of the environmental responsibilities, as nobody could expect the new owners to solve environmental problems that had emerged irrespective of their own activities. These damages were of different scale, sometimes

reaching several billions of forints. From the aspect of the economy, the privatisation process would have been very good for the environmental protection because resources of large amounts were raised by the sales of the properties, a part of which could have been spent on the solution of the accumulated environmental degradations caused by the companies, for which the state was legally responsible. The major part of these problems, however, remained unsolved. The most important among the several reasons was that in the early stage of the privatisation neither the Parliament nor the government or the managing authority representing the state took the interests of nature and environmental protection into consideration. In fact, the privatisation agency had an opposite interest in exploring the problems, because the induced costs would have decreased the revenues from privatisation, while the continuous political and budgetary pressure stimulated the agency to maximise income. In the process determined by these pressures, the short-term interest of sales and in many cases the purchases with the economic boom in the background, proved to be the major factors. The long-term aspects of environmental protection, on the other hand, were only gradually, sporadically and occasionally asserted both in legislation and the expansion of the competencies of the institutions. By the time chapters asserting the interests of environmental protection appeared in the privatisation act in 1995 (the act on the protection of the environment had been made, including its chapters dealing with privatisation, and environmental protection was provided a legally guaranteed position in the privatisation), the most important privatisation and liquidation procedures had already been concluded, the change of owners had taken place. The future of the environmental burdens thus depended on the privatisation negotiations, on the basis of individual solutions, depending on the negotiating position and current intentions and information of the participating partners (CSANÁDI, undated).

Regarding the elimination of the inherited environmental damage, the privatisation process can be considered as a failure. It is interesting to analyse the environmental guarantees provided by new owners of the sixty large companies surveyed by CSANÁDI (undated).

In the case of the privatised large companies surveyed, the amount of accepted environmental guarantees exceeded 75 billion HUF, the actually asserted environmental guarantees only amounted to 4.3% of the estimated volume of risk. The majority of the guarantees expired by 1997, and the major part of the remaining ones lost their effect by the end of

1998 (CSANÁDI, undated). The above analysis reveals that during privatisation the environmental guarantees did not play the role that they could have played in the elimination of the previously accumulated environmental damage. The problem was only postponed both by the state and the owner organisations. The results show that there was a limited chance of making the buyer eliminate the environmental damage. Thus there is a danger that the compensation of the damages becomes the sole responsibility of the state, because it was the state that missed the opportunity to solve, together with the buyer and by enforcing the environmental guarantees, the long-term environmental damage inherited from the previous period of time (e.g., the neutralisation of the accumulated hazardous wastes). The obligation of the state to solve these problems is justified by the long-term criteria of the European Union accession. The position of nature protection was weakened by the complicated ownership structures that emerged after the privatisation of land, the auctions connected to privatisation that neglected or pushed into the background the state responsibilities for the protection of natural values, etc.

The situation of environmental protection was further weakened by privatisation by the fact that after the shock of industry and large-scale agriculture, with the mass closedown of production jobs. The importance of jobs was appreciated both from the business and employment aspects, and the inflow of foreign capital could initiate job creation in technologies where one could be suspicious of the 'backyard effect'.

The change of the quality of the environment is favourably affected by those multinational large corporations that introduced environment-friendly high technology in the privatisation process, counting on the long-term preservation of their competitiveness after Hungary's accession to the European Union. The environmental effect of the transitions taking place in the production structure of agriculture is worth looking at separately. In plant cultivation, the average size of holdings was seriously reduced by the privatisation; the excessive fragmentation of the private holdings entails several agro-technological problems also from the aspect of environmental protection. According to estimations, in no more than 50% of the cultivated lands of Hungary, the former large-scale farms were replaced by more than 1.8 million small holders, 57% of whom have holdings less than 0.2 hectare. This is exacerbated by the fact that "the holdings of the new owners often consist of 10–15 separate pieces of land far away from each other" (MTA ajánlászai agrárfejlesztésre, Agrarian development recommendations of the Hungarian Academy of Sciences 1995).

Our research findings suggest that *privatisation in itself does not favour environmental protection in the agriculture, either*. The fragmentation of the cultivated lands decreases efficiency. In addition to the negative environmental effect of the lack of capital, the biggest problem in connection with environmental pollution is the violation of technological obligations.

Nevertheless, the early effects of the market mechanism already had a positive influence on the environmental burden of agriculture in several fields, despite the painful pitfalls and the potential environmental hazards of the economy.

The changes in land ownership and the interviews analysing the effects of the market mechanism reveal that it is not the most sophisticated operating economic units (cooperatives, state farms) that use the largest amount of active fertiliser ingredients; also, in 1992–1993 these units did not decrease the use of chemicals to the largest extent. In the fields of the Reménypuszta Co-op. near Pécs, e.g., the use of chemicals only decreased by 30% from 1989 to 1993. If we consider that the use of environment-friendly technologies could significantly compensate this 30% decrease by increasing efficiency, we can see an environment-friendly effect of the market as well.

Another result of the technological modernisation forced by the market mechanism is the vaporising of fluid fertilisers from planes and the introduction of the new earth dispersion system using air bags. In addition to the growth in the efficiency of the chemicals, the given economic organisation is free from the costs of the temporary storage of the solid fertilisers and from the storage losses. Using a medium-level technical equipment, even with careful management, on the average some 10% of the active ingredients of the solid fertilisers are lost. This latter loss is a great hazard to the environment, which, according to the most moderate estimations, reached 140,000–150,000 tons per year in the times of peak consumption.

The research findings also reveal that the favourable influence of the market on the decrease of the environmental burden posed by agriculture is not only decreasing in volume and regulation of the chemicals used, but it can also be felt in the longer run, especially by the penetration of the environment friendly technologies. This takes, however, affluent and competitive farms both in the private sector and in the cooperatives and state farms sector.

REFERENCES

- BENKO, G. (1992): *Technológiai parkok és technopoliszok földrajza* (Geography of techno-parks and technopolises). Budapest: MTA RKK.
- BERGIUND, B. (1995): Community noise. *Archives of the Center for Sensory Reserarch*, 2. 195.
- BROEMLY, D. W. (ed.) (1995): *The Handbook of Environmental Economics*. Oxford: Blackwell.
- BROWN, L. R. (1994): *Building a Sustainable Society*. New York–London: W. W. Norton & Co.
- BUCKINGHAM-HATFIELD, S. (1998): Public participation in Local Agenda 21: the usual suspects. In: KIVELL, P., ROBERTS, P., WALKER, G. P. (eds): *Environment, Planning and Land Use*. Aldershot: Ashgate, pp. 208–219.
- BULLA, M. (ed.) (1989): *Tanulmányok hazánk környezeti állapotáról* (Studies on Hungarian environmental conditions). Budapest: Környezetvédelmi és Területfejlesztési Minisztérium.
- BULLA, M. (2000): Környezetvédelmi kulcsproblémák. In: ENYEDI, GY. (ed.): *Magyarország településkörnyezete* (Key problems of environmental protection). Budapest: Magyar Tudományos Akadémia, pp. 187–236.
- CZELNAI, R. (1994): A nemlineáris globális feladvány (Non-linear, global riddle). *Magyar Tudomány*, 10. 1161–1169.
- CSANÁDI, M. (n. d.): *Környezetvédelmi garanciák a privatizációban* (Environmental guarantees in privatisation). Budapest: Állami privatizációs és Vagyonkezelő Rt.
- ENYEDI, GY. (1988): *A városnövekedés szakaszai* (Spaces of urban growth). Budapest: Akadémiai Kiadó.
- ENYEDI, GY. (1992): Regionális fejlődés és környezetvédelem Magyarországon (Regional development and environment in Hungary). *INFO-Társadalomtudomány*, 21. 35–43.
- ENYEDI, GY. (1996): *Regionális folyamatok Magyarországon az átmenet időszakában* (Regional processes in Hungary during the transition). Budapest: Hilscher Rezső Szociálpolitikai Egyesület.
- ENYEDI, GY. (ed.) (2000): *Magyarország településkörnyezete* (Urban environment of Hungary). Budapest: Magyar Tudományos Akadémia.
- Environmental Performance Reviews—Hungary. Környezetpolitikai vizsgálatok: Magyarország. OECD 2000. Budapest. (Environmental political studies in Hungary.)
- Environment in the European Union (1995): Report for the Review of the Fifth Environmental Action Programme (edited by Keimpe Wieringa). Prepared by the European Environment Agency in cooperation with Eurostat.
- Environment in the European Union at the turn of the century. European Environment Agency. Luxembourg: Office for Official Publications of the European Communities, p. 446 (Environmental assessment report, 2).
- ESDP *European Spatial Development Perspective* (1999): Towards Balanced and Sustainable Development of the Territory of the European Union. Agreed at the Informal Council of Ministers Responsible for Spatial Planning in Potsdam. Published by the European Commission.
- The EU Compendium of Spatial Planning System and Sweden* (2000): Luxembourg: Office for Official Publications of the European Communities.

- Europe's environment: statistical compendium. Compiled jointly by Eurostat, European Commission European Environment Agency Task Force DG XI and PHARE European Commission United Nations Economic for Europe Organization for Economic Cooperation and Development World Health Organization. 1995. Luxembourg. European Communities.
- FODOR, I. (1988): Some problems of settlement ecology. Natural environment of suburban areas as a development factor of big cities. In: KOSTOWSKI, A. S., LITYNSKY, M. (eds): *Evaluation and Prognosis Concerning, the Management of Natural Resources in the Development of Regions: Jablona, Poland*. Warsaw: Institute of Geography and Spatial Organization, pp. 155–162.
- FODOR, I. (1992): Mennyit ér az ember egészsége? A környezeti eredetű betegségek gazdasági kára és a fenntartható fejlődés (Economic loss due to environmental illnesses and sustainable development). *Környezet és Fejlődés*, 4–5. 84–87.
- FODOR, I. (1993): A válságövezetek gazdasági átstrukturálódása és ennek környezeti hatásai. In: ÁRVAI, J. (ed.): *Területfejlesztés és Környezetvédelem* (Economic re-structuring of the crisis regions and its environmental impact). Budapest: Analízis Kft., pp. 219–229.
- FODOR, I. (1994): Magyarország környezetterhelésének trendjei. In: GIDAI, E. (ed.): *Magyarország a XXI. sz. küszöbén*, Vols I–II. (Trends of environmental impact in Hungary). Budapest: Társadalomkutató és Előrejelző Intézet, pp. 497–507.
- FODOR, I. (1998): Impediments to sustainable development in the environmental policy of East-Central Europe: the example of Hungary. In: KIVELL, P., ROBERTS, P., WALKER, G. P. *Environment, Planning and Land Use*. Aldershot: Ashgate, pp. 147–158.
- FODOR, I., HÖNSCH, F., HAASE, G., KOSTROWICKI, A., POPOV, P., PREOBRASHENSKI, W. S., ŠPES, M., –VORAČEK, V. (1982): Geographisch orientierte Forschungen in Modellgebieten der RGW-Länder und der SFRJ. *Petermann's Geographische Mitteilungen*, 3. 181–185.
- HAJDÚ, Z. (2000): Regionális politika: ideológiailag meghatározott cél-, érték- és érdekrendszer. In: FODOR, I., KOVÁCS, B., TÉSITS R. (eds): *Társadalom és környezet. Tanulmányok a tudomány világkonferenciájára* (Regional policy, ideologically defined system of aims and values). Budapest–Pécs: Dialóg Campus Kiadó, pp. 289–297.
- HORVÁTH, GY. (ed.) (1997): *Régiók felemelkedése és hanyatlása. Regionális átalakulás a Brit-szigeteken* (The rise and fall of regions, regional transition on the British Isles). Pécs: MTA Regionális Kutatások Központja, p. 440.
- KEREKES, S. (1998): *A környezetgazdaságtan alapjai* (The foundations of environmental protection). Budapest: Budapesti Közgazdaságtudományi Egyetem Gazdálkodástudományi Kar Környezetgazdaságtani és Technológiai Tanszék.
- Környezetpolitikai vizsgálatok: Magyarország* (Environmental political studies in Hungary) (2000): OECD.
- Környezetstatisztikai adatok* (Environmental statistical data). Budapest: Central Statistical Office, 1999.
- LÁNG, I. (1993): Environmental management and sustainable development. In: NATH, B., HENS, L., DEVNYST, D. (eds): *Environmental Management*. Vols 1–3. Brussels: VUB University Press, Vol. 3, pp. 15–41.
- MAJOR, GY., FARAGÓ, T., PÁLVÖLGYI, T. (1994): A levegőkörnyezet nagytérségű változásai (Regional changes of air quality). *Magyar Tudomány*, 10. 1170–1183.

- MAROSI, S. (1980): Tájékutatói irányzatok, tájértékelés, tájtipológiai eredmények (Landscape research trends, landscape evaluation and landscape typological results). Budapest: MTA Földrajztudományi Kutató Intézet.
- MEADOWS, D. H., MEADOWS, D. L., RANDERS, J. (1992): *Beyond the Limits*. Vermont: Chelsea Green Publishing Co, Post Millis.
- MESKÓ, A. (2000): Átmenet a fenntarthatósághoz a XXI. században (Transition towards sustainability in the 21st century). *Magyar Tudomány*, 10. 1252–1262.
- MÉSZÁROS, E. (1997): Talaj-légkör kölcsönhatások (Soil-atmosphere interactions). *Magyar Tudomány*, 12. 1431–1435.
- MÉSZÁROS, E. (1998): Légszennyező anyagok hazai és európai kibocsátása. In: KERÉKES, S. (ed.): *Gazdaság és környezet. Útban az Európai Unió felé* (Air pollution emission in Hungary and Europe). Budapest: Magyar Tudományos Akadémia, pp. 45–56.
- MÉSZÁROS, E., PANTÓ, GY., MESKÓ, A., HAAS, J., SCHWITZER, F., VARGA, P., HERCZEG, GY. (1998): Földtudományi kutatások a hazai környezet megismerése és megóvása érdekében (Geo researches to know and protect the environment). *Ezredforduló*, 5. 31–34.
- MÉSZÁROS, R. (1994): *A település térbelisége* (Urban space). Szeged: JATEPress.
- MÉSZÁROS, R. (1999): Interregionális együttműködés a Duna–Tisza–Maros mentén. In: TÉSITS, R., TÓTH, J. (eds): *Kommunikáció térben és időben. Tiszteletkötet Erdősi Ferenc professzor úr 65. születésnapjára* (Interregional co-operation along the rivers Danube–Tisza–Maros). Pécs: University Press, pp. 175–183.
- MICHELBERGER, P. (2000): Közlekedési stratégia a XXI. század elején (Transportational strategy in the beginning of the 21st century). *Magyar Tudomány*, 10. 1195–1202.
- MTA ajánlásai az agrárfejlesztésre (Agrarian development recommendations of the Hungarian Academy of Sciences) (1995): Budapest.
- Nemzeti Beszámoló az Egyesült Nemzetek 1992. évi Környezet és Fejlődés Világkonferenciájára* (National report for the UN World Conference of the Environmental Development in 1992) (1991): Budapest: Magyar Köztársaság Kormánya. December.
- RECHNITZER, J. (1996): A regionális folyamatok sajátosságai és jövőbeli fejlődési irányai (Features and future development trends of regional processes). *Magyar Tudomány*, 11. 1347–1360.
- RECHNITZER, J. (1999): Területi stratégiák az Európai Unióban (Regional strategies of the EU). *Ezredforduló*, 6. 16–22.
- RÉTVÁRI, L. (1990): *A természeti erőforrások földrajzi értelmezése és értékelése. Rétvári László doktori értekezése 1988. június 8-án megrendezett nyilvános vitájának krónikája* (Geographical evaluations of natural resources). Budapest: MTA Földrajztudományi Kutató Intézet, p. 70.
- SCHWEITZER, F., TINER, T. (1996): Nagyberuházások és veszélyes hulladékok telephely kiválasztásának földrajzi feltételrendszere (Geographical conditions for outlining the premises of enterprises and dangerous waste materials). Budapest: MTA Földrajztudományi Kutató Intézet.
- SIPOS, B. (1986): A KONDRATYEV-ciklus empirikus vizsgálata és prognosztizálása (Empirical survey of the KONDRATIEV-cycle and its prognosis). *Statistikai Szemle*, 12. 1209–1237.
- SIPOS, B. (1989): Hosszúciklus-elemzések a döntéselőkészítésben (Long-cycle analyses in pre-decision making). *Tervegazdasági Fórum*, 4. 24–36.

- SIPOS, B. (1993): A KONDRATYEV-ciklus (The KONDRATIEV-cycle). *Magyar Tudomány*, 3. 328–330.
- SIPOS, B. (1998): A KONDRATYEV-ciklusok és az évszázados trendek alakulása Nyugat-Európában és Magyarországon. (A követési idő elemzése.) (The formation of the KONDRATIEV-cycles and long range trends in West Europe and Hungary.) *Ökonómia*, pp. 20–29.
- TÓTH, J. (1994): Urbanization and Spatial Structure in Hungary. *Geo Journal*, 4, Dordrecht–Boston–London; pp. 343–350.
- VIDA, G. (1998): Sötét gondolatok a 'részről' és 'egészről' s a tudományról (Dark thoughts on the 'part' and the 'whole'). – *Ezredforduló*, 6. 18–20.
- WALKER, G., PRATTS, D., BARLOW, M. (1998): Risk, environment and land use planning: an evaluation of policy and practice in the UK. In: P. KIVELL, P. ROBERTS, G. P. WALKER (eds): *Environment, Planning and Land Use*. Aldershot: Ashgate, pp. 100–117.

II

REGIONAL POLICY

REGIONAL CHALLENGES AND POLICY RESPONSES IN CENTRAL AND EASTERN EUROPE

GYULA HORVÁTH

THE INEQUALITIES OF THE CENTRAL AND EASTERN EUROPEAN ECONOMIC SPACE

While the reforms of the European Union's regional and cohesion policies were meant to reduce the spatial inequalities within the Union, and were more or less successful during four decades, expansion to Central and Eastern Europe will result in enhanced regional inequalities. The weak performance of the accession countries will lead to stronger spatial inequalities and a greater number of backward areas.

*Table 1. Some important macroeconomic indicators
of Central and Eastern European countries, 1998*

Country	Popula- tion thousands	GDP per capita (PPS)		Share of the GDP, %			Growth of GDP, %	Infla- tion rate, %
		Euros	EUR 15 = 100	Agri- culture	In- dustry	Ser- vices		
Bulgaria	8,257	4,600	22.5	21.1	28.7	50.2	3.4	22.3
Czech Republic	10,295	12,200	59.8	4.5	41.8	53.7	-2.3	10.7
Hungary	10,211	9,800	48.1	5.9	32.7	61.4	5.1	14.3
Poland	38,666	7,800	38.2	4.8	36.5	58.7	5.0	11.8
Romania	22,507	5,500	27.0	17.6	42.7	41.7	-7.3	59.1
Slovakia	5,391	9,300	45.6	4.6	33.3	62.1	4.4	6.7
Slovenia	1,966	13,700	66.0	3.9	37.7	58.4	3.9	7.9

Source: Regular report from the Commission on progress towards accession. Various pages.

The demographic, economic, employment and environmental processes that affect the spatial structure of the future member states of Central and Eastern Europe are diverse, and so are the expected impacts of their accession. The experts of the European Union prefer to treat this area as a homogeneous unit. Yet, the heritage of the state socialist system, the regional effects of transformation, and the different economic and political tools and institutional solutions in the management of new phenomena have brought about rather diverse results in the individual countries (Table 1).

The *demographic potential* of the accession countries, with a total of 97 million in population, displays strong differences. Two countries, Poland and Romania, account for 60% of the total population, the rest are small or medium-sized countries. Poland, the Czech Republic, Romania, Bulgaria and Slovenia enjoy a spatially more or less balanced population with a deconcentrated settlement structure. In the settlement structure of countries that were divided for longer periods of time during their historical development, like in Poland and Romania, we find several highly concentrated spots: beside the capitals, several regional centres have developed with high populations and significant economic potential.

Table 2. Population of largest urban centres, 1998

Country	Capital city		The seven largest regional centres	
	'000	%, country = 100	'000	%, country = 100
Bulgaria	1,190	14.4	1,154	16.7
Czech Republic	1,193	11.7	1,288	12.5
Hungary	1,812	18.0	1,036	10.3
Poland	1,615	4.1	4,064	10.5
Romania	2,027	9.0	2,156	9.6
Slovakia	449	8.3	806	14.9
Slovenia	270	13.7	230	11.7

Source: National statistical yearbooks. Calculations by the author.

In countries having several economic centres, like most Western European countries, the difference between the population of the primary city and that of the regional centres is at most five-fold; in the case of countries dominated by the capital, this difference is ten- to twelve-fold. In Poland and Romania, for instance, the 2 million capitals are followed by six to eight major cities with populations between 300 and 700 thousand, which have an impact on the spatial structure of entire regions. By contrast, in Hungary, there are only four regional centres whose population exceeds 150 thousand (*Table 2*).

At the same time, a particular Central and Eastern European characteristic is that the medium cities play an important role in the organisation of the settlement structure. Many such cities function as territorial administrative centres, and the structure and scope of their institution system and administrative organisations do not differ significantly from those of major cities. The unitary administrative and political system of the planned economies had worked towards homogeneity: the major cities could not assert their natural and traditional power in organising the spatial structure. It is not surprising therefore that after the first steps towards regionalisation and a decentralised development policy, sharp competition emerged among the territorial centres, different in size but of similar institutional structure, to control the new functions of regional organisation.

In the countries of systemic change, depending on their level of urbanisation, the territorial expansion of rural areas and their level of backwardness display significant inequalities. With the exception of Poland, where the urban population is growing, outward migration from rural areas has stopped (KORCELLI 2000). Moreover, in some countries, due to reverse migration from the towns and cities, rural population is growing. These recent demographic trends cannot be considered as unequivocally positive, since the economic bases of these rural areas are weak and most of those who returned there were forced to seek livelihood in agricultural production. The proportion the working-age population is highest in these rural areas and in the traditional industrial areas. In metropolitan areas quite the opposite process is witnessed. In the age structure of the capitals, the weight of the older age groups is growing. In regions of dynamic development (like in Western and Central Transdanubia in Hungary, in the north-western regions of Poland, or in Southern Moravia of the Czech Republic) as well as in the northern and eastern Romanian and eastern Slovakian regions, where birth rates are high, a favourable age

structure is emerging, although in the latter regions a strong outward migration has a negative impact on the ratio of working-age population.

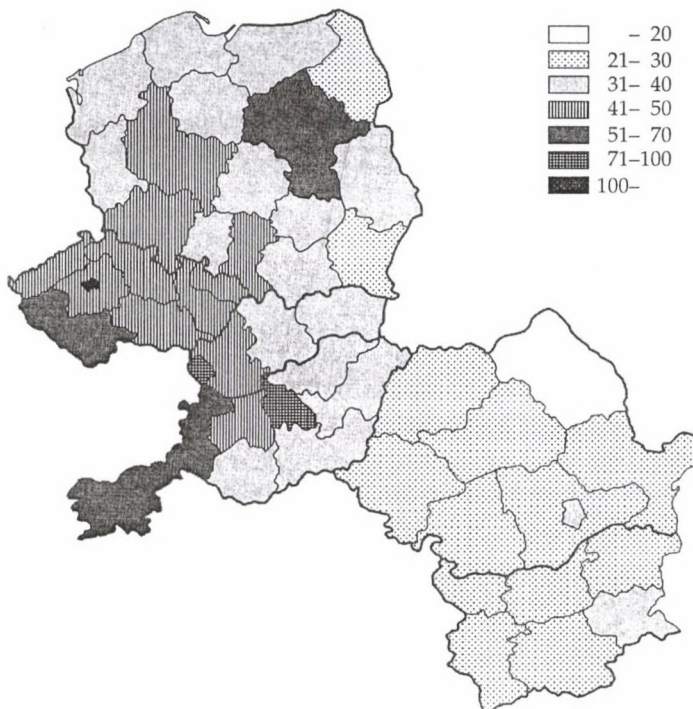
Territorial differences in the *labour markets* are the result of the previous economic structure and the structural transformations that have taken place in the emerging market economies. Economic activity is high in those regions where the structural transformations have not started yet. Several heavy industrial regions in the Czech Republic and in Poland have not been set on a new development track, and there are also many rural areas in Eastern Europe where the high rate of agricultural employees (reaching 42% in Moldavia, Romania) is expected to cause sharp tensions. There are regions where the rapid growth of the previously neglected tertiary sector has counter-balanced the shrinking size of other sectors of the economy. A peculiar paradox of Central and Eastern European transformation is that, with the exception of Hungary and the Czech Republic, (labour force participation) activity rates are lowest in the more successful regions. From among the accession countries, Hungary has the lowest activity rate (51.7% in 1998), while the rates of Central and Western Transdanubia are a few points higher than the national average.

Cohesion problems hinder the development of the diverse economic potential of the accession countries. At low levels of economic development, however, the performance gap among the regions within the same country are not greater than in Western Europe (*Table 3*). Yet, the gap between the worst performing region and the best one (Prague and the Romanian and Bulgarian regions) is greater (523%) than in Western Europe. On the whole, disregarding national inequalities, the Central and

Table 3. Regional differences in GDP per capita in Central and Eastern European countries, 1998

Country	Least developed region		Most developed region		Difference
	Region's GDP per capita in PPS, EUR 15 = 100				
Bulgaria	South-west	22	South-east	24	1.09
Czech Republic	Mid-Bohemia	47	Prague	115	2.45
Poland	Lubelskie	26	Mazowieckie	53	2.04
Hungary	North Great Plain	33	Central Hungary	72	2.18
Romania	North-east	22	Centre	40	1.82
Slovakia	Eastern Slovakia	39	Bratislava	99	2.54
EUR 15	Ipeiros	42	Inner London	243	5.79

Source: The author's calculations on the basis of the Regional Statistical Yearbook Hungarian Statistical Office, 2000.



Source: Vision Planet, p. 48.

Figure 1. GDP per capita by region in Central and Eastern Europe (in the percentage of EU 15 average)

Eastern European economic space is relatively homogeneous, with the majority of the regions performing below the European average; in Romania and Bulgaria even the capitals are quite underdeveloped (Fig. 1).

Obviously, economic differences among the smaller territorial units are stronger than those among the regions; interestingly, at the county (NUTS 3) level the development gap is widest in Hungary. The GDP per capita figure for Budapest exceeds that of Szabolcs–Szatmár–Bereg county more than threefold, while the GDP gap between Bucharest and Vaslui county in Romania is only twofold. The impacts of market economy are expected to bring about the further strengthening of territorial inequalities. During the territorial restructuring of Hungary, the leading and backward counties are developing at quite different paces, which indicates that the spatial structuring forces are now more differentiated than they were in the planned economy period. Back then, planned industrial-

isation was to shape the economic potentials of the various regions; today, their economic development is influenced by the competitive sectors of industry and by adjoining services (*Table 4*).

Table 4. Characteristics of territorial inequalities in the countries of systemic change

	Before 1990	After 1990
<i>The dimension of spatial disparities</i>	Between urban and rural areas Within settlements	Within settlements Between regions
<i>The tendency of disparities</i>	Decreasing inequalities between urban and rural areas Decreasing inequalities between regions Stable inequalities between settlements	Increasing difference within settlements Increasing difference between regions Stable difference between urban and rural areas
<i>The driving force behind the development of disparities</i>	Industrialisation	Structural changes Services Foreign direct investment
<i>Decision-determining disparities</i>	National level	Local level Transnational level
<i>Indicators expressing disparities</i>	Demographic composition Communal and social infrastructure Social incomes connected to the use of communal and social facilities	Unemployment rate Wage level

COMPETITIVENESS OF REGIONAL POLICIES

At the beginning of the transformation period, the emerging democracies cared little about the goals, tools and institutional systems of regional policy. The same applies to Hungary. Yet, the paradigm shift first began in Hungary. This is demonstrated by the 1998 European Commission report stating that Hungary seems the most prepared in regional policy. In general, this document was rather negative on the structural and cohesion policies of the Central and Eastern European countries, stating that

- the tools of regional policy are non-existent or very weak;
- the institution system is underdeveloped; sectoral coordination in the cofinancing of regional development projects is weak; the development tools of the local governments are poor and lacking in expertise;
- the budget sector needs radical restructuring: the central funds are difficult to mobilise in the cofinancing of structural programmes; the amount of cofinancing resources is unclear; the efficiency of the utilisation of the resources is not guaranteed; and there is no EU-compatible monitoring.

The Commission declared that the addressing of these deficiencies comprised the tasks before accession to the Union. In most countries significant efforts were to be made to address these tasks, while Hungary was an exception (*Table 5*).

Table 5. The European Commission's recommendations for the accession countries on regional policy

Task	Bul- garia	Czech Republic	Po- land	Hun- gary	Roma- nia	Slova- kia	Slove- nia
Legal regulation	X	X	X		X	X	X
The establishment of institutions	X	X	X		X	X	X
To strengthen co-ordination among existing institutions	X	X	X	X	X	X	X
To ensure financial resources for regional development	X	X	X	X	X	X	X
Coordination of resources	X	X	X	X	X	X	X
Control	X	X	X		X	X	X
Regional statistics	X	X	X		X	X	

Source: Author's estimation.

The brief survey above indicates that in almost all of the countries important changes have taken place, partly for internal political reasons but mainly as a response to warnings from the European Union; part of the designated tasks, at least formally, were completed by the accession countries.

Regional development acts were passed in Romania in 1998, and in Bulgaria in 1999; in the Czech Republic in 1998 Slovakia and Poland do not yet have regional development acts. Those acts that have been passed established the frameworks of the system of goals, resources and institutions of regional policy, mostly adopting the principles of the EU's structural policy. The Hungarian regional development act differs from those of the above three countries, both in size and content. It contains more detailed regulation in a larger volume, in a more logical structure and a in wider thematic scope, defining the directions of territorial development, the central and local tasks of assistance, and the requirements of regional decentralisation. The Hungarian legislation was more lenient, however, in the establishment of the new territorial structures. While all of the other acts defined the NUTS 2 units of structural policy, in Hungary the act was amended to delineate the planning and statistical regions only after long debates. In the other important topic of legal regulation, the institutional background of development strategy, the general state of affairs is less favourable. Only the Hungarian parliament has passed a regional development concept, none of the other countries has a document, programme or concept to shape the spatial structure of the country. The lack of these relevant documents seriously hinders the work of the regional development institutions. It has to be noted here that over the past year Hungarian political decision makers have seemed to ignore parliament resolution 35/1998 (III.20): the designation of the directions of development shows a great extent of spontaneity and a dominant rural orientation.

A *regional planning and statistical system* has been established in all of the countries. In Poland and Bulgaria, the measures towards EU-compatibility were accompanied by administrative reforms. In Poland, some regional political goals were declared in the 1998 act of administrative reform: regional economic policy and the preparation and implementation of development programmes play a crucial role among the tasks of the 16 new voivodeships, at the middle territorial level. With the elimination of the previous, smaller voivodeships, part of which were re-divided among the new administrative units, the NUTS 3 system remained with-

out an administrative basis. In Bulgaria, the reform of the territorial administration followed the opposite logic. The larger units, the nine 'oblasts', were decomposed into 28 smaller units, which now serve as NUTS 3 units, and six macroregions were established. In Slovakia, 8 counties comprise the NUTS 3 level as deconcentrated administrative units, while the country was divided into four NUTS 2 regions. In the Czech Republic, where the regions ordained in the constitution have not been established to this date, 14 non-administrative counties comprise the NUTS 3 level, and 8 macroregions give the NUTS 2 units. In Slovenia, owing to its small size, the designation of planning units is rather difficult; the regional development act opted for the institutionalisation of the NUTS 3 level. In the countries of this survey, with the only exception of Hungary, the capitals with their agglomeration appear independently among the NUTS 2 units. Considering the dominant territorial level of European regional policy, the NUTS 2 units, Central and Eastern Europe shows formally the same picture as the European Union (*Table 6*).

Table 6. NUTS units in Central and Eastern Europe

Country	Number of NUTS units			NUTS 2 units	
	NUTS 1	NUTS 2	NUTS 3	Average size, '000 km ²	Population, '000
Bulgaria	3	6	28	18.5	1,407
Czech Republic	–	8	14	9.9	1,290
Poland	–	16	49*	19.5	2,411
Hungary	–	7	20	13.3	1,463
Romania	–	8	42	29.8	2,851
Slovenia	–	1	12	20.3	1,966
Slovakia	–	4	8	12.2	1,319
Total	3	50	170	18.1	1,953
EUR 15	75	206	1,031	15.3	1,830

* The former voivodeships.

Source: Author's calculations.

All countries, except for Slovakia, have established agencies and development organisations in the planning and statistical macroregions. These units, however, are small in size, and their scope of tasks is limited to the preparation of programmes. With the exception of two Romanian regions, the headquarters of these development organisations were all located in the largest city of the region, the regional centre. The conflicts inside the regional elite could not be resolved only in one Polish region, Kujaws-

kopomorske: the institutions of the central administration and of the regional government were located in two different cities: in Bydgoszcz, with 370 thousand inhabitants, and in Toruń, with 200 thousand. Only in Hungary, of all countries, has it not been realised that a very important element of regional organisation and of decentralisation is the large city capable of organising and exploiting cumulative effects. Those countries in the European Union that have unfavourable town systems, like Ireland, Portugal and Greece, make serious efforts to establish their regional growth centres; Hungary, on the other hand, does not even exploit the potential advantage of having five marked regional centres beside the capital.

There is no unified organisational model for the *central administration* of national regional policy in Central and Eastern Europe. In all countries except for Poland and Slovakia, the national regional development councils have been established and operate as inter-ministerial committees. In Romania, the council is chaired by the Prime Minister, in Bulgaria the position is held by the deputy minister of the Ministry of Regional Development and Public Works. The national regional development agency in Romania employs 120 people. Its task is to manage the regional development policy of the country and to coordinate the operation of the eight regional development agencies. In the Czech Republic, the National Programme and Monitoring Board for Economic and Social Cohesion carries out the tasks of the interministerial coordination of regional development, the preparation of the programming documents required for the utilisation of structural funds, and the coordination of the sectoral and regional operating programmes. The minister of regional development heads the board. The central administration of the regional development policy, partly as a new task, was assigned to other already existing ministries. In Poland, the Ministry for Regional Policy was established in 2000. In Bulgaria, although regional development is included in the name of the relevant ministry, physical planning has stronger traditional bases. The Czech Republic is the other Central and Eastern European accession country that operates a separate ministry for regional development. The qualification of the 370-strong body, however, does not yet meet the standards of the European Union.

In national regional policy the designation of eligible areas plays an important role. The nature and expansion of these areas have an effect on what tools have to be used in each case. They can be delineated by different methods and consider different territorial units. Hungary has a complex system approved by Parliament, using the European Union's

categories for eligible areas: backward areas, areas of industrial depression, rural areas and areas with high unemployment. Bulgaria has a similarly elaborated system. However, in this latter country 17.5% of the population lives in problematic areas, while in Hungary this figure is at 33.5%. Czech Republic, on the basis of a few indicators (rate of industrial employment, entrepreneurial rate, unemployment rate, population density, local government tax incomes, average salary, rate of agricultural employment) recognised 8 districts as structural crisis areas and 10 districts as areas of weak economy, comprising 21.8% of the country's population. In Poland and Slovakia no eligible areas have been marked out. In Romania, the regional development act assigned the designation of eligible areas in the authority of the county councils, but in 1999 Parliament passed an urgency resolution on the areas with unfavourable endowments. The 24 most backward small areas comprise 1.9 million inhabitants, or 8.4% of the total population. Two thirds of the backward areas are found in Muntenia and Moldavia (IANOS 2000).

However, the favourable steps in regional policy outlined above can also be regarded as merely formal improvements, as pointed out by the 1999 country reports of the European Commission (*Regular report from the Commission on progress towards accession*). Neither were there significant changes in the findings of the report in 2000, a year later. The Commission raised the following complaints in the individual cases:

Bulgaria:

- the relationship between the administrative counties (NUTS 3 units) and the planning and statistical regions is not defined;
- inter-ministerial coordination is weak, the administrative capacities required for the administration of regional development are insufficient;
- regional development is assigned very limited resources from the central budget, there is no separate budget allocation, and the conditions of cofinancing over several years have not been established.

Czech Republic:

- the regional development councils have a limited scope of operation;
- there are no regional development experts with proper education;
- the financing of regional developments is not ensured.

Poland:

- the country has no regional development act;
- the country's regional political strategy has not been prepared;
- the act on national finances regulates the principles of central support to programmes that comprise several years, but it does not include allocations for regional developments;
- regional development has no central responsible body, the administrative organisations of structural policy have not been established in the regions.

Hungary:

- despite accurate preparations, little headway was made in the operation of the institutions for the reception of Structural Funds;
- the operation of some of the county and regional level regional development councils is not undisturbed, the establishment of 8 to 10-strong regional development agencies does not indicate significant capacity improvement in regional administration;
- the financing of regional development should be revised. In financing, the division of tasks among the ministries should be made clear, a coordinating mechanism should be established between the different sectoral resources. In the lack of coordination, and because of the poor quality of staff and poor financial resources, the preparation of development plans is often stalled.

Romania:

- the institution system does not function yet, the development programmes have not been prepared;
- the financing systems of regional development are not worked out;
- the principles of the operation of the regional development councils are unclear, the scope of their operation is very narrow;
- the administrative capacities of regional development are very weak.

Slovakia:

- neither the legal nor the institutional bases of regional development have been established;
- the country must start addressing the deficiencies urgently.

This brief summary indicates the urgent tasks that the individual countries must carry out during the accession partnership period. General deficiencies are the inadequate regional development resources; the lack of financial bases for the implementation of programmes comprising several years, and the poor coordination of resources and institutions. It is to be noted that the last report on Hungary no longer appreciates the work of the National Regional Development Council, presumably because of unfavourable experiences in its operation. In spite of all these, and considering factors not examined in the country reports, it can be stated that Hungary enjoys the most favourable position among the accession countries in the reception of the structural and cohesion funds; in this field Hungary's competitiveness is good (*Table 7*).

Table 7. The performance of Central and Eastern European accession countries in establishing the conditions for cohesion and structural policies

Structural and cohesion task	Bulgaria	Czech Republic	Poland	Hungary	Romania	Slovakia
The legal background of development and programming	3	2	1	4	3	1
Institutionalisation of inter-ministerial coordination	2	3	1	3	4	1
The organisation of central administration	3	4	1	2	3	1
The NUTS 2 system	2	2	4	3	3	2
The NUTS 3 system	3	2	1	4	4	2
The administrative capacities of NUTS 2	1	1	4	2	2	1
The administrative capacities of NUTS 3	3	2	1	4	4	2
Harmony between central administration and the NUTS 2 level	2	2	4	2	2	1
Harmony between central administration and the NUTS 3 level	3	1	1	4	4	3
Designation of eligible areas	3	2	2	4	2	2
Regulation of regional development in the central budget	2	2	2	3	2	1
Coordination of resources	2	2	2	2	2	1

Note: 1 = Cannot be evaluated; 2 = Poor; 3 = Good; 4 = Outstanding.

Source: Compiled by the author.

Although the evaluation was based on subjective judgement, *Table 7* indicates that among the most mature countries for accession (Hungary, Poland, the Czech Republic and Slovenia) Hungary's performance in regional policy is the best. The results of Slovenia, not analysed here, are similar. The performance of Poland is remarkably poor, while that of second-round Romania is relatively good. This evaluation, however, was based primarily on formal elements, only in certain cases considering precise factors of content and quality. In the future, however, evaluating analyses of the European Union will consider the operating experiences and results of the resource and institution system of regional policy. The preparation of comprehensive development plans has to be considered as a milestone. The judgement of the European Commission will be based upon how the community support utilisation plan will have been prepared, what it will contain, and what principles it will define.

TWO COUNTRIES—DIFFERENT DEVELOPMENT AND SOLUTIONS (COMPARISON OF HUNGARY AND BULGARIA)

THE HISTORICAL PAST

Apart from a few formal similarities ensuing from being part of the same political bloc for four decades, the 20th-century development of the two countries was fundamentally very *different*. Historical development had tied the two countries to different geopolitical gravity zones. Hungary, as part of the Central European macroregion, could join the mainstream of European industrial transformation much earlier; Bulgaria, by contrast, located in the Balkans and freed from Turkish rule as late as the late 19th-century, struggled for decades to establish the basis of a modern economy. The strategic purpose of the Hungarian economic policy between the two World Wars was to create internal cohesion in a country reduced to one-third of its former size; whereas the Balkan-type economy was characterised by the overall dominance of the agricultural sector. For a few years after World War II, however, employment was still dominated by the agriculture in both countries: it accounted for 80% of all employment in Bulgaria and 50% in Hungary. Industrial employment was at a rate of 11% in Bulgaria and 23% in Hungary during the same period. The small number of industrial workers (350,000 in Bulgaria and 700,000 in Hun-

gary) was heavily concentrated in territory. Outside the capitals, only a few major towns provided any industrial employment.

The *forced industrialisation process* of the socialist planned economy during the 1950s and 1960, which in both countries formed the basis of the modernisation programmes aimed at strengthening the new regime, had ambiguous results. The policies of this period definitely encouraged the growth of industrial employment and its more even territorial distribution, had a strong impact on the settlement structure, stepped up the process of urbanisation, and their social and cultural programmes helped the rural areas become more civilised. The indicators of quantitative development improved remarkably in both countries. Between 1950 and 1970, the rate of urban population grew from 20% to 53% in Bulgaria, and from 37% to 45% in Hungary. By 1970, industrial employment reached 1.1 million in Bulgaria and 1.7 million in Hungary. Owing to collective ownership and isolated economic integration, the economy, however, got stuck at a low level of development. The structural changes of the economy were paralleled by a decrease in territorial differences; yet, the emerging relative territorial balance in fact meant the even spreading of poor performance. In 1975, the GNP per capita figures of the two countries were nearly equal, while territorial inequalities were remarkably contrasted. In the two countries, half of the territorial units surpassed the mean GNP figure of the COMECON countries. Eleven territorial units out of 28 in Bulgaria and 14 out of 20 in Hungary surpassed the Eastern European average.

The *centralised economy* assumed completely different shapes in the two countries: they greatly differed in their system of economic organisation, in their tools of economic policy and in the directions of their European contacts. After the 1968 reforms of economic policy, Hungary set off, though cautiously and not very steadily, on its way to a market economy; Bulgaria, by contrast, apart from a few minor realignments, firmly retained the outdated structures of a planned economy and political homogenisation until as late as the early 1990s. The 'soft dictatorship' left its mark on Hungary also in regional and settlement development. At the beginning of the socialist period, regional development had a number of ideological goals: to ensure equal housing opportunities to all citizens, to level the differences in the living standards of the various social layers, and to represent the working class in every town. During the later periods of state socialism, practical technocratic issues replaced these goals. While the political declarations eulogised the Soviet example, grains of

the Western European patterns appeared in all aspects of the practical regional and settlement development policies and in the spatial organisation of the government; from the creation of basic service centres to the establishment of district schools and the process of administrative integration. In the central policies of regional development, the tools of economic planning were increasingly combined with elements of a normative regulation. In 1971, the Hungarian government issued a decree defining the long-term goals of regional and settlement development; in 1985, Parliament passed a ruling on regional development.

The areas of regional assistance, the *mesoregions*, are also organised differently. The formal territorial administrative system of Hungary did not change. The 20 territorial units (19 counties and the capital) continued to form the basis of territorial administration after World War II. The only changes in the system of administrative units were the abolishment of district councils in 1971 and a certain degree of concentration of the administration of settlements between 1950 and 1990: the administrative tasks of 3,200 settlements were performed by 1,700 settlement councils. After the change of regime, however, each settlement became a separate municipality.

Territorial administration underwent several changes in Bulgaria. The fact that the territorial units, like in most other Eastern European countries, were not considered a stable framework for the organisation of the state, is explained by the fact that in the new nation states that emerged after World War II mesolevel public administration lacked those centuries-old traditions that had existed in Hungary. In 1959, the 13 territorial units in Bulgaria were replaced by 28 districts (*okrugs*); the 1987 administrative reform created 9 larger territorial units (*oblasts*) in place of the counties; finally, in 1999, the former 28 districts became the basis of territorial administration. These territorial units, however, perform the central administrative functions of the state, and fundamentally serve as the deconcentrated units of the central government.

In Hungary, by contrast, the unified territorial administration system of the state was not established: the counties are local governments led by elected bodies. The one and only element of the sub-national local government system of Bulgaria is the set of 262 'settlement groups' (*obshtinas*). One settlement group includes an average of 20 settlements, and the average population of these municipalities is 31 thousand. This is ten times as high as the average population of one municipality in Hungary. These large municipalities in Bulgaria were created in 1979. Then,

291 sets of settlement groups were established (*selishtna sistema*), which formed the basis of a long-term development strategy. These settlement groups were classified in five types; three of these types are classified as underdeveloped and cover 44% of the country's population.

In Hungary, quite the opposite processes took place as in Bulgaria. As the first step towards the reform of the heavily centralised administrative system, the district councils were abolished in 1971, and in the 97 districts only the central administrative organs continued to function with limited scope of authority. In 1985, the districts were eliminated from the Hungarian administrative system. After the change of regime, all settlements became independent communities, which posed a great problem in the territorial organisation and development of the administrative and infrastructural services. In 1994, therefore, 150 small areas were defined for statistical and planning purposes. A small area is a group of geographically linked settlements with real economic and infrastructural contacts. Small areas do not have administrative functions; they only perform tasks of coordination.

From the 1970s onwards, a limited number of regional elements appeared in the *long-term economic plans* of the Eastern European countries, mainly following the Soviet attempts in regionalisation. The territorial framework of economic planning was the system of the planning and economic regions. Six such regions were defined in both countries. Owing to the centralised political system, however, no organisational changes toward decentralisation could be administered in these territorial units. The planning and economic regions only served the purposes of national planning. In Bulgaria, they played an important role in the distribution of central resources. In Hungary, they had no such function, but they greatly contributed to the modernisation of territorial statistical practices and to the development of regional studies. The spreading of the regional approach could also be witnessed in some sub-systems of the economic policy. There was an increase in the amount of development resources that the county councils could dispose of independently; a central regional development fund was established (with the aim to facilitate the structural transformation of the mining areas, the development of factories and plants in Budapest, and the industrial development of the selected rural centres); and pilot programmes were launched for the development of backward rural areas. In neither of the countries were the territorial programmes closely linked to the new planning regions: in Bulgaria, the settlement systems, while in Hungary, the coun-

ties and the assisted areas identified within them were the beneficiaries of the poorly financed national territorial policy.

Changes in the *settlement structure* were primarily quantitative. By the late 90s, the rate of urban population reached 69% in Bulgaria and 63% in Hungary. The weight of both capitals, at the peak of the town hierarchies, is remarkable: Sofia accounts for 14%, Budapest for 18% of the population of the respective countries. The role they play in the economy and in cultural life is more dominant than their share of the population. The important elements of the market economy are concentrated in the capitals (*Table 8*). Several elements of a decentralised development policy could be designed to decrease this unfavourable, decades-long territorial concentration.

In the shaping of a decentralised development policy, the large and medium towns of the second level of the town hierarchy play an important role. The endowments of the two countries are similar in this respect. Bulgaria has three towns with populations over 200,000 (Plovdiv, Varna and Bourgas), and three towns (Rousse, Stara Zagora and Pleven) between 130,000 and 170,000. Hungary has one town over the population of 200,000 (Debrecen), while three regional centres (Miskolc, Szeged and Pécs) have populations of around 160,000. In Bulgaria two towns (Sliven and Dobrich) have populations between 100,000 and 130,000, while in Hungary there are three such towns (Győr, Nyíregyháza and Székesfehérvár). These medium-large towns have strong economic and administrative potential that enable them to perform regional roles.

Table 8. The weight of capital cities in some activities, %, 2001

Activity	Sofia	Budapest
Industrial output	15.9	17.6
Foreign direct investment	49.9	56.5
University students	43.3	49.2
Employees in R&D	72.7*	55.8

* 1995.

Source: Own calculations based on national statistical yearbooks.

The medium-town network, with populations between 50,000 and 100,000, includes 15 towns in Bulgaria and 12 in Hungary. The small-town network, with towns of less than 20,000 inhabitants is dense in both countries: it includes 152 towns in Bulgaria and 160 in Hungary. The spatial organising functions of most of the small towns are weak. They can only provide low quality services to the rural settlements in their sphere

of gravity, and they do not play an important role in the employment of the inhabitants of these settlements. In most of these towns, the majority of jobs were terminated with the closing down of the former industrial sites after the change of regime.

The *rural settlement structure* is also rather differentiated. Bulgaria has a large number of villages (5,100), whereas in Hungary there are much fewer of them (2,900). Although in European comparison both countries have a high proportion of villages, this type of settlement is far more typical of Bulgaria. There, 83% of all villages have fewer than 1,000 inhabitants; this figure in Hungary is 59%. While in Bulgaria villages of over 5,000 inhabitants are rare (there were only 8 such settlements at the mid-1990s), in Hungary 38 settlements belonged to this category in 2001.

To sum up, the following table contains the different spatial units of the two countries. *Table 9* indicates that the differences in size between the territorial levels of the two medium-sized countries are due to the different settlement structures and local government systems.

Table 9. The NUTS systems, 2002

	Bulgaria		Hungary	
	Number	Average population, '000	Number	Average population, '000
NUTS 2	6	1,380	7	1,454
NUTS 3	28	296	20	509
NUTS 4	262	31	150	68
NUTS 5	5,340	1.5	3,135	3.2

THE REGIONAL EFFECTS OF TRANSITION

There are significant differences between the two countries in the political conditions of the first years of parliamentary democracy, in the pace of the legal regulation of the market economy and in their economic performance. Although the two countries produced nearly the same economic output three decades ago, the gap between their performances has widened significantly. Hungary has recovered from the transformation crisis and has started to grow, whereas Bulgaria is only now beginning to introduce the crucial economic reform measures (*Table 10*). On account of the differences between the state of their economies and of their democratic institution systems, the two countries will qualify to access the European Union at two different dates.

Table 10. Main macro-statistical data, 1999

	Bulgaria	Hungary
Average population, '000	8,211	10,068
Total area, km ²	110,910	93,030
Gross domestic product per capita at current prices in PPS, euro	4,749	10,705
GDP percentage change over the previous year	2.4	4.5
Structure of production in % of GDP		
Agriculture	17.3	5.5
Industry	23.1	28.2
Construction	3.7	4.6
Services	55.9	61.7
Exports of goods and services in % of GDP	44.1	52.6
Imports of goods and services in % of GDP	51.9	55.0
Gross foreign debt of the whole economy in % of GDP	79.8	55.9
Natural growth rate per '000 of population	-4.8	-4.8
Economic activity rate, % of labour force	49.2	49.6
Unemployment rate	16.0	5.3
Average employment by sectors, %		
Agriculture and forestry	26.6	7.1
Industry	25.1	27.4
Construction	4.0	6.6
Services	44.3	58.9
Railway network, km per '000 km ²	38.7	83
Length of motorway, km	324	448
Number of cars per '000 inhabitants	232	224
Telephone subscribers per '000 inhabitants	397	358
Number of Internet connections per '000 inhabitants	3.2	13.6

The radical transformation of the economic structure affected the different regions in different ways. The losers of transition, like in most other European countries, were the areas dominated by heavy industry and mining, and, as a special Eastern European feature, the extensive agricultural areas. The emerging market economy brought about the strengthening of regional inequalities. Studies carried out in Hungary in the mid-1970s showed that the performance of the most developed area, Budapest, was twice as high as that of the least developed counties of the Northern Great Plain. In 1999, the most developed Budapest boasted a GDP per capita figure 3.5 times as high as that of Szabolcs-Szatmár-Bereg, the most backward North-eastern Great Plain county and that of

Nógrád county, which had suffered a deep industrial crisis. No county-level GDP data are available for Bulgaria; in the mid-1990s, the gross output figure of the most developed former oblast was 3.5 times as high as that of the least developed one. The income gaps between the newly formed counties are probably even higher. Interestingly, however, the inequalities among the NUTS 2 regions are of a different size. The difference between the GDP per capita figure of the two extremes (the most developed region, Central Hungary, and the least developed one, the Northern Great Plain) is 2.4-fold. In Bulgaria, by contrast, the difference between the most developed south-eastern region and all the others, which are nearly at the same level, is less than 15%. Comparing the regional data of the member states and the candidate countries we find that the Bulgarian regions are at the bottom of the European ranking, while in Hungary two regions are above the EU average (Central Hungary and Central Transdanubia), and one (Western Transdanubia) is near that level (*Table 11*).

Table 11. Level of development of NUTS 2 regions, 1998

Level of GDP in PPS as a percentage of EU 15 average	Number of regions		As a percentage of population of the country	
	in Bulgaria	in Hungary	in Bulgaria	in Hungary
75–50	–	2	–	39.2
49–36	–	3	–	42.6
35–26	–	2	–	18.2
25 or less	6	–	100.0	–

Source: Own calculations, based on national statistical yearbooks.

The macroregions, irrespective of their performance, are clearly not homogeneous units. Certain areas of each region have become the losers, other areas the winners, of the transition, depending on the former development level of their economies and on the intensity of the restructuring process they underwent. One condition of an effective regional policy is the accurate definition of the areas afflicted by the negative effects of transition. It is an important achievement of the regional policies of both countries that the respective lists of the problematic areas are available to the political decision-makers. The areas eligible for assistance were defined in both countries by a government decree. In Bulgaria, 77 settlement group local governments were labelled as underdeveloped and 20

as industrial declining areas; the 36 border municipalities are also subject to assistance. In Hungary, 89 small areas are eligible for assistance (83 of these are underdeveloped and in six industrial restructuring is recommended). The Bulgarian policy defines five categories of regional development target areas (developed, developing, industrial declining, underdeveloped rural, and cross-border cooperation areas), while in Hungary four groups are defined (underdeveloped, industrial declining, agricultural problem, and high unemployment areas). The Bulgarian policy allowed for a rather narrow scope of assistance: eligible areas (underdeveloped and industrial decline areas) comprise only 17.5% of the country's population. In Hungary, this figure is 33.5% (Table 12). There are also differences in the territorial structure of the backward areas. In Bulgaria, the population of the eligible areas are evenly dispersed throughout the country, whereas in Hungary the three eastern regions comprise two-thirds of the assisted population (Fig. 2).

From among the various crisis phenomena of problematic areas, we will now only discuss high unemployment. In 1999, unemployment was at 16.0% in Bulgaria and 6.4% in Hungary. The district figures dispersed between 4.2% (Sofia) and 29.7% (Targovishte). In ten districts, unemployment surpassed 20% (covering 25% of the whole population). In Hungary, the capital saw the lowest rate of unemployment, at 5.3%, while the highest figure was in Borsod–Abaúj–Zemplén, 13.1%. Unemployment

Table 12. Assisted areas in 1999

Type of areas	Bulgaria		Hungary	
	Population, '000	Population coverage, %	Population, '000	Population coverage, %
Underdeveloped	–	–	3,017	29.7
Industrial restructuring, declining	438	5.3	284	2.7
Agricultural problem	–	–	1,322	13.0
Underdeveloped rural	1,008	12.2	–	–
High unemployment	–	–	1,742	17.1
Specific problem areas total	1,446	17.5	3,408*	33.5
Cross-border cooperation	1,622	19.6	–	–
Growth	2,970	35.9	–	–
Development	800	9.7	–	–

* One eligible area can be included in one or more problem types. The population of eligible areas was only counted once.

Sources: GESHEV 2001, HORVÁTH 1998a,b.

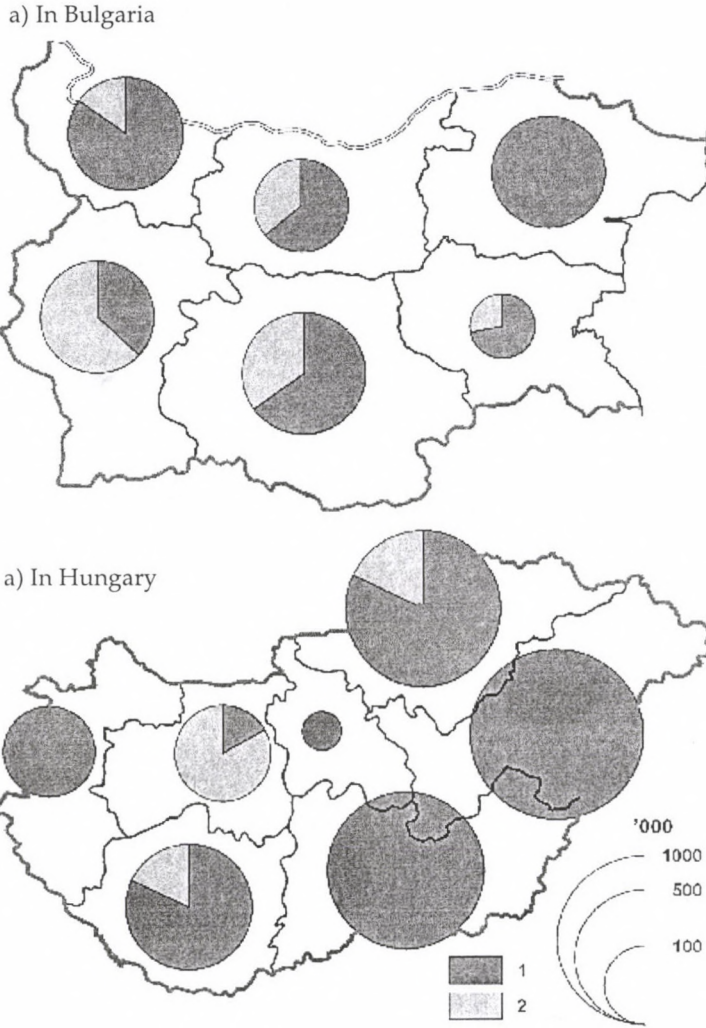


Figure 2. Population of eligible areas by regions
Key: 1 - underdeveloped areas; 2 - other eligible areas

surpassed 10% in four counties (covering 19% of the total population). In part of the underdeveloped and high unemployment areas of Bulgaria, the rate of ethnic minorities is high, especially that of the Turkish minority (GYUROVA 2002). In five districts, more than one third of the population is Turkish (65.9% in Kardzhali district, 52.9% in Razgrad district, 40.3% in Targovishte district, 38.1% in Silistra district, and 37.1% in Shoumen district).

THE INSTITUTIONALISATION OF REGIONAL POLICIES

One characteristic feature of the first post-communist democratic governments of Central and Eastern Europe was that they largely ignored the dramatic processes of the territorial restructuring of the economy. Only Hungary was an exception, where, after the 1990 democratic elections, the Ministry of the Environment and Regional Development was set up and a government scheme was prepared with a view to the restructuring of the heavy industrial areas then undergoing a severe and acute crisis. Yet, the government did not have a coherent regional strategy for the whole country; neither was the former regional development fund reshaped to meet the new development objectives; instead, it was abolished. The political elite did not recognize what regional development was all about; many identified it as a tool of the previous planned economy and considered it as a relic of communist-type economic planning.

The first government to undertake the establishment of a system of objectives, tools and institutions of regional development was the one that assumed office in 1994. The first element of their regional policy package was the passing of the regional development act in 1996. Despite innumerable compromises, this act successfully combined several decades of Hungarian regional development traditions with the rules of the structural and cohesion policies of the European Union. The Hungarian act also served as an example for the legislation of the other Central and Eastern European candidate countries (HORVÁTH 1998). The regional development institutions were formed, the central, county and regional level regional development councils were set up, and the regional development fund was reorganised. The regional development act was too cautious, however, about institutionalising the regions. At first, it did not even include a definition of the development and planning regions; instead, the counties could organise voluntary regional associations to co-ordinate their common development tasks. The compulsory establishment of the seven regional development councils was ordered in the 1999 amendment of the act. For political reasons, however, the new government severely violated the partnership principle of the regional councils, terminated the representation of the regional chambers of commerce and industry in the councils, lowered the number of representatives delegated by the small areas, and by increasing the number of representatives from the ministries, it clearly subjected the councils to the central govern-

ment. This was an obvious violation of the principle of decentralisation. In 1998, the Hungarian parliament passed a resolution on the National Regional Development Concept, and in 2001, the chapter on regional priorities of the National Development Plan was completed.

The new government, assuming office in 2002, pledged in its programme to restore the norms of the European Union in the regional development act, to set up the necessary decentralised institutions, to organise the regional local governments and to reform the regional budgets.

The Bulgarian National Assembly passed the regional development act in 1999. The structure and content of the Bulgarian and the Hungarian acts have a lot in common. The operation of the regional institutions is based upon the same principles in both countries. However, a significant difference is that no development councils have been established in the Bulgarian counties, and that the sphere and amount of regional development resources there are scarcer and more limited. The establishment of regions proved to be an easier task in Bulgaria, perhaps because territorial local governments there lack a history of traditions and because a territorial administrative reform was carried out parallel with the establishment of the new mesoregions. It is to be noted, however, that in spite of all this, the establishment of regions involved a certain degree of hesitation and uncertainty. It is for a reason that the government decree on regions highlights that the regions can only function to achieve the basic objective of their creation, that is, to facilitate regional development, and that their number and territorial boundaries cannot be modified within the time frame of the National Regional Development Plan (GESHEV 2001). The most important document of this framework act is the National Regional Development Plan, which identifies the regional priorities until 2006.

THE FUTURE OF REGIONALISM DECENTRALISATION EFFECTS

The future of the division of power between the state and the regions seems to be rather uncertain in Central and Eastern Europe. The perspectives of decentralisation depend on the harmony of economic efficiency and the success of systemic change steered from the top-down. The regional preconditions of power delegation are quite disadvantageous. The organisational framework of strict centralisation survived in the for-

mer planned economies, even if the content of central governance significantly changed. Even in the best case we have to expect a long decentralisation process. Poland—and possibly Hungary—will establish the political and institutional frameworks of decentralised power until accession to the European Union.

There are three possible pathways of decentralisation, which are imaginable in Central and Eastern Europe. The choice from among the alternatives is of course not arbitrary; the historic traditions of the given country, the type of economic transformation, the level of establishment of market economy institutions, political power relations and the division of political space structure all impact the moderation of power concentration. The decentralisation pressure on the central state administration is obviously stronger in those countries (like Poland), where large dynamic urban centres wish to encourage their autonomous development and integration into the European territorial division of labour by the most liberal utilisation of their internal resources and with the help of post-industrial development factors. Yet, the legitimacy of bottom-up initiatives has to face more resistance (like in Hungary), where the central area has a dominant, and even further strengthening position in the productive factors improving competitiveness. The example of these two countries is also appropriate to illustrate that the existence of able regional centres is only a potential advantage, the decentralisation 'suction effect' deriving from the political legitimacy of Hungarian territorial self-governments and the legal regulation of regional development can somewhat counterbalance the lack of marked, European scale regional centres.

In the first possible decentralisation model the division of labour between central and regional organs are arranged by clear and explicit regulations. The development tasks within the competencies of the two different types of organs are segregated by the size of the territory they effect. The regional authorities have their own resources for the implementation of these tasks, possess wide scale of planning competencies and they can support the development of local-governments within their competency area from their own monetary funds. Depending on the level of economic development in the region, central monetary transfers may be added to the own and shared funds. This strategy ensures the highest degree of decentralisation and for the long term it is the most efficient alternative, yet its implementation requires several—political, constitutional, public administrative and economic—preconditions. The establishment of regional self-governance does not yet seem to be a real-

istic alternative in Central and Eastern Europe. The assumption that Poland—and presumably Hungary—will take the way of regionalisation will cause a further differentiation within the region.

The essence of the second decentralisation strategy is, that the centre delegates some specific—planning, development, regional policy—functions to the regions and the rest of regional policy tasks remain the competency of the central power. The level of power division depends on the type of decentralised tasks, the type of the adaptive institutional system and the means the regions are equipped with. The second alternative seems (for the short-term) more advantageous for unitary states since the preparation of the adaptive substance requires less effort and the fundamental transformation of the public administrative system is also unnecessary, and—the most important is—the influence of central organs remains unchanged, the administration of regional developments becomes more complex through the deconcentrated state organs and their efficiency may also increase.

In the third variation, the share of responsibility between central and territorial organs is valid only for certain, *ad hoc* tasks. A common administrative organ is introduced for the development of peripheral, backward regions and the state provides this decision making forum with a part of its monetary resources and assigns the territorial units to the implementation of development programmes. This alternative represents the most moderate version of decentralisation and does not at all require the transformation of the established order of power. It is not accidental, that most of the East-Central European states started to elaborate their regional development programmes alongside this model.

Hungarian regional development could more or less emancipate itself from the impacts of these traditional trends of Central and Eastern European development, due to the Ministry for Regional Development suddenly appearing within the Hungarian governmental structure and to the assembly of pragmatists, professionals and researchers suggesting the introduction of a consistent regional policy already in the 80's. As a result of these efforts—often similar to fighting windmills—Hungary is the only Central European state today which will be able to adapt within a reasonable time a regional development practice highly compatible with Western European regional policies and consequently to access the European Union without difficulties. Hungary may even become a model economy within this partial policy. A significant increase of the resources aimed at the strengthening of the economic and social cohesion

of Hungary can be expected from its accession into the European Union. Yet, the preconditions for access to the Structural Funds and efficient utilisation of the resources must be established. Similar to the states joining the European Union, recently Hungary has to revise almost all elements of its economic and social policies from the approach of the adaptation of their targets, functioning mechanisms, and institutionalised forms to the cohesion requirements of the European Union.

RESTRUCTURING LOCAL LEVELS

The legal framework of decentralisation in Hungary went through fundamental modifications at the beginning of the 1990s. The Act on Local Government was one of the first laws approved by the newly elected parliament in 1990. It provided the legal basis for the shift of responsibilities and resources from the central state and the counties to the new municipalities and their elected councils. The Act on Local Taxes provided the financial framework for the municipalities. Both laws basically resulted from the European Charter on Local Governments whose signing and ratification were regarded as an important part of the accession process to the Council of Europe.

From the financial point of view, the Act on Local Governments and the Act on Local Taxes provided Hungary with a two-level government: the central state and the municipalities. The counties, that had performed some functions on behalf of the central government during the communist period, were almost completely deprived of their own financial resources and today have no tax prerogatives. In 1990, what resulted was a strong national government and a dissected local government system comprising 3,200 independent municipalities, more than 50% of which have less than 1,000 inhabitants.

The Act on Local Governments defines a number of compulsory municipal tasks. Since the Constitution determines that local governments cannot be obligated to perform tasks without being given the necessary funds, Parliament must provide the financial funds necessary for the provision of these duties. Municipalities are otherwise free to undertake tasks that are not prohibited by law. Beyond compulsory duties, local governments themselves decide which duties they shall perform, to what extent, and how.

Local governments may fully merge with other local representative bodies, or they may create associations of local governments. The Act on Municipal Associations provides incentives for intermunicipal cooperation; however, municipalities cannot be forced to cooperate or to merge. Local governments are free to contract out public utilities. This led to the privatisation of local public authorities and the contracting-out of several services such as water supply, sewage, drainage, wastewater treatment, and waste disposal. Hungary has managed to quickly enforce the EU regulations on public procurement acts. The framework set up should enable Hungarian local authorities to abide by European rules of competition. Non-public agencies thus tend to play an increasing role in education, social provision, and health care.

Local governments are divided into municipalities and counties. Both have the right to local self-government. The Act on Local Governments lists the task of the municipalities and the counties. Municipalities may then take over additional tasks from the county level and, if they lack resources, hand them back again. County functions are primarily funded by the central government and by some fees.

With the Act on Local Governments in 1990, the central government started to reshape the whole system of territorial governance. Local municipalities became independent from central and county authorities. County authorities lost significant responsibilities and fiscal powers. Given that regional policies were ancillary and designed to serve centrally planned strategies during the communist period, changes were also introduced in order to accelerate regional development notably through infrastructure provision and crisis management in the heavy industry-based economies of the Northeast. In the beginning of the 1990s, the design of regional policy remained the privilege of the central level, and the new policy context continued to be weak at regional level and be relatively strongly biased towards sectoral approaches.

These contradictions and the lack of coordinating institutions within the executive and the legislative branches delayed the establishment of a coherent territorial policy approach and engendered some turbulence, which may have weakened the momentum. A Ministry of the Environment and Regional Policy was created in 1990 and given responsibility for the territorial development portfolio. In 1991, a Regional Development Allocation was introduced [called Regional Development Fund (RDF) from 1992 to 1996]. In 1993 the Parliament specified in a resolution the principles of the regional development support system and the

government published a list of areas that would be eligible for regional assistance. The 1996 Act XXI on Regional Development and Physical Planning, which established a new institutional system of territorial development in Hungary, was followed by a series of decrees on the use and the distribution of the regional development allocation for territorial equalisation among counties. During the past years, some other development allocations were created in addition to the regional development allocation to enlarge the financial means of the new institutions including the Spatial Equalisation Support (1996), the Targeted Decentralised Assistance (1998) and the Rural Development Allocation (2000). After governmental elections in 1998, the regional development portfolio was attached to the MARD.

Uncertainties also resulted in defining the strategic aims and principles governing the policy initiatives at subnational level. For example, the 1996 Act was an attempt not only to establish the institutional infrastructure of territorial policy but also to refine its key objectives. As mentioned in the Act, all regions and counties were assigned priorities that include promoting a social market economy, creating appropriate conditions for self-sustained growth, and stimulating the spatial diffusion of innovation while encouraging balanced regional development. Reducing disparities between Budapest and the peripheral areas and between advanced regions and less developed ones were more relevant central government goals. The act also strengthened the focus on disadvantaged regions by adjusting selection criteria and aligning them with EU zoning methodology. The drafting of the National Regional Development Concept within the framework of Parliamentary Resolution 35/1998 (III. 20) furthered the process by defining targets and guidelines with a special view to ensuring compatibility with EU structural funds policy during accession. The wide-ranging nature of the concept and the multiplicity of tasks leave many issues without answers, however, particularly the role assigned to regional competitiveness policy and how to surmount efficiency/equity conflicts.

With the 1996 Act, which defines responsibilities across administrative levels, Hungary is probably one of the most advanced transition countries. This Act provides the country with more stable institutional foundations and territorial policy is now developed and implemented at four levels.

At the top, a National Regional Development Council (NRDC) is responsible for developing regional policy. The council is composed of one

person from each of the regional development councils, the mayor of Budapest, chairmen of the national chambers of commerce, the employer and employee's aides to the Interest Reconciliation Council, ministers from several ministries, one representative from the National Self-Government Federations. The council comments on principles of regional policies, regional development grants, and the classification of regions eligible for development assistance. It also coordinates sectoral aid for regional development. It has a 12-member secretariat called the National Regional Development Centre, which supports its work.

Below this are seven Regional Development Councils (RDCs), which include the chairmen of the County Development Councils (the third level), representatives of national ministries, one representative per county of the associations of municipalities, mayors of towns of county rank, the Chairman of the competent Regional Tourism Committee (in the case of Central Hungary, there are five additional members of the Council). The RDC's main tasks include the formulation and adoption of the regional development concept and programme, the coordination of territorial economic development, the preparation of financial plans and the decision regarding the implementation of the programmes. Initially not all RDCs had permanent staff or secretariats to assist them. After the 1999 amendment of Act XXI, the executive bodies of RDCs—the Regional Development Agencies (RDAs)—were strengthened. They were created as public service companies with permanent staff to help the councils in their work. RDA staffing ranges from five to sixteen. Although limited, their staff levels are slowly increasing.

The county level includes the president of the general assembly of the county, the mayors of any towns of county status, the ministerial representatives of MARD, the head of the county's agricultural office, the chair of the local regional tourism committee, and three representatives from associations of municipalities. The County Development Councils (CDC) are in many ways analogous to a regional planning and information organisation, responsible for analysing the social and economic situation in the county and coordinating development plans at county level, and making decisions regarding the use and distribution of development funds.

A fourth level in the hierarchy is that of microregions, and takes the form of groups of self-governing communities that plan and implement their coordinated development ideas.

While this new territorial organisation tries to accommodate the need of the different territorial levels and to fill the vacuum between the coun-

ty and the central levels, certain weaknesses are obvious. First, the share of responsibilities remains unclear, thus leaving room for parallel functions and conflicts. Second, the 1999 amendment discontinued the participation of the chambers of commerce at the regional level, making relationships and partnerships with the private sector more difficult. Third, CDCs and RDCs depend primarily on state resources for their budgets.

DECENTRALISATION AND REGIONAL POLICY

Governance weaknesses are also perceived at the lower levels. Within county and national government administrations, there is a widespread feeling that there are too many local governments, whose powers are not sufficiently differentiated. Many people involved in higher levels of government appear to feel that local governments are economically inefficient and a barrier to administrative innovation. One of the reasons for creating the seven new macroregions is to incite (force) lower levels of government to cooperate, but another apparent reason is to side-step the existing political-administrative structure such as the counties by creating new institutions. In the short term, control over regional assistance funding such as the Regional Development Allocation is to be devolved to the seven macroregions.

However, the Hungarian governance structure and the plans to introduce new fully-fledged political layers could cause more problems rather than solving the current ones.

First, although the creation of new government layers could overcome some problems of fragmentation and intergovernmental cooperation, it may create new ones. A new layer of administration will add to the costs of administration and government. New layers of administration and government will not always be responsive to the electorate. If the new regions take on a legislative role and are served by elected councils, new electoral and administrative structures will have to be created, which will further increase the cost of government. Finally, if the new regions are to implement regional policies and programmes, this may create a top-down bias in the regional development process.

Second, staffing in macroregions is appointed, not elected, making the new districts creatures of the central government. There is also some confusion about the long-term nature of the NUTS 2 level regions. In the longer term, some people have suggested that an elected council could

supplement the current administrative staff. In the Széchenyi Plan, for example, it is recognized that 'the planning statistical regions are administrative-political units, which still lack internal economic coherence and regional identity. Consequently, the main aim of regional economic development is to promote the internal economic coherence of the regions in the course of implementing the programmes set out in the Plan'. On the other hand, the PNDP suggests that the role of the NUTS regions will be mainly as follows: Regional Development Councils will select projects for funding within their regions, and Regional Development Agencies, as RDC executive bodies, will oversee implementation and play a technical and administrative role. In the future, they may act as oversight and coordinating agencies similar to metropolitan or regional planning agencies.

Third, if the regions were introduced as political entities (this is not imminent given that a two-thirds majority in the national parliament is needed), there would be four political levels, which would be high by EU standards. Furthermore, the new Hungarian macroregions generally comprise only two or three county local governments, which means that the distance between the upper and lower government levels remains rather low. There are some indications that the creation of new government institutions in Hungary is sometimes used to side-step local government or to circumvent tensions within and between existing institutions.

Fourth, the present Hungarian territorial governance system is not a typical hierarchy where any lower level government is politically or administratively subordinated to the next level. At the subnational level, all governments, whether county, town, or village, are local and have the same legal status and the same status with respect to the central government. This means that while counties embrace a larger physical area, their legal status is the same as the villages and towns within them. This lack of hierarchy has led to administrative confusion, in part because many villages and towns are jealous of their prerogatives and reluctant to cooperate with other governments, and in part because missing economies of scale makes it difficult for some local governments to provide certain kinds of services. The result has been a complicated bargaining process in which local governments have ceded some responsibilities, such as hospital management, and retained control over others, such as schools.

Fifth, the power of the counties sharply declined in the 1990s. With the 1990 Act on Local Government, the responsibilities and competen-

cies of the counties were reduced in favour of the municipalities. Despite a history of more than a thousand years, counties today have a rather weak institutional and bargaining position. Although they have elected bodies, their power is restricted since their funding is mainly secured by negotiations between the central and municipal levels.

Taken together, the different steps in the process of decentralisation do not yet provide Hungary with a strong intermediate level, despite the creation of many institutions in the last ten years. It is still unclear whether these institutions would be in a position to co-ordinate hitherto fragmented municipal decisionmaking and to assume significant national territorial development policies. Neither the counties nor the newly-created macroregions currently can take over this function since they have no essential political or financial prerogatives to do so. The introduction of macroregions or County Development Councils has increased the problems of delimiting responsibilities and resources without strengthening subcentral decisionmaking power. In fact, the large number of government institutions, aimed at overcoming some shortcomings of the decentralisation process, may even have prevented more appropriate forms of public service delivery such as horizontal or publicprivate partnerships. Meanwhile, it is not easy for efficient and functional decentralisation to gain a foothold.

The public administration reform and the new spatial development policy of Hungary led to the weakening of county authority and the rise of regions. The county has also lost significant power to the local administration system. This loss is not as obvious as that given up to the municipalities. But these distinctions blur the issue of the appropriate mediating role between the central and the municipal levels. The question rather is how the relationship between the county and regional level is evolving, and which intermediate level is appropriate in the medium and long run.

The present state of development planning in Hungary is characterised by a comparatively strong role of local government, by a as of yet unclear role of the new regions, and by a rather traditional and partly contradictory handling of responsibilities at the national level. As was described earlier, new regions were created in Hungary during the second half of the 1990s. First the government introduced the statistical designation of the seven macroregions and encouraged the establishment of voluntary Regional Development Councils (RDC). As counties were free to choose their partners to unite into regions, the statistical regional sys-

tem and the development regional system did not match. Furthermore, many counties belong to more than one region. Several RDCs were established, although most of them have not been operational for a long time, due mainly to lack of firm commitment to the creation of a regional level and strong resistance from the counties.

The European Union has been very influential in regionalising Hungary, both via technical and financial assistance; it strongly promoted or even triggered the creation of the regional level. The PHARE programme significantly contributed to the regionalisation process. Several pilot projects have been implemented in the less developed regions, which not only carried out individual development projects but also contributed to the administration capacity of the regional organisations, most of all the Regional Development Councils and their agencies. In June 2000, the Hungarian regions jointly established a representation office in Brussels. However, as accession gains momentum, the Commission has expressed its doubts about the administrative capacity of subnational levels (counties, regions) and seems to favour a more centralised implementation system.

The introduction of the regional level has not clarified powersharing in the Hungarian territorial governance and regional development system. One of the crucial issues of Hungary's current regional development approach concerns the still unclear future roles of the current counties, on the one hand, and the newly created regions on the other, as well as the role of the central state. While there is probably no reason to question the opportunity of maintaining and strengthening local government at county level, whether the size of this country justifies splitting up development planning and programming into a county and a regional level is questionable. Aspects of efficiency and the European Union requirement to dispose of operational development programmes at the NUTS 2 level might lead to the conclusion that a single level should be responsible for preparing and implementing development plans and programmes.

At local level, the practical ability to prepare and decide upon feasible development programmes based on priorities determined in corresponding regional development plans depends to a large extent on the existing financial system. The fact that counties and regions do not dispose of sufficient financial resources to take their own decisions independently of complementary funding decisions at the national level seriously handicaps any effective decentralisation.

From a more sectoral policy point of view, advantages or disadvantages of the region over the county cannot be clearly discerned. Regional

decisionmaking can be justified on the grounds of large economies of scale or the need to internalise territorial spillovers between lower levels of government. Actually, although there are a number of public services such as higher education, health care, local public transport, or spatial planning for which an intermediate level would be appropriate, neither level offers clear-cut advantages over the other. One exception might be the implementation of environmental policy or the management of environmentally sensitive goods for which a regional level would be more appropriate. However, functional environmental regions such as water catchment areas or nature protection zones often do not correspond to the boundaries of political regions, again creating spillovers requiring subnational horizontal coordination.

CONCLUSIONS

Since the early stages of the transition, Central and Eastern European regional policies have gained strength, although they are still constrained by limited resources and institutional problems. The EU has not only provided financial and technical assistance to introduce the necessary legislation and improve policy design in all spheres of the economy but has also contributed to changes in the territorial organisation of the countries. New actors for territorial policy are now emerging, and new regional institutions have been given responsibilities for policy implementation. The gradual introduction of the Structural Funds-like system has increased the participation of lower tiers of government, notably through the partnership mechanisms, and has extended their consultative functions.

However, the new regional policy structure has led to a deconcentration of government administration rather than to a truly strengthened decentralisation, and has often complicated rather than purified the institutional system. Furthermore, local governments are strongly dependent on central governments. In consequence of this weaknesses, the intermediate level (regions) should be given extended competencies and sufficient taxation authority. A philosophy of flexible horizontal cooperation in associations, pacts and partnerships should be promoted to establish functional regions for different public services. Raising the share of taxes that remain at local level should create financial and other incentives.

Compatibility with EU Structural Funds regulations and procedures is now understandably one of the main tasks of Central and Eastern Euro-

pean regional policies given the perspective of Structural Funds at the time of accession. Fast progress will probably accelerate accession. It should however be borne in mind that these regulations have been evolving and could change. What is crucial here is rather the present learning process and the capacity to develop flexible policy responses. Moreover, compliance with regulations does not suffice to ensure policy efficiency. Other factors such as the quality of partnerships, the ability to make the best use of available funds, selection of targets, project monitoring and professionalism are critical.

Bulgaria and Hungary are two small or medium-sized countries of Europe. Their regional inequalities are rooted in their belated industrial development and in the delay their urbanisation processes suffered compared to Western Europe. Their forty years of planned economy could not significantly reduce either their deficiencies in economic potential, or the reasons underlying their territorial inequalities. At the expense of considerable social costs, the economic and social inequalities among the regions were somewhat reduced during the two decades of socialist regimes. In the early 80s, it became clear that this process did not guarantee sustainable development. Policies based on the same ideological rudiments, however, went together with different practices in the two countries. The pragmatism of Hungarian regional development, also thanks to intensive cooperation with Western European professional circles, applied a number of arrangements for development not permitted elsewhere in Eastern Europe. The fact that these attempts had only partial results is explained by the prevailing political system, which worked heavily against economic reforms. To some extent, post-communist regional development in Hungary could rely on nearly two decades of antecedents. As a consequence, well-coordinated professional planning commenced in Hungary as early as at the very beginning of the 1990s, even before Hungary signed the agreement to become a candidate country, with a view to design an up-to-date system for regional policy.

Almost all elements of the system of objectives, tools and institutions of regional development struck root in Hungary for the first time in Eastern Europe. Bulgaria, where in the socialist period the territorial location of economic production followed the soviet model, undertook to introduce certain elements of the modern European regional policy only later. In these changes, the conditions required by the European Commission were more motivating than internal economic and social needs.

Despite the numerous similarities in the changes that have taken place in the territorial structures of the two countries, the differences in the

responses Bulgaria and Hungary gave to the challenges of regional development and the varied results of their development efforts demonstrate that the 'Eastern European Bloc' is at least as heterogeneous as the European Union. This is a fact that the structural policy reforms of the Union have to take into account.

Today it is not public administrative reasons or accession to the EU that compel Hungary to make progress in regionalisation. There is more at stake: the growth of the Hungarian economy, the modernisation of the country, and its future positions in the European territorial division of labour. Hungarian public administration has been incapable of a paradigm shift during the 20th-century; neither the central nor the territorial organs were interested in sharing power with other actors, and the various decentralisation schemes, in an attempt to imitate reforms, did nothing but enact minor adjustments in the level of redistribution. The emergence of a modern and competitive territorial economic structure is only possible within a new framework. Based on strong, central cities and assigned with political power, proper institutions and financial autonomy, the region can be the basis of this territorial framework.

The analysis of the Hungarian acts and regulations in force regarding the construction of regions has revealed that the intentions of legislative power and of the government regarding the future of the regions are not clear. Owing to ambiguous legal regulation and the lack of clear-cut concepts, the regions are the weakest element of regional development policy. As soon as a definite political stance is taken regarding the regions, the significant reform of the legal regulation of the regional level will be inevitable. First, the numbers of regions and their geographical borders have to be defined within the institutional system of regional development. After this, the regions should be assigned with scope of authority and resources, in a process of the parallel decentralisation of government. Underlying this is the fact that the building of regions only helps the emergence of an effective regional policy if it is done through decentralisation and not to the expense of the tools of the county and settlement levels. Empirical studies have shown that it is the sectoral ministries that exert the strongest resistance towards the decentralised model of region building; therefore, the government has to act in a very determined and disciplined manner.

Empirical surveys carried out among the actors involved in the operation of the regional development institution system show that, apart from the problems ensuing from insufficient legal regulation, a number of

other difficulties have to be faced in the endeavour to build regions. Although most actors support the efforts of regionalisation in principle, they show no interest or determination in the problematic issues of the present geographical borders and the potential centres of the regions; their territorial links are limited to a narrower area. Nevertheless, it has to be accepted that on the basis of the opinions of the actors, it is impossible to define more consensual regional borders than the present ones. In the present phase of region building, therefore, the process should be encouraged within the present region borders; it will be reasonable, however, to review the issue of borders before the regions are to be institutionalised. By that time, enough experience will be gathered and research carried out to make these long-term decisions more substantiated. The actors of regional development tend to find it difficult to place their interests in a regional context and to determine the optimal development objectives for the different territorial categories.

The future of Hungary's spatial structure is basically dependent on the quality of the decentralisation strategy, which Hungary will follow in the utilisation of new resources after the accession to the European Union. A proper decentralisation seems to offer the most efficient solution for Hungary. Strong regions will be required in Hungary because the practice of the European Union unquestionable proved that the sub-national level with about 1.5–2.0 million population, administered on the basis of local government principles, based on the economic capacities and structural features is:

- the most optimal spatial framework for the enforcement of the economic development oriented regional development policy;
- the adequate field of the functioning of postindustrial spatial organising forces and their relationships;
- the important action space of interest enforcement;
- the most ideal spatial unit for the establishment of the modern infrastructure and professional organisational-executive apparatus of regional policy;
- a dominant element of the regional and cohesion decisionmaking system of the European Union.

The decentralised state organisational system can emerge through organic development and complex legal regulation. The principles creating the necessary preconditions are to be included in the Constitution.

These are the following:

- the state considers in the course of its development activities and economic policy the inter-relationships and correlation between the territorial features and the spatial elements, insures the necessary preconditions of fulfilling elementary social functions;
- the state, enforcing the principle of social equity and justice, contributes with its own means to the moderation of objective territorial inequalities in the living standards;
- the active regional policy of the state promotes the territorial decentralisation of economic activities and functions;
- the state shares its regional development tasks and tools with the local and territorial governments and other concerned actors and delegates to the coordination responsibilities and development resources to the territorial decisionmakers.

The attitude is the same in the latest plans. Albeit it is impossible to join the current trends of the European economy with Hungary's present structure of labour division, just as all attempts failed in the last century. The emergence of a modern territorial economic structure can only be conceived within a completely new framework. This territorial framework can only be *the region, organized around strong metropolitan centres, assigned with political power, having its own institutions and financial autonomy*. The size of the present planning and statistical regions of Hungary comply with the European standards. They are capable of receiving new functions and of using a transactional distribution system. In the 21st-century, only regionalism can enforce modernization in Hungary.

REFERENCES

- Agenda 2000. For a stronger and wider Europe* (1997): Brussels, European Commission.
- BACHTLER, J., DOWNES, R., GORZELAK, G. (eds) (2000): *Transition, Cohesion and Regional Policy in Central and Eastern Europe*. Aldershot: Ashgate.
- BLAŽEK, J., BOECKHOUT, S. (2000): Regional policy in the Czech Republic and EU accession. In: BACHTLER, J., DOWNES, R., GORZELAK, G. (eds): pp. 301–318.
- BOEV, J. (2002): Bulgaria: decentralization and modernization of public administration. In: PÉTERI, G. (ed.): *Mastering Decentralization and Public Administration Reforms in Central and Eastern Europe*. Budapest: Open Society Institute, Local Government and Public Service Reform Initiative, pp. 93–120.

- BORSA, M. (2001): The new Polish regions in the European space development. In: *Role of the Regions in the Enlarged European Union*. Pécs, Centre for Regional Studies, HAS. *Discussion Papers*, 35. In print.
- BRIZOVA, M. (2001): Regional policy in the Czech Republic. In: *Role of the Regions in the Enlarged European Union*. Pécs: Centre for Regional Studies, HAS. *Discussion Papers*, 35. In print.
- BUČEK, M. (1999): Regional disparities in transition in the Slovak Republic. *European Urban and Regional Studies*, 4. 360–364.
- Bulgaria 2000. Regular report from the Commission on Bulgaria's progress towards accession. Brussels: CEC, 8 November 2000.
- DENTE, B. (1999): *In un diverso Stato*. Milano: Il Mulino.
- DOSTÁL, P. (2000): Reintegrating Central European region: challenges of trans-border spatial development. *Acta Universitatis Carolinae. Geographica*, 1. 21–38.
- Enlarging the European Union. Accession Partnership* (1998): Brussels: European Commission, DG 1A.
- ENYEDI, GY. (ed.) (1998): *Social Change and Urban Restructuring in Central Europe*. Budapest: Akadémiai Kiadó.
- First Report on Economic and Social Cohesion* (1996): Brussels: CEC.
- Geografija na Balgarija. Fizicheska geografija, socialno-ikonomicheska geografija. Sofia: Akademichno izdatelstvo Prof. Marin Drinov, 1997.
- GESHEV, G. (ed.) (1997): *The Geographical Space—an Investment for the 21th Century*. Sofia: Institute of Geography, BAS.
- GESHEV, G. (1994): Methodological approach to the development of regional programmes for alternative employment in the transition of market economy. In: HAJDÚ, Z., HORVÁTH, GY. (eds): *European Challenges and Hungarian Responses in Regional Policy*. Pécs: Centre for Regional Studies, HAS, pp. 221–227.
- GESHEV, G. (1997): Initiatives for the launching of a co-operative spatial planning process. Bonn: Bundesforschungsanstalt für Landeskunde und Raumordnung.
- GESHEV, G. (1999): *Problemi na regionalното razvítie i regionalnata politika v Republika Balgarija*. Sofia: Geografski institut BAN, Jugozapaden universitet Neofit Rilski.
- GESHEV, G. (2001): The role of regions of South-Eastern space in the enlarging European Union. In: GÁL, Z. (ed.): *Role of the Regions in the Enlarging European Union*. Pécs: Centre for Regional Studies, HAS. *Discussion Papers*, Special Issue, pp. 81–100.
- Green Paper: Regional Development Policy in Romania* (1997): Bucharest: Romanian Government and European Commission.
- GYUROVA, E. (2002): Emerging multi-ethnic policies in Bulgaria: a central—local perspective. In: BÍRÓ, A., M., KOVÁCS P. (eds): *Diversity in Action. Local Public Management of Multi-ethnic Communities in Central and Eastern Europe*. Budapest: Open Society Institute, Local Government and Public Service Reform Initiative, pp. 97–133.
- HAMPL, M. et al. (1999): *Geography and Societal Transformation in the Czech Republic*. Prague: Department of Social Geography and Regional Development, Charles University of Prague.
- HORVÁTH, GY. (1996): *Transition and Regionalism in East Central Europe*. Tübingen: Europäisches Zentrum für Föderalismus-Forschung. *Occasional Papers*, 7.
- HORVÁTH, GY. (1998a): *Európai regionális politika* (European regional policy). Budapest—Pécs: Dialóg Campus Kiadó.

- HORVÁTH, GY. (1998b): Regional and cohesion policy in Hungary. Pécs: Centre for Regional Studies, HAS. *Discussion Papers*, 23.
- HORVÁTH, GY. (1999): Regions in the European Union. *European Mirror*. Special Issue. March, 58–78.
- HORVÁTH, GY. (2000): Decentralizáció és a régiók – kelet-közép-európai nézőpontból. In: Horváth, Gy., Rechnitzer J. (eds): *Magyarország területi szerkezete és folyamatai az ezredfordulón*. (Decentralisation and the regions from CEE aspect.) Pécs: MTA Regionális Kutatások Központja, pp. 60–72.
- HORVÁTH, GY. (ed.) (2000): *Regions and Cities in the Global World*. Pécs: Centre for Regional Studies, HAS.
- HORVÁTH, GY. (2001a): Consequences of the interrelationship between institutions of regional development and of integration in Hungarian regional policy. *European Mirror*. Special Issue, pp. 119–154.
- HORVÁTH, GY. (2001b): European regional policy and the East-Central European enlargement.—Role of the Regions in the Enlarging European Union. *Discussion Papers*. Special Issue. Pécs: Centre for Regional Studies, pp. 7–16.
- Hungary 2000. Regular report from the Commission on Hungary's progress towards accession. Brussels: CEC. 8 November 2000.
- IANOȘ, I. (2000): Less-favoured areas and regional development in Romania. In: HORVÁTH, GY. (ed.): pp. 176–191.
- KEATING, M. (1998): *The New Regionalism in Western Europe. Territorial Restructuring and Political Change*. Cheltenham: Edward Elgar.
- KEATING, M., LOUGHLIN, J. (eds) (1997): *The Political Economy of Regionalism*. London: Frank Cass.
- KORCELLI, P. (2000): The Polish urban system: stability and change. Experience of the 1990s. In: HORVÁTH, GY. (ed.): pp. 159–175.
- LE GALÈS, P., LEQUESNE, CH. (eds) (1998): *Regions in Europe*. London: Routledge.
- LOUGHLIN, J. (ed.) (1999): *Regional and Local Democracy in the European Union*. Luxembourg: Office for Official Publications of the European Communities.
- LOUGHLIN, J. (2000): Regional autonomy and state paradigm shifts in Western Europe. *Regional and Federal Studies*, 2. 10–34.
- MICHALSKI, A., SARACENO, A. (2000): *Regions in Enlarged European Union*. Brussels: EC, Forward Studies Unit.
- OECD *Territorial Reviews. Hungary* (2001): Paris: Organisation for Economic Co-operation and Development.
- PARKS, J., ELCOCK, H. (2000): Why do regions demand autonomy? *Regional and Federal Studies*, 3. 87–106.
- Preparing for EU Enlargement. Devolution in the First Wave Candidate Countries* (2000): Brussels: EU Committee of the Regions.
- Regional Gross Domestic Product in Central European Countries* (1998): Luxembourg: Eurostat.
- Regular report from the Commission on progress towards accession* (1999, 2000): Brussels: European Commission.
- Sixth Periodic Report on the Social and Economic Situation and Development of the Regions in the European Union* (1999): Brussels: European Commission.

- SMITH, B. C. (1985): *Decentralization. The Territorial Dimension of the State*. London: Allen and Unwin.
- SPIRIDONOVA, J., GRIGOROV, N. (2000): Bulgaria. In: BACHTLER, J., DOWNES, R., GORZELAK, G. (eds): *Transition, Cohesion and Regional Policy in Central and Eastern Europe*. Aldershot: Ashgate, pp. 71–83.
- STASIAK, A. (1999): The new administrative division of Poland. In: DURÓ, A. (ed.): *Spatial Research in Support of the European Integration*. Pécs: Centre for Regional Studies, HAS, pp. 31–42.
- Statistical Regions for the Central European Countries* (1998): Brussels: European Commission.
- Ten Years of Transformation Processes in the Middle of Europe* (2000): Informationen zur Raumentwicklung, 7–8.
- Vision Planet. Strategies for an Integrated Spatial Development of the Central European, Danubian and Adriatic Area* (1999): Bonn: Federal Office for Building and Regional.

BORDERS AND CROSS-BORDER COOPERATION IN THE COUNTRIES OF CENTRAL AND SOUTH-EAST EUROPE

IVÁN ILLÉS

BORDERS

Borders are scars on the face of the Earth. If this statement is true then Central and South-eastern Europe is an especially scar-faced part of our Planet. Most parts of the area are covered by small countries with long continental borders. While 86% of all borders in the European Union are coastlines and only 14% land borders, the respective figures for Central and South-east Europe are 41 and 59%. Out of the almost 30,000 km European land borders more than 16,100—it is more than 50%—can be found in the Central and Southeast European region. The length of borders per 1 million inhabitants is 36 km in the present European Union. The same figure for Central and South-east Europe is 136 km per 1 million inhabitants.

However, borders are not only long, but they also changed a lot during the 20th century. There is only one border in length of 420 km where neither the border line nor the name of the neighbouring countries changed during the 20th century: this is a part of the Danube border between Romania and Bulgaria, which is 2.6%(!) of the total length of borders.

Borders can be classified according to:

- geographic;
- ethnic and social;
- economic;
- political characteristics;
- from the point of view of their status in the EU accession process;
- and from the point of view of permeability, the physical objects and administrative arrangements which facilitate crossing these borders.

From the geographical point of view: 3,900 km, about 27% of the continental borders are constituted by rivers, which divide and simultaneously connect neighbouring regions, depending on the number and type of bridges and ferry connections. 2,700 km, 18% of the continental borders are constituted by mountain ridges. These borders, however, can be further differentiated between more passable mountain ranges of older geological origin and geologically newer, sparsely populated, only in few places passable mountain ranges, like the Alps, Dinarics and Carpathians. Finally, 55% of the borders do not constitute any substantial obstacle of cross-border transportation and contacts. These are the open so-called 'green' borders.

Paradoxically, open borders with no natural barriers can be found mostly along the future external borders of the European Union, along the eastern borders of the Baltic states and Poland and along the eastern and southern borders of Hungary. At the same time, substantial natural barriers are to be found mostly along the future internal borders. Both represent some difficulties and require serious effort. On the one hand, new roads, motorways, tunnels, bridges, viaducts are to be constructed on the future internal borders, where costly projects are to be implemented in order to overcome the natural barriers. On the other hand, costly investments are also required to protect the new open external borders from undesired cross-border movements.

From the ethnic and historical point of view, we can again distinguish three types of borders. There are borders where the people on the two sides of the border belong to different ethnic communities, speak different languages, but they have lived beside each other for centuries and developed traditional linkages and relation with each other. There are borders, where the people in neighbouring border areas belong to the same ethnic group and divisions—due to the changing borders—are of relatively recent origin. In many cases, close family links connect the two groups of people, relatives live on both sides of the border, borders constitute only political, not ethnic, linguistic or social dividing line. And finally, there are several and long border sectors in this part of Europe, where, due to historic events, the composition of the population changed radically on one or both sides of the border during the 20th century. The present inhabitants came to this area through organised or spontaneous migration movements, they had not any traditional contacts, personal or family linkages with their new neighbours before. They speak not only different languages, but they have—which is sometimes even more important—different cultural backgrounds.

From the economic point of view, the decisive criterion is the size of the gap in economic welfare and development level between the two sides of the border. Previously, the largest gap existed on the external EU border. The average income gap between the respective countries is 2:1: in the case of Poland, Hungary and Slovakia larger, in the case of Slovenia and the Czech Republic smaller. In the case of Hungary, however, the gap at regional level is substantially smaller, because the most developed regions of Hungary and Slovakia and the least developed region of Austria, Burgenland meet at the border.¹ Undoubtedly, the large development and income gap along these borders gives rise to various semi-legal or illegal activities, which might be a cause of some tensions. At the same time, the gap is also a source of quite legal extra entrepreneurial income on both sides of the border.

In recent years, as a consequence of diverging developments, a new gap has emerged along the eastern borders of the accession countries. Today, the former Iron Curtain is no longer the largest relative income gap in Europe. The largest gap is to be found between Poland, Slovakia, Hungary and Romania on one side and Ukraine and Moldova on the other. This gap is even larger than what could be expected on the basis of the respective national GDP figures, the western regions being the poorest ones in the Ukraine, in contrast to the spatial pattern of development level in the other countries. Along these borders, one can observe the emergence of the same phenomena, as along the former Iron Curtain and their further intensification is to be expected (*Table 1*).

Table 1. Development disparities on the borders of Central and Southeast Europe

Border sections			Development level as a percentage of EU 15 average		Quotient	
Východné Slovensko	SK	Zakarpacie	UK	38	11.6	3.28
Kentriki Makedonia	GR	Yugozapaden	BG	68.1	23.4	2.91
Észak-Alföld	HU	Zakarpacie	UK	33.1	11.6	2.85
Anatoliki Makedonia	GR	Yuzhe Centralen	BG	55.6	22.3	2.49
Nord-Vest	RO	Zakarpacie	UK	28.4	11.6	2.45
Brandenburg	DE	Lubuskie	PL	72.3	32	2.26

¹ Based on regional GDP data of EUROSTAT.

Table 1 continued

Border sections				Development level as a percentage of EU 15 average		Quotient
Dolnoslaskie	PO	Dresden	DE	35.1	75.9	2.16
Mecklenburg-Vorpommern	DE	Zachodniopomorskie	PL	71.9	34.3	2.1
Nord-Est	RO	Moldova	MD	24.1	11.7	2.06
Niederösterreich	AT	Západné Slovensko	SK	89.7	44	2.04
Slovenia	SI	Adriatic Croatia	CR	67.7	33.7	2.01
Podkarpackie	PL	L'viv	UK	26.7	13.7	1.95
Slovenia	SI	Central Croatia	CR	67.7	35	1.93
Ostravsko	CZ	Opolskie	PL	59.8	31	1.93
Sud-Est	RO	Odesa obl.	UK	31	16.4	1.89
Nord-Est	RO	Černivci	UK	24.1	13.2	1.83
Lubelskie	PL	Volin	UK	25.5	14.7	1.73
Oberösterreich	DE	Jihozápad	CZ	104.1	60.1	1.73
Střední Morava	CZ	Opolskie	PL	53.6	31	1.73
Friuli-Venezia-Giulia	IT	Slovenia	SI	115.9	67.7	1.71
Niederbayern	DE	Jihozápad	CZ	99.1	60.1	1.65
Közép-Magyarország	HU	Západné Slovensko	SK	70.9	44	1.61
Niederösterreich	AT	Jihovýchod	CZ	89.7	56.1	1.60
Oberpfalz	DE	Jihozápad	CZ	94.7	60.1	1.58
Severovýchod	CZ	Dolnoslaskie	PL	54.7	35.1	1.56
Ostravsko	CZ	Slaskie	PL	59.8	39.3	1.52
Nyugat-Dunántúl	HU	Central Croatia	CR	51.3	35	1.47
Ostravsko	CZ	Stredné Slovensko	SK	59.8	41.3	1.45
Sud-Vest	RO	East Serbia	YU	28.5	19.9	1.43
Východné Slovensko	SK	Podkarpackie	PL	38	26.7	1.42
St. Petersburg obl.	RU	Estonia	EE	49	35.6	1.38
Burgenland	AT	Nyugat-Dunántúl	HU	69.5	51.3	1.35
Dresden	DE	Severozápad	CZ	75.9	56.2	1.35
Sud-Est	RO	Severoiztochen	BG	31	23	1.35
Kärnten	AT	Slovenia	SI	91.2	67.7	1.35
Steiermark	AT	Slovenia	SI	90.1	67.7	1.33
Slovenia	SI	Nyugat-Dunántúl	HU	67.7	51.3	1.32
Estonia	EE	Pskov obl.	RU	35.6	27	1.32
Střední Morava	CZ	Stredné Slovensko	SK	53.6	41.3	1.30
Stredné Slovensko	SK	Malopolskie	PL	41.3	32	1.29
Lithuania	LV	Belarus	BL	30.1	23.6	1.28
Jihovýchod	CZ	Západné Slovensko	SK	56.1	44	1.28
Dél-Dunántúl	HU	Danubian Croatia	CR	37.5	29.6	1.27

Table 1 continued

Border sections				Development level as a percentage of EU 15 average		Quo- tient
Stredné Slovensko	SK	Észak-Magyarország	HU	41.3	32.7	1.26
Sud-Vest	RO	Severozapaden	BG	28.5	22.9	1.24
Dél-Alföld	HU	Vojvodina	YU	37.6	30.5	1.23
Yugozapaden	BG	South Serbia	YU	23.4	19	1.23
Strední Morava	CZ	Západné Slovensko	SK	53.6	44	1.22
Sud	RO	Severen Centralen	BG	27.8	23.2	1.20
Nyugat-Dunántúl	HU	Západné Slovensko	SK	51.3	44	1.17
Észak-Alföld	HU	Nord-Vest	RO	33.1	28.4	1.17
Východné Slovensko	SK	Észak-Magyarország	HU	38	32.7	1.16
Severozapaden	BG	East Serbia	YU	22.9	19.9	1.15
Chemnitz	DE	Severozápad	CZ	64.6	56.2	1.15
Turkey Europe	TR	Yugoiztochen	BG	29.8	26	1.15
Dél-Alföld	HU	Vest	RO	37.6	33.1	1.14
Podlaskie	PL	Belarus	BL	26.8	23.6	1.14
Latvia	LT	Belarus	BL	26.7	23.6	1.13
Lithuania	LV	Podlaskie	PL	30.1	26.8	1.12
Lithuania	LV	Kaliningrad obl.	RU	30.1	27	1.11
Yugozapaden	BG	FYR Macedonia	MK	23.4	21.3	1.10
Bratislavský kraj	SK	Niederösterreich	AT	97.5	89.7	1.09
Vest	RO	Vojvodina	YU	33.1	30.5	1.09
Közép-Dunántúl	HU	Západné Slovensko	SK	45.7	44	1.04
Pskov obl.	RU	Latvia	LT	27	26.7	1.01
Warminsko-Mazurskie	PL	Kaliningrad obl.	RU	27.1	27	1.00

Different types of borders can be identified also from the point of view of access to EU funding. The first type is the border between EU member states and accession countries (2,594 km). In principle, INTERREG instruments are available for common development programmes on the EU side and PHARE-CBC instruments in the candidate countries. Here, the basic problem is not even the unequal amount of resources on the two sides, rather the different procedures, programming methods and time schedules in respect to INTERREG and PHARE-CBC. Another problem is that borders to EU countries enjoy a privileged position in PHARE-CBC financing, while this privileged and priority treatment does not always coincide with the priorities of national regional policies in the accession countries.

2,984 km of all borders in the region are borders between accession countries. Since 1995, it has in principle been possible, to utilise PHARE-CBC resources not only on the borders to the EU, but also on those between accession countries. This facility, however, has been utilised differently, depending on the political relations between the respective countries. Slovak–Hungarian PHARE-CBC programmes, for example, started substantially later than other programmes, due to the unfriendly relations in the period of the MEČIAR government. Common programmes and EU financing is sometimes facilitated, if an EU member state is also taking part in the framework of trilateral arrangements.

Unfortunately, the largest part, 7,404 km of the borders in the region are borders between accession countries and other countries or between third countries not yet taking part in the accession process. On these borders, no EU support to cross-border cooperation is available. Though some EU support exists now to all countries of the region (TACIS or CARDS), cross-border cooperation belongs not to the priority areas of their utilisation. Notwithstanding, there are several cross-border cooperation initiatives also along these borders, having no financial means, or financed from other resources. But there are other border sectors, where even elementary communication is missing between the two sides of the borders (like the Croatian–Serb, the Albanian–Montenegrin border, the Croatian–Republika Srpska border in Bosnia–Herzegovina, or the Dnestr border between Moldova and the Ukraine).

Finally, borders can be classified according to their permeability, according to the frequency of border crossings and the administrative arrangements, which facilitate to cross these borders. Borders within the European Union do not represent any obstacles of movements, border-crossing points, in the traditional meaning, do not exist any more. The borders of France, for example, can be crossed on more than 40,000 roads, streets, bridges, paths, and passages. In contrast, Bulgaria's borders can be crossed altogether in 16, Yugoslavia's borders in 18 places. On an average, there is an international road border-crossing on each 60 km of the border. But this density is much differentiated: There are 3 crossing points per 100 km border between EU member states and accession states, 1.5 crossing points per 100 km border among accession countries, 0.75 crossing points per 100 km border on borders to and between third countries. But there are extreme cases. On the borders between Greece and Bulgaria, between Romania and the Ukraine the density is only 0.4 crossing per 100 km. This situation is rather strange, considering the fact

that a large part of the present borders did not exist before World Wars I and II, or even before 1990. In 1992–94 the length of international borders within the region increased by 50%, due to the dismembering of Czechoslovakia, Yugoslavia and the Soviet Union. In the past, a relatively dense network of roads and railways connected the areas, which are now on the two sides of the borders. According to estimations, only 40% of built roads, and 50% of built railway lines crossing the borders are used presently as international border crossings.² Some other roads can be used only by citizens of the two neighbouring countries or regions, some are open only for a couple of hours daily, some are open only on holidays or during some extraordinary events, others can never be crossed, even the rails have been removed (*Table 2*).

Table 2. Density of international road border crossings in Central and Southeast Europe

Border sectors	Length of border, km	Number of international road border-crossings	Border length in km per crossing-point
Slovenia–Italy	232	12	19.3
Czech Republic–Slovakia	252	13	19.4
Slovenia–Austria	330	12	27.5
Germany–Poland	442	12	36.8
Germany–Czech Republic	810	21	38.6
Slovenia–Croatia	670	16	41.9
Macedonia–Albania	151	3	50.3
Hungary–Slovenia	102	2	51.0
Czech Republic–Austria	466	9	51.8
Austria–Hungary	366	7	52.3
Macedonia–Bulgaria	165	3	55.0
Yugoslavia–Macedonia	221	4	55.3
Macedonia–Greece	228	4	57.0
Slovakia–Hungary	515	9	57.2
Poland–Czech Republic	762	13	58.6
Poland–Slovakia	444	7	63.4
Hungary–Croatia	329	5	65.8
Yugoslavia–Bulgaria	341	5	68.2
Hungary–Romania	442	6	73.7

² Based on the maps of T. LIJEWSKI, Institute of Geography of the Polish Academy of Sciences. In: KOSTA MIHAILOVIĆ (1972): *Regional Development Experiences and Prospects in Eastern Europe*. The Hague: Mouton & Co.

Table 2 continued

Border sectors	Length of border, km	Number of international road border-crossings	Border length in km per crossing-point
Hungary–Yugoslavia	151	2	75.5
Slovakia–Ukraine	90	1	90.0
Romania–Moldova	450	5	90.0
Slovakia–Austria	91	1	91.0
Yugoslavia–Albania	287	3	95.7
Romania–Bulgaria	609	6	101.5
Hungary–Ukraine	103	1	103.0
Yugoslavia–Romania	476	4	119.0
Bulgaria–Turkey	259	2	129.5
Albania–Greece	282	2	141.0
Poland–Ukraine	428	3	142.7
Bulgaria–Greece	493	2	246.5
Romania–Ukraine	531	2	265.5
Moldova–Ukraine	939	3	313.0

BORDER REGIONS

The subjects and actors of regional cross-border cooperation are regions. Therefore, the political and legal status of these regions is a key factor in the development of cross-border cooperation.

Long land borders and small country areas imply that a very large part of the area can be regarded as a border region. According to a former definition of the European Commission, border regions are NUTS 3 level territorial units situated directly at the state's land border.³ According to this definition, 21.5% of the area of the European Union can be regarded as border region and 15% of the EU population is living in these regions. The respective figure for the Central and Southeast European countries are 61.7% and 56% respectively. Several small states, like Slovakia, Slovenia and Macedonia can be regarded wholly as border regions.

Cross-border cooperation schemes and cooperations existed already before the political change in 1989–90, overwhelmingly on the East–East borders. The most popular forms were city and region partnerships,

³ Competitiveness and Cohesion: Trends in the Regions: Fifth Periodic Report. European Commission, Brussels 1994, p. 107.

meaning the mutual visits of local leaders, the exchange of folkloric dance groups and similar events. The competences of regions and cities concerning the conduct of foreign relations were very widely and vaguely defined, like in any other sphere of life. It is well known that communist countries were governed not by laws, rather by decrees and orders, but decisively by informal means and controls. Considering the monolithic structure of state and administration, the danger of local leaders acting differently from central policies did not exist. This was the reason why foreign policy competences of regions under communist rule could be, seemingly, wide and liberal.

The situation substantially changed after the political change in 1989–90. The roots of these changes can be traced back to the past. Regional administrative units played a very important role in the one-party-state. They represented a very important centre or focal point of the central planning system. Central planning determined and allocated resources and planning targets only down to regional level. Regional state and party organs, on the other hand, redistributed and allocated these resources and planning targets to the cities, municipalities. This allocation and redistribution power of the regional level was perceived—mostly justly—by municipalities and by their inhabitants as a means of arbitrariness, misuse and corruption. Consequently, one of the first acts of the new democratic legislators after the political change was to divest regional administrations of their former redistributive and commanding power. Sometimes, this divestment went too far by depriving regions from all of their competences or by abolishing them totally. All, not centralised competences were allocated to the lowest level of government and administration: to the municipalities. Medium-level, regional governments were abolished (in the case of the Czech Republic and Slovakia) or weakened substantially (in Poland, Hungary, Romania and Bulgaria).

This was the situation, when, after the opening of the borders, the regions of western EU member countries turned to the East and looked for partners in cross border cooperation. They have found very weak regions, with hardly any competences, or no regions at all. They regarded it as a legacy of communism and of the central planning system. This opinion was wrong, based on insufficient knowledge of the recent history and of the control mechanisms of the socialist party state. The weakening of the regions was a reaction to the former excessive redistributive and commanding power of medium-level party and government organisations.

Because of the non-existence or of the lack of competences at the regional level, the only competent level for cooperation was that of the municipalities. As a consequence, the first cross-border cooperation organisations on the German–Polish border were based on agreements on municipality level, and took strange spatial configurations. There are municipalities immediately at the border that are not members of these new Euroregions, while others, far from the border, are members. Nevertheless, this arrangement was facilitated by the fact that Polish municipalities are relatively large, especially on the western borders. This solution could not be followed at the Czech–German or at Hungarian borders, being that the municipalities there are very small. On the Czech–German border they have experimented initially with the cooperation of districts (*Kreise* and *okresy*). These agreements, however, were declared first null and void by the then Czech government, referring—otherwise correctly—to the fact that districts, being merely the locations of some central government branch offices, are not entitled to sign any binding document on behalf of the municipalities. The same happened in the first Euroregion established exclusively by regions of eastern countries, the so-called Carpathian Euroregion. Neighbouring regions of 5 countries (Hungary, Poland, Romania, Slovakia and the Ukraine) formed it in 1993. Here, the central authorities of three countries (Hungary, Slovakia, and Romania) intervened simultaneously, with the same argumentation. Later, a *modus vivendi* had been found in both cases, so that the newly established Euroregions could, after all, survive.

The cases described above witness the ambiguous, vague and undefined foreign policy competences of Central and Eastern European regions. They were never defined clearly, not even after the political change. The new laws on local governments were enacted in 1990 in all countries. At this time, foreign policy competences of regions were not too important issue, so that this problem was not included in the laws. Interventions by central governments, preventing the formation of cross-border agreements, were not based on any foreign policy competence arguments, but simply on the argument, that medium-level organisations were not entitled to act and sign anything on behalf of local municipalities. It must be noted here, that this ambiguous legal situation enabled central governments, to act in specific cases rather arbitrarily, depending on their interests and political sympathies. They enabled to sign such agreements for regional authorities of certain political colour, while prevented it in other cases.

Central governments could pursue this policy, because for a long time they did not join any international convention, which would prevent them from doing so. The Council of Europe formulated as early as 1980 the Convention on cross border cooperation of territorial authorities and communities in Madrid, but until 1991 no Central and Eastern European country became member of this organisation. Now, with the exception of Serbia and Montenegro, all countries of the region are members of the Council of Europe, but the ratification of the Madrid convention proved to be a slow process. As late as 1996 only three countries (Hungary, Poland and the Ukraine) out of the 18 Central and Eastern European member states of the Council of Europe ratified the convention. Since 1996 the ratification process accelerated but it is not completed so far. For the regions of those countries, which ratified the convention, it became an extremely important point of reference, in many countries the only legal basis for the activities of the regions in international context.

Certainly, the political, legal and economic conditions for cross-border cooperation have improved substantially since 1996 in the region. In several countries, an administrative-territorial reform was implemented (Poland, the Czech Republic, Slovakia, Bulgaria, and Croatia). New regions were established; their competences were substantially strengthened and enlarged. These developments are partly the results of the pressure from the European Commission, to establish planning, programming and implementing capacities in the so-called NUTS 2 regions, which would be the beneficiaries of the Structural Funds, more specifically of the support for the less developed Objective 1 regions. Paradoxically, the newly established regions in the countries—with the exception of Poland—do not coincide with the defined NUTS 2 regions.

Regrettably and quite independently from the above-described administrative reforms—the European Commission decided in 2001, to entrust not the regions but one central agency with the management and control of structural funds in the new member countries until 2007. The argument for that decision was that the regional institutions and structures are not yet sufficiently prepared for the management of Structural Funds. This argument might even be true, the Commission still made a mistake. They pressed and urged the accession countries to establish regions, and regional institutions by implicitly suggesting, it was a precondition for the access to Structural Funds. The accession countries made serious efforts to comply with these requirements facing, sometimes internal political resistance and taking political risk. Now, this decision might be

a technical one on the side of the Commission, but it has political consequences in the respective countries, causing disappointment and frustration in many places.

CROSS-BORDER COOPERATION STRUCTURES AND SCHEMES

Basically, there are two types of cross-border cooperation structures: top-down structures, organised and controlled by central governments and bottom-up structures, initiated and organised by local organisations.

The main type of top-down structures is represented nowadays by INTERREG and PHARE–CBC programmes. INTERREG is a Community Initiative, where the programmes themselves are elaborated mainly by central authorities and the decisions concerning the support of projects is made by the steering committee, composed of representatives of supranational, central, regional and local organisations. PHARE–CBC (cross-border co-operation) is even more centralised financial facility, where decisions concerning projects are made in Brussels.

INTERREG and PHARE–CBNC programmes refer to the whole border sector between two countries, except special (e.g., trilateral) programmes aiming at the development of the border regions where the borders of three countries meet. INTERREG was established at the beginning of the nineties, first aiming at the development of internal border regions within the EU, later extended to external borders. From 1994 on, it was possible to launch matching programmes in the associated countries financed from PHARE allocations. This possibility was open to Poland, Slovenia, the Czech Republic and Bulgaria. In 1995, with the accession of Austria, this opportunity was opened to Slovakia and Hungary as well. From 1996 on PHARE–CBC programmes could be initiated also on borders between two candidate countries, subject to the condition that both countries initiate it and submit a common programme. Consequently, this option has not been realised at once, but gradually, depending on the relations between the two neighbouring countries. At present, however, there are PHARE–CBC programmes in place on all border sections between candidate countries (there are seven INTERREG–PHARE–CBC and ten PHARE–CBC–PHARE–CBC programmes).

Unfortunately, it is not the case on the borders to non-accession countries. Theoretically, the support programmes to these countries—TACIS,

CARDS, MEDA—can be utilised also for cross-border programmes. The small amount of support, the preference given to other objectives have so far not enabled any significant use of these assistance programmes for this purpose.

Unfortunately, there are many reasons why these INTERREG–PHARE–CBC programmes cannot become really ‘common’ programmes. One reason for it is certainly of organisational and procedural nature.

The EU support programmes for cross-border cooperation in Central and Southeast Europe are managed by three different General Directorates of the European Commission. INTERREG is managed by DG Regio, PHARE–CBC is managed by DG Enlargement, while TACIS, CARDS and MEDA are managed by DG International Relations. Each of these Directorates issued different guidelines, each has different procedures, accounting and control methods, timetables, and different monitoring and evaluation techniques. INTERREG programmes are adopted as a seven-year programme, PHARE–CBC in an annual procedure. INTERREG has a programming approach, PHARE–CBC allocations are approved project by project. Most of the INTERREG project selection decisions are made locally, in case of PHARE–CBC most decisions are made in Brussels, or nowadays by the EU delegations in the respective capitals. Under these conditions INTERREG–PHARE–CBC programmes can hardly be any else but parallel programmes on the two sides of the border.

But there are not only procedural difficulties, but also substantial differences in the contents of the programmes. Most of the EU regions on the EU external borders are Objective 1 or at least Objective 2 regions, where there are other, substantially larger financial sources of development support than INTERREG. Therefore, INTERREG resources are used not for investments serving the provision of basic needs and services, but for development projects of secondary needs, aiming at cultural, recreation, leisure time and tourist development, like riding paths, so-called ‘vine routes’, cultural centres and so on. One could say: INTERREG is only the icing on the cake. On the other side of the border, PHARE–CBC is frequently the only source of external support, which would be used for the solution of basic infrastructure problems, like feeding roads, water supply and sewage and waste disposal facilities. Therefore, the possibilities for common projects are rather restricted.

And it is still the better case, when each side develops and submits projects, according to its specific needs. It is a worse case, when preferences and priorities of the EU are imposed on the eastern partners. One

can cite as an example for this case a project on the Greek–Bulgarian border: In 1997–98, the EU and Greece initiated a project, to enlarge the living space of brown bears in the mountains along the Greek–Bulgarian border. No doubt, it is an important issue of sustainable development to prevent the extinction of this endangered animal species. According to this plan, passages and bridges were to be built over the roads on both sides of the border. On the Bulgarian side, it would be financed out of the PHARE–CBC resources. But it was the time of the deepest recession in Bulgaria, when a large part of the population suffered from poverty and, literally, from hunger. In the Bulgarian press, there were sharp protests against this project. Many Bulgarian citizens wanted to be registered as brown bears,⁴ because brown bears were beneficiaries of much more generous EU support than people, and additionally, their border crossing was not only allowed, but facilitated, while Bulgarian citizens needed in those times a hardly obtainable visa to cross the border.

After the first wave of enlargement, taking place in 2004, 24 new INTERREG programmes are to be established on the new internal and 14 on the new external border sections. It is a question, to what extent EU directorates are the prepared to implement this task. Interdirectorate coordination should be certainly improved. The insufficient level of coordination is demonstrated by the fact that in the period 2000–2006 the amount of INTERREG appropriations is increasing substantially, its counterpart in the PHARE appropriations remains constant during the whole seven-year period.

The main types of bottom-up structures are the Euregions or Euroregions. The prototype of these regions was established as early as 1958 on the German–Dutch border. Its organisational structures served as a model for all later established similar regions, at least formally. They emerged first along the western borders of Germany, after the political change in 1990 they appeared also along the eastern borders of Germany and later there was a diffusion to other eastern borders. In Western Europe, however, outside the borders of Germany, they remained a rarity. Now the German–Polish, the German–Czech, the Polish–Czech and Polish–Slovak borders are fully covered by Euroregions and slowly the coverage will be full also on the Slovak–Hungarian border. On other border sections there are very few Euroregions and they are also of quite recent origin.

⁴ Published on Internet homepages of different Bulgarian newspapers in 1999.

Members of Euroregions are municipalities on the German–Polish border, and Regional authorities in most of the other cases. They are, however, similar to the model of the Dutch–German Euroregion only in appearance, their competences and powers being radically different from the original model. Their common boards do not dispose over any decision-making competences; they can adopt only recommendations. Even these recommendations are mostly of general and vague character. The partner regions pay a membership fee which is enough to pay one or two employees in a secretariat, and to host the rotating meetings of the board. The members can apply, as any other legal or natural entity for INTERREG and PHARE–CBC project in their respective countries, but not as a Euroregion, but as member regions or municipalities. Of course, some coordination of these project proposals and applications can be carried out in the board or in the sectoral committees, but real common projects are very rare.

Nevertheless, the establishing of a Euroregion is of political significance, signalling the intention to cooperate. The lack of Euroregion, especially on the densely covered border sections is a sign of reluctance and reserve. An example for it is the Austrian–Slovak border. As early as 1994, the two governments proposed to build a bridge on the border river March–Morava between the two countries. The reaction to this proposal was an initiative for a local referendum in the Austrian border city of Dürnkrut, where the bridge was to be built. The local referendum voted against the construction of the bridge, which has not been built up to the present time. This case illustrates that cooperation is a bilateral issue and not always the accession countries are to be blamed for its failure.

The other forms of bottom up cross-border cooperation initiative are the so-called working communities.

Working communities have usually much larger spatial dimension than Euroregions. They cover parts of several countries and many regions. Consequently, their function is also different from that of Euroregions. Working communities are engaged in more general problems of regional cooperation. Some really large projects might become the subjects of their activities, but they are more interested in topics like cooperation in the field of the press and mass communication, R&D, spatial planning, a common language of development planning, culture, environmental policy, preservation of the natural and cultural heritage, small and medium enterprises, and so on. It is rather a forum of collection, systematisation, dissemination and exchange of information. Shortly, working commu-

nities are rather specialised in the 'software' aspects of cross-border cooperation.

There are three major cooperation structures of 'working community' type in Central and South-east Europe. The oldest one is the Alps-Adriatic Working Community. Founded as early as the seventies, initially it was the framework of Italian, Austrian and South German regions (Bavaria). During the late eighties it was enlarged by Eastern (Yugoslav and Hungarian) and Swiss regions. The Alps-Adriatic Working Community played a really pioneering role in the establishment of East-West cooperation structures on regional level. It comprised regions from NATO (Italy, Germany), neutral (Austria, Switzerland), non-aligned (Yugoslavia) and Warsaw Pact (Hungary) countries at a time, when this type of cooperation at higher, government levels was totally missing. Regions—nor burdened by problems like national security, debt, exchange rate—were able to establish relations in the fields they were more interested in, like environment, culture and spatial planning. In the nineties, through the emergence of national-level cooperation structures in the same space, like *Quadrangone*, *Pentagonale*, *Central European Initiative*, the importance of the regional-level cooperation faded out to a certain extent, but, nevertheless, it survived.

The second Working Community to be mentioned in the region is the Working Community of Danubian Regions (*ARGE Donauländer*). It comprises all regions along the Danube. At the same time, it exposes all the weaknesses of this type of regional—especially of East-West—regional cooperation structures:

The first problem is the dramatic difference, one can say gap, between the political, economic and legal power and competences of the western and eastern participating regions. Members of this Working Community are Bavaria and Baden-Württemberg with a population of 10–11 million and with a total GDP of 250–300 billion euro each. And members with the same rights are the Slovak, Hungarian and Romanian counties with an average population of half million, and with a GDP of 1.5–2 billion euro each. The gap in the population size is 1 to 20, the gap in the GDP size is 1 to 150. Alone Bavaria or Baden-Württemberg have a higher GDP than all the other Danubian regions together. How can be decisions taken in so a diverse community? Bavaria and Baden-Württemberg are sometimes frustrated by the impotence of such type of cooperation schemes.

Finally, the third organisation of Working Community size and functions is the so-called *Carpathian Euroregion*, comprising several regions

of Poland, Slovakia, Hungary, Romania and of the Ukraine. Its name is Euroregion but just because its founders did not know, by the time of the foundation, what an Euroregion meant and what it looked like. Its area is larger than that of Slovakia and Hungary and its population is more than 12 million.

By the time of the establishment in 1993, it was the first institutionalised cross-border cooperation comprising exclusively non-EU-member countries. At the foundation ceremony, the then General Secretary of the Council of Europe, MME CATHERINE LALUMIÈRE held the opening speech followed by the Polish, Ukrainian and Hungarian foreign ministers. It turned out, however, soon, that no organisation was ready and willing to finance any activities of this organisation. The European Union was not interested in it at all. In the reports of the Council of Europe it had a place every year as one of the outstanding achievements of the Council, but out of the context of the report it was clear that they had no genuine information about it, at all. Finally extra-European organisations, a New York institute and a Japanese foundation took over the responsibility of partial financing. Ukrainian, Slovak and Romanian regions were not in a position to pay any membership fees, so the rest of the financing had to be taken over by the participating Polish and Hungarian regions. But so it was a substantial burden and regions, which regarded the balance of costs and benefits as unfavourable, gradually left the organisation, so a vicious circle began to take effect. The Americans and the Japanese also became disappointed with the activities of the organisation, so they no longer supported the Euroregion, but a Foundation of the same name and same spatial coverage, further dividing the efforts. It is a sad story,⁵ but it might still turn to be useful, if it draws the attention of Europe to these poor and critical spots of the Continent.

Summarising the developments, cross-border cooperation has not been a success story so far in Central and Eastern Europe. Its institutional structures are weak and of *ad hoc* character. They do not dispose over the competences of decision making and over finances. Their establishment is, however of symbolic, political importance. It signifies the intention and will to work together. It can be taken for granted that this intention will bring also tangible results in the years to come.

⁵ See in more detail: IVÁN ILLÉS (1996): *The Carpathian (Euro) Region*. Occasional Papers, No. 6. Tübingen: Europäisches Zentrum für Föderalismus-Forschung.

PREPARATION OF HUNGARIAN REGIONAL POLICY FOR EU ACCESSION

PÉTER SZALÓ

Hungary's integration into the European Union will offer major opportunities and pose major challenges for regional development. The principle of solidarity is of decisive importance in the EU model of social-political enhancement. In order to promote solidarity as well as competition, an active structural policy is enforced with emphasis on regional policy, in addition to a social policy and the common agricultural policy. Therefore, the strategic goal of the Hungarian regional policy was the development of an institutional framework that suits EU regional policy. The last decade can be divided into two parts from the point of view of preparation for the EU membership:

1. the period of preparation which started in 1992 and 1996, and
2. the period of negotiation between 1996 and 2002.

The starting point of the period of preparation was the PHARE programme of 1992 that offered a good basis for implementation of EU policies. Its contribution to the adoption of the Act on Regional Development and Physical Planning No. XXI of 196 was essential, therefore the Act is considered as a turning point in the history of regional development in terms of the legal environment, institutions, financial and economic management and EU integration. The Act, in line with EU regional policy, set objectives for regional development and identified scopes of authority with the Parliament and the Government. A new institutional system was set up under the Act. The responsibilities of associations of local authorities, the county and the regional development councils and of the National Regional Development Council have been identified and goals have been set for the regional players.

Another decisive element of the preparatory period was the National Concept of Regional Development adopted in the Parliamentary Resolution No. 35/1998 (III.20). The Concept contains an integrated image of the country's regional structure for the future, a desirable relationship between man and his environment, long-term development objectives and priorities, the principles of international cooperation and integration, a regional system of priorities for the different sectors and the goals set for regional development policy. It has been structured from below, enabling key principles, such as subsidiarity and partnership, to be enforced. The concept was a foundation for developing the national development plan and regional (county, small-region, etc.) programmes.

THE FEATURE OF NEGOTIATIONS

On 31st July 2002, Hungary and the European Union provisionally closed the negotiations concerning Chapter 21 on social cohesion and structural policy—or at least as far as its institutional aspects are concerned. Financial issues—as well as another very sensitive chapter, i.e., agricultural support—were closed during the Copenhagen Summit of December 2002, within the framework of the final decision about EU Enlargement.

Nevertheless, closing took a long time with a lot of tasks like a series of formal and informal negotiations, issuing official bilateral and multilateral documents. This outcome required especially hard governmental work from 1996.

The Association Committee was the highest level of bilateral talks. This Committee regularly reviewed issues of regional policy. However, actual work was performed at the level of sub-committees. Due to the governmental structure, negotiations were started first by the Environmental Protection, Energy and Regional Policy Sub-Committee, then by the Regional and Social Policy Sub-Committee after 1998. In 1997, the Government set up the Hungarian Negotiating Delegation headed by the Ministry of Foreign Affairs. In my person, the professional person in charge for regional development could be a member of the Negotiating Delegation during the two subsequent governmental periods as well. This was also very important because—as members of a small body—we could review all phases of each and every topic through the fast and effective coordination mechanism created by the Ministry of Foreign Affairs.

Professional tasks of the negotiating delegation were performed by dedicated working committees in detail. The Working Committee on Regional Policy was coordinated by the Ministry of Agriculture and Regional Development (MOARD)—in terms of regular reports, screening—and this work embraced cohesion policy and Chapter 21 as well.

The very first milestone of accession was the preparation of answers to a questionnaire of the European Union. The document of several ten thousands of pages included Hungary's own assessment in the field of community policies but it also touched upon directions of institution building. Based on the documents of national governments, the Commission issued its Regular Report annually.

The first Regular Report of the EU basically gave a positive assessment to regional policy, while emphasising that:

- an Act on regional development exists, which is unique among the candidate countries;
- the Act on regional development basically meets the criteria of the EU;
- the capacity of public administration is sufficient to manage integrated programming;
- the country will be able to adopt the procedures of the Union and effectively utilise the Structural Funds if the implementation of the Act is effectively promoted.

Negative aspects of the country-opinion included that:

- implementation of structural policy might be problematic, since the new institutions lacked experience;
- coordination between the ministries and regional/local organizations was unsatisfactory;
- it had not become clear how the resources of regional development in Hungary could be matched with EU Structural Funds, therefore, the cofinancing capability of Hungary could not be correctly assessed,
- the funds earmarked for regional development were rather limited.

The Regular Report of 1998 played a very important role—we regarded it as a starting point of SWOT analysis for the development of regional development policy and the institution building programme, although the standpoint of the Commission favouring decentralisation strongly changed after 1999—i.e., the very first date for accession. This process

culminated in the TAIEX seminar of 15th March 2001 on the implementation of structural policy held with the participation of accession countries and twinning experts. A slight change of focus and the demand for an enhanced central administration could already be observed in the Regular Report of 1999.

A new momentum of the pre-accession process, i.e., a screening procedure, occurred in 1999. Screening was based on multilateral and bilateral meetings. Within the framework of multilateral meetings, the Commission presented the *Acquis Communautaire* to the candidates, whereas during the bilateral meetings, candidate states demonstrated how they could apply them.

The very first screening within the framework of regional policy was held in April, 1999, but as it referred to former community legislation—since the European Commission passed its Regulation (EC) No. 1260/99 on structural policy in June, 1999—, a new round was held in September, the same year. Significant discussions evolved only in terms of the classification of the Central Hungary Region. Data and maps presented by the Hungarian party—referring exclusively to the rating of regions according to Objective 1 targets—were based on the application of the *acquis* in line with the practice of Member States.

Delegates of the Commission pleaded the developed status of Budapest and the fact that the region should exceed 75% of the GDP average of the EU by the accession; thus, they stated that the region could be related to Objective 2. The Hungarian party underlined the importance of the principle of equal treatment and the fact that the reference date and the average community GDP per capita had to be the same for both Member and Associate States when rating. Well, this discussion was settled by closing Chapter 21 in 2002, actually representing the success of the Hungarian standpoint.

Accession talks concentrated on the formulation of Hungarian and EU standpoints. The Hungarian Government delivered its Position Paper for Chapter 21 on Regional Policy and the Coordination of Structural Instruments in June 2000.

In the course of negotiations with the European Union, Hungary declared to completely accept the *Acquis Communautaire* in terms of regional policy and the coordination of structural measures and undertook to establish the conditions required for the effective implementation of community policies on economic and social cohesion as well as to utilise the support available in this framework in compliance with EU requirements.

The Position Paper stated the standpoint of the Hungarian Government concerning legislative and institution building issues as follows:

- in terms of rating according to preliminary NUTS, indicating 5 levels of the NUTS system (see in more detail in T. KOVÁCS in this book);
- in terms of the legislative framework, indicating the application of competition regulations;
- the validation of environmental policy;
- regulations on equal opportunities;
- rules of public procurement;
- multi-annual budgeting;
- opportunities for re-allocation concerning the commitment.

One of the key elements of the Hungarian Position was that it intended to include all the seven regions under Objective 1. It also indicated that Hungary wanted to achieve the level of support equal to that of the Member States average, i.e., EUR 238/year. In addition to that—as the entire country was eligible—, Hungary intended to submit one single National Development Plan. The Position Paper also stated that the National Development Plan should include five Operational Programmes (OP) and it identified the Management Authorities of the given OPs. We describe these latter according to the Supplementary Information (Supplementary Information to the Negotiating Position of the Government of Hungary on Chapter 21. Regional Policy and the Coordination of Structural Instruments) issued in June, 2002, defining detailed institution-building information and modifications due to the change of the government.

According to that, Operational Programmes and their Managing Authorities are as follows:

- Economic Competitiveness OP—Ministry of Economy and Transport;
- Infrastructure Development and Environmental Protection OP—Ministry of Economy and Transport;
- Human Resources Development OP—Ministry of Employment and Labour;
- Agricultural and Rural Development OP—Ministry of Agriculture and Regional Development;
- Regional Development OP—Prime Minister's Office, National Office for Regional Development (NORD).

The Government appointed the National Office for Development and EU Support within the Prime Minister's Office to be the coordinator of the National Development Plan and the Managing Authority of the Community Support Framework. The Paying Authority of Structural Funds and the Cohesion Fund shall be the Ministry of Finance.

The Position Paper presented existing and planned institutions as well as:

- the field of financial control;
- the range of intermediate bodies in addition to management authorities;
- the system of cofinancing;
- the schedule of programming;
- ex-ante control;
- the application of the principle of partnership;
- the system of monitoring and evaluation;
- data exchange with special regard to evaluating additionality.

The European Commission has not formulated a Common Position with respect to the Hungarian Position Paper submitted in 2001. This could be expected because of the sensitive character of the Chapter and especially EU negotiations. Consequently, the Commission asked for more information starting a new round (this was closed by Supplementary Information in June 2002). In addition to that, MR. MICHEL BARNIER, Commissioner in charge for Regional Policy and MR. GÜNTHER VERHAUGEN, Commissioner in charge for Enlargement—in consultation with commissioners responsible for employment and agricultural issues—issued an Information Note to define programming framework in December 2001. The list confirmed several elements of the Hungarian position. In this respect, we must point out that rating used the Article on Eligibility as specified by the *Acquis* was accepted which seems to be a great success.

CLOSURE OF CHAPTER 21 ENTITLED "REGIONAL POLICY AND COORDINATION OF STRUCTURAL MEASURES"

As I mentioned above, the provisional closure of Chapter 21 entitled "Regional Policy and Coordination of Structural Measures" was affected at the Chief Negotiators' Round on July 30 2002. After that, this chapter

was eventually closed together with all other chapters at the Copenhagen Summit on December 13 2002.

The provisional closure of the chapter referred to the institutional preparations required to absorb the Structural Funds and the Cohesion Fund and to the elaboration of the National Development Plan. Besides substantial decisions, the Common Position of the EU signposting the closure of the chapter was definitely boosted by the new government structure and the rapid launching of new governmental institutions, such as the Office for the National Development Plan and EU Support established within the Prime Minister's Office and the National Office for Regional Development. The Common Position includes two important messages for us. On the one hand, the European Union appreciated Hungary's preparedness regarding regional policy and the coordination of structural measures; on the other hand, it acknowledged Hungary's entitlement to absorb the Structural Funds and the Cohesion Fund.

In the course of months elapsed since the provisional closure of the chapter on regional policy, realisation of the assignments also formulated in the Common Position issued by the European Union, has continued; the European Commission has permanently monitored this process. No factors have arisen which would have prevented the final closure of the chapter.

In the judgement of the European Union, the Government and all partner organisations are capable of preparing to absorb the support system of the Structural Funds and the Cohesion Fund before the scheduled time of accession, as a result of the effective work performed by the appointed organisations in charge; and to establish proper conditions for the efficient, expedient, and regular appropriation of EU cofinancing resources, for which considerable managing, implementing, financial, and control capacities have been developed, particularly regarding the absorption of pre-accession funds.

As the European Union observes the strengthening and acceleration of preparatory and programming work, it expects that Hungary can submit to the Commission the National Development Plan in time in order to secure Community resources. The European Union is convinced that both the Plan and the Operational Programmes for its implementation are developed in the framework of a most extensive partnership, in cooperation with municipalities, the private sector, interest representation organisations, and non-governmental organisations. As regards implementation, the European Union highly appreciates that Hungary plans to

implement a reduced number of transparent target programmes in the programming period from the accession to 2006, deemed to be a preparatory phase by the EU.

It is received favourably that, on the basis of an EU proposal, Hungary implements the regional development measures to be cofinanced in the framework of a national-level Regional Operational Programme besides sectoral programmes. In the light of the preparatory work completed so far, it is viewed that the development and implementation of the final Regional Operational Programme will be ensured within the partnership framework of the National Office for Regional Development and regional development institutions of various levels.

The positive judgement of Hungary's preparedness is also enhanced by the fact that Hungary consistently upheld its position to establish the regional divisions of the country in full conformity with the regional structure of the European Union throughout the period of negotiations, until the very last moment. Therefore, in its Common Position, the European Union could state Hungary's eligibility on the basis of stable regional and statistical subdivisions within the system of objectives of the Structural Funds operated on a regional basis, in accordance with the principles set forth in Community regulations. Hungary received a substantial answer from the European Union to close the debate on specifying the boundaries of regions in Hungary, including the eligibility of the Region of Central Hungary comprising the capital as well. According to the Common Position, all the regions of Hungary are deemed to be eligible for Objective 1 at the time of completing the accession talks, taking the last reference years available (1997–1998–1999) into consideration. The eligibility specified at the time of completing the accession talks may not be modified; the list of supported regions will be included in the Treaty of Accession and will be in force until December 31 2006.

APPROXIMATION OF LAW

Regarding Chapter 21, entitled "Regional Policy and Coordination of Structural Measures", the Hungarian Government is not required to perform any obligations in terms of the approximation of law: all decrees on the Structural Funds will automatically come into force at the time of accession. In order to be able to absorb support from the Funds, however, certain legal regulations are required to be amended, for the scheduled

final deadline which is the time of accession. The legal regulations concerning Chapter 21 of the European Union are screened on an on-going basis in the framework of 'screening updating'. As of June 30 2002, the new EU legislation is also characterised by the fact that there are no changes required to be made in the newly published legislation as compared to earlier positions.

Due to the sphere of authority of the National Office for Regional Development, legal amendments are required to absorb the Structural Funds support and to implement the Community Support Framework Plan and its operational programmes primarily involved in the modernisation of Act No. XXI/1996 on Regional Development and Physical Planning, with particular regard to the review of the institutional structure. Further legal amendments related to the chapter mainly include legal regulations on budget, financing procedures, and financial control, in order to become applicable within the Hungarian legal system when the EU requirements related to structural policy come into force.

INSTITUTIONAL DEVELOPMENT

In order to close the chapter entitled "Regional Policy, Cohesion Fund, and Coordination of Structural Measures", Hungary stated its undertakings in a Supplementary memorandum of information submitted to the European Commission on July 9 2002. As regards the development of the institutional system required to absorb the Structural Funds and the Cohesion Fund, the Government undertook to assign the institutions responsible for drawing up the National Development Plan and absorbing the funds as well as to meet the deadlines agreed to in terms of the establishment of the institutional system related to organisational units managing EU support within the assigned institutions (managing authorities, paying authority, and intermediary organisations).

The form of the Hungarian institutional system for the Structural Funds and the Cohesion Fund was finalised in June 2002. Government resolution No. 2199/2002 (VI.26) adjusted the arrangement of responsibilities specified earlier to the new government structure, appointing the institutions where the managing authorities and intermediary organisations implementing the National Development Plan, the related operational programmes, and the projects of the Cohesion Fund would operate in the future. Furthermore, Government resolution No. 2187/2002 (VI.14)

specified the paying authority for the Structural Funds and the Cohesion Fund.

In parallel with the elaboration of the National Development Plan, the work schedule of institutional development specifies assignments in three main areas:

- making decisions on the detailed structure of the institutional system and the division of tasks between organisational units;
- establishment of the order of operation of the organisational units;
- provision of human resources required for the operation of each organisational unit.

The Managing Authority of the Regional Operational Programme will be set up within the framework of the National Office for Regional Development. The work of the Managing Authority is planned to be assisted by the Regional Development Directorate of VÁTI (Institute for Urban Planning) and regional development agencies as intermediary bodies.

The European Commission requires that the operation of managing authorities, the paying authority, and intermediary organisations be regulated by detailed internal organisational by-laws and rules of procedure to ensure that the organisational units concerned complete the tasks specified by the relative legislation fully, transparently, and properly.

A key element of regulations on the operation of the Structural Funds and the Cohesion Fund is represented by the operational manuals to be prepared for each fund containing the detailed rules of procedure and methodology of tasks as well as the obligatory documents to be used.

The development of rules of operation is a complex and rather costly procedure; the PHARE SPP-II (Special Preparatory Programme) programme plays a key role in carrying it out. These assignments are closely related to the Extended Decentralisation Implementation System of the PHARE and ISPA pre-accession funds (EDIS). This essentially means that the rules of operation applicable to the managing authorities and the paying authority should be enforced in terms of pre-accession funds as well.

Human resource capacities should also be strengthened in the process of preparing for the Structural Funds and the Cohesion Fund. Although the managing and paying authorities provided the minimal staff required for establishing these authorities by late August 2002, as undertaken for

the European Commission, particular attention should be paid to the following in the course of the institutional development process: the final staff numbers required to absorb the Structural Funds and the Cohesion Fund should be actually employed by the managing authorities as of March 31 2003 and by the paying authority as of December 31 2003.

The employees concerned are required to obtain the knowledge and skills necessary for the operation of the Funds in the framework of ongoing training programmes. The training programmes encompassing special job-related knowledge are standardised by PHARE SPP-II. At the same time it is essential that the organisations concerned have their own preparation programmes besides the opportunities offered by SPP-II, ensuring the consistent implementation thereof.

GOVERNMENT PROGRAMME TO ENSURE THE ORGANISATIONAL AND STAFFING CONDITIONS OF OPERATION AS A MEMBER STATE (TMP)

Based on Government resolution No. 2090/2002 (III.29) and the system of considerations specified by the Ministry of Foreign Affairs, the National Office for Regional Development completed the survey required for the government proposal on the organisational and staffing conditions of operation as a Member State. The objective of the programme is that the proposed human resource allocations should be provided by each ministry and their associated institutions for Hungary's participation in the special committees acting at the Commission of the European Union, and in the activities of the working groups of the European Council as well as for the EU Mission in Brussels. The pool of experts presently available at the National Office for Regional Development should undergo the planned developments in order to ensure integration into the work in Brussels both within Hungary and in various EU organisations.

THE ELABORATION OF REGIONAL OPERATIONAL PROGRAMME

The first draft of the Regional Operational Programme (ROP) was completed as early as January 2002, well before the development of sectoral operational programmes, and coordination started with the competent

ministries. Since then, both the structure and the contents of the ROP have been modified several times with a view to the progress of development of sectoral operational programmes and coordination with EU experts.

As regards the elaboration of the sections on regional work, the starting point was provided by the comprehensive objectives of regional development policy and the strategies drawn up by the regions.

The strategic objectives and lines of action of Hungary's regional development policy are specified by the National Regional Development Concept as set forth in Act No. XXI/1996 on Regional Development and Physical Planning. By virtue thereof, Hungary's vision of regional development policy constitutes an attempt to realise a spatial structure where regions with diverse social and economic properties develop along their different, peculiar development tracks but still in harmony with each other while regional differences are diminished and the country is integrated into the European spatial structure.

In January 2002, the document entitled "Status Survey for the Regional Strategy of the National Development Plan and the Operational Programme of Regional Development" was completed together with the first version of the Regional Operational Programme entitled "NDP Regional Strategy; Measures of the Operational Programme of Regional Development". These documents include a detailed presentation of the situation of the seven regions in Hungary (combined with a SWOT analysis), the major objectives of regional development, and the strategy to be derived thereof. This entailed the elaboration of four development priorities including 25 measures at that time.

The priorities and measures mentioned above were modified at several instances as a result of coordination with the European Union as well as with sectors and regions. Fundamental criteria for modification included the elimination of overlaps between sectoral and regional programmes; concentration due to scarce resources and for less complicated implementation; and the definition of development directions that can be implemented more reasonably and effectively at regional levels.

As a result of coordination activities, the Regional Operational Programme specified the following priorities for the programming period between 2004 and 2006:

- development of the regional economic environment;
- integrated spatial and regional development actions;

- improving the society's ability of revival;
- technical assistance (expert assistance to support the implementation of the programme).

The first and second priorities support measures financed by the European Regional Development Fund (ERDF), while the third priority is to be realised by the coordinated financing of the European Social Fund (ESF) and the European Regional Development Fund (ERDF).

One of the main components of the first priority is the improvement of the accessibility of areas and settlements (renovation and construction of by-roads, access roads, settlement by-pass roads and three and four digit roads in a bad state of repair) to enhance the internal cohesion of regions and the strengthening of regional economic contacts. Another main component of this priority is the development of the tourism sector (development of attractions, tourism marketing, accommodation development) both at national and regional levels.

The basic aim of the second priority is to improve the quality of life in areas and settlements. Therefore, emphasis is laid on improving the quality of settlement environment, one the one hand (rehabilitation of public areas and housing estates; re-utilisation and functional changes of brown-zone areas); and on the development of environment-friendly ways of transport (public transport, cycling), and waste water disposal as well as on encouraging the increased use of renewable energy resources, on the other hand. The developments described will be complemented, in the framework of this priority, by IT developments for community purposes, which are primarily related to public service assignments, cultural issues, and the establishment of community access points.

The third priority is intended to improve the qualification levels of the population/employees at local public administration institutions as well as the operational efficiency of non-governmental organisations by the modernisation and capacity building of local public administration (training courses, IT developments) as well as by improving the adaptability of enterprises and employees and supporting the employment of disadvantaged people. At the same time, the development of regional knowledge centres (training, infrastructure for tertiary education) is also emphasised.

The background for the successful implementation of the programme is ensured by expert assistance provided in the framework of a fourth priority.

The coordination documentation of the Regional Operational Programme was approved by the Government on October 20 2002. Thereby the detailed social dialogue of the regional programme was launched where the main partners of regions included county development councils and agencies, small area associations, county-level and local municipalities, employers' and employees' organisations, non-governmental and professional organisations, as well as residents. Regional development agencies played a key role in coordination by spreading information and organising partnership forums and conferences. Social dialogue was completed in all the regions by November 15 2002.

Taking into consideration the results of coordination discussions with social partners and sectoral ministries and of negotiations with EU experts, the measures of the ROP were specified more precisely in late November. The revised version, forming a part of the NDP, was approved by the Government on December 13 2002.

The year 2003 will be devoted to the coordination and approval of the NDP with the European Union. An adequate basis for this is provided by the fact that a budget agreement was also concluded with the European Union at the time of finishing the accession talks.

According to the decision made by the European Council at its meeting in Copenhagen held on December 12 and 13 2002, and relying on the fact that the accession of the ten new member states is effected on May 1 2004, the maximum amounts of agricultural, structural, internal policy, and administrative expenses will be as follows for the ten new member states at the level of commitments as a result of the negotiations at the meeting of the European Council:

Maximum amounts of commitments associated with enlargement between 2004 and 2006 (calculated at 1999 prices for 10 new member states)

Year/million euros	2004	2005	2006
Total structural payments			
Including:	6,095	6,940	8,812
Structural Funds	3,478	4,788	5,990
Cohesion Fund	2,617	2,152	2,822

The results of the accession talks were approved by the EU, which specify the expense requirements arising from the admission of the ten new member states in accordance with the expense levels related to the enlargement as approved by the European Council in Berlin for the peri-

od between 2004 and 2006. As regards commitments, Hungary's share for structural and cohesion policies is going to be EUR 788.3 million in 2004; 899.6 million in 2005; and 1,159.3 million in 2006; totalling to EUR 2,847.2 million in the period between 2004 and 2006.

The European Council requests the Commission to take these expenses into consideration in its proposal to supplement the financial perspective, which is to be jointly approved by the European Parliament and the Council by virtue of Article 25 of the Inter-Governmental Agreement of May 6 1999 on the improvement of budgetary discipline and budgeting procedures.

In parallel with EU coordination on finalising the NDP, it should also be ensured that a large number of specific development projects to be implemented in the framework of the programmes be completed. Appropriate resource allocations from the central budget for 2003 and from the 2002 and 2003 PHARE and ISPA programmes will assist this.

The partnership approach which is obligatory in the course of the planning and implementation of development programmes financed by the Structural Funds, has no traditions in pre-accession programmes. Therefore, the provision of adequate information and training courses should be ensured for social partners. Both social partners and the managing authorities responsible for the programmes as well as the ministries and the entire government should be properly informed on the progress of the programmes at all times. In this way resources can be re-allocated in time from unsuccessful programmes operating in a manner worse than expected to programmes operating properly. Resources for projects that failed to be implemented on schedule will be automatically withdrawn by the European Union.

A computerised monitoring system is required covering all actors in the system as well as all of the projects. MEMOR, a similar system developed for the PHARE, ISPA, and SAPARD programmes is being put into operation with the first practical experiences being collected. On the basis thereof, further development of the contents of this system should be ensured in the course of the first half of 2003, as a result of which the on-line monitoring system fully covering Structural and Cohesion Fund support is established by the autumn of 2003. Data uploads to the system, user training, and the systems to go live are all scheduled to take place starting in autumn of 2003.

It is a long-term assignment to build up a sustainable, effective, properly operating institutional system for development planning, operating

independently from political cycles. A pre-requisite for this is the stable operation of intra-departmental planning units. Besides, the operation of background institutions related to departments and involved in scientific analysis as well as strategic or operative planning should be rationalised, and a coordination procedure should be established as a result of which these institutions can cooperate in an organised fashion in the preparation and implementation of general strategic, sectoral, and regional plans.

III

REGIONAL ADMINISTRATION

THE HISTORY, PRESENT AND FUTURE OF REGIONALISATION IN HUNGARY

ISTVÁN TEMESI

Regionalism is one of the classic and always current topics related to European integration. Traces of regional perspectives could already be seen in the policy of European institutions even at the moment of their establishment. Currently, European regions have a more important role than ever before, both in making and in executing the European Union's policy.

Central and Eastern European countries willing to join the European Union must integrate their regional policy into the European system as well. In the case of Hungary, the first step of this integration must be the revision of regional policy together with a new system of territorial division of the country.

Current European regional policy and the establishment of the regions themselves as administrative units or even as a level of self-government are the results of a decade-long development, so it cannot be expected that the same progress will occur over a short time in Hungary. For a better understanding of Hungarian regionalism, this essay tries to introduce its historical, social, political and ideological background.

HISTORY

Concerning Hungarian public administration on the territorial (regional) level, we primarily refer to counties. That is why we may say that the history of regionalism in Hungary simply means all the reformist endeavours and plans aimed at altering the system of counties developed during feudalism. On the basis of this idea it might not be surpris-

ing that nowadays the question of regionalisation is raised in the form whether the development of regional units in Hungary should be realised in parallel with the existence of, or instead of, the counties. Before examining the current problems of establishing regions in Hungary, it is necessary to survey the solutions for the development of territorial administration both in theory and in practice.

Among the theoretical works, the most significant ones are listed here. Count GYULA SZAPÁRY, Minister of Interior, presented a grandiose reform plan after issuing the Acts on Local governments following the Austro-Hungarian Compromise in 1867, which was rather a proposal for country planning relating to counties than an effort targeting the dissolution or modification of the county system. The next great wave concerning the theories of regional planning emerged due to the modification of Hungary's borders through the Trianon Peace Treaty in 1920, with the idea of radical transformation at that time. In the 20s, statistics divided the country into 28 economic units based on 28 regions of agricultural production. There were also other concepts elaborated in this period worth mentioning, including the proposal made for the Ministry of Interior by ARTÚR BENISCH, or GYULA PRINCZ, who planned 14 counties related to 162 districts. GYULA HANTOS prepared a land survey based upon a territorial structure of Hungarian public administration requested by ZOLTÁN MAGYARY. This land survey served as a basis for the reform plan of PÉTER ELEK, geographer, member of the Hungarian Institute of Administrative Sciences. His main idea was that small regions corresponding to districts ought to have formed one large region. The 'attempt of districts' elaborated in the National Labour Plan of GYULA GÖMBÖS, the then Prime Minister was not completed either. The plan for a three-level public administration system elaborated by IMRE MÁTÉ also failed, although it contained communities and five districts. In 1939, the concept of FERENC ERDEI entirely terminated the system of counties, by putting forward the development of 80 urban centres and seven regions.

After the World War II, FERENC ERDEI and ISTVÁN BIBÓ presented a concept on behalf of the National Peasants' Party as a proposal that initiated to divide the country into 75–80 'city-counties'. In 1975, BIBÓ again elaborated a further plan based on a system of city–district of 80–110 units.

When the Communist Party entered into power, the establishment of Soviet-type councils was introduced on the basis of the counties. In 1956, MÁTYÁS RAKOSI, the then Secretary General of the Communist Party, intended to rearrange this system by forming 12 counties instead of the

previous 19 ones. Then again, the existence of counties in the literature was only questioned in the 80s.

The concepts presented in this period, sought the possibility to establish regions beside the counties rather than as an alternative solution. In 1958–63 the theory of settlement development elaborated by a team of KÁROLY PERCZEL, which later became the basis of the National Concept of Settlement Development, divided the country into three central and six peripheral regions. In 1960, another plan formed by the University of Economics divided the country into ten economic units, while in 1970 the Ministry of Water Management and of Housing marked six planning and economic regions.

As far as the practice of territorial or more specially, regional administration is concerned, it does not seem an exaggeration to name it 'domination of counties', since the system of counties originating in the 12th century is still in force, only its name was changed in 1945. Let me briefly introduce the various forms of territorial administration one by one, besides the feudal type of county and district through the history of Hungarian public administration.

In the feudal era, the so-called shires as well as the SAXON and SZEKELY Seats represented particular territorial administrative units. Besides the Hungarian feudal circles, a different system of circles involving several counties appeared during the Habsburg reign. The units of this system did not function as general self-governments or as public administration entities but played a significant role in performing certain functions of jurisdiction and administration.

At the end of the 17th century, LEOPOLD KOLLONICS' plan to repopulate Hungary was elaborated on the basis of three guberniums, but was not realised. In 1723, the National Commissioner Office charged for the administrative tasks related to the regiments of the regular army stationed within Hungary created four shires in the country. The number of these circles was raised up to six and furthermore up to seven in 1738. Later, the circle division increased in significance in the sessions of the Parliament members of each circle. JOSEPH II, Habsburg Emperor and also reformer, entirely disarranged the traditional territorial division of the country when organising ten circles beyond the modified and fused counties.

The theoretical and political discussions of the Reform Era (1823–1848) did not call forth modifications in practice. After defeat of the Revolution of 1848–49, the absolutistic government of the Habsburgs divided Hun-

gary into five crown lands together with their seats of Buda, Kassa (now Kosice, Slovakia), Nagyvárad (now Oradea, Romania), Pozsony (now Bratislava, Slovakia), and Sopron, containing seven to ten counties each. Following the Austro–Hungarian Compromise of 1867, the rationalisation of the system of counties was raised again without any attempt of its dissolution.

Besides the system of circles, another kind of organisation related to territorial administration was also known which was different from the counties. That was the special administration organisation under central subordination. At first, regional institutes of financial administration were established independently of the counties, although they were later incorporated into the system of county administration. Both military administration and the administration of state education functioned in a regional division form independently of the counties. The administrative organisation of the post-offices and that of the railways was developed after the Compromise of 1867 covering several counties together with military authorities and the gendarmerie. After public administration had been separated from the judicial organisation, Courts of Appeal functioned in the territory of several counties.

The short-lived initiatives of the Peoples' Republic of Hungary in 1918 as well as of the Hungarian Soviet Republic in 1919, also separated the circles organised on the basis of national minorities from the counties.

After World War II when the finality of the borders modified by the Trianon Treaty in 1920 was recognised, the counties were reorganised but none of the concepts aimed at the replacement of that system were realised. The question of the counties was raised again in 1989–90, during the transition period, but the long-existing counties resisted again the attacks of the idea of regionalising reforms now operating as territorial self-governments. The regions of the commissioner of the republic established merely from administrative points of view, on the basis of county boundaries could only function during the short period of 1990–1994. Lacking organic roots, they did not prove to be viable although it might not have been the purpose.

As a conclusion of this short historical review, one may declare that regions or regionalisation based on administrative traditions do not have roots in Hungary.

POSSIBILITIES FOR REGIONALISATION IN HUNGARY

The following conclusions may be drawn from European experiences as well as from the Hungarian history of regionalisation. Despite the claim to change or to dissolve the system of counties has had its considerable past, its realisation has always seemed to be real only in the time of political crisis or events resulting in radical turning points. It is a different problem why realisation has not yet happened so far. Taking the process of regionalism and regionalisation in Western Europe into consideration, my question is what is necessary for regionalisation in Hungary?

In fact, Hungary is a unitary, homogeneous nation state. Considering this, it is evident that regionalisation on ethnic, linguistic, cultural or historical foundations cannot be realistic since there are no regions or territories distinguishable on these bases. Furthermore, one must note that solely one of the above factors in itself does not serve as a necessary basis for regionalisation. There is no possibility for regionalisation based uniquely on geographical factors, due to lack of islands, high-mountains, etc. ... The regional differences including the ones between the centre and the periphery as most significant factors of regionalisation could serve as a basis of regionalisation in Hungary. It cannot be accidental that contemporary theories of regionalisation are of economic or regional development character.

When speaking about regionalisation one must automatically consider the modification of the system of territorial administration. In Hungary, as shown by historical examples, the administrative division is not compatible with an economy-based division. How necessary is it really to force this? It is obvious that the regional approach as well as thinking of regions is justified by territorial distribution or following the transition period, not to mention Hungary's intention to integrate into the European Union. The county as an institutional framework of territorial structure does not meet the requirements set by the European regional policy as it neither does when formulating and implementing Hungarian regional policy.

There is one more factor to be taken into consideration that is necessary to develop regionalisation in Hungary: this is a political decision. In the past the administrative units were first of all established in compliance with political power relations, as shown by examples of the development of European regions; regions, city-counties, city-shires never

existed in Hungarian practice. I presume regions will be established, no matter how reasonable they are from the professional point of view, when a political decision is made on this issue. Since the beginning of the transition period no political factors wanted or even ventured to make this decision, and so far no significant political force has seemed to plan such a decision for the near future or even to put it on its political programme.

One may not be mistaken to predict that regionalisation will challenge the counties in Hungary. Regionalists will encounter opposition on the part of counties whether they prefer choosing 'either regions or counties' to 'regions together with counties'. The Programme on the Modernisation of Public Administration, which was issued by the Government in Resolution No. 3603 in 1992, mentioned no regions or regionalisation.

Instead, it spoke about the role of the counties, county self-governments, and the perspectives of a county reform under the title 'Administration of Self-Governments'. It also spoke about institutions of special administration under central subordination as well as commissioners of the republic under the title 'Central Administration'.

In 1996, a Detailed Programme on Hungarian Public Administration was issued by the Government in resolution No. 1100 serving as a basis of further research. It discussed the question of regionalisation in connection with county reform and local county authorities. Comparing Hungary with other European countries of similar size, the Programme did not consider necessary to disrupt the counties and, at the same time, to form smaller ones, but took the establishment of a system of larger counties into account within a longer period. It did not consider reasonable that the Parliament decide on the fusion of smaller counties without local initiative but encouraged the free association of the counties. The Programme encouraged the spontaneous association of the smaller counties for special purposes in the near future that would meet their demands. Later these spontaneous associations would serve as a basis for a system of larger counties. The Programme of the Government expressed unambiguously that "developing gradually the system of larger counties does not require creating a new level of general power and functions operating between the county level and that of the central administration, which in fact is the region itself. The functions of a region should be fulfilled by larger counties or by spontaneous associations of counties." Obviously this makes clear the tendency of the Government's concept of 1996.

In 1998, the evaluation of the results of the Modernisation Programme coincided with those written in the Programme: according to this Evaluation the original concept did not change. However, the summary¹ of the first phase and the forthcoming tasks of the modernisation process raised the idea to form regional units of central administration. This possibility may be cleared up by further research concerning the merger of the territorial institution units of the central administration beyond the county level, although, at the same time, its position concerning the region as a self-government did not change in comparison with the official position of 1996. It quotes that "now, there is no need to establish a new organ between the county level and the central level exercising general powers and functions: the region is constituted on the basis of general elections and forms an autonomous level" because, as the concept of the Modernisation Programme says, tasks of regional character should be performed by the spontaneous county associations in cooperation with other organs concerned. All of this postulates a suitable stimulation of cooperation between the counties. The Evaluation of the Programme attributes the first results of this process to the new system of regional development that resulted in the establishment of the system of statistical-planning regions. Statistical-planning regions are based on the venue of the regional development councils that includes the association of county development councils.

The political direction outlined above was visibly changed one year after the general elections in 1998. This has been shown by several publications and analysis on territorial development and on the transformation of public administration published for professionals as well as in the written press at that recent time. Concerning the concrete realisation of Government's concept, first of all Government Decree No. 183 (11th November 1998) should be mentioned which delegated the powers and functions related to their regional and administrative policy to a State Secretary for Policy under the Minister acting as Head of the Prime Minister's Office.

In 1999, the concept and objectives of the government were summarised by Government Resolution No. 183/1999 in an action-plan for a period of two years containing tasks related to the reform of local and regional administration. Following the plan determined by the govern-

¹ See: VEREBÉLYI (1998): Summary on the first period of the public administrative reform process and the forthcoming tasks I-II. *Magyar Közigazgatás*, June-July.

ment resolution, the Parliament modified the Act on Territorial Development on the Government's proposal in 1999. This modification made possible the establishment of regional development councils as well as the adoption of their statutes, and the appointment of their members: The Act regulated the system and rules of control of legality exercised over the regional and county development councils delegating this function to the county (and capital) offices of public administration. Another significant change was that the modification fixed the functions of development regions conforming to EU standards.

The above-mentioned government resolution envisaged the revision of the scope of authority of several territorial organs of central administration and the harmonisation of territory of authority of organs of central administration that already functions in regional units within the territory of statistical-planning regions. Regional youth offices, regional committees of tourism, councils of public works, those of water management or agencies of Directorate of Cultural Heritage may be mentioned as examples for the latter. Organising the regions of authorities of second instance meant another task. This was interpreted as preparation or first step of setting up administrative regions, rather implicitly than directly, in particular respect to the fact that one of the objectives was the examination of the possibility for creating regional elected bodies.

The objectives mentioned above were mainly carried out by the government, but its presentation in detail exceeds the scope of this study. As a summary, it may be said that the Government did not declare in public the regionalisation of public administration, but the intention is quite clear, namely the elaboration of the alternative to the structure of territorial administration units under central subordination of counties and this work has already been started.²

All of these were sustained by resolution No. 1057/2001 of the Government assigning tasks for another two years in the form of an action-plan. This resolution was clear when it determined as a task to continue the revision of functions and powers, organisation and functioning of local and territorial organs of public administration under central subordination. A more important objective was determined by the government re-

² Head of Department of the State Secretariat of Administrative and Territorial Policy of the Prime Minister Office wrote in his report: "Also first steps of establishment of state administrative regions were taken." See: BÉKEFI (2000): Report on the execution of tasks determined by the Government Resolution No. 1052/1999 of 21st May on further development of public administration. *Magyar Közigazgatás* 8, 501.

solution in its point I/2. d) saying that the possibility to establish territorial administration on regional bases had to be continued.

Among the tasks to be performed we can find the initiative that the authority of second instance in general in public administration must be a regional organ organised above the county level, if the authority of first instance is exercised by the chief notary of a district. It is necessary to note that the problem of regionalisation cannot be examined in itself without considering the system of settlement and county self-governments.

Latest changes in regional policy occurred in July 2002, when the newly elected Government modified the organisation of policy formulation on the central level. From an organisational point of view, the direction of regional policy stayed in the Prime Minister's Office, but was located on a higher level. Government Decree No. 148 on Prime Minister's Office entitled the minister leading the Office to perform through a state secretary for policy the sectoral duties related to territorial policy, territorial development and country planning (regional development). Then the above-mentioned authority is exercised by the minister delegating some of his functions to his parliamentary deputy secretary of state. These duties are enumerated in the Annex of the Government Decree. Also this Government Decree established the National Office of Territorial Development, providing support to the undersecretary assisting the minister in fulfilling his functions.

THE POSSIBILITIES FOR ESTABLISHING ADMINISTRATIVE REGIONS IN HUNGARY AND INTEGRATION INTO THE EUROPEAN UNION

To set up administrative regions in Hungary, a well-balanced territorial development of the country, the socio-economic and cultural development of its different regions, the regional policy of the European Union and its basic principles including the requirements of the integration to its system of means and institutions must be taken into consideration³.

Let me examine what kind of requirements are applied by the European Union concerning the administrative regions. The principle is that

³ See the detailed preamble of Section 3 of Act No. XXI of 1996 on Territorial Development and Country Planning.

the European Union does not require the modification of the administrative division of a country. The establishment of regions conforming to the European Union's regional policy may be provided without modifying the actual territorial structure of public administration. In another way, in Hungary the statistical-measuring units conforming to NUTS should be shaped, but they do not necessarily belong to the transformation of the administrative structure of the country, even if this seems inevitable over a longer term. The *White Book* which outlines the requirements for European integration has no indication of the administrative division.

When the Hungarian Government gave and published the Answer to the Questionnaire of the European Union there were only a few quotes touching on this topic. This says that there are no larger units of self-government than the counties although the idea of shaping regional units is planned in Act No. XXI of 1996 on Territorial Development, and in the Modernisation Programme of the Government, however it still appears as a recommendation⁴.

On this basis, the options for regionalisation will be examined from two aspects. First, the possibility to develop units conforming to NUTS will be discussed. This will be followed by a survey how to consolidate regions as administrative units. This sharp separation is justified by the first steps towards regionalisation, namely the provisions of Act No. XXI of 1996 on Territorial Development and Country Planning that distinguishes two types of regions: the planning-statistical (great) region and the development region.

HUNGARY AND NUTS

The system of NUTS, units of regional development on local and regional level were to be formed before the negotiations on European Union membership according to the regional policy of the European Union. The structure of NUTS in Hungary was to be established by creating levels of NUTS 2 and 4 between the existing local level (NUTS 5) and the national level, and beyond the county level (NUTS 3) aiming at statistical-planning that represents no administrative units by all means.

In Hungary, the formulation of the great regions at the level of NUTS 1 did not seem reasonable due to the dimension of the country, although

⁴ See: Hungary in the 90's. The Answer of the Hungarian Government to the European Union's Questionnaire. Budapest 1997, p. 261.

the possibility to create three groups of regions was already brought up. Therefore neither the Act on Territorial Development and Country Planning, nor the National Concept on Country Planning takes it into consideration. In other words this means that the unit NUTS 1 is to represent the whole country as an entity.

Considering that units of NUTS 2 have high priority in the programmes of the regional planning elaborated on certain levels the structure of NUTS as well as in the uniform and closely attached system of country plans. Section 5 of the Act No. XXI (1996) on Regional Development and Regional Planning, determines that planning-statistical (great) regions are the adjoining planning and statistical territorial units covering the territory of several counties (e.g., the Capital), bordered by the administrative borders of the counties concerned, which are equal to the units of NUTS 2. Then, this provision of the Act determines that statistical regions shall cover the territory of several counties.

On 20th March 1998, according to the Section 6, point a) of the Act, the Parliament passed the National Conception of Planning Regions⁵ in a form of a resolution, which provides for establishing the statistical-observing system of regions and, at the same time, determining the seven planning-statistical regions as follows:

1. Western Transdanubia—Győr–Moson–Sopron, Vas, Zala counties;
2. Middle Transdanubia—Veszprém, Fejér, Komárom–Esztergom counties;
3. Southern Transdanubia—Baranya, Somogy, Tolna counties;
4. Central Hungary—Budapest and Pest counties;
5. Northern Hungary —Heves, Nógrád, Borsod–Abaúj–Zemplén counties;
6. Northern Great Plain—Jász–Nagykun–Szolnok, Hajdú–Bihar, Szabolcs–Szatmár–Bereg counties;
7. Southern Great Plain–Bács–Kiskun, Békés, Csongrád counties.

This means that a regional level, units of NUTS 2, were established in Hungary. Regions established in this way have an average territory of 13,000 km², and an average population of approximately 1.5 million. (These index numbers are similar to the EU average: 15,700 km² and 1.8

⁵ See: Resolution of the Parliament No. 35 of 1998 of 20 March on the National Conception of Country Planning.

million.) Disregarding the region of Central Hungary involving the capital, the differences between the regions are not significant. Each region is constituted of three counties (units of NUTS 3) except for the above-mentioned Central Hungary. Each region consists of 21–22 units of NUTS 4 and cca 450 units of NUTS 5. The largest region, the Southern Great Plain has a territory twice as large as the one of the smallest region, Southern Transdanubia. The region of the Northern Great Plain has the highest number of population. It is half as much again than that of Southern Transdanubia, the region having the lowest number of population.

There are larger differences between the regions considering the GDP per capita, but there is something common in them: none of the Hungarian regions has an average as high as 75% of that of the EU average. Neither the Northern Great Plain nor Northern Hungary has an average as high as 75% of Hungary's average.

Concerning the units of NUTS 3, as it has already been mentioned, the counties comply with this level taking either their extent or their population into account. The parameters of the 20 units of NUTS 3, established in this way, including the capital, are approximately half as much again than that of the EU average (their average territory is 4,700 km², the average number of population is 510,000 versus the average of EU 3,100 km² and 360,000). In the European Union, there are some smaller as well as larger units of NUTS 3 than the smallest and largest county of Hungary.

Units of NUTS 4 are formed by 150 units determined by the Central Statistical Office in 1997. In summary, we may declare that the establishment of the units of NUTS is an organisational measure of territory that is based on a special decision made by the central power, which neither concerns directly the structure of public administration nor changes it. That is why a decision of this kind has less political significance than the organisational decisions of territory concerning the administrative division.

THE POSSIBILITIES TO SET UP ADMINISTRATIVE REGIONS IN HUNGARY

The last topic of this essay is to review the way to implement regionalisation in Hungary. Since the establishment of NUTS units as a stipulation of integration into the European Union is not automatically related to the transformation of the territorial division of public administration, the question is how to set up administrative regions in Hungary?

A fundamental question to be settled concerning regionalisation in Hungary is what type of administrative region do we want to constitute? Do we want regional units of public administration of self-government? If so, do we want them besides or instead of county self-government? Or do we want administrative regions only as organs under central subordination, units of central administration? In the latter case, would it be necessary to establish all the territorial organs of central administration on regional bases or only some of them and would they succeed present administrative organs in the counties or function parallel with them?

In order to outline the alternatives to the development of our system of public administration, a short outline of types of regions in EU member states as result of regionalisation will be presented.

In some of the European countries, regionalisation did not result in the establishment of self-governments not even a general unit of state division in regional level, such as in England, Sweden, Germany, the Netherlands and Switzerland (the latter is not a EU member). In these countries new levels of public administration were not established, regionalisation meant the transformation of institutions already functioning and concerned mainly with professional, territorial organs of the central government.

A special form of regionalisation was the decentralisation of public administration presented in France. That resulted in the establishment of a new level of territorial administration entitled to exercise self-government. Knowing the French concept of the state, it is very important to point out that the newly established level of self-government has the same status as other levels of local and territorial self government and fits into the centralised uniform system of state.

The third way of regionalisation is the political one, developed in Spain, Italy and Belgium. In these cases, regions are formed by communities benefiting from a high grade of autonomy exceeding administrative decentralisation and approaching a federal structure of state.

If the three above-mentioned types of regionalisation are considered, as it was pointed out before, it is quite clear that factors driving political regionalisation are missing in Hungary. Consequently, the possibility to establish regional self-governments benefiting from a high grade of political autonomy, exceeding the framework of administrative decentralisation, is unreal. Starting from this base, the question is whether regionalisation deals only with territorial administration under central subordination and if so, does it in general, in full measure or will it get

through to the establishment of regional self-governments. In this latter case, a further question is whether this will occur with or without counties. And finally it would be a mistake to exclude the possible alternative of maintaining the status quo, namely some of the territorial organs of central administration will function in regional framework, while others—most of the territorial organs—will be organised in the present county system, meaning that regionalisation will be stopped at building the institutions necessary for spatial (territorial) planning and European integration.

It should be noted that the question of regionalisation in Hungary is closely connected to the development of local and regional administration. It is necessary then to declare that the question of regionalisation is part of a wider framework of problems, namely that of administration of the middle tier and that of territorial administration as a part of a wider area. The presentation of this wider environment of public administration exceeds the framework of this study.

Examination of the possible directions of development, as it was presented earlier with reference to Government resolutions, has been expressed as a need by politics. This is important because the final decision on regionalisation will be a political decision. Currently, there is a professional debate on the direction of developing the system of Hungarian territorial administration including the system of local self-governments and middle-tier administration under central subordination. The present situation is that the professional examines the possible alternatives of regionalisation on political initiative and the setting of objectives for the long-term. These are as follows.

One of the concepts is the possibility or need to develop the present system of territorial development councils. After the unsuccessful voluntary establishment of regional development councils in 1996, they were formed by county development councils on the basis of the statistical-planning regions in 1999, according to the modified regulation of Act No. XXI of 1996 on Territorial Development. As a consequence, seven regional development councils were established. Later, more and more territorial institutions of the central administration would be organised in their scope of authority, which is the same as those of the statistical-planning regions, namely in the development regions, which modified the present administrative framework of counties or trans-counties. Regional administration under central subordination strengthened in this way would serve as a basis for the regional but voluntarily organised organs of terri-

torial development and, then the self-governments of these regions would be set up as a final step of the process. This concept takes the upholding of the system of counties into consideration presuming the parallel functioning of two tiers of territorial administration.

A similar concept would not uphold the self-governments of the counties but would only consider the functioning of the seven regions based on their voluntary association and self-organisation in the same form as presented by the previous concept. The seven regions would be formed according to the principle of self-government and direct elections, and most of their functions would be delegated by the central government in a process of decentralisation.

There is significant difference between the two previous professional concepts and a third one. Its essence is that regionalisation is not based on the seven development regions mentioned earlier which already are functioning. It takes the upholding and correction of the system of counties into consideration, but middle-tier administration would have only one level consisting of counties. This concept reckons with the creation of 13 or 14 so-called large counties formed by the voluntary integration of the current smaller and larger counties.

This concept presumes that county development councils would be integrated into the organisation of county self-governments as a first step, meaning the transfer of functions related territorial development to the county self-governments. Then the self-governments of neighbouring counties of smaller size would associate with each other creating special associations for purposes of territorial development. Larger counties such as Bács-Kiskun, Pest, Borsod-Abaúj-Zemplén, Szabolcs-Szatmár as well as the Capital City would fulfil these functions by itself.

Larger Hungarian counties are already capable—as this concept says—of becoming regions, while special professional associations of territorial development formed by the smaller ones would be developed further by integration of county self-governments, which means the unification of the counties themselves. The self-government of these large counties should perform the regional administrative functions.

Finally, there is a concept, which completely refuses the establishment of regions and is in favour of upholding of the actual system of counties. The functions of public administration in the territorial level have to be performed by the associations of the self-governments of counties and by county self-governments more powerful than the currently existing ones.

At this moment, it is hard to see which direction of development will be followed in Hungary. Without aiming at completeness, it is necessary to raise some questions about territorial-local administration required for the complete understanding of the problem of regionalisation. One of the most significant connections is the revision of the system of local self-governments. There is no doubt that our local government system constituted in 1990 is one of the most democratic ones in Europe. However, its effectiveness should be improved as it was stated on the basis of the experiences of more than a decade. Among the various solutions, now only one to be mentioned is the organisation of the performance of public functions at a higher than the local level, especially when certain tasks cannot be fulfilled by local governments due to lack of their capacity. If this solution cannot be the county level, because of its unavailability for a significant part of the population, another solution should be found. This might be the associations of the settlement self-governments, but also the organisation of certain administrative tasks, especially the central ones on the basis of administrative districts, as it happened in the case of state offices of certification.

The practice, such as notary districts and development of micro-regions⁶ does not exclude the transfer of the execution of public functions to this level to a significant extent. In such a case the question arises on the role of the middle tier of public administration, namely of the counties, and on their necessity giving further reason for thinking about the constitution of regional units of public administration larger than counties. Concerning these latter ideas, it may be declared that they are not only theoretical hypotheses but have a reality if the above-mentioned Government Resolution No. 1057/2001 is taken into account, including the objectives declared and its initiatives to be realised. Before the final statement of a possible direction of undiminished development, it is not advised to forget that the resolution's action plan has been prepared for two years and, in May 2002, a new Government entered into office. Its programme concerning regionalisation and territorial administration is still only known from the press. In January 2003, its official declaration is still expected to be published.

⁶ Small districts are units of NUTS 4 in Hungary.

LITERATURE

- AGG, Z. (1990): How many districts, provinces, and counties? (in Hungarian). *Magyar Közigazgatás*, November.
- BÉKEFI, O. (2000): Report on the execution of tasks determined by the Government Resolution No. 1052/1999 of 21st May on further development of public administration (in Hungarian). *Magyar Közigazgatás*, 8. 501.
- BÓRA, F. (1977): The effect system of regional organisms (in Hungarian). *Magyar Közigazgatás*, March.
- CSIZMADIA, A. (1978): Development of regional and urban administration in Hungary (in Hungarian). *Állam és Igazgatás*, January.
- FORGÁCS, I. (ed.) (1997): Hungary in the 90's. Answer of the Hungarian Government for the European Union's Questionnaire. Budapest.
- Hungary in the 90's. Answer of the Hungarian Government for the European Union's Questionnaire. Edited by Imre Forgács. Budapest, 1997.
- IVANCSISCS, I. (1998): Where to get? Region—county—circle. *Comitatus*, April.
- A magyar közigazgatás modernizációja (The modernisation of Hungarian public administration). *Magyar Közigazgatás*, January. 1993.
- NICOLAS, M. (1997): Acces a l'Union Européenne. Droit, économie, politiques. EDIT-EUR. The program of administrative reform (in Hungarian). *Magyar Közigazgatás*, November.
- Territorial Planning Charter of the European Council.
- VEREBÉLYI, I. (1998): Summary on the first period of the public administrative reform process and the forthcoming tasks I–II (in Hungarian). *Magyar Közigazgatás*, June–July.
- VEREBÉLYI, I. (1995): A helyi önkormányzatok fejlődésének főbb irányai (in Hungarian). *Magyar Közigazgatás*, 2.

HUNGARIAN PUBLIC ADMINISTRATION AND REGIONALISM

CECÍLIA MEZEI

INTRODUCTION

The aim of this paper is to depict the Hungarian public administration system and also to show the current situation of regionalism within public administration. In the area of public administration we propose to deal only with government at the very local level together with the organs of state administration, emphasising those at the regional level. In fact, this particular topic merits substantially more extensive treatment, but limitations of space force us to concentrate on the key areas only.

The issue of an intermediate tier in territorial terms is one that is of vital importance in determining the direction of development and the position of the institutional system of territorial development as the mainspring for aspirations towards effective national regionalism and this will be highlighted in this paper.

THE MUNICIPAL SYSTEM

The current municipal system in Hungary dates from 1990 when the Local Government Act (Act LXV/1990) was passed at the very beginning of the change of the political regime.

At that time legislators differentiated very carefully among local authorities (villages, cities, the capital itself and the various districts of the capital) and other forms of local government. County Councils are not included in the range of local authorities and counties were simply not defined as entities possessing administrative powers.

Cities are divided into three categories: cities, cities with county status and the capital itself. Each of the 22 cities endowed with county status is responsible for county-level duties and possesses the requisite authority within its own county.

In the capital, however, there is a 'dual' municipal system under which District Councils have roles that differ from that of the Metropolitan Council. In Budapest these District Councils play a central role in providing basic-level services, whereas the Metropolitan City Council undertakes tasks and responsibilities only over a wider territorial range.

Figure 1 shows the three-level public administration system.



Figure 1. Map of public administration in Hungary

(Key: 1—national border; 2—county boundaries; 3—county seat; 4—city with county status)

LOCAL AUTHORITIES

The basis of local autonomy was built on the principle of 'one self-government for one settlement' under which the councils have the right of association. However, since the Hungarian municipal system does not acknowledge the need for association, those partnerships or associations which had previously existed tended to split rather than to associate in the period after the change of regime and so almost 3,200 local authori-

ties were reduced to the lowest level within the public administration system.

In addition, many of these 3,200 local authorities are microsettlements (i.e., they have fewer than 500 inhabitants) but are authorities with the same rights and obligations as the authorities of much larger settlements. The system is fragmented since the proportion of settlements with fewer than 1,000 inhabitants is more than 50% of the total and the result is that the average population for which a local authority is responsible is 3,340 (PÉTERI 1994).

Although local authorities enjoy an extremely high level of independence with regard to public law and policy, and although the regulations relating to them in connection with the organisational system and decision-making are very liberal, the distribution of finance and the structural system relating to assets are unsatisfactory. Besides, in determining local governmental responsibilities the legislature did not set a good example when establishing the necessary parameters, the range of government tasks was not clearly defined, nor was the role of the councils precisely determined. The irony of the situation is increased by the fact that the first Act relating to the tasks and competences of local authorities had been passed long before the Amendment to the 1992 (Act XXXVIII) State Budget. Frankly, this means that the legislature did not even attempt to show that the delimitation was being undertaken with a clear understanding of the central government's responsibilities.

However, the Act does identify quite precisely the range of the obligatory and voluntary responsibilities of local government entities, although, in relation to the competences of local authorities, it merely ensures that local public affairs may only be delegated to the competence of other organs or authorities in exceptional circumstances. However, the Act does not clarify precisely the range of such local public affairs, and this in practice allows freedom for corrupt practice on behalf of the central government (PÁLNÉ KOVÁCS, LÁSZLÓ 1993). Such opportunities are actually utilised in practice since there is a continuous fluctuation following this systemic change between central and local government responsibilities, in which process a number of difficult tasks were transferred from the central government to the municipalities, including environmental protection, transport, etc. In parallel to this process the central government has established consumer protection, special and somewhat loose state administrative units, effectively re-nationalising them.

The problems induced by the liberalism of the regulations relating to local government can be detected precisely at this point. Whilst central government was fairly generous with the municipalities—which often lacked the means, institutions and professionalism required for execution—in relation to the distribution of tasks, and whilst it demonstrated a much more moderate behaviour in the course of delegating competences, it was parsimonious in the extreme when it came to the question of finance!

The Local Government Act does make some effort in relation to the obligatory tasks to ensure the conditions for their performance, but unfortunately the state is not obliged to provide for all of the conditions required by the tasks delegated to the local tier of government. The municipalities must themselves provide the conditions for their voluntary undertakings, but at the same time, they must consider their own endogenous resources and opportunities, together with the local demand in addition to the two restrictions determined by law. This means they may not undertake tasks which lie exclusively within the competence of other organs, and any voluntary tasks must not jeopardise the completion of the obligatory duties) (IVANCSICS 1995).

As a consequence of this inclusion of voluntary tasks it follows that the duties of different municipalities may vary, although these differences must not violate the Constitution, which declares that the basic rights of local government units are equal.

The situation of Hungary is special inasmuch as there is no other country where such tiny local authorities are so overloaded with such a large volume of economic duties and services (ILLÉS 1993). The problem could be treated by defining tasks according to the size of the settlement, by encouraging the association of municipalities, thus ensuring the common performance of certain tasks, or even by introducing of obligatory associations of local authority units, and so better guaranteeing performance efficiency.

This opportunity was given, but, nevertheless, until 1997 the legislature did not really differentiate in the delegation of tasks and competences. We must acknowledge that some interventions were successful, for example, the division of responsibilities for construction into district authorities, or in the fields of orphan care, the supply of public health care, fire-fighting, etc. However, increasing efficiency, rationalisation, quality and supply difficulties more and more require consideration of variations in properties and demands from settlement to settlement dur-

ing the delegation of such tasks. This is primarily necessary since the legislature was unable to define the quality of even the minimal services to be provided. Additionally the permanent financing difficulties probably result in a lower quality of services. Whilst the state blames the municipalities for their wasteful economic practices, the latter complain of a decreased level of state support and of central government's limiting local authorities' own resources and increasing the local taxes.

It is, therefore, hard to understand why the 1997 Association of Local Self-Governments Act is not operated on a compulsory basis. Unfortunately, neither the Associations Act nor any other regulations that encourage cooperation by local authorities (such as district notaries, the special support for associations targeted at education, etc.) eliminates antagonism between the municipalities and their insistence on independence.

Despite this, some positive trends have evolved in the field of intermunicipal cooperation in recent years, not the least due to the establishment of the institutional system encouraging intermunicipal cooperation (VEREBÉLYI 1998).

This positive trend, however, has so far been unable to solve problems deriving from the fragmented system of local government. For this reason, and in addition to the encouragement of intermunicipal cooperation, the issue of territorial integration is of special importance.

Prior to the systemic change territorial integration was achieved through the medium of County Councils, and we shall, therefore, examine their role subsequent to this systemic change.

THE COUNTY COUNCILS

Subsequent to the systemic change, the counties with long historical traditions were maintained as an intermediate tier in public administration and in four cases, the use of historical name was also restored. During this period the only consensus to be established was that counties should be eliminated from the council system. With regard to the further role of the counties a number of ideas were advanced, but finally—by an Amendment to the Local Government Act—they barely managed to avoid dissolution.

Between 1990 and 1994 the counties in practice fulfilled no local governmental role and they were actually the stepchildren of the system (ENYEDI 1996). The 19 County Councils were actually in a horizontal co-

ordinate relationship with the municipal local authorities. They were given only such tasks which municipalities could not be compelled to provide, i.e., that is, merely the provision of local public services.

As a result of this regulation the Hungarian system of local government was characterised by a fragmented municipal structure in which the local tier was extremely crowded whilst the territorial or regional tier was almost totally empty. This lack of territorial integration, i.e., the problems arising from the establishment of a strong central and local tier, soon focused attention on the counties. The state realised that, lacking such territorial integration, the problems of the management and control of some 3,200 settlements were thrown upon the central government.

For this and other reasons, the politicians re-examined the role of the counties in 1994. Through the modification of the Local Government Act the County Councils were given the title of 'Territorial Authorities' but this did not endow them with any real territorial functions. Although the Act defines a number of tasks as obligatory for the County Councils (e.g. secondary school education, county library service, territorial physical planning, etc.) none of these duties in practice could reinforce the territorial role of the counties. In 1994 the legislature attempted to relax this marginalisation of County Councils by introducing direct elections, but the organisation of real county electoral districts was not carried out.

Furthermore, in the period 1990–1994 the County Councils attempted in vain to undertake regional development tasks, since, through the modification of the Local Government Act, the legislature simply stripped them of this function by allocating this task to the competence of the County Development Council. Despite this, the County Development Councils were first established by the Regional Development and Physical Planning Act (XXI/1996), since such organisations responsible for regional development have members comprising a given number of representatives of microregional associations of municipalities operating in their territory (these being voluntary formations of the municipalities), representatives of the responsible ministry, delegates of the area's Chambers of Commerce, the mayors of cities with county status within the area of the county and also the delegate of the County Labour Council. The role of County Councils within the Development Councils was limited to one single function, i.e., the president of the County Council was at the same time president of the County Development Council. Beyond this, the County Councils played only a coordinating role in regional development in that they were responsible for physical planning.

THE INSTITUTIONAL SYSTEM OF REGIONAL DEVELOPMENT

Subsequent to , the development career of the County Councils and the institutional system of regional development were hard to separate. Since the Regional Development and Physical Planning Act defined Regional Development Councils as Associations of County Development Councils, the existence and operation of the development regions (territorial units designated, based on the voluntary organisation of County Development Councils and covering one or more counties) was dependent on the County Development Councils. The development regions at that time did not yet cover the statistical regions (territorial statistical units including one or more counties), and one county was allowed to participate in more than one development region at the same time. The establishment of the institutional system of regional development has therefore strengthened the county territorial tier, but the County Councils were unable to benefit from this process as much as they wished.

One of the achievements of the Regional Development Act was the establishment of a comprehensive system of regional development institutions, including the following tiers: national, regional, county, microregional, and local or municipal. The integration of the regional tier into this system was the result of meeting the requirements of the European Union on the one hand and, of gradually strengthening efforts towards regionalisation on the other.

Since Hungary was among the first of the candidate counties to establish a regional development institutional system, the issue of territorial integration, the future of the intermediate tier, could no longer be focused on for public administrative and administration management reasons, much less for regional development reasons, since it was obvious that the answer to the globalisation challenge—the maintenance of territorial competitiveness and the identification of local resources and ways of development—is only possible through decentralisation.

It is also obvious that the motivations for regionalism in Hungary are connected with regional development, since in the field of regional development cooperation is required (HORVÁTH 1998). Furthermore, political will supported this regionalisation. In 1999—through the modification of the Regional Development Act—the situation of the regions was reinforced within the institutional system of regional development. The legislature defined development regions to harmonise with the borders of planning-statistical regions. *Figure 2* describes the main elements of this institutional system.



Figure 2. Hungary's statistical regions and counties

(Key: 1—national border ; 2—regional boundary; 3—county boundary)

The future public administrative and regional development role of the development regions established compulsorily since 1999 within NUTS 2 will evolve alongside political interests. In parallel, the legislature will have to decide what role, if any, they intend to give to settlements, micro-regions, counties and regions. The decision-makers must decide the extent, methods and principles pertaining to the division of power as well as the fate of the existing power elite.

It appears that the established statistical division of regions may become the stable, determining framework of regional development. In this case the Hungarian territorial structure will include 150 statistical micro-regions (territorial statistical units comprising a group of neighbouring settlements), 19 counties, and 7 regions. The question relates to how far this statistical system is compatible with the NUTS system of the EU, since harmonisation with this will soon be a basic requirement (HAJDÚ 2001).

The establishment of the institutional system of regional development also demonstrates that the process of regionalisation in Hungary has now been launched. Further proof of this is territorial reorganisation, that is to say, a number of rationalisation measures within the sphere of territorial state administrative organs, although these have not yet achieved significant results.

THE REGIONALISATION OF TERRITORIAL STATE
ADMINISTRATIVE ORGANS

The relationship between central and local territorial units is permanently changing—as is the extent of state involvement—depending on the social, political, and economic environment. The territorial division of labour within the state is usually dynamic. This is true even if the territorial framework seems to be constant, and some organisational models are permanent (PÁLNÉ KOVÁCS 1999). In the course of the territorial division of power it is not easy to find the median line between the factors of efficiency and equity, and, furthermore, social expectations and the evaluation of state involvement may vary, depending on changes in external circumstances. The principle of efficiency requires a gradual withdrawal of the state from those fields where the market and the private sphere may prove to be more efficient. Equity and social fairness on the other hand require the state to provide an increasing level of services—of ever-higher quality—for every member of the society.

Division of labour between the central and local organs can be implemented alongside the principles of decentralisation or de-concentration. The number of tiers of public service provision and the role and weight of the de-concentrated or decentralised organs within the tiers are decided upon whilst efficiency is under consideration. In Hungary, however, we have to face several weaknesses in the field of feasibility and efficiency measurements, since, due to current practice in the financing of institutions, it is hard to evaluate the efficiency of some undertakings. Moreover, existing power relationships are hard to modify—even in relation to economic or service quality targets. It is, however, imperatively necessary, since there are problems with the quality of services, the resources required for carrying them out and often with the performance itself with local authorities in general, and with County Councils, as well as with de-concentrated organs.

Despite local government units being endowed with fairly clear tasks and competences, this issue has been decided in favour of the de-concentrated organs. Whilst the country seems to have chosen the path of decentralisation, in reality, and parallel to the establishment of the local authority system, many such de-concentrated organs have been set up, which means that centralisation of the local territorial public administration has been implemented (SZABÓ 1994).

Due to this gap in regulation and to the lack of a central governmental concept, the territorial state, the overall number of administrative organs

under the supervision of central departments and with central subordination increased rapidly. There was nothing to stop the enforcement of sectoral interests and this process can be detected not only in the number of de-concentrated organs but also in their uncoordinated functioning, in the wasteful, inefficient utilisation of resources and often in the neglect of efficiency factors (GELENCSEK 2001).

We must, therefore, conclude that decentralisation of the decision-making competences to the municipality level was only partially realised, even though politics undertook—under the aegis of the principle of subsidiarity—that only those tasks should be left to central government, whose efficient performance could not be fulfilled by the local government. Moreover, this ambiguous decentralisation was accompanied by quality differences in the performance of local public services, by permanent financing difficulties at the central level, by a lack of economic—efficiency factors (e.g. associations, district notaries, cooperation, etc.) and by the dependence of local government on central resources.

This covert de-concentration was not a clear success. We must, of course, acknowledge that there are state tasks where optimal performance is only possible in a de-concentrated or centralised form, for instance, where there is:

- a small number of cases;
- a requirement for a very high level of proficiency;
- a need for national level information;
- a case of national importance;
- no freedom of consideration to be given to the executive.

However, in all other cases decentralisation offers a more efficient and more democratic solution, although the local authorities were not protected by any guarantee system which would have been able to restrain the de-concentration of those functions which they were able to carry out, or which they were supposed to carry out on the basis of the principle of subsidiarity (PÁLNÉ KOVÁCS 1999). The losers were mainly the County Councils.

The recognition of such disadvantageous developments required continuous intervention by the government, but a carefully considered amendment or adjustment integrated into the public administrative reform concept is still lacking. A number of government decrees and decisions currently deal with modernisation, rationalisation and regionalisation of public administration issues.

As elements of the reform of public administration, metropolitan and county offices of public administration were set up in 1994. Their major task was legal supervision of the local government. They reduced the number of territorial de-concentrated organs from 38 to 19, but in such a way that the level of centralisation remained unchanged, since from among the previous entities only the domain of consumer protection was integrated into public administration and the de-concentrated organs supervised by the same ministry were merely amalgamated (TÓTH 1997).

In 1996, and within the framework of the modernisation of the intermediate tier of public administration, a government decree was issued which endowed the heads of public administrative offices with a co-ordinating role as to the following:

- organisational units managed by the head of the public administrative office;
- sectoral, specialised agencies of local administration;
- territorial state administrative organs (although with some exceptions).

The County, State Administrative Forum, as an organ of evaluation, supports the work of the head of the public administrative office (GELENCSEK 2001).

Since 1997, in addition to this coordinating role, there has been a further important change regarding public administration offices. At that time offices were reorganised and modelled on the French prefecture—that is to say, operated as territorial government offices.

The public administrative reform process carried out in the period between 1996 and 1998 significantly reduced the number of state administrative organs. The number of central and territorial organs and their organisational division is described in *Table 1*.

Table 1. Central and Regional Public Administration in Hungary in 1998

<i>Ministries</i>	<i>Their regional organs (in each county or region)</i>
<i>Prime Minister's Office</i>	– County and Capital City Public Administrative Offices (20) (Consumer Protection Inspectorates, Public Guardianship Offices, Property Transfer Committees)
<i>Ministry of Home Affairs</i>	– Refugee and Migration Office
	– Territorial State Household and Administrative Information Services (19)
	– County and Local Fire Service
	– County and Capital City Civil Defence Headquarters

Table 1 continued

<i>Ministries</i>	<i>Their regional organs (in each county or region)</i>
– <i>Ministry of Agriculture and Rural Development</i>	– Headquarters of Veterinary and Food Inspection Services (20) – Territorial branches of National Compensation Bureau (13) – Stations for Plant Improvement and Soil protection (20) – State Forestry Services (10) – County and Capital City Land Registry Offices (20) – Offices of Agrarian Affairs (19) – Stations for Species Experiments (28+8)
– <i>Ministry of Defence</i>	
– <i>Ministry of Justice</i>	
– <i>Ministry of Economy</i>	– Regional Offices of Technical Security Inspectorate (10) – Territorial Offices of Geology (7) – Offices for Measurement Calibration (20) – Mining Office (4) – Regional Secretariats of Tourism Committees (by ministry department) (9)
– <i>Ministry of Environmental Protection</i>	– Environmental Supervisory Offices (12) – Directorates of National Parks (9) – Offices of Regional Chief Architect (by ministry department)
– <i>Ministry of Transport, Communication and Water Conservancy</i>	– County Transport Supervisory Offices (12) – Telecommunications Supervisory Offices (5) – Regional Water Management Directorates (12)
– <i>Ministry of Foreign Affairs</i>	
– <i>Ministry of Labour</i>	– County and Capital City Labour Offices (20)
– <i>Ministry of Education</i>	
– <i>Ministry of the National Cultural Heritage</i>	– Regional Offices of Cultural Heritage (7)
– <i>Ministry of Youth and Sport</i>	
– <i>Ministry of Social and Family Affairs</i>	
– <i>Ministry of Public Health</i>	– Regional Public Health Service (20)
– <i>Ministry of Finance</i>	– Directorate of Public Taxation and Control (20)
– <i>Central Statistical Office</i>	– Territorial Directorates (20)

Source: PÁLNE KOVÁCS 2001b, p. 26.

The main disadvantage of the government decree aimed at the reform of the intermediate tier of public administration—and the public administrative reform process itself—is that it wished to reform only one side, the system of de-concentrated public administration, whilst treating the other side, the County Councils, only superficially (SZABÓ 1996). It is obvious that successful reform can be only implemented by redefining of the entire system.

In 1999 a government decree required further coordination to be initiated, a reconsideration of territorial division, the encouragement of regionalisation processes and the gradual establishment of the territorial state administration on a regional basis. The result, surprisingly, was a weakening of territorial coordination and an increase in the number of de-concentrated organs. By 2000 their number reached 28 (BÉRCESI 2002).

The introduction of a territorial structure into this de-concentrated state administration is not an easy task, since their competencies, tasks, legal status, names, the spatial division of their organisation and the size and boundaries of their territorial units vary significantly (SZIGETI 2001). According to their spatial division, the de-concentrated organs can be divided into two main groups:

- those operating within the framework of counties, which operate more favourably in only 19 (or, accepting the capital as a separate entity, 20) territorial units. In extreme cases, such as in the case of the APEH (Tax and Financial Auditing Office), 19 county- and three Budapest metropolitan offices were established. One group operating within the county framework belongs to the state organs and is under direct ministerial supervision;
- the second group consists of organs operating at the regional level and cover the territory of the country albeit with somewhat varying sizes and numbers of units within the region. The simplest case is when the regions established more or less follow county boundaries. However, it more often happens that an organisation's regional system follows natural geographical features or another organisational principle and not the boundaries of settlements or counties.

The picture is even more colourful due to the fact that, whilst the seat of the de-concentrated organs operating within the county framework is always located in the county seat, in the case of those operating at a regional level, the ratio of seat to settlement varies quite widely.

The territorial framework, the boundaries of the territorial units and the colourful mix of county seats all question the feasibility of the regionalisation of de-concentrated territorial state administrative organs. However, it is a hopeful sign that in recent years the territorial structure of the de-concentrated organs operating within the regional frameworks was, to some degree, harmonised with the NUTS 2 regions.

The target of efficiency and transparency—within the reform of public administration—definitely requires a continuation of the unification process. This process is also supported by political will, since the requirement of the harmonisation of the territorial competence of the de-concentrated organs operating within a regional framework with the planning-statistical regions was formulated by government decree.

Regionalisation must concern itself within the circle of de-concentrated organs with the entities operating within the county framework. If the county framework proves to be adequate over long term, the establishment of a two-tier organisation—with a county and a regional level—may be reasonable; but if the regional tier is more efficient, integration cannot be avoided. Finally, if it is rationally based on natural geographical circumstances, it is not even necessary to harmonise the territorial framework of the public administrative system with the NUTS 2 system.

There are several factors hindering the process of regionalisation, among others, the fairly extended time factor, the need for political consensus, the background power relationships, issues of conflict of interest, etc. We also have to remember that the regionalisation of the system of de-concentrated organs will necessarily affect the system of local government, too.

Therefore, in the course of the investigation of the regionalisation of public administration it is important to note the interconnections of the public administrative sub-systems.

THE REGIONALISM OF HUNGARIAN PUBLIC ADMINISTRATION

The regionalisation of public administration can be implemented (on practical and legal bases) only if the clauses in the constitution concerning territorial divisions are revised (as, according to the constitution, the country is divided into the capital city, counties, cities and communities or villages) (HAJDÚ 2001). The role of political will and consensual agreement is of vital importance.

The key issue of the Hungarian public administration system is the position, fragmentation and function of the territorial intermediate tier since the biggest problems derive from the lack of territorial integrity. Furthermore, in the background, the economic, social and political processes of the EU compel us to appreciate the intermediate tier.

The process of regionalisation, therefore, is the logical consequence of the change in the role of the state. When the economic processes force the regions to compete more fiercely, the role of the locality will be more appreciated and the influence of the state will be reduced automatically. The anticipated accession to the EU gives the state a further range of duties and affords the regions a more prominent role in connection with developmental resources, statistical systems, etc. Greater appreciation of the territorial factor is the natural reaction to these challenges.

The driving forces of regionalism are regional, ethnic and cultural movements, strengthening the expression of regional interests, the valued role of regional policy in the EU and the need for rationalising the functional elements of directing society. All of these motives can affect Hungary as well (HORVÁTH 2000).

There is only one argument for regionalism which concerns the re-thinking of the territorial competence needed for effective public administration, since the region is the only territorial unit which

- can provide an orientation towards foreign trade where regional co-operation is needed,
- can stimulate the spatial spread of innovative activities;
- is of suitable size for territorial planning;
- can be the NUTS 2 territorial-statistical unit that is a condition of accession (HORVÁTH 2000).

Most of the member states of the EU have not responded to this last challenge, however, as they have not formulated NUTS 2-style territorial units with independent governmental representative status. However, there were some countries, the United Kingdom, Sweden, etc., which decided to react appropriately, although the changes seem to be slow (PÁLNÉ KOVÁCS 2000).

Regionalism as an organising principle does not require the automatic giving up of an already existing territorial intermediate tier, as the emphasis is not on regions themselves but on the formulation of strong, self-governing tiers in this category. This can be achieved by strengthening

this intermediate tier or by formulating a new (the regional) level or by reorganising the whole structure of public administration.

Two forms of reorganisation of public administration are possible in Hungary. In one of them, the administrative regions directed by non-elected bodies will be formed at the intermediate level whilst in the other complete decentralisation will result in the emergence of regional self-government. International experience shows that administrative regions are good bases for the development of political regions.

It is generally accepted that the regional level and regionalism could be strengthened only in those countries having public administration functions, i.e., total decentralisation was chosen from the possible forms of decentralisation (HORVÁTH 1998). In the case of Hungary, the total decentralisation process can be achieved by redefining the intermediate tier and can be realised only in the framework of a total reform of public administration. The subject of consideration should concern not only the issue of what tasks the state should undertake but also that of redefining the tasks and powers of self-governmental associations, microregions, counties, de-concentrated organs and competent ministries, etc. Furthermore, a change of the public administration system cannot be done overnight. The existing system of relationships, deep-rooted automatism, conflicts of interest and competition for power all combine to delay reaching the target.

Central government is

- on one hand interested in regionalism, since this can result in building a more efficient organisation of the public administration system;
- on the other hand, reluctant to narrow its own authority by strengthening the regional level. In addition, the state has no interest in making its control more difficult by adding a new level to the original ones (PALNÉ KOVÁCS 2001a).

It is not the same whether regionalism aims at forming state administrative or territorial-planning regions or at indulging in political reorganisation. As regional authorities directed by elected bodies at the territorial level will weaken the authority of the central government, they will also eliminate the role of counties and will be resented by local authorities that are afraid of losing their own independence.

However, the formation of united administrative regions is desirable in Hungary, irrespective of how the development of political regions is

pursued. During the transition period following the change of regime, the need for regionalism was not sufficiently formulated and so the slow process did not start in Hungary for a long time. Since then positive changes can be felt in the field of the regionalism of de-concentrated organs and much more visible results can be seen in establishing the regional level of the territorial developmental institutional system.

By regionalising public administration, Hungary is moving towards the formation of administrative regions, something which is in itself correct and which can in time also lead to the formation of political regions.

SUMMARY

Our conclusion is that the process of regionalism in public administration cannot be avoided in Hungary. At the same time the most important regional directions, goals and, most of all, the territorial levels and competences can be determined only if mature consideration is given and a political consensus is reached. It must be decided which of the following are the most important: regions or counties, state administrative regions or political regions and two or more territorial levels, etc. We can discuss the success or failure of regionalism only after determining its goals.

REFERENCES

- BÉRCESI, F. (2002): A területi államigazgatási szervezetrendszer tíz éve (reformok, ellentmondások) (Ten years of the territorial state administration). *Magyar Közigazgatás*, 3, 139–142.
- ENYEDI, GY. (1996): *Regionális folyamatok Magyarországon az átmenet időszakában* (Regional processes in Hungary during the transition). Budapest: Hilscher Rezső Szociálpolitikai Egyesület.
- GELENCSÉR, G. (2001): A dekoncentrált államigazgatási szervek tevékenységének összehangolása I. (Co-ordinating the activity of the 'deconcentrated' state organs). *Magyar Közigazgatás*, 4, 252–256.
- HAJDÚ, Z. (2001): *Magyarország közigazgatási földrajza* (Geography of Hungarian public administration). Budapest–Pécs: Dialóg Campus Kiadó.
- HORVÁTH, GY. (1998): *Európai regionális politika* (European regional policy). Budapest–Pécs: Dialóg Campus Kiadó.
- HORVÁTH, GY. (2000): Decentralizáció és a régiók – kelet-közép-európai nézőpontból. In: HORVÁTH, GY., RECHNITZER, J. (eds): *Magyarország területi szerkezete és folyamatai az ezredfordulón* (Decentralisation and regions from CEE aspect). Pécs: Magyar Tudományos Akadémia Regionális Kutatások Központja, pp. 60–72.

- ILLÉS, I. (1993): Az önkormányzati finanszírozás hazai és nemzetközi irányzatai (Domestic and international trends in financing local governments). *Európa Fórum*, 3. 3–21.
- IVANCSICS, I. (1995): *Önkormányzati közigazgatás* (Local public administration). Pécs: JPTE ÁJK.
- PÁLNÉ KOVÁCS, I. (1999): *Regionális politika és közigazgatás* (Regional policy and public administration). Budapest–Pécs: Dialóg Campus Kiadó.
- PÁLNÉ KOVÁCS, I. (2000): Régiók Magyarországa: utópia vagy ultimátum? In: HORVÁTH, GY., RECHNITZER, J. (eds): *Magyarország területi szerkezete és folyamatai az ezredfordulón* (Hungary of the regions). Pécs: Magyar Tudományos Akadémia Regionális Kutatások Központja, pp. 73–92.
- PÁLNÉ KOVÁCS, I. (2001a): *Political Challenges of Regionalism in Hungary*. Pécs: Centre for Regional Studies. *Discussion Papers*, Special, pp. 137–145.
- PÁLNÉ KOVÁCS, I. (2001b): Regional Development and Governance in Hungary. Pécs, Centre for Regional Studies. *Discussion Papers*, 35.
- PÁLNÉ KOVÁCS, I., LÁSZLÓ, M. (1993): Önkormányzati önállóság és a közgazdasági feltételrendszer (Independence of the local government and economic conditions). *Társadalomkutatás*, 4. 86–102.
- PÉTERI, G. (1994): *Központi-helyi költségvetési kapcsolatok. Elvek és módszerek* (Central-local budgets). Budapest: OSI LGI.
- SZABÓ, G. (1994): Decentralizáció vagy dekoncentráció? Változatok a helyi-területi közigazgatásra I–II (Decentralisation or 'deconcentration'). *Comitatus*, 2. 14–25; 3. 38–44.
- SZABÓ, G. (1996): A középszintű közigazgatásról (On the middle level administration). *Ön-Kor-Kép*, 7–8. 6–9.
- SZIGETI, E. (2001): Az államigazgatás dekoncentrált szervezetrendszerének térszerkezete (Regional structure of the 'deconcentrated' institutions of state administration). In: SZIGETI, E. (ed.): *Régió, közigazgatás, önkormányzat*. Budapest: Magyar Közigazgatási Intézet, pp. 227–262.
- TÓTH, L. 1997: Államhatalom és önkormányzatiság (State power and self-governance). *Magyar Közigazgatás*, 5. 299–304.
- VEREBÉLYI, I. 1998: Összefoglaló a közigazgatási reformfolyamat első szakaszáról és a soron következő feladatokról I–II (Summary of the public administration reform processes). *Magyar Közigazgatás*, 6. 321–337; 7. 414–422.

THE AREA STRUCTURE
OF THE DECENTRALISED* STATE
ADMINISTRATIVE ORGANISATIONAL SYSTEM
IN HUNGARY

ERNŐ SZIGETI

HISTORICAL REVIEW

The decentralised territorial organisational system of central state authority originated in the early period of the Hungarian kingdom in the 11th century. "The first formations of decentralised type public administration came about by the need for the efficient administration and management of crown estates ... Decentralised administration was realised in the form of crown counties",¹ each under a count (in the original sense of the word) who, in addition to economic and military administrative tasks, also performed judicial functions.

As crown land monopoly came to an end, and under the conditions of gradually developing self-governing county system that started in the 13th century, the first decentralised territorial organs of the kingdom appeared with special jurisdiction, first of all, and by no means accidentally, in the sphere of fiscal administration, in the person of the territorial representatives of the royal treasury and later the king's chamber. However, throughout the feudal period the state carried out most public administrative tasks through the counties.

The development of the territorial organs of public administration subordinated to central (ministerial) authority, as it is understood today, began during the period of enlightened absolutism in the 18th century. In connection with the definition of state tasks and the development of the

* The expression 'decentralised' or territorial organ of state administration throughout this chapter is widely used in CEE public administration as 'de-concentrated' agency (the Editor).

¹ SZABÓ (1992): Deconcentration. Theoretical approaches and developmental history (in Hungarian). In: *Közigazgatási Füzetek*, No. 3. MKI, p. 27.

system serving their execution, the network of territorial organs of a professional bureaucratic state apparatus also began to appear (e.g., establishment of a school district system in public education became a state responsibility).

The comprehensive development of the system of decentralised territorial organs characterising the modern state—besides the considerable quantitative as well as qualitative increase and specialisation of the state's duties—was carried out only in the second half of the 19th century, in order to ensure uniform execution of tasks requiring state involvement.

During the period of dualism (1867–1918), besides modernisation of the county system and regulation of the position of the municipal authorities, the 'decentralised' territorial system of sectoral state administration was also gradually developed, the area structure of which, however, showed considerable differences according to sectors. The centres and—the partly regional and partly county-level—jurisdictions of the organisations belonging to the individual ministries differed considerably. It was incumbent on public administrative commissions—in addition to other duties—to ensure coordination among the increased number of territorial organs of state administration.

Naturally, after the dissolution of the Austro–Hungarian Monarchy and the Treaty of Trianon, certain modifications in the area structure, besides the limited expansion and change in types and forms, of decentralised organisational system were inevitable. Even so, the both in number and territorial delimitation diverse network system of organs performing state public administrative duties within the framework of centrally controlled territorial state administrative organs and regional governments, that evolved during the age of dualism, continued to operate essentially unchanged between the two World Wars.

After the Second World War, with the creation of the council system, the principle of the unity of state power—rejecting real self-governing type of decentralisation—prevailed. On the other hand, based on the principle of the delegation of jurisdiction in an integrated state administration—limiting and relegating to the background decentralised type territorial special administration—the councils, predominantly county councils, became the determinant elements of territorial state administration organised according to the (increasingly flexibly interpreted) requirements of democratic centralism.

The number of decentralised-type territorial state administrative organs declined considerably. Nevertheless, 'the scope of the organising

principle of integrated state administration was never without restrictions, and in connection with a number of jurisdictions and organizations the need for applying the principle never even arose² (e.g., police, water resource management, mining technology authority). In addition, in the 1980s, new (e.g., labour safety authorities) or reinstated decentralised organs (e.g., internal revenue authority) also appeared.

Following the 1989–1990 change of regime, in accordance with the law on local governments, the previous council system of essentially uniform territorial public administration was divided to form a decentralised territorial state administration dependent on central organs, on the one hand, and a (regional and settlement-level) self-governing administration managing local affairs on the other hand. The smaller part of the tasks of the county council system integrating middle-level territorial public administration was given to local governments, while the major part was mostly assigned to county-level decentralised organs and the remainder to decentralised organs with regional competence. (Between 1990 and 1994, seven regions were created to serve primarily as the field of operation for the Commissioners of the Republic, acting as legal overseers of local governments, a function which ceased in 1994.)

Under the conditions of the self-governing system introduced in 1990, it was no longer the county, but the settlement which came to play a determinant role in local municipal public administration. Given the 'fragmented' settlement-level and the weakened county-level self-government, a considerable part of the tasks arising at the 'vacated' territorial middle level became neglected. As a result, a vacuum in performance, control, and coordination occurred between the central government organs and local governments, which, by necessity, had to be filled. This job was taken up—particularly in the period preceding the 1994 amendment of the law on self-government—by the greatly increased number of sectoral organs of state administration.

In wake of all this, not only did the state's, or government's, decentralised territorial organisational system expand, but its role and weight in territorial public administration also increased considerably. "With the creation of the system of decentralised organs, the state, or state administration, in fact, became the integrator of the area. The centre and territorial system of decentralised organs showed just as colourful a picture as in the age of dualism."³

² SZABÓ: *op. cit.* p., 41.

³ HAJDÚ (1999): Area historical problems of the region in Hungary—*INFO*—(in Hungarian). *Társadalomtudomány*, 44, June, p. 28.

In the mid-1990s, in wake of the partial reform following a review of the powers and jurisdictions of the territorial state administrative organs, with the disbanding or merging of certain decentralised organs and the strengthening of the coordinating role of county public administrative offices, the system became more rational, but did not change fundamentally as regards content and territorial structure.

However, during the past few years, the territorial structure of a number of decentralised organs with regional competence—keeping their diverse centre structures—were adjusted in line with the boundaries of the seven NUTS 2-level regions. That is to say, in order to conform to the EU's uniform territorial-statistical classification system, Hungary devised a NUTS structure within the framework of which it established a regional non-public administrative level comprising seven territorial units (NUTS 2) and a small-regional non-public administrative level comprising 150 territorial units (NUTS 4) between the country (NUTS 1) and the settlement level comprising more than 3,000 public administrative territorial units (NUTS 5)—in addition to the county system forming 20 public administrative territorial units including Budapest (NUTS 3 level).

THE AREA STRUCTURE OF PUBLIC ADMINISTRATION

Decentralised state administrative organs forming a part of the central executive branch constitute the largest group of state territorial organs. Today, the territorial structure of decentralised state administrative organs is characterised by diversity. This is reflected not only by the variety and many designations of their legal statuses, jurisdictions, and duties, but also by the area division of their organisational system, and by the difference in the size and boundaries of their territorial units.

The centrally controlled territorial organs of state administration—including autonomous decentralised organs with independent decision-making powers as well as decentralised type organs without decision-making powers of any substance—may be divided into two large groups on the basis of area structural units representing their sphere of competence:

- territorial decentralised organs operating within the framework of a county (or the capital city);
- territorial decentralised organs operating within the framework of a region.

The, in some cases often changing, territorial structures of the decentralised and decentralised-type territorial organs of state administration with regional and county competence were taken into account in accordance with regulations relating to them and their state at the beginning of 2002.

TERRITORIAL ORGANS OPERATING WITHIN A COUNTY FRAMEWORK

Among the decentralised state administrative organs operating within a county framework, special attention must be given to the capital city and county public administrative offices, such as the territorial state administrative organs of the government, which the government controls with the participation of the interior minister, and which exercise state administrative duties, powers, and authority referred to their jurisdiction by the government, as well as the supervision of local governments in adherence to the law.

Public administrative offices are composed of organisational units under the direct control of directors appointed by the prime minister and sectoral special administrative organs. Unless the government makes an exception, the other territorial state administrative organs (with county or regional competence)—while preserving their organisational and professional autonomy—fall under the coordinating and controlling power of the directors of public administrative offices. (In the case of regional state administrative organs with territorial competence, this coordinating and controlling power is exercised by the director of the public administrative office of the county at the seat of the respective regional organ.)

In addition to county public administrative offices, approximately half of the decentralised and decentralised-type territorial state administrative organs operate within a county (or capital city) framework today. These may also be divided into two groups.

The following belong among the territorial units of organs with national jurisdiction and central offices operating under the supervision, or direction, of the government or a competent minister: the county directorates of the Central Statistical Bureau, the county offices of the State Finances Bureau, the county directorates of the Revenue and Financial Control Bureau, the county institutes of the State Public Health and Medical Officer's Service, the county directorates of the National Health Insurance Fund, the county directorates of the National Pension Fund

Directorate General, the county labour centres of the State Employment Service, the county supervisory offices of the National Labour Safety and Labour Superintendence, the county supervisory offices of the Central Traffic Supervisory Bureau, the county services of the Central Plant and Soil Protection Service, the county directorates of the National Disaster Relief Directorate General, the county police headquarters of the National Police Headquarters.

The second group of decentralised and decentralised-type territorial state administrative organs operating within a county (capital city) framework comprises such autonomous territorial (county) state administrative organs and special administrative institutions operating under direct ministerial control as the county land offices, county agricultural offices, county veterinary and food inspection stations, and county army recruitment centres.

With rare exceptions, the territorial units of decentralised organs operating within a county (capital city) framework generally number 20, as there are 19 counties plus the capital city, Budapest. But in some cases (agricultural offices, statistical directorates, health insurance directorates, pension fund directorates), instead of 20, there are only 19 organs with county territorial competence due to the operation of joint, rather than separate, organisations in Budapest and Pest County. As opposed to this, in the case of revenue and financial control, the capital has three directorates instead of one, and, therefore, with the 19 county directorates, the territorial organisation is made up of 22 units.

It must also be noted that a few of the decentralised territorial organs operating within a county (capital city) framework have partially autonomous organs assigned special tasks operating within their organisation. For instance, county public guardianship authorities operating within the framework of county public administrative offices, county supervisory offices of the Consumer Protection Authority, and county supervisory offices of the Hunting and Fishing Authority.

TERRITORIAL ORGANS OPERATING WITHIN A REGIONAL FRAMEWORK

The territorial decentralised and decentralised-type organs that constitute, in varying numbers and with different delimitation, an area-structural unit and operate within a regional framework, form two groups on the basis of their territorial competence:

- the first group includes those whose competence was established in conformity with county boundaries through the 'merger' of neighbouring counties in various ways;
- the second group includes decentralised organs with regional competence in case of which the delimitation of their operational field conforms only partly to the general state administrative (county, settlement) territorial division, because, by necessity, certain special natural-geographic features and conditions (e.g., watercourses, forests, tourist attractions) had to be taken into consideration in developing their territorial structure.

The majority of the state administrative organs with regional competence whose delimitation conforms to county boundaries are territorial units of national jurisdictional organs or central offices operating under the supervision, or direction, of a competent minister. Such are the district inspectorates of mines under the Hungarian Mining Bureau, inspectorates of weights and measures of the National Office of Weights and Measures, territorial inspectorates of the Technical Safety Authority, regional offices of the Office for the Protection of Cultural Heritage, agencies of the Central Office for Loss Adjustment,⁴ directorates of the Immigration and Citizenship Office, territorial offices of the Hungarian Geological Service, directorates of the National Public Educational and Evaluative Test Centre, regional commands of the Board of Customs and Excise Tax.

A few of the regional state administrative organs based on the county framework (immigration and citizenship directorates, territorial offices of the geological service, test centre directorates, customs and excise tax commands) were already delimited or modified to conform to the seven NUTS 2-level statistical-territorial developmental regions.

State administrative organs under ministerial control and without autonomous regional competence, such as regional rural development offices and regional youth offices, were also delimited at the level of NUTS 2-level regions.

A part of the decentralised and decentralised type territorial organs operating within the special delimited (divided county) regional framework are the territorial units of a national jurisdictional organ under min-

⁴ These temporarily still operating offices deal with the closing of procedures conducted on the basis of the law on partial compensation of damages unjustly caused by the state in citizens' property in 1939–1990.

isterial control, a central office, and autonomous central budgetary organs. Such organs are the territorial directorates of the National Water Resource Management, territorial directorates of the State Forestry Service, environmental protection inspectorates of the Environmental Protection and Nature Conservation Authority and national park directorates, the border guard directorates of the National Border Guard Command.⁵

The rest of the decentralised and decentralised-type territorial organs operating within a special delimited regional framework are such ministerially controlled non-autonomous territorial organs performing state administrative tasks as the territorial chief architect's offices and the organs of regional tourism committees.

The number of territorial units of the decentralised and decentralised-type state administrative organs operating within the regional framework (with regional territorial competence) varies considerably, but ranges mostly from seven to ten.

The National Institute for Agricultural Quality Control, comprising 38 agencies (ten territorial sowing-seed inspectorates, one species-developing station, 17 plant-species experimental stations, and eight stock-breeding performance-test stations) constitutes a very specific category within the decentralised state administrative organisational system (*Table 1*).

Table 1. The number of regional-level state administrative units

Number of units	Decentralised organs
4	district inspectorates of mines
7	territorial offices of the geological service customs and excise tax commands immigration and citizenship directorates regional youth offices rural development offices directorates of the public educational and evaluative test centre
8	weights and measures bureaus territorial chief architect's offices

⁵ Among the decentralised territorial organs operating within a regional framework, the strictly taken jurisdiction of border guard commands encompasses only the zone and settlement area inside a defined distance from the border, but the regionally delimited jurisdiction of border police organs and investigative authorities cover the entire country.

Table 1 continued

Number of units	Decentralised organs
9	technical safety inspectorates regional tourism committees offices for the protection of cultural heritage
10	directorates of the forestry service national park directorates border guard commands
12	environmental protection inspectorates water resource management directorates
13	agencies of the office for loss adjustment

SEATS OF THE DECENTRALISED TERRITORIAL ORGANS

The centres of decentralised state administrative organs operating within a regional framework are always located in county seats, with the sole exception of plant- and soil-protection services, the centres of which are, in some cases, located elsewhere.

At the beginning of 2002, there were 33 settlements in the country where one or more decentralised state administrative organs with regional competence operated. The centres of decentralised state administrative organs operating within a regional framework also are found mostly in county seats and the capital. In only two of the 19 county seats (Tatabánya and Szekszárd) are there no state administrative organs with regional jurisdiction. Besides the capital and 16 county seats, there are 13 cities and three township-status settlements (Jósvafő, Óriszentpéter, and Sarród) where at least one state administrative organ with regional jurisdiction has a centre. Township-status settlements are, without exception, seats of decentralised organs with special territorial delimitation (national park directorates).

In the examined sphere, a particularly large number of regional organs of decentralised state administration have their seat in Budapest, Pécs, Debrecen, Miskolc, and Szeged, that is, in big cities regarded as regional centres, which, even ordinarily, enjoy a prominent position, with an attraction extending over large areas. Besides them, two other regional cen-

tres, Győr (11) and Székesfehérvár (9), whose sphere of attraction reaches beyond county boundaries, may be said to play an important part in regional state administration.

Nearly two-thirds of the centres of decentralised state administrative organs with regional competence are found in these seven cities, indicating that, essentially, these cities with a population of over 100,000 may be regarded—at least from the point of view of public administration—as important regional centres. Two other cities of more than 100,000 (Kecskemét and Nyíregyháza), however, do not play a noteworthy role in regional administration due to their geographical location, position in area structure, and sphere of attraction barely reaching beyond county boundaries (Table 2).

Table 2. Centers of decentralised organs with regional territorial competence

Number of organs with regional competence in specified cities	Cities*
18	<u>Budapest</u>
14–16	<u>Debrecen, Miskolc, Pécs, Szeged</u>
9–11	<u>Győr, Székesfehérvár</u>
6–7	<u>Szombathely, Szolnok, Veszprém</u>
2–3	<u>Baja, Gyula, Békéscsaba, Eger, Kaposvár, Kecskemét, Keszthely, Nyíregyháza, Sopron, Zalaegerszeg</u>
1	Balassagyarmat, Balatonfüred, Gárdony, Kiskunhalas, Nagykanizsa, Nyírbátor, Orosháza, <u>Salgótarján</u> , Szarvas, Tiszafüred, Jósvafő, Óriszentpéter, Sarród

* Those underlined are county seats and those italicised are cities or towns with populations of more than 100,000.

DISTRICT UNITS OF TERRITORIAL STATE ADMINISTRATION

Presently, in Hungarian public administration there are a number of individually established small-region systems that operate—under partly similar and partly different conditions as regards territorial structure—primarily in decentralised territorial state administration and which

carry out administrative duties of the first instance with district competence assigned to the notaries public of the respective local governments, primarily of cities.

It also shows the diversity of the territorial system of decentralised state administrative organs that in the case of a part of the organs operating within a county or regional framework a two-tier territorial structure evolved, in other words, below the county or regional level there are territorial subunits, or agencies, with district, or local, competence, the number and competence of which may differ considerably, with the number of units ranging mostly between 100 and 150.

The number of district units of certain decentralised territorial organs of state administration and the territorial structure, as established by statutes, of the different delimitations of their competence—which conforms only partly to the system of NUTS 4-level statistical small regions—the number of units and their seat, and the range of subordinated settlements are occasionally modified as a result of the establishment of new district units and as that of territorial organisational measures.

The majority of the state organs that also operate on the small-regional level are composed of the local (city and district) units of decentralised, or decentralised-type, regional or county-level state administration with competence over a prescribed area. Such units are, for instance, the agencies of county labour centres, the urban institutes of the state public health and medical officer's service, district land offices and their agencies, urban police stations, local government fire stations, district civil defence stations, district offices of customs and excise tax commands. Since the centres of small-regional state administrative institutes are located, with very few exceptions, in cities, they form, to all intents, an urban institutional network (*Table 3*).

Table 3. The district units of decentralised territorial state administration

	Number of units	Average staff per unit
Labour centre	172	59
Public health and medical officer's institute	137	73
District land office	115	87
Police station	149	67
Fire station	97	104
District civil defence station	95	106
(District) customs office	65	155

District units that operate within the framework of the mayors' offices of designated local (capital city district) governments also form part of the decentralised-type small-regional state administration. Such units are, for instance, the district (urban, district) document offices (urban and district), public guardianship bureaus with district jurisdiction, and building authorities, which execute tasks relating to guardianship cases, the issuing of documents, and building permits and construction as are referred by decrees to the jurisdiction of the notary public of designated local governments. At the beginning of 2001, in every city (252) and capital city district (23) there was a document office, a public guardianship bureau, and a building authority of the first instance with district competence.⁶

CHANGING THE STATE ADMINISTRATIVE AREA STRUCTURE

Rational and efficient public administration is one of the fundamental conditions of the country's socio-economic modernisation. Besides the experiences of public administration, including the operation of the local government system and territorial state administration, accumulated since 1990, and the new circumstances and requirements arising from the changes in socio-economic life, further modernisation of public administration is inevitable in the face of the new challenges posed by the tasks related to EU accession and regional development.

In Hungary, the various suggestions and endeavours—raised mostly by the respective professions—aimed at a comprehensive modernisation of the public administrative area structure, which is based on the historical county system, were all aborted during the course of the 20th century. However, over the past few years, in connection with the preparation for EU accession, especially regarding regional development, the question of regions, the modernisation of the territorial structure of public administration—putting territorial state administration on a regional basis and

⁶ In addition to municipal and capital city district units, the government made it possible in 249 further cases—by appointment—for notaries public of local governments to exercise administrative power of the first instance in respect of outstanding building inspectorate matters, in view of the fact that the said local governments, independently or in association, permanently provide for its professional conditions.

establishing self-governing regions with an elected body—came again to the fore.

In order to create the compatibility conditions for EU accession, it was necessary to establish the normative delimited NUTS structure of regional development, composed of superimposed regional and local-level territorial units, with special attention to NUTS 2-level regions. The reason include that regions represent the most important spatial framework of regional development, meeting the requirements of manageable size, for coordinating the systems of aims, resources, and institutions of regional policy. Almost inevitably, this raises the question of the need for the comprehensive territorial reform of public administration. Naturally, the precondition for this is that the fundamental conceptual principles determining the political and state organisational basis of the territorial public administrative system be clarified, and that central and local government public administration, as well as the responsibilities and relation of territorial and local self-governments be reconsidered and settled.

Public administration does not necessarily require the same area relations system as the planning and coordination of regional development, but, from the point of view of the territorial development of society and the economy, it is important that the area units of regional policy and public administration be in harmony. The establishment of developmental regions in conformity with the EU's regional policy may also be ensured without changing the current public administrative structure, but it is imperative to settle the relationship between the regional and institutional systems of regional development conforming to EU regulations, on the one hand, and territorial public administrative and self-governmental structure, on the other, which raises the possibility of changing the public administrative area system.

Today, in addition to organisations operating within the county framework, there are various individually developed parallel systems with regional competence in state administration. But the entangled system of regional structures operating within diverse geographic boundaries is impractical, which makes change desirable even if the county remains the framework of territorial self-government.

Rational and efficient operation of territorial state administration requires that an effort be made to integrate as much as possible the jurisdictions of decentralised organs which today operate within considerably different (county and regional) geographic boundaries, and to establish

regional organs with regional competence operating within identical geographic boundaries.

Unlike the complicated problem of establishing self-governmental regions, the rationalisation of the sphere of operation of central state power, primarily the government's decentralised, or decentralised-type, territorial organs, the development of integrated administrative regions, is desirable even if the elected local governments continue to operate within the unchanged county framework in the foreseeable future.

From the political point of view, regionalisation of the field of operation of the government's decentralised, or decentralised-type, organs is less problematic and may be solved within the sphere of the executive branch, but its impact on sectoral, personal, and regional interests require consideration.

In order to achieve greater coordination in regional state administrative activity, a government office should be set up in each region, replacing the present county public administrative offices, which would have greater coordinating and controlling power than today over the activity of sectoral decentralised regional organs, without detracting from their organisational autonomy.

Besides the public administrative government offices with regional competence, regionalisation of the other decentralised organs would mean, on the one hand, the merging of decentralised organs currently operating within a county framework into NUTS 2-level territorial units, and, on the other, the NUTS 2-level integration of the jurisdiction of already regionally operating organs, disregarding those whose long-term maintenance is unnecessary (e.g., loss adjustment offices) or whose area structure depends essentially on natural-geographic factors (e.g., water resource management directorates).

Among the decentralised organs of state administration currently operating within a county framework, primarily those, which also comprise lower-level local units or agencies with local jurisdiction over a smaller area, may be merged to form regional organs operating within the same geographic framework. However, in the case of decentralised organs with county-level competence and without local units, some of the county units may remain as the affiliate divisions of the regional organisation.

LITERATURE

- HAJDÚ, Z. (1999): A régió tértörténeti problematikája Magyarországon (Historical problems of the region in Hungary). *INFO—Társadalomtudomány*, 44. 21–30.
- HENCZ, A. (1973): *Területrendezési törekvések Magyarországon* (Regional zoning projects in Hungary). Budapest: Közigazgatási és Jogi Könyvkiadó.
- SZABÓ, G. (1992): Szétpontosítás. Elméleti megközelítések és fejlődéstörténet (Decentralising. Theoretical approaches and development). *Közigazgatási Füzetek*, 3. 23–50.
- SZIGETI, E., HORVÁTH M., T. (1991): A közigazgatás centrális alárendeltségű területi szervei a háború előtti Magyarországon (Territorial organs of the central administration in Hungary before the war). Hungarian Institute for Public Administration (MS), 21 p.
- SZIGETI, E. (2000): A dekoncentrált államigazgatás térszerkezete (Regional structure of the 'deconcentrated' state administration). *Területi Statisztika*, 5. 431–451.
- SZIGETI, E. (2001a): A regionális térstruktúra feltételei és lehetőségei (Conditions and opportunities of the 'deconcentrated' regional structure). *Területi Statisztika*, 2. 111–131.
- SZIGETI, E. (2001b): A közigazgatási térstruktúra regionalizálásának feltételei és alternatívái. In: *Régió, közigazgatás, önkormányzat* (Conditions and alternatives for the regionalisation of the regional administrative structure). Budapest: Hungarian Institute for Public Administration, pp. 119–144.
- SZIGETI, E. (2001): Az államigazgatás dekoncentrált szervezetrendszerének térszerkezete. In: *Régió, közigazgatás, önkormányzat* (Spatial structure of the 'deconcentrated' organs of state administration). Budapest: Hungarian Institute for Public Administration, pp. 227–262.

REGIONS IN POLAND

PIOTR SZRENIAWSKI

Poland is synchronising with the ideology of European regionalism and is shaping the highest level of territorial division according to the present circumstances. The new territorial division of Poland is an illustration of how the country is adapting its structure to European trends.

A BRIEF HISTORY OF REGIONS IN POLAND

In the times of the Piast Dynasty Poland was divided into provinces consisting of *okregi grodowe*. The Jagiellonians created voivodeships usually based on the traditional provincial division system. The name voivode (*wojewoda*) at first meant the one who leads the warriors. Established in the second half of the 16th century the greater provinces (Wielkopolska, Małopolska and Litwa) were divided into voivodeships and lands (*ziemia*) or districts (*powiat*). This division system lasted until the loss of Poland's independence at the end of the 18th century. During the times of Napoleon, Warsaw Dukedom (Księstwo Warszawskie) was divided into departments based on the French model. Polish Kingdom (subjected to Russia) was divided first into eight voivodeships, turned in 1837 into guberniyas. Lands belonging to Prussia were divided into provinces and districts. The lands belonging to Austria were divided into districts, towns separated from districts, communities (*gmina*) and manors (*obszary dworskie*).

Poland regained its independence in 1918. The March Constitution of 1921 stated that the territory of the country is divided in voivodeships, districts, and urban and rural communities. Sixteen voivodeships (and

the capital city of Warsaw) existed in Poland between the two World Wars. The Silesian voivodeship was autonomous.

From the end of World War II until 1950 the Polish territory was divided into 16, than into 17 voivodeships and 5 towns with voivodeship status. It should be mentioned that after the war Poland's boundaries changed dramatically. In 1975 Poland was divided into 49 voivodeships and the country became more centralised. On the 1st of January 1999, 16 self-governmental voivodeships were established: *zachodnio-pomorskie, pomorskie, warmińsko-mazurskie, podlaskie, mazowieckie, kujawsko-pomorskie, wielkopolskie, lubuskie, dolnośląskie, opolskie, łódzkie, śląskie, świętokrzyskie, małopolskie, lubelskie, podkarpackie*.

THE TERM VOIVODESHIP

The term voivodeship can have two meanings. On the one hand, it is a unit of territorial self-government, on the other hand, it is a unit of the basic territorial division to execute state administration in parts of the country, and because of that it is the seat of the government's administrative organs.

The main dilemma, that is the way of functioning of the organs of public administration in the voivodeship was decided upon on June 5th 1998, when the Act on the voivodeship self-government and the Act on the central government administration in the voivodeship were passed (Dz.U.91.576 and 577—Dz.U. means *Dziennik Ustaw*, Journal of Acts). A dualistic model of voivodeship administration was chosen. The self-government administration has the voivodeship marshal (*marszałek województwa*) as the head of the Board (*zarząd*). The Board is the organ of the self-government administration. The central government administration has the voivode as its head.

The Polish legal definition of a voivodeship as a unit of territorial self-government considers the voivodeship as a regional self-governmental community. The basic elements defining a territorial self-government are: the object, the subject and the duties of the self-government as well as the control of the territorial self-government.

The local inhabitants of the selected territory organised in a territorial self-governmental union create the object of the self-government. A voivodeship, according to article 1 of the Act on the voivodeship self-government is treated as a territorial corporation, that is as a union of the

inhabitants of the voivodeship. The Act on the voivodeship self-government characterises this community as a regional community, referring to the Polish Constitution of 1997, which separately treats local and regional self-governmental communities (article 164.2). A self-governing community of a voivodeship is created by the power of law. Establishing the voivodeship's community as an object is meant here not sociologically or politically, but legally. The voivodeship as an object has the decisive power since the state transferred this power to voivodeship to realise its duties. Polish doctrine of administrative law answers affirmatively to question whether a 'regional interest' does exist. In the aspect of constitutional law the local government is always a part of a country system. That is why it is so important to answer the question if the local government is treated as means of executing the country's duties in regions or if it works only to achieve local goals. The local interest is often different from that of the state as a whole, but it cannot be understood as if the local interest were by law less important. The differences between the local, regional and national interests are tightly bound to the problems of decentralisation of public administration.

If we understand the voivodeship as an element of the decentralised structure of the state, it means that the unit of this self-government was separated from the country's administration. This separation is done by recognising the legal separation of the regional interest, and because of that awarding the voivodeship with the freedom to realise and to defend this interest. This process is based on a legal norm and this norm is the border of self-dependence of the voivodeship's actions. This self-dependence is not therefore complete; it is only complete in the boundaries of law (article 163 of the Polish Constitution). The act on the self-government of the voivodeship, when describing the object of the self-government, uses the term 'regional self-governmental community' (*regionalna wspólnota samorządowa*). It means that self-governing is administered by the entire population of the inhabitants of the territory. In case of voivodeship it would mean the population living within the boundaries of a single voivodeship. It can also be added that only the people interested in participating in administering their voivodeship use the right of self-government, but there is no act of declaration of becoming a member of the interested inhabitants. The fact of living in a voivodeship gives its inhabitants the right to participate in the self-government of the voivodeship. However, it is not an obligation.

Meanwhile, the inhabitants of the territory cannot decide to give the people living in a chosen area the status of a regional self-governmental

community. Certainly, the initiative of the inhabitants can be undertaken in order to create a voivodeship as a regional community, as well as to change the boundaries of a voivodeship, but only through standard parliamentary procedure. There is no separate legislative way for creating a voivodeship. A referendum cannot be used in order to create, to dissolve or to move boundaries of a voivodeship. Article 2.1 of the Act on a local referendum from September 15th 2000 states that the inhabitants of a unit of territorial self-government as members of the self-governing community can express their opinion regarding the way of deciding upon matters connected to that community, belong to the tasks and purposes of the organs of this unit. The problems of territorial division do not make to the list of tasks of a voivodeship.

Legal personality, given by rule of law, is a very important element belonging to the term 'object' of the self-government. The legal personality is divided into public and private legal personality. The public legal personality allows the units of self-government to interact with organs of the state. The voivodeships execute public tasks, and because of that they can use instruments of law reserved for state authorities, which include the possibility of using power. The privilege of using administrative power belongs to the core of the self-government and it is one of the factors describing it as an object in the meaning of public law. The 'objectivity' of the self-government is not only a matter of administrative authority. After the authority, the self-government must have the freedom to use its possession in its own name. Giving the voivodeship civil personality was done for this purpose. The voivodeship independently uses its possessions in order to realise its goals; the courts in this matter protect the voivodeship's rights. The voivodeships can enter into legal formation as equal partners. The self-government of a voivodeship can also be a side of litigation over possessions with the organs of the central government, decided upon by civil courts.

The self-government is created in order to perform public administration in a chosen sphere of duties. That is why the subject of self-government can be understood as performing public administration. It is certain that self-government performs public tasks. It is also accepted that it can use legal instruments typical of the central government administration in this matter. However, it has not yet been definitely decided where the boundary lies between the competence of central government and self-government as well as between the various levels of self-government.

The existence of territorial self-government is understood in Poland as a constitutional principle (article 16.1 of the Polish Constitution). The self-government has its own set of goals, which are to be achieved independently. So the division of the tasks cannot be done only between the organs of the central government. In matters of performing public functions, this division should also take into account other subjects with a status different from that of the states organs. The territorial self-government can perform public functions based on the principle of subsidiarity.

The division of public tasks and authorities is a standard in contemporary countries. The definition of the subject of the voivodeships self-government should be based on this presumption. Firstly, we can observe local tasks, that is the ones that are addressed to a single citizen, the inhabitant of a chosen self-governmental community. The inhabitant is usually the consumer of the services undertaken by the self-government. The services are of a general character, that is, of a character, which can be awaited by any inhabitant. The law guarantees the performance of these tasks. These tasks are performed at two local levels in Poland: at the community level and at the district level.

Secondly, we can observe a group of public tasks characteristic of a larger local community, that is of the region, which in Poland is a voivodeship. The main field of interest of regional authorities is economy, economical and civilisation growth as well as international economical cooperation, the promotion of the region or area planning. The local system is interested mainly in the needs of a single person (the citizen, inhabitant) and the regional system and the central role is played by regional economy and entrepreneurship.

Public authorities of a voivodeship, engaged actively in regional politics, are targeting mainly the economical units; the entrepreneurs. That is why in the Act on the voivodeship self-government it is underlined that this function and similar functions of self-government are very important. These will be, for example: stimulation of economic activity, strengthening the competitiveness and innovativeness of the economy, creating conditions for economic development, as well as influencing the labour market, achieving and coordinating financial support to achieve the economic goals.

Another group of tasks of a regional character can also be defined. These tasks belong to the administration of services. These are addressed to groups and categories of people of a regional (wider than local) character. The territorial range of activities of public institutions offering ser-

vices also belong to this group, such as: higher education, specialist medical service, operas, orchestras, museums, and theatres.

Creating the strategy for voivodeships development in many fields as well as performing the politics of regional development can be understood as the basic goals of the voivodeship self-government. This regional development strategy is the voivodeship's programme.

In the Act on voivodeship self-government the subject of self-governmental activities is described as a sphere of regional development and the classical controlling function, like the police were subordinated to the organs of the central government.

THE GOALS OF A VOIVODESHIP, MATERIAL AND LEGAL CIRCUMSTANCES OF THEIR REALISATION

The goals of a voivodeship concentrate on the functions of regional importance. They are narrower than the goals of self-government of lower levels such as communities and districts. The goals of a voivodeship are restricted mainly to three categories: shaping and maintenance of the area's order, helping the economic activity as well as preserving the cultural and environmental heritage. The tasks of a voivodeship's self-government include the maintenance and development of technical and social infrastructure of a regional importance and some other matters.

The goal of a voivodeship is promoting regional development and performing public services of a regional range and character. The voivodeship does it by a strategy of a voivodeship and long-term voivodeship programmes. The voivodeship strategy, under a form of a resolution of a *Sejmik* (parliament of a voivodeship), has to define the long-term targets of a regional development and set directions for regional self-government activities.

The country's decentralisation is responsible for the fact that regional political decisions belong entirely to the self-government of a voivodeship, independent of the central government politics concerning a particular region. This strategy, together with the politics of regional development, creates the rules for activities both for the regional authorities as well as for the economic and social units as well as for the inhabitants of the region.

The goals of a voivodeship are achieved mostly by taking actions typical of public administration that is programming the regional development and satisfying the community needs of the region. It is not the role of the self-government to perform commercial activities. Such activities can only be undertaken to achieve the goals of the development strategy of the region. The text of the resolution concerning the strategy should in this situation describe the economic tasks that are to be performed by the voivodeship self-government. The economic activities should be undertaken in the organisational forms chosen for the Polish Commercial Code. This means that the voivodeship cannot undertake any economic activities as a legal person, even if the goals of the activities are of a public service nature. The voivodeship has to use the forms of commercial law firms.

There is a strict division between the *imperium* (administrative power) and *dominium* (ownership) in the case of a voivodeship. A self-governing voivodeship is part of the public administration, with the duty to fulfil the main common needs of the regional society, and not to multiply goods and services. A voivodeship would anyway probably be not competitive enough in comparison to legal persons dealing only with that purpose. That is why the Act states that undertaking commercial activities aiming over fulfilling needs of the inhabitants of the region are allowed only as an exception. The exception can be made when the *Fiscus* (the state treasury) transmits the needed property when the Board of the voivodeship asks for it (article 50.1). It can only be done when this property is to allow achieving the goals of the strategy of the voivodeship. What is more, the transmission is done on condition of payment. All this does not mean that the voivodeship does not have any property. The property of a voivodeship is the right of ownership and rights similar to ownership (described by the Polish Civil Code) of the voivodeship and other legal persons of the voivodeship.

The voivodeship as a legal person, and other legal persons of the voivodeship can gain property on general rules, but because of the changes of the territorial division system in Poland and, what comes with it, the creation of regions—self-governmental voivodeships, another way of obtaining property was established; the transferring of the state's property to the voivodeships. The transfer is done administratively, by power of decision of the state organs.

The first transfer of property from the state is connected to achieving goals described in the Act on the voivodeship self-government by the

units of self-government. The voivode's obligatory decision is the basis for gaining the property that will allow for achieving the region's goals. The property can also be transferred to the voivodeship when the voivodeship interested applies for it. In that case the transfer is not obligatory and can only be done when the property of economic importance will be used to achieve the goals of the regional development strategy. This transfer is done in an administrative procedure, by using the Polish Administrative Procedure Code as well as the revocatory instance by the Country's Enfranchisement Commission.

The financial economy of the voivodeship is realised separately. The basis for it is the budget of the voivodeship. The main income gained by the voivodeship is only fractions of taxes generated by the state, accounted on basis of a separate Act, as well as from the property of the voivodeship. The income accorded to the voivodeship by the central government consists of subsidies and special allocations given to realise specialised projects. In the system of incomes of the voivodeship the role of local incomes is steadily rising.

The budgetary project of a voivodeship is prepared by the Board. The initiative of making any changes in the budget also belongs exclusively to the Board. All propositions of the *Sejmik* to change the project of the budget, which lead to the growth of expenses and of the planned budget deficit or growing of the region's income without precisely describing the way of achieving the growth of income, must also be accepted by the Board. The Board also receives a large scale of executive competences, which allow realisation of the budget.

ORGANS OF SELF-GOVERNMENT OF THE VOIVODESHIP

The inhabitants of the voivodeship decide upon matters concerning voivodeship in general election and in referendum by the organs of self-government of the voivodeship. Usually the representatives take the decisions indirectly, to execute power in the voivodeship, but this system can be put aside by a referendum in any matter important to the voivodeship. One-tenth of the population of the voivodeship or the *Sejmik* of the voivodeship has the initiative to hold a referendum. There is no obligatory referendum at the voivodeship level (for example on the subject of dismissing the *Sejmik* before the end of the term, or about local taxes).

The executive and controlling organ of the voivodeship is the *Sejmik*. The competences of the voivodeship in the sphere of legislature are numerous. The *Sejmik* does not have general competences in all matters that are in the interest of the self-government of the voivodeship. The competences of the *Sejmik* are described in parliamentary Acts and in the voivodeship statute. They are concerned with a number of matters of a great importance from the point of view of achieving the goals of the regional self-government, such as:

1. passing the regional strategy of development and voivodeship's programmes;
2. passing the budget and control over budget execution;
3. proclaiming acts of local law, for example the statute of the voivodeship;
4. appointing and dismissing the executive organ;
5. deciding upon important property matters of the voivodeship.

The legislative competences of the *Sejmik* are realised by plenary sessions, called at least once every three months. Organising of the work of the *Sejmik* and leading its sessions are the duties the chairman (*przewodniczący*) of the *Sejmik* and to one up to three vice-chairmen. The chairman and the vice-chairmen of the *Sejmik* cannot belong to the Board of the voivodeship. The *Sejmik* of the voivodeship can have long-term and short-term commissions to execute special goals (the members of such commissions can only be members of the *Sejmik*), but in order to control the Board's activities and to organisational units of the voivodeship it has to have an audit commission.

Regulation of the a status of a member of the *Sejmik* (*radny*) is not different from the standard regulations concerning persons executing representative mandates. The function of a member of the *Sejmik* of a voivodeship cannot be held parallel with that of a member of the district or community council.

ELECTIONS TO THE SEJMIK OF THE VOIVODESHIP

The elections of the *Sejmik* of the voivodeship are general, equal, direct and secret. The active and passive voting rights are granted to every Polish citizen who is over the age of 18 and is an inhabitant of the voi-

vodeship, except for persons deprived of public rights by a court ruling, deprived of voting rights by the State Tribunal or incapacitated by a court ruling. Equality of election means that every voter has one vote. Elections are direct because the voters choose the members of the Sejmik directly from among the candidates. Votes must be cast in person. The voting booths must have curtains in order to allow the voting to be secret. The election to the *Sejmik* of the voivodeship, under control of the State Electoral Commission and the voivodeship's electoral commissaries, are executed by the voivodeship's electoral commissions, the district's electoral commissions and the circumferential electoral commissions (*obwodowe komisje wyborcze*).

The Sejmik of a voivodeship with 2,000,000 inhabitants has 45 members and for every 500,000 five more members are added. Elections to the Sejmik of the voivodeship are based on the rule of proportionality, with 5% minimum for each party or electoral committee in the voivodeship and the use of the d'Hondt method.

The *Sejmik* of the voivodeship decides, after the proposition from the marshal, on the shape of the electoral units. The units must be created according to a single norm of representation counted by dividing the number of inhabitants of the voivodeship by the number of members chosen in a single unit. A single unit can be a place to elect five to fifteen members of the *Sejmik*, proportionally in the whole voivodeship. Three hundred signatures are needed to register a list of candidates. A voter places an 'x' in a space to the left of the name of one of the candidates on the list, suggesting his or her priority, yet the vote counts for the list of candidates. The district counts the results of the election by using the records from the electoral units. After counting the results in all districts of the voivodeship, the electoral commission of the voivodeship divides the mandates in each electoral unit between the lists of candidates. The electoral commission of the voivodeship promptly informs the public about the results of the election.

The Board is the executive organ of a voivodeship. It consists of five members. Government administration employees, members of the district or community council or Members of Parliament (*Posel na Sejm*) or Senators cannot be members of the Board. The Board can also be elected (except for the marshal) from outside of the *Sejmik*. This arrangement of the Board emphasises more its managerial than its political role.

The competences of the Board of the voivodeship were prescribed with the presumption that the Board does all activities and work of the

self-government of the voivodeship, unless reserved by a different organ (article 41.1). The tasks of the Board include mainly: executing the resolutions of the *Sejmik*, preparation of the project and executing the budget of the voivodeship, managing its the property, leading, coordination and control of the activities of its organisational units.

The marshal (*marszałek*) of the voivodeship presides over the Board. He is not the president of the *Sejmik* of the voivodeship. He organises the activity of the Board and of the marshal's office (*urząd marszałkowski*), leads the current matters of the voivodeship and represents it outside. In case of emergency, the marshal undertakes all the activities of the Board. He is the superior of the employees in the marshal's office and of the heads of self-governmental units of the voivodeship. The Board of the voivodeship carries out its tasks with the assistance of the marshal's office and of the self-government units of the voivodeship.

Another significant officer of the voivodeship is that of the Treasurer. The status of the Treasurer is described in the Act on voivodeship self-government. He is the main accountant of the voivodeship and, because of that, the Act gives him a stable position in the self-government structure. The Treasurer is appointed and dismissed upon a motion from the marshal by the *Sejmik* of the voivodeship; he takes part in the proceedings and work of both organs of the voivodeship's self-government.

A self-governmental voivodeship can pass its own laws. The acts of local law, passed by the *Sejmik*, are stated only when a norm of a parliamentary Act allows for such kinds of local law.

CONTROL OVER THE SELF-GOVERNMENT OF THE VOIVODESHIP

In a democratic state of law everyone, and especially the ones executing public tasks, should obey the law. Organs with needed competences must exist to control that. Such organs controlling the legality of actions of the voivodeship's self-government are the Prime Minister (*Prezes Rady Ministrów*), the voivode, and in the subject of finances the regional chamber of accountants (*regionalna izba obrachunkowa, rio*). The control over the actions of a voivodeship is maintained only from the point of view of legality. The organs of control can enter the activities of a voivodeship only in cases described by Parliamentary Acts. The organs of control have the right to ask for the necessary information on the organisation

and operation of self-government of the voivodeship (article 80). The marshal of the voivodeship has the duty to submit to the voivode and to the regional chamber of accountants, respectively the resolutions of the *Sejmik* within seven days.

The basic means of control is the statement of invalidity of the voivodeship organ's resolution, when the resolution significantly violates the law. It is possible to dissolve the *Sejmik* and the Board of a voivodeship if it breaks constitutional regulations or acts flagrantly or repeatedly against the Acts of Parliament. A commissary administration over a voivodeship can be established when the organs of the voivodeship show lack of effectiveness in performing public tasks without the hope of getting better. There are many conditions, under which the commissary administration can be established, such as: presenting the accusations, preparing a programme to resolve different problems.

The voivodeship's organ can bring action to the Primary Court of Administration (*Naczelny Sąd Administracyjny*) against every decision of the controlling organ. According to article 92 of the Act on voivodeship self-government, everyone, whose legal interest was infringed by a resolution of a voivodeship's organ in the field of public administration—after a fruitless trial of trying to eliminate the infringement—can bring action to the Primary Court of Administration. The action to the Court can be valid after fulfilling the formal and material prerequisites, which occurs when the infringement of a legal (and not only economic) interest is done by breaking the law.

THE SYSTEM OF CENTRAL GOVERNMENT ADMINISTRATION IN THE VOIVODESHIP

According to article 1 of the Act of 5th of June 1998, on the central government administration in the voivodeship, public administration in the voivodeship is dualistic. On the one hand, public administration is the function of the organs of the central government, and on the other hand, of those of the voivodeship's self-government.

The administration of the central government in the voivodeship is divided into joint and non-joint (*zespolona* and *nieszpolona*) administration. The joint administration is created by the voivode and by the heads of joint services, inspectorates and guards working under the voivode's supervision. They perform the voivode's tasks either in their own name

or on behalf of the voivode (the division is done by Acts of Parliament, not by the voivode). The organs of non-joint administration are those of the central government acting independently of the voivode, under supervision of the central organs of the state administration.

The system of non-joint organs of the administration consists of: treasury administration, military administration, mining administration, as well as measuring, assay (testing), water, duties, marine, statistic, forest, technical control, border guard administration and The Agricultural Market Agency. The non-joint administration can be created, according to article 5 of the Act on central government administration in the voivodeship, only when it is connected to the interest of the whole country or when the territory of its action exceeds one voivodeship. Exclusively the Acts of Parliament can create branches of non-joint administration.

THE 'VOIVODE'

The voivode is main pillar of the central government administration in the region. According to article 24 of the Act on central government administration in the voivodeship, the voivode is authorised to carry out all matters of the central government's administration in the voivodeship, unless such a matter is reserved for another organ of this administration. The voivode represents the Council of Ministers in the region; he is the organ of control over territorial self-government and a superior-level organ in interpreting the Polish Code of Administrative Procedure. The voivode is also the superior of joint administration and the coordinator of non-joint administration in the region; he also represents the State's Treasure in a wider sense.

As the representative of the Council of Ministers, the voivode is responsible for executing governmental politics in the voivodeship, especially such as:

1. adapting to the local conditions the goals of the governmental politics, mostly in the field of the regional politics of the state and coordinating as well as controlling execution of the connected tasks ;
2. controlling the actions of joint administration in the field of executing the tasks described by the Acts of Parliament and other acts of law;
3. controlling the actions of organs of territorial self-government and other self-governments in the field of the central government's admin-

- istration, executed on the basis of Acts of Parliament or agreement with organs of the central government;
4. coordinating the cooperation of all organisational units of central and local government's administration acting in the voivodeship, leading their actions in case of emergency;
 5. representing the Council of Ministers on state ceremonies and on official visits of foreign guests in the voivodeship;
 6. executing and coordinating the tasks in the field of defence and state safety, according to other Acts of Parliament;
 7. cooperating with organs of other countries and international institutions according to the rules described by the Minister of Foreign Affairs;
 8. performing other activities entrusted by the Council of Ministers or by the Prime Minister.

As the organ of control over the territorial self-government the voivode controls the legality of actions of the self-governmental organs at all three levels: community, district and voivodeship's. As a superior-level organ according to the Polish Code of Administrative Procedure in cases of deciding upon individual cases of the citizens, the voivode examines the appeals from the decisions of the organs of the first level, for example, in matters of architectural permits or architectural supervision. As the superior of joint administration the voivode directs its activities and provides conditions for effective action. The voivode is responsible for the results of activities of the joint administration. As the coordinator of non-joint administration, the voivode for example approves or proposes appointing the organs of administration in the voivodeship, as well as harmonises the projects of local acts of law created by non-joint administration. The voivode also examines yearly information made by the organs of non-joint administration, and when it is needed he examines current explanations about their performance in the voivodeship.

As the representative of the State Treasury, the voivode is responsible for the property entrusted to him in order to perform his duties. He executes current obligations connected to representation of the State Treasury and he executes rights and obligations of the founding organ for the state enterprises (this function will be given to the Minister of Treasury).

The voivode is appointed and dismissed by the Prime Minister upon a motion from the minister in matters of public administration. The voi-

vode is under supervision of the Prime Minister, who supervises the voivode's actions, usually only by control and supervision. The Prime Minister controls the actions of the voivode not only according to their legality, but also their usefulness.

The voivode and the organs of non-joint administration, acting according to the law and with legal authorisation, can create acts of local law, subsidiary to the system of act of local law created by the self-government of the community, the district and the voivodeship.

THE JOINT ADMINISTRATION OF THE VOIVODESHIP

The joint administration in the voivodeship consists mainly of the directors of the branches in the voivodeship's office as well as the heads of the services, inspectorates and guards supervised by the voivode. The first and second vice-voivode (*wicewojewoda*) and the general director of the voivodeship's office also belong to the joint administration. Each of these administrators acts on behalf of the voivode. The connections between the voivode's and the administrators can have different legal forms, from superiority (vice-voivodes, the general director of the office), to less strict dependence of the subjects acting in their own name (for example the state fire guard). All of them are acting as part of a larger system, the joint administration of the voivodeship. The same refers to the organs of self-government executing tasks assigned to them by the voivode, as well as to the plenipotentiary of the voivode (who can be appointed in case of special need) and to the delegacies of the voivode (that can be created in order to improve the functioning of joint administration). The organisation system of joint administration in the voivodeship is described in the statute of the voivodeship office, which is granted by the voivode. The role of the Advisory Council (*kolegium*) is to advise the voivode. The advisory council is constituted by vice-voivodes, the general director of the voivodeship office, the commanding officer of the police in the voivodeship, the commanding officer of the state fireguard in the voivodeship and other persons chosen by the voivode in the statute of the voivodeship office. The voivode can also create other advisory bodies.

LITERATURE

- NIEWIADOMSKI, Z. (1998): Ustrój samorządu terytorialnego i administracji rządowej po reformie (Organisation of regional self-governments and public administrative reform), Warszawa.
- DOLNICKI, B. (2001): Samorząd terytorialny (Regional self-government), Cracow.

THE CREATION OF DISTRICT SELF-
GOVERNMENTS AND PUBLIC ADMINISTRATION
REFORM IN THE CZECH REPUBLIC

IVÁN HALÁSZ

Anticipation of EU accession urges most East Central European countries to reshape their legal and public administrative systems to be fit for integration. General public administrative reforms are part of this preparation process that is connected to bring about real self-governmental regional levels and the modernisation of public administration. Like in other issues, the Visegrád Group of Countries (the Czech Republic, Poland, Slovakia and Hungary), being situated closer to the historic West, are in a particular position regarding the problem of regional self-governments and public administration reform. In the reforming process Poland was the first, as usual, with its public administration reform launched in 1998. It has three regional levels of self-government. Consequently, in Poland, the directly elected bodies of representatives have been functioning for three years at local, county and voivode (traditional Polish region) levels.

The self-governmental middle (regional) level accompanied by a complex public administrative reform has been an important issue in the Czech Republic in the past few years. After long debates and much consideration in March 2000, the Czech House of Representatives, i.e., the Lower House of the Czech legislature, passed laws initiating the reform process. The second chamber of the Czech legislature, the Senate, also accepted these laws in May, which was signed by the President. In 2002 the first regional elections took place.

HISTORICAL BACKGROUND

The Czech Republic has relatively complicated self-governmental traditions. In the countries of the Czech Crown, in Bohemia, Moravia and Silesia (i.e., its part remaining during the 18th century), counties and provinces composed the regional units. A higher level of regional self-government was approved by the so-called Community Act No. 17 in 1862 at the provincial meeting. It said that representative boards of shires, counties and districts could be formed. This possibility was, however, used only in Bohemia, where the so-called representative shires were brought about. The 'representative' attribute has to be used here, because there were political shires of larger dimensions as well. These latter stood for the territorial competence of central power.

In Moravia or in Silesia there were no shires or districts with self-governments. Of course, there were provincial representative and executive bodies, though the provinces were not thought of as regional self-governments, but as units of legislative power. The Austrian model, separating self-government and local public administration, was taken over by Czechoslovakia, becoming independent in 1918. This model prevailed up to 1928. First, Czechoslovakian legislators wanted to terminate the provincial level, according to Act No. 126 on the Counties in 1920, that divided the new state's territory into nine Czech, five Moravian and six Slovakian counties.

The decision on the Transcarpathian Territory was postponed, and the region around Tschen was to have been an individual county in itself. With the exception of Slovakia, however, this County Act did not take effect, so the counties were not introduced in Moravia and Bohemia. Instead, there were three levels of self-governance: local, shire and provincial. Provinces were established by Act No. 125 in 1927. It divided the Republic into four provinces (in Czech *zem*, in Slovakian *krajina*): Bohemia, Moravia, Silesia and Transcarpathia. With the first two provinces the reform had the traditional historical regional boundaries unchanged, though uniting the larger Moravia with the lesser Silesia. Two thirds of the representatives of the provincial and shire meetings were elected by the population, while one-third were appointed by the home minister in case of shires, and by the government in case of provinces. The provinces were headed by the by appointed provincial presidents (in Czech *zemský prezident*).

After the Communist Party came into power, the traditional separation of the self-governments and public administration ceased in Czecho-

slovakia, too. Local, shire and district levels of the council system were created, led by the national committees (in Czech *národní výbory*). The territorial division of the country changed several times. First, in 1948 the district division was introduced in Czechoslovakia. The area of the republic was divided into 19 *districts* (in Czech and Slovakian *kraj*), headed by the district national committees. The most significant and the longest lasting change was the reform of 1960, dividing the area of the Czechoslovakian Socialist Republic into seven Czech, three Slovakian districts and into 75 (later 78) Czech and 33 (later 38) Slovakian shires (in Czech *okres*). Later it was modified with Bratislava, as the capital, being ranked as a district itself. The number of the shires underwent the already mentioned lesser changes.

In 1990, the system of national committees ceased in Czechoslovakia and self-governments again became separated from public administration. Though the elected bodies of self-government were re-established only at the local level, in towns and villages. Public administration was placed at the level of the shires. The district level was ceased, with no self-governmental or public administration organisations left. The only role of the districts was that at the time of the general elections the district lists meant the way to the Parliament and they remained as mere statistical units. The jurisdiction of the district courts also stuck to the old limits of districts.

THE ISSUE OF THE REGIONAL SELF-GOVERNMENTS AFTER THE TRANSITION

In the first years following transition, there were so many tasks that the problem of the regional self-governments was not focused on. Though, over the long term their establishment was intended. This situation was well reflected in the new Czech Constitution accepted at the end of 1992, taking effect on 1st January 1993. Besides the basic self-governmental units, the settlements, it also mentioned the higher (regional) self-governmental units. The title of the latter was defined in two ways: provinces or districts. The territorial units of self-government were defined as territorial communities of the citizens having the right for self-governance. However, the establishment (and the possible termination) of the higher-level units of self-government was left for an act to be passed later on. Some basic rules like the definition of the two types of territorial self-

governments, as legal entities, having their own properties and budgets to operate, then the four year seats of the representatives and their election based on the general and secret right to electing, were contained in the Constitution. All these rules were not restricted to only the self-governments of the towns and villages, but for the future regional self-governments as well. The Constitution also stated the competence of the self-government as a matter to be defined by law, and that the local body of the self-government is competent in all cases which are not subjects of higher regional self-governmental levels by law. Thus the self-governmental bodies of the representatives in towns and villages had general competence in all self-governmental cases, while the competence of the regional self-governments was defined positively in a taxative form. Their relationship can be characterised with the principle of subsidiarity and with the presence of the 'remaining competence' clause.

The issue of the middle (regional) level self-governments, along with the question of countrywide public voting, the establishment of the Senate, with the basic constitutional rights to economic, social, cultural civil freedom, belonged to the problems that formed the main points of differences in opinion between the right wing and central governmental coalition and the social-democratic opposition. A pack of compromises had to be made between the main political opponents to be able to create the Constitution. One of such compromises was the inclusion of the possible regional self-governments in the Constitution, because it resulted in the postponement of their establishment. The governmental coalition itself was not of the same opinion on this question. In reality only the ODS, the Civil Democratic Party, led by President VÁCLAV KLAUS, did not support the too early establishment of the regional self-governments. They had several reasons. There were many mayors from towns and villages among the civil democratic representatives who did not wish another administrative end self-governmental platform (the region) between themselves and the central government, the majority of which was composed of their fellow party members. VÁCLAV KLAUS, a rather centralist and reformist economist did not feel the necessity of a regional self-government either, because the regional structure could make governance difficult in the long term, whereas Klaus wanted to achieve efficiency first of all. The ODS has been ever since the least confident party with the issue of regional self-governance.

The most important supporters of the establishment of regional self-governments are recruited from the Czech Social Democratic Party

(ČSSD) and the central Christian Democratic Union–Czechoslovakian People's Party (KDÚ–ČSL). Since the latter party being interested in higher level self-government is rather strong in South Moravia and was in power from 1990 until 1998, the issue of the regions always was on the agenda, independently of the opposition of the ODS. The ODA (Civil Democratic Association), a minor partner of the ODS and KDÚ–ČSL is also supporting decentralisation. The establishment of the regional self-governments was further accelerated by the EU integration efforts of the country. Many experts say the introduction of the regional self-governance will improve the weak public administration in the Czech Republic, brought about not only by the lack of the regional level, but by the special urban network. So the general reform of public administration has been focused on since the mid-1990s. Though, the regional level of public administration is only one, very important part of this reform. The fragmented settlement network of the Czech Republic is another source of weak public administration. There are 6,234 settlements in the country (1998). The majority of them are small, with a population below 300. The reform has to solve this problem, like many other in connection with the public administration functions.

ESTABLISHING DISTRICTS

The creation of the middle level (regional) Czech self-governments has been a long process of several phases. It was accompanied by an unpredictable sequence of political debates and arguments. In the House of Representatives a committee was formed in 1993, aimed to ground the establishment of a new territorial division. The Government had a version worked out in 1994, considering eight and 12 districts. It launched a several years long debate on the number and size of the territories, rather than on the scope of authority, tasks and economic possibilities of the projected self-governments. The possible number of the regions varied from nine to 70, showing the complicated situation of the debate. Most of the proposals concerned the regional division of 1960 from the side of the People's and the Social Democratic parties. It contained nine districts, or 13–14 districts, the latter proposed by the liberal – conservative Civil Democratic Association (ODA). In October 1997, in the House of Representatives, the long awaited compromise was born, mainly due to the votes of the ČSSD, KDÚ–ČSL and ODA. However, the regions' tasks,

their scope of authority and their future organisations were not mentioned in the legal regulation then accepted.

The Constitutional Act No. 34.7 in 1997 represented a compromise and was rather laconic compared to the former debates. The legal regulation divided the territory of the Czech Republic into 14 districts, one of which is the capital city, Prague as an independent entity and not part of the Middle Czech District, the seat of which is also Prague. Although the Act is brief, it manages to add a few items to the text of the Constitution. The addition states that the territory of the districts can be changed only by means of act of law. This had not been included in the Czech Constitution so far. Another modification concerns the names of the districts. The original text of the Constitution in paragraph 103 says that the representatives of the given district decide the names of the districts. This was excluded, because the Act of constitutional power stated the names of the districts (following the names of their seats) and paragraph 103 was eliminated. The next change also concerned the names of the territorial self-governmental units. Up to that time, Paragraph 99 of the Constitution left this question partially open, mentioning two possible names and expressions for the regions: provinces or districts. The Constitutional Act No. 347. in 1997, uses only the name district. Its importance cannot be neglected, because the word province reminds society of the provincial administration (in Czech *zemské zřízení*) between the two World Wars, when the territory of the country was divided into the Bohemian and the Moravian–Silesian Provinces.

Following the transition, Moravian regionalism was revived for a short time and it had even had parliamentary representation until 1992. The Moravian supporters of regionalism want to restore the provincial system, but the majority of Czech political leaders, still being influenced by the memory of Czechoslovakia's split, are suspicious of a newly forming, potential separatism in Moravia. So the usage of the word district has a political message as well. After the representatives supporting Moravian regionalism, had to leave the parliament, the two major parties, and the left–central ČSSD and the central–Catholic KDU–ČSL try to observe the rightful demands and interests of the Moravians, in a way that the integrity of the Czech Republic should not be questioned.

The new territorial division accepted in 1997 became the target of criticism. On the one hand, great differences emerged among the districts regarding both their population and size. The Karlove Vary District, composed of only three counties, has less population than the Brno County,

and less settlements than that of *dár nad Sázavou* Shire. On the other hand, the new regions can hardly be ranked into the NUTS system, since most of them do not meet the requirements of the NUTS 2 level. According to the opinion of the EU, the sizes of the Czech regions formed in 1997, are not optimal, and asked the Czech Republic to adjust the dimension of the regions, fitting better into the NUTS 2 level. This is necessary because of the statistics and the distribution of the structural funds. During the summer of 1998, the Czech government dealt with the establishment of larger territorial statistical units, though without self-governmental and public administrative roles. The number of such regions is eight. Presently, there are still two kinds of territorial division of the country: 14 administrative self-governmental districts and eight statistical EU regions. So this situation is somewhat similar to the Hungarian one, though the Hungarian counties have hundreds of year's of tradition, while the Czech self-governmental districts are quite new, rootless formations.

Having read the above, it is not surprising that no sooner had the regional division of 1997 become operative than there was a demand to revise it. A very well marked attempt to do it was performed by a group of social democratic representatives in 1999, led by ZDENĚK KOUDELKA, one of the prominent members of the party from Brno. They wanted to divide the country into eight, or with the Middle Moravian District into nine districts. The proposal aimed to allow the representatives of the territorial self-governments to change the area of the district not only by an act of law, but also by a mutual agreement between two districts. The settlements were to have decided on their belonging to one or another district, via local voting. Also, the seat of the district could have been changed by a two-third majority voting of the district representatives. This proposal wanted to enlarge the function of the districts as opposed to their presently centralist role. The sizes of the regions would have met the EU requirements as well. The representative who worked out the proposal were aware of this and reasoned with the financial benefits of the new districts, since the territorial competence and scope of authority of the district courts, medical officers' offices and other institutions is still adjusted to the old boundaries of the districts from 1960. They did not want to underestimate people's local patriotic feelings, especially in the case of Moravian and Silesian districts, when they proposed to keep the old regional names.

The social democratic government, however, did not welcome this initiative of its representatives, and keeping in mind all the difficulties of

the regional division of the country in 1997, the government did not want to deal with this sensitive question again. So the House of the Representatives did not support this proposal in December 1999. The government wanted to carry on with public administration reform, and did not want to lag behind with the territorial divisions.

PREPARATION FOR COMPREHENSIVE PUBLIC ADMINISTRATION REFORM

The next stage of reform was to establish of the district self-governmental organisations and to decide on the relationship between the district self-government and public administration. Along with the questions of the scope of authority, these are the most important items of the public administration reform. It is represented by the document entitled *The Plan of the Public Administration Reform Concept*, issued by the Ministry of the Interior at the beginning of 1999. It contained the basic principles and objectives of the reform, listing its advantages and disadvantages. As for the structure of public administration the document had three possibilities. The first separated the self-governance from public administration. In case it was realised, the territorial level of public administration would use the so-called lesser shires, while self-government would operate at district and local levels. This solution had its root in Czechoslovakia before World War II. The second possibility could be characterised by the institutional union of the self-government and public administration at the district level, managed at the municipalities of towns and villages. In this case the 78 great shires would be terminated and their public administrative role would be played by the 383 local self-governments, with their number reduced to 210. This latter number matches that of the lesser shires. The third possibility of compromise is separating public administration and self-governance at the district level, while uniting them on the local level.

Though the government tended to accept the above-mentioned first possibility, strictly separating self-governance and public administration, the majority of the House of Representatives decided on the second possibility. In their decision, accepted in May 1999, they proposed the government to establish a network with the union of self-governance and public administration at each level. The territorial organisations of the central government had to be concentrated in uniform district offices.

Also, the decision said there was not enough scope of authority at the district level. As a consequence of this decision, the government had to work out and present the Parliament such bills, the basic principles of which did not fit in the government's original ideas.

During 1999 those bills were elaborated which meant the first stage of public administration reform, i.e., creating the regional self-governments. On 9th March 2000, the House of Representatives accepted the first acts and their modifications (on the local self-governments, on the districts, their competence, on the scope of authority of public administration organisations, on the election of the bodies of the district representatives, on the shire offices and on Prague, the capital) which had to be approved by the Senate within 30 days. It was done in case of the most important acts and modifications, except for the one on the shires and shire offices, which was given back to the Representatives. The mentioned legal rules were accepted by an association of representatives composed of the social democrats, the People's Party Christian democrats, some of the ODS led by KLAUS, and the liberal-conservative Freedom Union (US) from the ODA, with the opposition of the ODS civil democrats and with the reserve of the communists.

LEGAL STATUS, SCOPE OF AUTHORITY AND TASKS OF THE DISTRICT SELF-GOVERNMENTS

The acceptance of the above group of acts, representing the start of the public administration reform, can yield the following changes in the Czech legal and state order. In the autumn of 2000, one-third of the senators and the representatives of the districts are elected. With this election, the existence of the middle-level self-governance begins. The districts, which have been legally determined as the territorial communities of the citizens, have the right to self-governance, which they exercise within the limits of law to satisfy the demands of the districts. The districts are corporations of public right, having their own properties and act on their own behalf, on their own responsibility. Their basic function is to see to the multilateral regional development to run services for their citizens and to protect their public interest defined by law. The citizens of the district are those Czech people who have permanent residences there. When they reach the age of 18, they are granted a passive right to election. Passive right to election is restricted to a lower age limit, than in case of

parliamentary elections, where candidates have to be at least 21 to get into the body of national legislation.

The Act on Districts acknowledges other forms of participation in the public life of the districts. One is to take part in the sessions of the district representatives, has the right to make a speech or to have a look into the minutes and the right according to which the citizens of the district can demand the representatives to deal with any matter belonging to their scope of authority. In case there is a demand for it signed by at least 1,000 citizens of the district, the district authorities have to deal with the matter within 60 days. Besides, the district citizens can take part in district referendums. With the exception of electing the representatives of the district, those Czech citizens over 18, who do not have permanent residences in the districts, but have properties there, have all the other participation rights. As for the foreign citizens who have permanent addresses in the district, they can have the right to elections and all the other participation rights, if there is an international contract between their home countries and the Czech Republic, entitling them for it.

The scopes of tasks and authority have two components. First their own tasks and the authority to perform them, then those tasks of the central government that are transferred to the districts. Self-governmental and public administration tasks at district level are performed by the district organisations like the body of representatives, the executive council and the *hetman*, i.e., the principal, since the Czech representatives decided on the integrated model, uniting the self-government and public administration at the district level, instead of the model separating the two. At the same time, the districts were not transferred too many public administration tasks or much authority of their own responsibility. Although, the constructors of this Act want to transfer more tasks onto the districts that are presently performed by the shire offices which are to be closed down after 2003. Up to now, regional development, regional planning, protection of the monuments and old buildings and partly forestry, fishery, hunting, air pollution cases have been under the authority of the districts. The 2nd and 3rd class public roads belong to the districts, but the central government can pass the 1st class roads to the districts, too.

The reform will result the greatest change in the field of public education, since the establishment and maintenance and closing down of the secondary schools, the higher level vocational, technical and music schools and the elementary art schools were passed into the scope of authority of

the districts. The so-called school offices were closed down as well as the territorial organisations of the agricultural and environmental ministries. Their tasks and labour force were transferred onto the districts. In summary, the districts received functions and maintenance tasks in the field of public transportation, education, social affairs, hunting, fishing, forestry, and partially in public health and environmental protection.

Only those affairs and fields that are ordered by law belong to the scope of activity and authority of the district self-governments. Those self-governmental tasks and functions, not mentioned in the Act, belong to the scope of authority of the local, town and village, self-governments according to the principle of subsidiarity. Every settlement lies in the territory of a district, but this does not mean that the district is superior to the settlement. Local self-governments are independent at each level. When the Act says that all the settlements have to cooperate with the district they belong to, in performing their duties and tasks, it does not hurt their independence, as the district cannot interfere with the scope of activity and authority of the settlements, during their collaboration. Towards the state, the district has the right to convey their opinions in every affair that concerns their independent scope of duty and authority. The organisations of the central government are obliged to deal with problems affecting the districts. According to the Constitution, the district organisations have another important right, namely, they can initiate legislation. This latter right was to have been cancelled from the Constitution by certain political powers, without success. A final conclusion is that the districts, the state and the local self-governments cannot interfere into matters belonging to one another's competence, but they have to cooperate and mutually take into consideration one another's interests and ideas.

ORGANISATIONS OF DISTRICT SELF-GOVERNMENTS

The districts are headed by the directly elected body of representatives (in Czech *krajské zastupitelství*). The number of the representatives depends on the population of the district: areas with a population of less than 600,000 have a body of 45 representatives, districts with a population between 600,000 and 900,000 have 55 members and districts of over 900,000 residents have 65. According to the original proposal of the government, a district was to have representatives of less than ten, but the members of the parliament increased their number. The mandate of the

district representative is valid for four years, can be exercised only in person and it is free, i.e., a district representative is not confined to his or her voters opinions. The representatives have to take an oath of faith to the Czech Republic and they promise to exercise their rights in accordance with the laws and the Constitution, serving the interests of their voters.

A basic task of the body of district representatives is to decide on the affairs belonging to the independent authority of the district. Its major functions include initiating legislation, accepting the district budget, electing the hetman and the members of the district's council, issuing the generally compulsory decrees of the district, cooperation between districts home and abroad, establishing or closing down different organisations and committees in the district, managing the district properties, supporting the different civil, charitable, sport, cultural and other NGOs, issuing shares, etc.

As for exercising the independent scope of authority of the district, the district council (in Czech *krajská rada*) acts as the local executive power. In the scope of the tasks transferred from the central to the local governments, the district council can act only if the law orders it to do so. Districts with a population under 600,000, have a council of nine members, while the districts having over 600,000 inhabitants, are headed by a council of 11 members. The body of representatives of the district elects the members of the councils, along with the hetman, heading the district. The meetings of the council are closed to the public and headed by the hetman. The main duty of the council is usually the execution of the district budget, organising the meetings of the representatives, managing the assets and properties of the district, appointing district officers and executing the decisions of the body of representatives.

The main leader of the district is the hetman, elected by the representatives from among themselves. This expression comes from the German '*Hauptmann*' meaning leader or chief. It is traditional in the Czech region, since the heads of the territorial public administration had been titled hetman in the 19th century. Between the two World Wars in Czechoslovakia, the hetmans headed the shire offices and, unlike the presently reintroduced hetmans, they were not elected, but appointed by the minister of the interior. Thus hetmans have not been considered as self-governmental officers, up to the present reform, but they were the representatives of the central government at the local level. Actually, the experts designing the present reform had planned the hetmans as the representatives of the central government.

Since the self-governmental and the public administrative organisations are not divided in the district, the word *hetman* was taken out of the bill concerning the district. Then, the committee for Regional Development and Environmental Protection of the House of the Representatives put the word *hetman* back into the bill, and it was passed. The *hetman* is responsible to the body of representatives. In spite of the *hetman* being a member of the council, in case the council is terminated, the *hetman* and the deputy remain in office, unless they are not requested individually to resign. The *hetman* represents the district and together with the deputy they sign the rules, decrees, issued by the organisations of the district. Also, they have the right to suspend the decisions accepted by the council, should they be considered not proper. In such cases the decision has to be discussed by the body of the representatives.

The *hetman* has the right to appoint and to resign the director of the district office (in Czech *ředitel krajského úřadu*), after having consulted with the Ministry of the Interior. The district office is responsible for such tasks that are given by the body of the representatives or that are transferred by the central governmental institutions according to law. The district office supervises the documents, decrees, issued by the shire offices and the municipalities, takes part in the post-graduate training of their employees, controls the activities of the shire offices and organises the meeting of the leaders of the shire offices. This is especially interesting, because the shire offices are to be closed down as soon as the end of 2003, and they are part of the state administration, their heads are appointed by the central government, upon the recommendation of Minister of the Interior.

So the district office performs public administrative, controlling functions within its area of authority. The director of the district office is responsible to the *hetman*, though, the director has a twofold responsibility, because of the Minister of the Interior that cannot be ignored when appointing or resigning someone for the post. Therefore, the director is one of the most important territorial representatives of public administration, and the function was originally titled as government delegate (in Czech *vládní delegát*) in the bill, though this was later omitted from the bill. The government delegate would have been appointed by the central government upon proposal of the Minister of the Interior, with the intention to control the activity of the local public administration in the district. The government delegate would have had the right to be present at the meetings of the body of representatives as well. This right to take part

and to counsel was given to the director of the district office, though, without the right to vote.

The ministerial supervision of the district organisations can be divided into two parts. In case of the district self-governmental activities, the Minister of the Interior and the other ministries concerned can have only a legal control. If any decrees issued by the district breaks the law, the ministry concerned, can suspend it immediately. At the same time, they warn the concerned organisation of the district, to modify its issue and improve the situation. If there is no reaction in three months' time, the ministry turns to the Constitutional Court. As to the duties transferred upon the districts by the central government, the ministries and other institutions with a nationwide scope of authority perform the supervision. In this case supervision does not only mean legal control, but the harmony between the district issues and principles. Decrees of other central organisations and ministries have also to be considered and checked, The district authorities are under the competence of the ministries when they perform duties, transferred upon them by the central administration. Their management, concerning the financial support from the central government, is also an object of supervision, carried out by the Ministry of Finance.

REGIONAL COOPERATION OF THE DISTRICTS

Districts can cooperate in cases belonging to their independent scope of authority and duties. This cooperation is performed in the framework of either contracts or in the form established by the district for a special purpose. Contracts have to be approved by the body of representatives. The district, a territorial unit, cannot, however, be a member of an association of settlements (towns and villages).

The districts can cooperate with other regional self-governments abroad, and they can be members of international regional associations. This cooperation may concern only activities belonging to the scope of authority they possess and they have to have contracts. These contracts between Czech districts and regions abroad have to be in harmony with the Czech foreign policy. They have to be approved both by the Ministry of Foreign Affairs and the Ministry of the Interior. The ministries can reject the contracts only if their content is opposite to the law or to the international obligations and contracts or treaties of the Czech Republic. These latter rules limit the intervention of the central authorities regarding the international activity of the districts (regions).

THE ELECTION SYSTEM OF THE SELF-GOVERNMENTAL DISTRICT

The act on district elections is an important part of the present public administration reform. Similarly to the act on the general elections, it is also based on the principle of the proportional election. This act is favourable for the political parties and thus it enforces further the regional division of the country according to different political interests. The image and PR of the big political parties, dividing the country, have been getting worse and worse in the past few years. Some say it is dangerous for the Czech Republic to follow the Austrian model of two big parties that resulted in JÖRG HAIDER's party getting into the Parliament. This possibility is not at all hypothetical if we consider the mutual Czech and Austrian traditions. What do we mean by the 'party' character of the new law?

The Czech district election system is in fact very similar to the system of the general elections. Only the registered political parties and societies and movements and their coalitions are allowed to take part in the elections and to set up lists of candidates. Even independent candidates have to belong to one of the party lists. When distributing the mandates, only those candidate lists can be taken into consideration, which have gained at least 5% of the total valid votes in the district. During the elections each district is a separate voting area. At voting, each list of candidates features on separate sheets. The parties decide the sequence of the candidates on the list; however, voters have the possibility to influence it slightly with the so-called preference votes. Each citizen has four preference votes. These may be significant, if a candidate gains so many preference votes that equal with at least 10% of the total valid votes for the party list. In such a case the candidate takes the lead in the list, regardless of the former, but less popular candidate, leading it. The distribution of the mandates is then based on the d'Hondt method with the help of the Saint Lague divider.

Each of the valid votes for a political party is divided by odd numbers. First by one, then by three and so on. With this method as many partial quotients can be calculated, as the number of candidates on the list. Then all the partial quotients are ranked in order and opposed to the number of available mandates. For the partial quotients the parties get mandates, of course, up to the total possible number of the mandates to be distributed. At the distribution of the mandates, when two or several partial

quotients are identical, the total number of votes for the party is the factor to observe. If these numbers are also identical, they have to draw. With this method, all the mandates can be distributed within one single turn of the election, and there are no votes without mandates left, the distribution of which could be very complicated. The combination of the two well-known principles may reduce the advantage of the big parties, who could profit by the single application of the D'HONDT method.

FURTHER STAGES OF PUBLIC ADMINISTRATION REFORM

Public administration reform is unlikely to stop at the establishment of the (districts) regions, since reform was designed to have several stages. The next step is going to be the closing down of the shire offices. Their function will be taken over by the urban and rural (self-governmental) municipalities. The concept deals with 383 or 210 local centres. Microregions, answering the structural supporting criteria of the NUTS 4 level, could be forming around such local centres. Though the designers of the concept of the year 1999 did not intend to bring about a new, independent self-governmental microregion at this level. Instead, they want to urge the urban and rural self-governments to enter voluntary associations of self-government. Thus their effectiveness could be improved. This form of cooperation seems to be unavoidable in future, since 28% of the Czech settlements have less than 200 inhabitants. Even basic administrative duties may face serious problems in such little villages. On the other hand, however, the little villages are guarding their independence and want to stay independent at any rate.

For the time being, the shire offices still remain, at least up to 2003 surely. They stand for the most effective level of the Czech public administration, so their traditional system is not going to change, until the district offices are ready to function. So the shires are going to be the object of long debates and discussions in the future.

LITERATURE

- 174/1999 resolution of the House of Representatives of the Czech Republic.
- 196/1999 resolution of the House of Representatives of the Czech Republic.
- 268/1999 resolution of the House of Representatives of the Czech Republic.
- HALÁSZ, I. (2001): A regionális önkormányzatok és az átfogó közigazgatási reformok a "visegrádi csoport" országában. In: *Régió, közigazgatás, önkormányzat* (Regional self-governments and public administrative reforms in the 'Visegrád' countries). Budapest: MKI.
- HALÁSZ, I. (2000): Az új regionális önkormányzatok alkotmányos helye és szerkezete az egyes kelet-közép-európai országokban (Constitutional situation and structure of the new regional self-governments in certain CEE countries). *Állam- és Jogtudomány*, 1–2.
- JIRÁSKOVÁ, V. (1998): K současnému stavu regionální samosprávy v České republice (To the present state of regional self-governments in the Czech Republic. *EMP*, 3.
- KOPECKÝ, M. (1998): *Právní postavení obcí, základy obecního práva* (Legal status and basic rights of the settlements). Praha.
- KOPECKÝ, M. (2000): Osm let se bojovalo hlavně o počet krajů (8 years' fight for the number of districts). *Lidové noviny*, 03. 10.
- Návrh koncepce reformy veřejné správy, 1999.
- Reforma veřejnej správy (Reform of public administration). Ročenka Hospodářských novin '98. (1998): Praha.
- SVOBODA, K., GROSPÍČ, J., VEDRAL, J., PLÍŠEK, M. (2000): Územní samospráva a státní správa (Self-government and public administration). Praha.
- TRÜTZSCHLER V. FALKENSTEIN, E. (1998): Decentralizace a regionalizace České republiky se zřetelem na historické aspekty (Decentralisation and regionalisation in the Czech Republic-historical aspect). In: REGIO '98. Mezinárodní konference v Mariánských Lázních a v Erfurtu 17–20. 11. Erfurt–Plzeň.

REGIONAL ADMINISTRATION IN THE SLOVAK REPUBLIC

MICHAEL TARISKA

The purpose of this paper is to present the development of regional administration in the Slovak Republic, its legislative and institutional background.

APPROACH TO REGIONAL DEVELOPMENT AFTER 1989

INITIAL SITUATION

The new regional policy in Slovakia began to be formulated after the year 1990. The Slovak Government by its Decision No. 390/1991 adopted principles of regional economic policy that constituted a proposal for system measures for solving regional issues and regulating the development in problematic territorial units. By this document Slovakia also adhered to basic principles and objectives of regional planning complying with the European standard of the European Charter of Regional/Territorial Planning.

Not all intentions and tasks of the aforesaid Decision of the Government were, however, implemented (particularly the Act on Regional Development, the Fund of Regional Development and an integrated system of economic instruments were absent), resulting in the 90s, in connection with the transformation of the economy and society, a process of differentiation of regional development from the centre of Bratislava through the districts of South and North Slovakia. The East was also in progress in Slovakia.

Since 1990, institutions have been operating in the Slovak Republic that started to constitute a legislative framework for regional development, such as the Centre of Strategic Studies, the Office of Strategy of the Development of Society, Science and Technology of the Slovak Republic. We should also mention the regional development agencies that were founded by a general agreement with trade unions and the related decisions of the Government in districts where the rate of unemployment exceeded 20%.

In 1997, the Slovak Government approved the Conception of State Regional Policy and a series of documents related to cross-border and international cooperation, integration in the European Union, and possibilities for providing assistance from the respective funds, were elaborated.

Particularly, we should mention the Integrated Plan of Regional and Social Development of the Slovak Republic (approved by Decision of the Slovak Government No. 923/1999) that selected 29 problem districts, which are concentrated in the existing regions of Košice, Prešov and Banská Bystrica.

BACKGROUND OF THE MOVEMENT TO DECENTRALISATION: 1990–2002

The public administration reform includes (in addition to the broader understanding of reforms of public administration) three associated and interconnected reforms:

- *decentralisation*, whose part is handing over responsibilities from the state administration to self-government, including decentralisation of public finance and *deconcentration* of tasks;
- *administrative (institutional) reform*, which comprises setting up new institutions of self-government (HTU—Higher Territorial Units) as well as changes within the existing institutions (local state administration, central bodies of state administration, and their subordinate organisations...);
- *reform of territorial and administrative arrangement*, including changes to territorial boundaries and seats of territorial self-government units and regions.

The reform of public administration and related decentralisation of the public authority in the Slovak Republic has been taking place since 1990.

This process started in 1990 by the establishment of municipalities as basic units of local government. The establishment of municipalities in 1990–1991 meant:

- abolition of the system of *national committees* integrating heretofore the local, district and regional public administration into one integral unit;
- establishment of a *dual system* of state administration and self-government, where the level of self-government is represented by municipalities (separated performance of state administration and territorial self-government, whose logical continuation should be the rise of the self-government of upper tiers, decentralisation of functional responsibilities and public finance in applying the principle of subsidiarity and rationalisation within state administration);
- *elections* to the new municipality bodies;
- *transfer* of property and selected competencies to municipalities.

In 1996, the new Law No. 222/1996 on the organisation of local state administration divided the country into 79 administrative *districts* and eight *regions*. This new division replaced the Act No. 472/1990 where the state administration was executed by 38 district offices and 121 subdivisions. The new law defines the new structures and responsibilities of the state administration offices. It was established as a two-tier hierarchical structure of regional and district offices related to the central government as well as the local state administration. The Law also provides for other bodies of local state administration, established according to special legislative acts. However, regional and district offices are responsible for general management of their territory. Regional and district offices have to cooperate with other state administration bodies, with local self-government and with other legal bodies to fulfil a wide range of tasks.

The new Government, which assumed power after the elections in September 1998, was determined to move the reform of public administration towards its decentralisation, i.e., to the transfer of competences to elected self-governments. However, it was internally disunited in the practical application of this idea. In February 1999, the Government appointed a plenipotentiary for the reform of public administration who prepared detailed fundamental conceptual documents (*Strategy of public administration reform, Conception of decentralisation and modernisation of public administra-*

tion); however, despite their approval by the Government, these *did not receive support from the parliamentary majority*. This resulted in a stalemate, which was then resolved during 2001 with the help of ad hoc parliamentary coalitions with a view to adopting decentralisation laws. This fact led to the following:

- instead of 12 self-governing regions proposed by the Conception, only eight self-governing regions, identical with the existing administrative regions, have been created;
- the laws transferring competences differed in certain points from the Conception proposed by the Government.

From December 1 2001, the subsequent stage of public administration reform started with the election to the newly established regional governments.

The changes that had taken place between 1990 and 1999 often had a contradictory nature. The initiated process of decentralisation had not been taken up further and despite the 'dual' model of public administration, changes occurred exclusively in state administration:

- after 1990, shift from three- to two-tier management (regions abandoned) and the transition from so-called integrated to sectoral management of local state administration (specialised networks);
- after 1996, shift from two- to three-tier management (centre – region – district) and from sectoral to integrated management;
- after 1998, efforts to maintain three-tier management but at the same time attempts again to resume sectoral management in the form of specialised networks (*Table 1*).

Table 1. Political-administrative authorities

State administration	Self-government
I National Parliament of Slovakia Central Government (14 ministries)	
II Regional Offices (8)	Regional self-governments (HTU)
III District Offices (79)	Municipal self-government
	– City or Municipal Councils (2,871)
	– Mayors (2,871)
	– Magistrate or Municipal Offices (2,871)

SUPPORTED REGIONS WITHIN THE SYSTEM
OF STATE REGIONAL POLICY

In the nineties, several regional programmes were elaborated in Slovakia (e.g., The Development and Layout of Regions in the Danube Area, a Co-ordination Study of Development of Slovakian–Polish Border Areas, an analytical study of the geoeconomic sub-region Vienna–Bratislava–Győr, The Project of Conception of Integration of the Slovak Republic in EU, a Proposal for Procedures in the Preparation of the National Programme for Adoption of *Acquis Communautaire* in the Slovak Republic, etc.).

The *Integrated Plan of Regional and Social Development of the Slovak Republic* was developed. It is a preliminary document of the *National Plan of Regional Development* compatible with EU practice. This document is elaborated for the period of years 2000 to 2001 from the viewpoint of appropriation of financial resources from the revised programme PHARE. A proposal of the *Integrated Plan of Regional and Social Development of the Slovak Republic—Part 1—National Development Strategy* was approved by a decision of the Government.¹ According to this decision, four Slovak regions were identified:

Region of Bratislava,
Slovakia—South-West, consisting of the regions of Nitra and Trnava,
Slovakia—North-West, consisting of the regions of Žilina and Trenčín,
Slovakia—East, consisting of the regions of Prešov, Košice and Banská Bystrica, wherein, for the years 2000 to 2001, districts whose development is lagging behind will be considered as priority districts within the regions, with stress laid upon the region Slovakia—East (Table 2).

Under conditions of the Slovak Republic, support will be provided to:

- *economically weak regions* that, according to indicators of economic and social development, report much lower level of development than is the average level in the Slovak Republic. The following indicators are used for their identification: The rate of unemployment, the number of applicants for jobs per one vacancy, the amount of earned income, the level of tax revenue of local budgets, the share and extent of attenuation of primary industries (agriculture, forestry) in the structure of employment and density of the population;

¹ Decision of the Slovak Government No. 923 of 27 October 1999 to the proposal of the *Integrated Plan of Regional and Social Development of the Slovak Republic—Part I—National Development Strategy*. A completed *Integrated Plan* was repeatedly approved in the Government on 1 December 1999.

Table 2. Share of regions at the level of NUTS 2 in total exports of the Slovak Republic

Region	1997 (in %)	1998 (in %)	1999 (in %)
Bratislava	27.1	33.3	33.8
North-west	22.7	20.6	22.6
South-west	16.1	16.3	16.3
East	34.1	29.8	27.2
Slovak Republic, total	100.0	100.0	100.0

Source: The Ministry of Economy of the Slovak Republic.

- *structurally affected regions* in which negative impacts of the structural changes are concentrated and which are affected by attenuation of industries and production enterprises and by the growth of unemployment. The following indicators serve to their identification: The rate of unemployment, including the number of applicants for job per one vacancy, the extent and the weight of attenuation of industrial branches in employment and development of enterprise.

The starting point for identification of supported regions is an analytical evaluation of the situation in the Slovak Republic as a whole, including experiences from EU countries with similar problems. These regions will be identified in compliance with EC regulations at the levels of NUTS 2 or NUTS 3 (*Decision of the Government of the Slovak Republic (April 2002)*)

The evaluation of the level of regional development that meets the requirements and criteria of the European Union shows that only the region of Bratislava differs significantly in GDP/capita in PPS in nominal value. Among the other regions there are no significant differences, and the level of this indicator determines that the Slovak Republic as a whole reaches 8,800 ECU in GDP/capita in PPS in nominal value, which represents 46% of the EU average. More significant differences in this indicator are obvious only at the level of counties (NUTS 3; see *Table 3*).

The region of Bratislava has a special position not only in comparison with other Slovak regions but also in that with the EU average. With the level of 105% of the EU average and 265% above the average of Central European countries, it can be classified similar to the most developed regions within these countries. The other regions in Slovakia attained 29 to 44% of the EU average.

Table 3. Share of per capita GDP of the EU and the CEC average

Region/country	Per capita GDP in PPS		Per capita in % of the EU average		Per capita in % of the CEC average ^a	
	1996	1997	1996	1997	1996	1997
Slovak Republic	8,100	8,800	45	46	116	119
Region of Bratislava	17,500	19,900	97	105	250	269
Region North-west	6,740	7,200	37	38	97	97
County of Trenčín	6,700	7,600	37	40	95	103
County of Žilina	6,800	6,900	38	36	97	93
Region South-west	7,330	7,800	40	41	106	125
County of Trnava	8,000	8,400	44	44	114	113
County of Nitra	6,900	7,400	38	39	98	101
Region East	6,690	7,200	37	38	97	97
County of Banská Bystrica	7,300	7,900	40	42	104	107
County of Prešov	5,100	5,500	28	29	73	74
County of Košice	7,800	8,300	43	44	112	113

^a Central European countries (CEC).

Source: Regional GDP in CEC, The Statistical Office of the Slovak Republic, National Accounts 1999.

In the period before transformation, the former economic system did not develop the tertiary sector. A discontinuity in this tendency in the development of economic structure can be observed after the year 1989. One of the serious problems is the high rate of unemployment in those regions whose development is lagging behind. In spite of dynamic economic changes in the transformation period, the rate of unemployment does not increase at the same rate as the tertiary sector employs unemployed persons released from the primary and secondary sectors.

From the many factors determining regional disparities, for the Slovak Republic the following are of importance:

- foreign development investments in the regions;
- export basis of regions;
- development of small and medium-sized enterprises, establishment of new firms in regions;
- innovation potential, qualification.

THE NATIONAL PROGRAMME FOR ADOPTION OF THE ACQUIS

The National Programme for Adoption of the *Acquis* in the field of regional policy and cohesion adopted by the Slovak Government in 2000 identifies the following short- and medium-term priorities:

Short-term priorities. In order to establish the legal and institutional frameworks for regional policy it will be necessary to adopt, or perform the following:

- *Adapt the Act on Regional Development.* This Act will create a systemic institutional, instrumental and financial framework for further progress in regional development in Slovakia. The possibility exists that awaiting the creation of new legislation governmental regulations such as decrees will provide the framework for further progress in regional development.
- *Establish the Department of Regional Development Management* at the Ministry of Construction and Regional Development.
- *Adapt the National Plan of Regional Development (NPRD).* The NPRD is a mid-term planning document, which defines the factors of economic and social development, the goals and scenarios of development, tools and strategies for achieving the goals and basic orientation of the impact of sectoral development policies. It defines, coordinates and links the development programmes into one unified programming and financial framework and defines the priorities of the state in the area of development.
- *Adapt the Act on Territorial and Administrative Division* of the Slovak Republic. The act will create important conditions for defining NUTS 2.
- *Adapt the Act on Self-Governmental Higher Territorial Units.* The act will create the legislative framework for a full-fledged participation of regional self-governments in planning, evaluating, implementing and reviewing programmes and projects of regional development.
- *Act on the Elections into Self-Governmental Bodies of the Higher Territorial Units.* The act will enable the implementation of the Act on the Self-government of Upper-Tier Territorial Units.

Medium-term priorities

- Development of a legal framework and completion of institutional administrative structures and creation of a system for the efficient operation-strengthening capacities of the sectors responsible for the preparation and implementation of operational and other types of programmes and strengthening the capacities in the sector responsible for the administration of the fund.
- Development of methodology, rules and procedures for the preparation, implementation and assessment of the programme of Accession funds, Structural funds and the Cohesion fund (in the first stage it will concern PHARE 2000, ISPA, SAPARD and INTEREG preparation).

PROGRAM ASSURANCE OF REGIONAL POLICY

The system of programming documents of the regional policy consists of:

- The National Plan of Regional Development of the Slovak Republic (covering the whole territory of the Slovak Republic);
- The Conceptions of Development of Regions;
- The Programmes of Development of Municipalities.

The National Plan of Regional Development of the Slovak Republic I already mentioned above is an essential mid-term programming document of the regional policy of the Slovak Republic. This document lays down state strategy in the area of promoting regional development, defines required resources and specifies development principles, objectives and priorities for elaboration of regional development programmes. Parts of NPRD SR are sectoral operational programmes and regional operational programmes.

The elaboration of the National Plan of Regional Development of the Slovak Republic and its approval by the Government lie within the authority of the Ministry of Construction and Regional Development of the Slovak Republic.

Conceptions of Development of Regions are mid-term analytical and conceptual documents laying down basic directions and priorities for the development of the particular region, analysing the strengths and weaknesses, setting objectives, priorities as well as strategies for their attain-

ment. The Conception of Development of a Region is the underlying document for elaboration of the regional operational programme.

Programmes of Development of Municipalities should harmonise the interests of local communities with the intentions of economic and other entities (organisations) located in the territory covered by them, depending on local conditions and possibilities. The elaboration of these programmes lies within the authority of the individual municipalities.

LEGISLATIVE FRAMEWORK OF REGIONAL ADMINISTRATION

Yet in the mentioned rules of regional economic policy from the year 1991, regional policy was defined, in addition to macroeconomic and sectoral policy, as a specific form of economic policy being ensured vertically by systematic mutually harmonising activity of local self-government, territorial and central bodies of state administration and, along the horizontal, by territorial coordination of the individual types of sectoral and industrial policies.

The existing coordinator of regional policy in Slovakia, *the Ministry of Construction and Regional Development of the Slovak Republic*, presented for negotiation of the Government the *Principles of Regional Policy of the Slovak Republic*, elaborating general organisational and institutional, instrumental, programming and resource possibilities of ensuring regional development activities. By implementation of the Principles, Slovak regional policy should be harmonised with EU regional policy, especially in the area of principles of regional policy, its instruments and institutional assurance.

The Principles of the Regional Policy of the Slovak Republic were approved by Decision No. 725 of 13 September 2000 of the Slovak Government, which decision imposes on ministers and presidents of other central bodies of state administration of the Slovak Republic the implementation of the principles of Slovak regional policy to ensure a complex system of support of regional development. These rules were followed by the Act on Support of Regional Development.

The Act defines the power of state bodies, regional self-government bodies, and municipalities in the regional development support.

There are the following acts that create a legislative framework defining, supporting and influencing regional development and its institutional assurance.

- Competence Act (Act of the Slovak National Council No. 347/1990 Coll. on Organisation of Ministries and other Central Bodies of State Administration of the Slovak Republic, as amended);
- Act on State Aid, (1999) (amendment 2001);
- Act on Public Procurement (1993) (amendment 2001);
- Act on Organisation of State Administration (1996) (amendment 2001, 2002);
- *Act on Support of Regional Development* (2001);
- Act on Regional Self-governments (2001);
- Act on Industry Parks Establishment Support (2001);
- Act on Transfer Defined Powers from State Administrations Bodies to Municipalities and Regional Self-governments (2002).

INSTITUTIONS OF THE REGIONAL ADMINISTRATION IN THE SLOVAK REPUBLIC

CENTRAL LEVEL

The National Council of the Slovak Republic approves the Act on State Budget. By the Act it also influences the financial sources to support the implementation of regional policy in the Slovak Republic. It also approves legislation concerning regional development and influences regional policy through its departments initiating changes in legislation.

From the viewpoint of institutional assurance of regional policy in the Slovak Republic, at the central level we should mention the *Slovak Government* which:

- approves programming documents and key measures concerning the formulation and implementation of regional development policy;
- presents to the National Council of the Slovak Republic legislative proposals affecting regional development policy;
- suggests to the National Council of the Slovak Republic the volume of financial resources from the state budget for assurance of the state regional policy.

As a supradepartmental coordinating, guidance and initiative body of the Government for the regional policy, the *Council of the Slovak Government for Regional Policy* was established.

The function of the Secretariat of the Council of the Slovak Government for Regional Policy is executed by the *Department of Regional Development* of the Office of Government of the Slovak Republic, which also carries out legislative, coordinating, administrative and service activities for the needs of the Deputy Prime Minister of the Slovak Republic for human rights, minorities and regional development.

The competences and responsibilities of central bodies of state administration are laid down by the so-called Competence Act (Act of the Slovak National Council No. 347/1990 Coll. on Organisation of Ministries and other Central Bodies of State Administration of the Slovak Republic, as amended). Direct competences for the area of regional development under the said Act are delegated to the Ministry of Construction and Regional Development of the Slovak Republic.

The Deputy Prime Minister of the Slovak Republic for European Integration is the national coordinator of foreign aid. The national coordinator

- negotiates all main issues concerning the provision of foreign aid;
- informs resorts about the negotiation results and consults on project preparation;
- coordinates the financial allocation according to the priorities of individual resorts.

The department of Foreign Aid of the Office of the Government of the Slovak Republic coordinates the PHARE programme activities. The department negotiates with the European Commission about the conditions and financing of project and programmes.

The Ministry of Construction and Regional Development of SR

- coordinates the activities of all bodies of state administration and those of territorial self-government involved in the preparation and implementation of the National Plan of Regional Development of the Slovak Republic, regional operational programmes and sectoral operational programmes;
- elaborates, in cooperation with bodies of state administration and territorial self-government, as well as with socio-economic partners, the project of the National Plan of Regional Development of the Slovak Republic, and submits it to the Government for approval;

- through its detached departments, in cooperation with other central bodies of state administration, bodies of territorial self-government and socio-economic partners, it ensures the elaboration of regional operational programmes;
- evaluates the progress and the implementation of the National Plan of Regional Development of the Slovak Republic;
- through its detached departments evaluates the progress and implementation of regional operational programmes;
- ensures cooperation with bodies of the European Union, coordinates the utilisation of financial resources from Funds in the area of economic and social cohesion and international and cross-border cooperation;
- through its detached departments ensures the selection of projects within the implementation of regional operational programmes, and in cooperation with state administration bodies, ensures their independent expert assessment, whereby criteria for selection of projects are laid down by the competent regional monitoring committee;
- establishes the *Implementation and Payments Agency of Regional Development*, regional monitoring committees and the *National Monitoring Committee*;
- through its detached departments prepares underlying documents for the activity of *regional monitoring committees*;
- through its detached departments prepares underlying documents for the activity of the *National Monitoring Committee*;
- may authorise other organisations subordinated to the Ministry to execute activities that should be ensured through its detached departments;
- for the purpose of accomplishment of these tasks it requests the necessary information from interested bodies of state administration and territorial self-government;
- as the implementation of the regional development has a multi-sectoral character, other ministries and other central bodies of state administration have within their authority certain activities more or less concerning the issues of regional development.

Together with other *central bodies of state administration*, it can

- analyse the achieved level of economic and social development of counties and districts; the results of such analyses are one of the underlying documents for elaboration of a project of *the National Plan*

of *Regional Development of the Slovak Republic* and projects of regional programmes of development;

- collaborate in the elaboration and implementation of the National Plan of Regional Development of the Slovak Republic and regional programmes of development;
- at the request of regional offices, it can participate in the elaboration of the conception of development of the region;
- fulfil tasks related to the area of promoting regional development to contribute by their activity to the adjustment of differences between levels of development of the individual regions.

PIU PHARE CBC (Programme Implementation Unit PHARE Cross Border Cooperation) has been included in the structure of the Ministry since July 1 2001.

The ministries with a close relation to regional development are as shown in *Table 4*:

Table 4. The ministries and its role in the regional development (except the Ministry of Construction and Regional Development of the Slovak Republic)

The name of ministry	Role in the regional development
The Ministry of Finance	Formation and introduction of economic instruments, assurance of cofinancing the Pre-accession and later the Structural Funds of the European Union, responsibility for financial management of the programmes PHARE, ISPA and SAPARD, for cofinancing from the state budget and other financial resources in compliance with international financial agreements for Pre-accession Funds, methodical management and coordination of financial controls of Pre-accession Funds in relation to the Ministries and other central bodies of state administration, execution of subsequent checks on the economic utilisation of resources of Pre-accession Funds in the implementation bodies
The Ministry of Environment	Environmental policy, territorial planning, programme ISPA
The Ministry of Agriculture	Agrarian policy, rural development, programme SAPARD
The Ministry of Transport, Posts and Telecommunications	Transport policy, programme ISPA

Table 4 continued

The name of ministry	Role in the regional development
The Ministry of Economy	Industrial policy, promotion of the tourist industry, the area of foreign investments, the support of small- and medium-sized enterprises
The Ministry of Labour, Social Affairs and Family	Active employment policy
The Ministry of the Interior	Cross-border and interterritorial cooperation of local state administration in the area of regional development
The Ministry of Foreign Affairs	International cooperation in the area of regional policy
The Ministry of Culture	Protection and development of cultural heritage and conservation and utilisation of the cultural potential of Slovak regions

Another body of state administration approval, a closely related to regional development, is the *Office of State Aid*, particularly the Section of Regional Aid, which assesses, evaluates and submits for approval to the director of the Office the proposed state aid from a territorial viewpoint in the following areas: regional development, small- and medium-sized enterprises, minimum state aid, budgets of communities, etc.

REGIONAL LEVEL

At the regional level, institutional assurance of regional policy is presently executed by regional and district offices.

*Regional offices*²

- Elaborate and approve the conception of development of a region;
- participate in the elaboration of regional operational programmes for their territorial units;
- ensure the elaboration and the implementation of regional programmes of development;
- work with central bodies of state administration in the implementation of the objectives and tasks of regional development;

² The district offices are further presented in the section on *Transfer competences*.

- coordinate activities of all affected organisations involved in the preparation of programming documents pertaining to regional development of the respective region;
- Work with regional labour offices in the implementation of labour market policy.

The Regional Offices are significant as bodies, which since 1996 until decentralisation of their specific areas of responsibility:

- directly manage, establish, dissolve and provide funds for public services of regional importance (e.g., secondary schools, some amenities of social services, cultural centres);
- by managing of an independent budgetary chapter in the central government budget, allocates money to district offices and thus provide finance for public services of local importance.

District offices³

The district offices fulfil partial tasks connected with the process of regional development for their districts; they are particularly obliged to provide, at the request of the Ministry or the regional office, the required help in preparing and implementing the National Plan of Regional Development of the Slovak Republic, regional programmes of development and the conception of development of the region.

A District Office is significant as a body, which since 1996 until decentralisation of a specific area of responsibility:

- directly manages, establishes, dissolves and provides funds for public services of local importance (e.g., primary schools, pre-school and school facilities, some amenities of social services).

Both regional and district offices are headed by a chief executive appointed by the Government. Thus, he/she is a political 'envoy' of the central Government. Since the Government directly appoints both the regional and the district chief executives, there is no hierarchical relation between them. The regional and district offices employ *civil servants* who are a part of politically independent civil service as of April 1 2002 (Act on Civil Servants).

³ The regional offices are further presented in the point No. 4.

Self-government of HTU (higher territorial units)

Upon the planned execution of the reform of public administration in the Slovak Republic, all competences in the area of regional development of the respective HTU have been transferred to its self-governing bodies. The bodies of HTU:

- elaborate and assume responsibility for the implementation of the conception of development of HTU that will be a basis for later elaboration of regional operational programmes;
- cooperate in the elaboration of regional operational programmes and co-participate in their implementation;
- monitor and regularly (annually) evaluate the socio-economic development of HTU and submit this evaluation to the Ministry of Construction and Regional Development of the Slovak Republic;
- work with central bodies of state administration in implementing the objectives and tasks of regional development;
- coordinate the activity of all organisations involved in the preparation of programming documents pertaining to the regional development of HTU.

According to the *Act on Self-government of Higher Territorial Units No. 302/2001 (Act on Regional Self-governments)* of 4th July 2001, the following regional self-governments will be established:

- a. the Regional self-government of Bratislava with the seat in Bratislava;
 - b. the Regional self-government of Trnava with the seat in Trnava;
 - c. the Regional self-government of Trenčín with the seat in Trenčín;
 - d. the Regional self-government of Nitra with the seat in Nitra;
 - e. the Regional self-government of Žilina with the seat in Žilina;
 - f. the Regional self-government of Banská Bystrica with the seat in Banská Bystrica;
 - g. the Regional self-government of Košice with the seat in Košice;
 - h. the Regional self-government of Prešov with the seat in Prešov.
- A territorial district of a regional self-government will comply with a territorial district of a region. The territorial district of a regional self-government can be changed only by law.
 - A regional self-government is a legal person that, under the conditions laid down by a law, manages its own property and revenues independently, ensures and protects rights and interests of its inhabitants.

- A regional self-government shall keep own symbols that may be used for the purposes of self-government. The symbols of a regional self-government are the coat-of-arms, flag and seal.
- In matters of territorial self-government, obligations and limitations to a regional self-government can be imposed only by a law and an international treaty.

The authorities of a regional self-government are:

- The Council of a regional self-government
 - o The council shall determine a number of deputies for overall electoral period with a ratio of 12,000 to 15,000 inhabitants to one deputy and determine an election district pursuant to a special law.
 - o The council shall exclusively decide on basic issues of a self-government region according to the law, it particularly:
 - a. shall approve regulations;
 - b. shall determine the principles of management of a self-government region's property and a property relinquished to a self-government region for use;
 - c. shall approve a social, economic and cultural development programme for a self-government region, regional developmental plans and programmes as well as territorial planning documentation of a self-government region and territorial plans of regions;
 - d. shall approve a budget of a self-government region and its amendments, control withdrawals from the budget and approve a final account of a self-government region;
 - e. shall decide on taking credit or loan for a self-government region;
 - f. shall decide on the declaration of a referendum;
 - g. shall find, establish, revoke and control legal persons of a self-government region and appoint and recall their heads (directors) unless a special law does not lay down otherwise, shall approve investment of a self-government region in a legal person;
 - h. shall approve agreements, twinning of resources and activities of a self-government region as well as membership of a self-government region in associations;
 - i. based on the proposal of a head, shall elect and recall a deputy head of a self-government region among deputies, determine the competence that a deputy head is not authorised to exercise dur-

- ing the absence of a head and determine proper recompense to a deputy head who is disengaged from its office for a long-term period;
- j. shall establish committees and other bodies of a Council, elect and recall their chairmen and other members;
- k. shall elect for the period of six years, and shall recall the chief controller of a self-government region and determine his or her salary and bonus;
- l. shall determine remuneration for deputies;
- m. shall determine remuneration for members of committees who are not deputies;
- n. shall establish an office of a self-government region and determine its organisational structure;
- o. shall approve the rules of procedure of a Council.
- The head of a regional self-government
 - o a head shall be elected by inhabitants of a self-government region on the basis of direct suffrage;
 - o a head shall represent a self-government region externally. A head shall be a statutory body in relation to the relationships of the property rights, working rights and other relationships, shall decide on matters in which a law authorises a self-government region to make decisions relating to the rights and obligations of legal and natural persons.

The inhabitant of a regional self-government shall mean any person permanently residing in a municipality therein.

An inhabitant of a regional self-government shall participate in its self-government. He or she shall be particularly entitled:

- to elect the Council and to be elected to the Council;
- to elect the head and to be elected as head;
- to vote in referendum of a regional self-government under the conditions laid down herein;
- to take part in the Council's meetings;
- to submit own incitements, complaints and other filings to the head, Council and authorities established by them.

Except the rights pursuant as mentioned above, of

- having real estate;
- being registered for temporary residence;
- being authorised as a foreigner for long-term residence;

the territory of a regional self-government may participate in the execution of self-government.

The current competences of the regional and district offices are valid until January 1 2002. From this date on the Act on regional self-governments and the Act on transfer defined forces from state administrations bodies to municipalities and regional self-governments define further decentralisation of the competences. *The functions of regional offices and district offices will be transferred to HTU bodies* (see section on transfer of competences 4).

LOCAL LEVEL

MUNICIPALITIES

Municipalities in the very near future after transfer of competences will be more and more included in regional development by providing more public services, distributing sources on the one hand, while they can also influence regional development through municipal associations by initiating investment in their regions on the other.

Municipalities mostly:

- elaborate and approve the programme of development of the territorial district of the community and ensure its implementation;
- at the request of the regional office or the district office they provide the required help in preparing and implementing regional programmes of development and the conception of development of the region;
- ensure and support the development of municipality activities necessary for the development of the region through generally binding regulations;
- may associate their resources with neighbouring municipalities and other legal entities in ensuring common development intentions;
- may create microregions with other municipalities.

OTHER INSTITUTIONS

In addition to the stated institutional structure within state administration and self-government, in compliance with the principle of partnership, many other organisations participate in the implementation of regional policy in the Slovak Republic.

There are several regional development agencies, professional associations and other interest groups, research, specialised institutions and entities, non-governmental non-profit organisations and others.

NPRD SR (National Programme of the Regional Development) respects the existing legal situation in the area of public administration. After the implementation of the reform of public administration, the Institutional Assurance part will be revised, depending on the outcomes of the reform.

Council of the Government for Regional Policy. The council coordinates, advises and initiates the government intentions in the area of regional development since 1999 (Direction of the Government No. 610/1999).

National Fund. Since October 1 2000, the Department of the National Fund that belongs to the Ministry of Finance and it is the responsibility of the state secretary of the Ministry of Finance has been established. The national fund is responsible for the financial management of the pre-accession funds (Phare, ISAPA, SAPARD). The fund does monitoring, gives and takes away accreditation of the SAPARD agency.

National Agency for Development of Small and Medium Enterprises (NARMSP). The main goal of the agency is to initiate development and growth of existing and newly founded small and medium enterprises.

The agency supports and develops the regional advisory and information centres (*RPIC*) and cooperates with the business innovation centres (*BIC*).

The agency assures the following financial programs:

- credit support programme;
- microcredit programme;
- the starting capital fund.

There are other *institutions that deal with realisation of the regional policy*, such as state agencies, for example, the Environmental National Agency (NAŽP), the Slovak Agency of Tourism (SACR) and the National Agency for Support of National Investment (SARIO) and the Agency for Industrial Development and Revitalization (AIDR).

There are *professional and other interest groups*, such as Slovak Chamber of Commerce (SOPK), the Association of Municipalities (ZMOS), the Union of Municipalities and *institutions of the third sector*.

Regional institutions based on partnership.

Regional Development Agencies (RRAs). The RRAs are NGOs, which mobilise economic development by the institutional connection of the commercial and public sector.

An integrated net of the RRAs was created by direction No. 738/2000 of the government. There are 18 agencies located in mostly district towns of the Slovak Republic. The ministry of Construction and Regional Development is covering management of the RRA net on a legal basis and they are also cofinanced from the State Budget.

TRANSFER OF COMPETENCES

RESPONSIBILITIES FOR THE PROVISION OF PUBLIC SERVICES

In the provision of public services at the regional and local levels it is necessary, first of all, to define basic concepts:

- public services being executed as the competences of state administration;
- public services being executed as self-government's own competences;
- public services being executed otherwise (this concerns in particular the services provided by tripartite public law organisations).

Public services being executed as the competences of state administration may be executed directly by state administration, which may alternatively vest them in the self-government.

Until January 1 2002, the responsibilities for the provision of public services were divided in the following way:

- general public services—as appropriate, at all levels;
- defence—exclusively the central government;
- public order and security—predominantly by the central government through a directly controlled network of the national Police and other similar bodies; there exists the Municipal Police, however, with very limited powers; Bratislava and Košice were responsible for their Fire Brigades;
- education—exclusively by the central government through the regional and district offices;
- health—financed exclusively by the central government through public law health insurance system and central government budget and

- public facilities established either at the central level by the Ministry of Health, or privatised, or gradually transferred to municipalities;
- social security and protection—predominantly by the central government through public law institutions or district offices; municipalities may pursue additional activities;
 - housing and related services—directly as a public service provided in particular by municipalities, to which the relevant state apartments were transferred and which may apply to participate in national support programmes for the construction of new ones. Municipalities are mostly responsible for maintenance and operation of public lighting, waste collection and disposal, etc.
 - culture—predominantly by the central government through regional and district offices; municipalities may pursue additional activities;
 - agriculture and economy—exclusively by the central government;
 - transport—predominantly by the central government through specialised organizations owned/managed by the central government, except for local transport in the five largest cities and maintenance of communications of local importance in all municipalities.

Accordingly, until January 1 2002, the bodies and organizations of state administration (regional and district offices and legal persons established and/or funded by them) and public law organisations carried out the prevailing part of public services of regional and local nature. In the period between January 1 2002 and January 1 2004, most of the responsibility for them shall be transferred to self-governing regions and municipalities and the organizations set up and/or funded by them. *Table 5* contains a schedule of the transfer of competencies to the self-governing regions and municipalities (previous and transferred).

Table 5. Schedule for the transfer of competencies within decentralisation

Date	Competences transferred
January 1 2002	registries, water management, civil protection, local railways, regional development
April 1 2002	road transport, social support, culture and training activities
July 1 2002	education system, sports, health and pharmacy
January 1 2003	urban planning and building regulations
January 1 2004	road administration

Source: Law No. 416/2001 Coll.

In practice this means that the following key public services will be, within the period of two years, gradually decentralised (*Table 6*).

Table 6. Selected decentralized competences

Selected key decentralised public services—responsibility of after decentralization is finished by January 1, 2004

Municipalities

Primary schools and pre-school facilities

Amenities for social services and social support

Local roads

Local health care (e.g., ambulant care, 1st category hospitals)

Urban planning of the municipality

Regional self-governments

Secondary schools

Some areas of social protection

Regional health care (e.g., 2nd category hospitals, pharmacy)

Theatres, museums, galleries, libraries

Regional roads

Regional timetables (traffic schedules)

Urban planning of the region's municipality

Source: Law No. 416/2001 Coll. and other sources.

However, state administration will still continue to directly realise numerous competencies even after January 1 2004. Their list is contained in *Table 7*.

Table 7. Some essential public services of regional and local nature, to be still provided by state administration

Grants/subsidies and supporting programmes for the economy and agriculture

Administration of social benefits

Public order protection by the National Police, Prosecutor's offices and courts

Source: Author.

What is even more important, public law organisations shall maintain their functions and continue to perform their duties as referred to in *Table 8*.

Table 8. Competences of selected public law institutions

National Labour Bureau will be responsible in particular for:

- the collection of mandatory premiums of employers and employees in this branch;
- finding jobs for the registered unemployed;
- payment of unemployment benefits to the registered unemployed;
- active labour market policy (job matching, re-training, etc.).

Social Insurance Company will be responsible in particular for:

- the collection of mandatory premiums of employers and employees in this branch;
- payment of retirement pensions, disability pensions and other types of pensions;
- payment of sickness benefits to disabled persons;
- payment of certain other social allowances.

General Health Insurance Company will be responsible, as the insurer for the majority of citizens, in particular for:

- the collection of mandatory premiums of employers and employees in this branch;
 - reimbursement of medical services, medicines and other expenditure to the providers; of health care, pharmacies, etc.
-

Source: Author on the basis of relevant laws.

COMPETENCES OF REGIONAL SELF-GOVERNMENT

The Act on Regional Self-governments defines the competencies of regional self-governments as follows.

While performing self-government, a regional self-government shall pay an attention to the general development of the territory and the needs of its inhabitants. Simultaneously, it particularly will:

- ensure setting and fulfilment of a programme for social, economic and cultural development within the territory of a regional self-government;
- carry out planning activities relating to the territory of a regional self-government;
- provide, discuss and approve territorial and planning documentation of a self-government region and territorial plans of regions;
- use efficiently local human, natural and other sources;
- carry out own investment activity and business activity to ensure needs of inhabitants of a regional self-government and its development;

- find, establish, revoke and supervise its budgetary and contributory organisations and other legal persons pursuant to special regulations;
- participate in the formation and protection of the environment;
- create conditions for the optimal arrangement of mutual relations between settlement units and other elements of the territory;
- create conditions for the development of education, particularly in secondary schools, and the development of further education;
- create conditions for the formation, presentation and development of cultural values and cultural activities and protect the monuments fund;
- coordinate the development of tourism;
- coordinate the development of physical education and care of children and youth;
- cooperate with municipalities in the creation of their social and economic development programmes;
- participate in problem-solving related to other municipalities in the territory of a regional self-government;
- develop cooperation with territorial units and authorities of other states;
- perform other activities laid down by special laws.

COMPETENCES OF THE SELF-GOVERNMENT IN REGIONAL INTERNATIONAL CO-OPERATION

The seven points of the Act on Regional Self-government listed below shows the possibilities of a new regional self-government to become a part of an international cooperation.

1. Within the scope of own activities, a regional self-government may cooperate with territorial and administrative units or authorities of other states that carry out regional functions. A self-government unit shall have the right to become a member of an international association of territorial units or territorial authorities.
2. The cooperation shall based only on a cooperation agreement shall contain:
 - a. the names and seats of contracting parties;
 - b. the subject matter of a contract (cooperation);
 - c. the time determination for a contract's duration.

3. If a cooperation agreement requires an appointment of a special authority, such agreement will state so, as well as the way of the appointment. Such authority must be of the nature of private law.
4. A cooperation agreement will be concluded in written form, beforehand approved by the qualified majority of all deputies of the Council and by a territorial unit or authority of other state.
5. A cooperation agreement or membership in international association of territorial units or territorial authorities will not be contrary to the Constitution of the Slovak Republic, constitutional laws, laws and international treaties binding for the Slovak Republic and public interest.
6. A regional self-government will send a copy of a concluded cooperation agreement or proof of membership in international association of territorial units or territorial authorities to the regional office in which the territorial district is seated. A regional office will record concluded cooperation agreements and the membership of regional self-governments in international associations of territorial units or territorial authorities.
7. If the requirements laid down by points 2, 3, 4 and 5 are not fulfilled, a regional office can make a motion to a court to ordain the obligation to terminate a cooperation agreement or membership in international associations of territorial units or territorial authorities.

Some tasks of state administration may be transferred to a regional self-government.

In the case pursuant to point 1, the state will provide a regional self-government with essential financial and other material resources.

CONCLUSION

Regional development in the EU associated countries like the Slovak Republic is based on clear institutional framework and ability to manage budgetary sources, to create appropriate conditions for the foreign investors and the EU pre-accession funds to support regional development. Unfortunately, it has taken a long time to make strategic decision about the regional division of the Slovak Republic according to the EU regional policy. Establishment of the regional self-governments and their will to adopt basic programming documents such as The National Plan of Regional Development of the Slovak Republic, The Conceptions of De-

velopment of Regions and The Programmes of Development of Municipalities, is just a first step. There is a need for a long-term strategy of regional development that would implement regional self-governments. The new regional self-governments have started to develop their own development conceptions and strategies since their establishment and in coordination with government bodies, especially with the Ministry of Construction and Regional Development will set up a new potential of growth in individual regions to be able to minimise a huge gap between the western regions and the rest of the Slovak Republic.

Appendix I explains the situation as of January 1 2002, and then shows the differences, which are to take place gradually, in particular during the years 2002–2004. It moves from general information on municipalities and regions, through differentiation between them, up to the analysis of the course and content of decentralisation, their responsibility for public services and their financing.

Appendix I. Regions, cities and municipalities in NUTS structure in the Slovak Republik

NUTS 1	NUTS 2	NUTS 3	NUTS 4	NUTS 5
Slovak Republik	Bratislava	Regional self-governments 8 (Bratislava Trenčín, Žilina, Trnava, Nitra, Banská Bystrica, Prešov, Košice)	78 districts	2,886 municipalities
	North-west (Country of Trenčín, County of Žilina)			
	South-west (Country of Trnava, County of Nitra)			
	East County of Banská Bystrica, County of Prešov, County of Košice			

Table 9 shows the municipalities of the Slovak Republic classified according to their size. Accordingly, we can see that the Slovak Republic has a large number of small municipalities, which is a decisive factor/problem with respect to efficiency and quality of many of the public services. Because of their large numbers and lack of most of socio-economic statistical data at the general level, it is impossible to make a detailed analysis of inter-municipal differentiation.

Table 9. Municipalities arranged into groups according to their size
(as of December 31 2000)

Population	Number of municipalities	Proportion of the total number of municipalities (%)	Proportion of the total population (%)
-999	1,969	68.39	16.27
1,000- 1,999	536	18.62	13.97
2,000- 4,999	250	8.68	13.64
5,000- 9,999	52	1.81	6.75
10,000-49,999	61	2.12	24.56
50,000-99,999	9	0.31	12.05
>100,000	2	0.07	12.76

Source: Ministry of Finance of the SR.

The differentiation can be studied, based on data on individual regions, which are shown in Tables 10 and 11. The former illustrates the level of relevant indicators in individual regions according to the latest data available for the years 2000 and 2001. The latter contains dynamic indicators, namely a comparison of the development during the last five years, provided that the relevant data are available. Both columns show great differences among the individual regions in the field of economic development, but also in indicators of the quality of life.

Table 10. The latest basic socio-economic data available on Slovak regions⁴

	Bratislava	Trnava	Trenčín	Nitra	Žilina	Banská Bystrica	Prešov	Košice	Slovakia	Year
Area (km ²)	2,053	4,148	4,502	6,343	6,788	9,455	8,993	6,753	6,753	2001
Population	617,049	551,441	608,786	714,602	693,853	662,077	787,483	767,256	5,402,547	2000
Natural increase in population	-944	-552	-291	-1,745	1,433	-953	3,701	1,778	2,427	2000
Total increase in population	67	154	-502	-1,239	1,271	-855	3,032	1,962	3,890	2000
Age 0-14 (%)	15.6	18.0	18.3	17.5	20.6	18.4	23.0	20.6	19.2	2000
Age 15-59 (%)	68.3	66.4	65.6	65.3	64.7	65.2	63.2	64.7	65.3	2000
Age 60+ (%)	16.1	15.6	16.1	17.2	14.7	16.4	13.8	14.7	15.5	2000
Infant mortality rate	5.52	6.82	4.39	6.18	6.81	7.09	13.67	12.16	8.58	2000
Life expectancy—men	71.12	69.18	70.06	68.43	68.77	67.63	69.36	68.03	69.14	2000
Life expectancy—women	77.97	76.88	78.04	76.94	78.18	76.98	77.32	76.69	77.22	2000
General fertility	27.99	33.28	33.57	33.26	42.26	35.83	49.37	44.41	38.03	2000
Nationality (%)										
Slovak	91.2	73.9	97.3	70.1	97.5	83.6	90.7	81.8	85.8	2001
Hungarian	4.6	23.7	0.2	27.6	0.0	11.7	0.1	11.1	9.7	2001
Romani	0.1	0.6	0.3	0.7	0.1	2.3	4.0	3.9	1.7	2001
Czech	1.6	0.9	1.0	0.6	0.9	0.7	0.5	0.6	0.8	2001
Russniak	0.1	0.0	0.0	0.0	0.0	0.0	2.7	0.3	0.4	2001
Ukrainian	0.1	0.0	0.0	0.0	0.0	0.1	0.9	0.3	0.2	2001
Other	2.3	0.9	1.2	1.0	1.5	1.6	1.1	2.0	1.4	2001
Religion (%)										
Roman Catholics	61.9	78.2	71.9	77.2	75.5	62.4	67.0	59.5	68.9	2001
Protestants of Augsburg Confession	5.6	4.4	9.6	3.3	10.5	13.0	5.1	4.4	6.9	2001
Greek Catholics	0.6	0.2	0.2	0.2	0.2	0.8	15.3	11.0	0.4	2001

⁴ Indicator

Commentary

Population	Population as on 31 December
Natural increase in population	Difference between live-born and decedent
Total increase in population	Natural increase + migration increase
Infant mortality rate	Decedent under 1 year of age per 1,000 live-born
Life expectancy—men	A 3-year period is taken as an average for regions, for Slovakia it is a yearly value
Life expectancy—women	A 3-year period is taken as an average for regions, for Slovakia it is a yearly value
General fertility	Live-born per 1,000 women of fertile age
Nationality (%)	Being established only as a part of census (mother tongue—very similar results)
Religion (%)	Being established only as a part of census
Water supply (%)	Percentage of population supplied from public water supplies
Sewage (%)	Percentage of population joined to public sewage network
GDP per capita (SKK)	For the year 2000—preliminary estimation
Number of unemployed (in thousands)	Data taken from Selective Labour Force Survey (VZPS)
Unemployment rate (%)	Data taken from Selective Labour Force Survey (VZPS)
Number of low-income households	Estimation of the number of households with lower than minimum threshold income of the 2nd decile of the division of households in the SR according to the net money income per household member
Average income per person	Estimation of net money income per month per person

Table 10 continued

	Bratislava	Trnava	Trenčín	Nitra	Žilina	Banská Bystrica	Prešov	Košice	Slovakia	Year
Reformed	0.4	2.1	0.0	4.7	0.0	1.8	0.1	6.4	2.0	2001
Other	2.1	0.9	0.9	1.2	0.9	1.6	4.8	3.5	5.9	2001
Not established + without confession	29.4	14.2	17.4	13.4	12.9	20.4	7.7	15.2	15.9	2001
Water supply (%)	95.3	89.9	73.8	82.9	85.0	89.1	73.8	77.3	82.9	2000
Sewage (%)	82.3	45.2	53.4	45.4	48.7	56.4	51.2	56.7	54.7	2000
GDP per capita (SKK)	339,460	166,750	140,950	142,980	137,120	146,640	103,070	162,690	164,280	2000
Number of unemploye (in thousands)	28.2	51.5	39.8	79.4	63.3	73.4	83.1	89.3	508.0	2001
Unemployment rate (%)	8.3	18	13.4	23.1	18.9	22.4	22.7	24.8	19.2	2001
Number of low-income households	20,247	36,583	41,517	47,947	51,780	45,300	57,041	50,575	350,990	2000
Average income per person (SKK)	7,152	5,394	5,615	5,602	5,249	5,561	5,171	5,636	5,655	2000

Source: Authors based on data from the Statistical Office of the Slovak Republic.

Table 11. Dynamics of basic socio-economic data of the regions and the SR

	Bratislava	Trnava	Trenčín	Nitra	ilina	Banská Bystrica	Prešov	Košice	Slovakia	Year
Population	1996	618,904	548,898	610,135	717,585	687,771	664,024	773,121	758,494	537,8932
	2000	617,049	551,441	608,786	714,602	693,853	662,077	787,483	767,256	540,2547
	index	99.70	100.46	99.78	99.58	100.88	99.71	101.88	101.16	100.44
2000/1996										
0-14 (%)	1996	18.8	20.6	21.0	19.9	22.9	20.8	25.4	22.7	21.66
	2000	15.6	18.0	18.3	17.5	20.6	18.4	23.0	20.6	19.2
15-59 (%)	1996	65.6	64.3	63.4	63.1	62.6	63.0	61.0	62.8	63.14
	2000	68.3	66.4	65.6	65.3	64.7	65.2	63.2	64.7	65.3
60+ (%)	1996	15.6	15.1	15.5	17.0	14.5	16.2	13.6	14.4	15.20
	2000	16.1	15.6	16.1	17.2	14.7	16.4	13.8	14.7	15.5
Babies death rate	1996	7.49	6.88	10.39	6.85	10.63	10.78	11.40	14.00	10.23
	2000	5.52	6.82	4.39	6.18	6.81	7.09	13.67	12.16	8.58
Life expectancy—men	1997	69.93	68.91	69.98	68.48	68.85	67.67	69.02	67.55	68.91
	2000	71.12	69.18	70.06	68.43	68.77	67.63	69.36	68.03	69.14
Life expectancy—women	1997	77.51	76.66	77.21	76.64	77.50	76.25	77.19	76.03	76.79
	2000	77.97	76.88	78.04	76.94	78.18	76.98	77.32	76.69	77.22
General fertility	1996	28.90	37.61	37.76	38.93	46.43	40.82	55.59	47.09	42.30
	2000	27.99	33.28	33.57	33.26	42.26	35.83	49.37	44.41	38.03
Water supply (%)	1996	95.2	77.0	84.0	74.5	82.7	80.2	71.8	76.6	79.7
	2000	95.3	89.9	73.8	82.9	85.0	89.1	73.8	77.3	82.9
Sewage (%)	1996	82.3	41.3	54.1	42.3	47.5	53.5	50.8	56.0	53.0
	2000	82.3	45.2	53.4	45.4	48.7	56.4	51.2	56.7	54.7
GDP per capita	1996	228,411	119,808	104,189	92,034	94,233	102,508	74,423	104,712	112,783
	2000	339,460	166,750	140,950	142,980	137,120	146,640	103,070	162,690	164,280
	index	148.62	139.18	135.28	155.35	145.51	143.05	138.49	155.379	145.66
2000/1996										
Number of unemployed	1997	18.5	28.8	25.4	50.6	27.5	42.8	51.0	53.0	297.5
	2001	28.2	51.5	39.8	79.4	63.3	73.4	83.1	89.3	508.0
	index	152.43	178.82	156.69	156.92	230.18	171.5	162.94	168.49	170.76
2001/1997										
Unemployment rate	1997	5.7	11.1	8.9	15.2	8.4	13.9	15.1	15.3	11.8
	2001	8.3	18	13.4	23.1	18.9	22.4	22.7	24.8	19.2

Table 11 continued

	Bratislava	Trnava	Trenčín	Nitra	Žilina	Banská Bystrica	Prešov	Košice	Slovakia	Year
Number of low-income households	1997	16,529	35,608	33,320	54,600	43,449	47,562	67,147	48,124	346,339
	2000	20,247	36,583	41,517	47,947	51,780	45,300	57,041	50,575	350,990
	index 2000/1997	122.49	102.74	124.60	87.82	119.17	95.24	84.95	105.09	101.34
Average income per person	1997	5,736	4,643	4,681	4,570	4,543	4,612	4,137	4,736	4,679
	2000	7,152	5,394	5,615	5,602	5,249	5,561	5,171	5,636	5,655
	index 2000/1997	124.69	116.17	119.95	122.58	115.54	120.57	124.99	119.00	120.86

Source: Authors based on data from the Statistical Office of the Slovak Republic.

LITERATURE

The National Plan of Regional Development of the Slovak Republic, Ministry of Construction and Regional Development of the Slovak Republic, 2000.
 Building Capacity in Subnational Statistics in Slovakia, Slovak Governance Institute Bratislava, 2002.

INSTITUTIONS OF REGIONAL
POLICY AT THE REGIONAL LEVEL
IN THE SLOVAK REPUBLIC

EVÁ SEKERESOVÁ

INTRODUCTION

In all countries of the European Union there is a system of regional policy institutions, but there are significant differences in the way the whole system is organised. However, similar features are present as well: regional policy institutions exist at national, regional (or, as in France at several regional) and local-municipal levels.

The regional level in the European Union is represented either by regional institutions of territorial public administration (state or self-government) or specialised bodies of regional policy, for example, regional planning unions as in Germany. Slovakia, a country in transition is, in some ways, in a similar situation to other countries of Central and Eastern Europe, like the Czech Republic or Hungary. Given the preparation of these countries for EU accession, quite a substantial amount of analytical and comparative studies and reports have been published. One of them is Sigma document No. 23, where the statement about the similarity of situation in Central and Eastern European Countries (CEEs) could be observed: "‘Institution Building’ is a central element of the accession strategy, and an important focus of financial support for candidates in the coming years... The development of administrative structures for the preparation of policy proposals appears to be the weakest element of the institutional development process" (pp. 11–12).

The focus of this study is on regional-level institutions in Slovakia. The study is divided into two parts. The first one deals with "official structures" based on the public administration system in the Slovak Republic, which covers devolved state institutions (regional offices and district of-

fices with the competence in regional development in the past) and regional self-government offices (which started to operate as a second level of the self-government structure only in 2002). The author also includes microregions, as the associations of local municipalities working at regional level do not correspond with the official administrative division of the state.

The system of institutional soft infrastructure is a subject of the second part of the study dealing with two types of bodies: the agencies directly supported regional development- regional development agencies and business innovation centres and regional advisory and information centres as soft infrastructure institutions supporting directly small and medium enterprises, which creates a potential to influence regional development as well.

REGIONAL STATE OFFICES AND SELF-GOVERNMENT INSTITUTIONS

Since the current situation in the Slovak Republic in the area of regional development and policy has its roots in the historical evolution, it is important to examine these roots closely. In the beginning of this section, state-devolved organisations, regional and district offices were presented. Later on newly created regional self-government offices (known also as higher territorial units) attract the attention of a reader.

Public administration reform since the 1990s

Slovakia, as a part of the former Czechoslovakia, had after the abolition of the national committees 38 district offices as state offices and 121 sub-district offices. At the same time, many specialised offices of state administration dealt with education, health care, fire prevention and environmental protection. This means that public administration was rather atomised, a negative feature of the first stage of its reform. The second stage of reform in 1996 led to "the creation of new structures in the state administration with the two tier system of general offices in which a broad range of tasks and responsibilities was concentrated" (NEMEC et al. 2000, p. 302). In addition to institutional reform, territorial and administrative restructuring took place as well. These two major changes were

governed by Law No. 221/1996 on the territorial and administrative subdivision of the Slovak Republic and Law No. 222/1996 on the organisation of local state administration. The former deals with local municipalities, newly created districts (79 *okres*) and regions (8 *kraj*) as the second and third levels of public administration; the latter establishes the district and regional offices with the supreme managing authority of the central government represented by the Ministry of the Interior. There were also other administrative bodies within the regions and districts, but the district and regional state offices were 'first among equals' because of the direct links to central and self-government bodies. In order to bring citizens closer to the state, mainly in the health care and other public services delivered by the local and regional state administration, permanent or temporary representative offices of the district offices were created (23 in mid-1998). The bureaucratic scope of these offices was remarkable: they carried out state functions in 32 policy areas and coordinated budgetary and semi-budgetary organisations.

STATE REGIONAL OFFICES

Law No. 222/1996 §6 defines the scope of operation for the regional offices as devolved state offices. They perform state administration functions in the policy areas listed in the annex of the law or defined by a separate law. There are very precisely specified powers in the area of power and heating supply. In addition to the functions listed in the annex, there are also other functions and tasks worded precisely in the law. It is a cooperative function of the offices directed both towards subordinate bodies—district offices within a region in order to fulfil the tasks of the state—and towards a higher level of state administration—other bodies of state administration and independent self-government in order to secure economic and social development of the region. To operate this function they have the authority to request specific background documentation and different types of information from the above-mentioned bodies. Finally, they have the devolved power to represent the state in urban planning in the two largest cities in Slovakia, in the Capital city of Bratislava and the City of Košice.

These tasks and activities are pinpointed in the National Plan for Regional Development approved in March 2001¹ as well as in the Principles of Regional Policy of the Slovak Republic (published on 13 September 13 2000). To summarise, there are four basic tasks defined in both policy documents:

1. elaboration of the planning documents at the regional level and provision of regional inputs into the key strategic plan of regional development—The National Plan;
2. cooperation with other, mainly central, bodies of state administration in the implementation of the objectives and tasks of regional development as well as cooperation in partnership with self-government, private and third-sector organisations in preparation and implementation of the regional planning documents;
3. coordination of the activities of other affected bodies involved in the process of elaboration of the programming documents at regional or district level in order to promote development of the region; and finally;
4. monitoring and evaluation of the planned progress in the area of regional development and distribution of information to different levels of public administration on request.

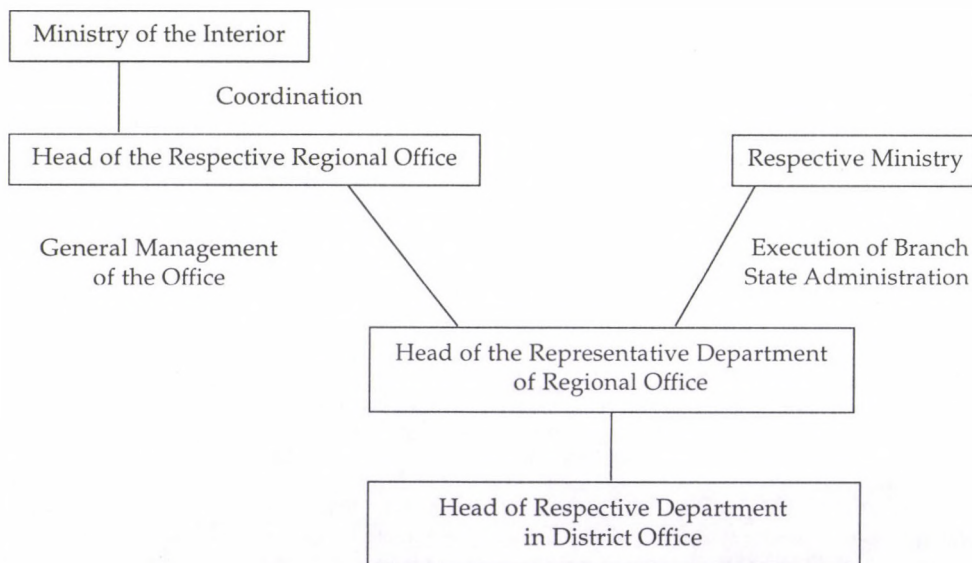
¹ The system of the programming documents of the regional policy consists of the National Plan of Regional Development of the Slovak Republic covering the area of the whole country, the Concepts of Development of Regions and Programmes of Development of Municipalities. The Concepts of Development of Regions are mid-term analytical and conceptual documents setting directions and priorities of the development of a region. At the same time, they are underlying documents for elaboration of regional operational programmes. The Programmes of Development of Municipalities are development programmes of the local municipalities fully in power of a given municipality.

The National Plan for Regional Development of the Slovak Republic is a strategic mid-term document that was prepared for the period 2000–2006. Its main purpose was to prepare a document at the national level to enable the country to use pre-accession financial aid, PHARE 2000+, ISPA and SAPARD funds. A completely new plan named National Development Plan has been in preparation and the draft version has already published on the *Internet* www.build.gov.sk in the Slovakian language. The main difference from the already approved National Plan for Regional Development is that the new one is proposed for the operation of the Structural Funds and their practical use in the Slovak Republic after entering the EU. The draft version supposed to be on the agenda of the Government in December 2002, where comments and recommendations of this body will be incorporated into the text of the document. The main part consists of the hitherto given support of the regions from the pre-accession funds ISPA and SAPARD and a SWOT analysis, but the focus is on the National Development Plan itself with the operational sectoral operational plans in the economic area, in human capital issue, in the transportation, environment and in agriculture, rural development and fisheries with all necessary procedures and institutions in accordance with the Direction of ES Nos 1260/1999 and 1257/1999.

District Offices

These devolved state offices have been located in 79 districts. They are responsible for the partial tasks connected with the process of regional development. On request of the Ministry or state regional office, they cooperate in preparing and implementing the strategic plan of regional development, regional development programmes and a concept of the development of the region.

Namely, as stated in §5 of Law No. 222/1996, they represent the state in approving the development of concepts for particular areas of the local municipality and in the process of negotiation of urban plans, except for those of the capital city and of Košice city. They are also one of the main contributors to the process of elaborating the programmes of social and economic development of a district. On request, they provide information from their records to the local municipalities and also draw attention of local self-governments to the bureaucratic errors in their activities. Last but not least they coordinate the initiatives of legal entities and sole proprietors in the area of regional development.



Source: Adopted from NEMEC et al. (2000).

Figure 1. Relationship within the state administration

Both of these offices—regional and district offices—have been, in their character, devolved state offices at a level lower than the state. There were several reasons for devolution, such as closer execution of state power in regard to the citizens of the given area, the attempts to decentralise the administration system in the country and the European Union.

As both types of offices are bodies 'under one roof' rather than homogeneous bodies, there is sectoral administration and decision-making is transferred from the head of the office of the individual section to the head of the individual division (department) in the regional and district offices. The head of the respective division (department) is responsible to the respective ministry in almost all powers and functions. To illustrate the relationship of superiority among these bodies, a *Fig. 1* is presented here.

However, there is also the Ministry of the Interior, which acts as a co-operative and superior body to all 13 ministries and three other bodies with their sections at district and regional offices. The Ministry has regulatory and supervisory powers over the above-mentioned offices, it, e.g., establishes their binding organisational structure that allows no flexible adaptation to local conditions at all. That is the reason why operation of state regional and district offices might be more appropriate to be named a deconcentration rather than a decentralisation of state administration.

Their position within the public administration system has not been set only by the above-mentioned 1996 laws, but also in the 2000 Principles of Regional Policy: "Regional policy is implemented [...] by regional offices (krajs) at regional level at the moment,² which are bodies with devolved state power (the arms of the national government); the policy is addressed in all geographical areas of the country and it is focused on intraregional problems (in relations to local municipalities, microregions, districts), cooperation among the regions and cross-border cooperation" (author's translation). The principles served as a predecessor to Law No. 503/2001 Coll. on Regional Development Support, in which for the first time assumed the role and functions of the regional self-government offices were defined. In the following section the history—as a part of the ongoing public administration reform process, creation and operation of the regional self-governments will be examined.

² At the moment means the time when the Principles of Regional Policy were designed. When this book is being written they have been in power of regional self-governments or higher territorial units.

Regional Self-government Offices

Regional self-governments are the second level of the self-government system in the Slovak Republic (where the first level of this system is presented by local self-governments) within the whole public administration system they were first mentioned in the first version of the Constitution of the country in part four, provisions 64–71. The basis of the territorial self-government is the local municipality and a higher territorial unit. A higher territorial unit (HTU) is characterised there as one of the territorial, self-governing and administrative units of the Slovak Republic that constitutes territorial self-government. The Slovak Constitution states that the higher territorial unit is the regional self-government.³ However, political representatives in the national parliament—the deputies and the government—have forgotten to deal with this matter for a very long time. In spite of the fact that the authors of public administration reform (the government has mandated a team responsible for the reform) have taken account of the official commitment to create regional self-governments given to the representatives of the EU and also a lot of domestic projects' outcomes have shown a need to create this level of self-government, there were only words and there was no action. There was no remark about its creation in any law or government resolution up to 2000. Only the Principles of Regional Policy contains a short sentence—under the rights and duties of state regional offices—saying: "(...) these tasks [connected with regional development] will be performed by the institutions of the regional self-government, once this is established by a separate new law". In the National Plan of Regional Development there are specific tasks that are suggested to be carried out by the regional self-government as follows:

- to elaborate and assume responsibility for the implementation of the concept of development of HTU that will be a basis for subsequent elaboration of regional operational programmes;
- to cooperate in the elaboration of regional operational programmes and coparticipate in their implementation;
- to monitor and regularly (annually) evaluate the socio-economic development of HTU and submit this evaluation to the Ministry of Construction and Regional Development of the Slovak Republic;

³ That is why the terms higher territorial unit and regional self-government are used as equals in the text.

- to work with central government bodies on the implementation of the objectives and tasks of regional development; and
- to coordinate the activity of all affected organisations involved in the preparation of programming documents pertaining to the regional development of HTU.

At the end of July 2001 Law No. 302 on Regional Self-government was passed. Since then Slovakia has two levels of self-government: local municipal level and regional level. The local level is represented by towns and villages, while every village of above 50 inhabitants has a right to establish the municipal office and a duty to secure services for its citizens. As the policy of the state is not to provide a financial grant for the municipal offices (in town and cities they are town or city offices) for not delivering local services, many small villages have decided to create its own municipal offices. That is why the Slovak Republic has currently 2,861 municipalities while 42% of them have less than 500 inhabitants. With the Powers Transfer Law (see below) there is a possibility to create joint municipal offices in order to provide devolved powers from the state regional or district offices. The regional level's position is described below.

The Law on Regional Self-Government has a purely organisational character defining the status of regional self-governments, their scope of activities, relationship towards other bodies of state administration, local municipalities and international cooperation, etc. The territorial borders of the regional self-governments are the same as in the case of the administrative regions,⁴ so it is a symmetric model of territorial—administrative organisation. When comparing the functions of the regional self-government authorities to local self-governments, one of the not too numerous differences is the scope of operation in larger territory in case of the regional self-government than in case of the locals. Besides the al-

⁴ When this law was passed in Parliament, there were four regions according to the Integrated Plan of Regional and Social Development consisting of the Bratislava region, North-west (Žilina and Trenčín), South-west (Nitra and Trnava) and the East region (Prešov, Košice and Banská Bystrica). Except for this classification, there were eight regions as NUTS 2 regions—Bratislava, Trnava, Trenčín, Nitra, Banská Bystrica, Žilina, Košice and the Prešov regions. However, at the beginning of 2002 there was a change in classification approved by Governmental resolution No. 133/2002, where again four NUTS 2 regions were created. However, they are a bit different from the four mentioned above—the Bratislava region (the same as before), the Western Slovak region (including Trnava, Trenčín and the Nitra regions), the Middle Slovak region (Banská Bystrica and the Žilina regions) and finally the Eastern Slovak region (with Košice and the Prešov regions). However, as the law on regional self-government was passed before this change of classification, there are eight regional self-government offices.

ready mentioned activities (and also other differences with the local self-government), it could set up legal entities in order to support regional development, e.g., agencies, it also participates with the local municipalities on the elaboration of Programmes of Social and Economic Development of the local municipalities (Programmes of Development of Municipalities (see note 4), and on the problem solving related to smaller local municipalities within the geographical area of the regional self-government. A special paragraph provides for international cooperation. This opens up the scope for all kinds of cooperation: cross-border, cross-sectoral (between public, private and third sectors), etc. and contains a principle of partnership which the EU attempts to reinforce via its regional policy. However, there has to be a written agreement between two parties and it has to be approved by more than half of the deputies of a regional self-government and agreed with the other state body, or approved by the regional self-government in advance. This agreement has to be sent to the regional state authority, which implies certain amount of control over the international scope of its operation. The relationship towards state organisations, municipalities and other legal entities is set in paragraph 7, which is similar to the one described in the activities of the state regional offices. The powers of the regional state offices are to be transferred by the Law No. 416/2001 Coll. on Transfer of Some Powers from the State Administration Bodies to the Local and Regional Self-government (known also as the Powers Transfer law) in five stages, starting in January 2002 and finishing in January 2004. It is necessary to distinguish between original and devolved (transferred) competence: the execution of the original one is bound to all kinds of laws, while the execution itself is in the power of the self-government body itself. The transferred power can only be executed by higher territorial unit offices, but it remains in the power of the state bodies. In the sphere of regional development there are four original activities of regional self-government, operating since January 1 2002, when the offices themselves started to function.⁵

The process of public administration reform peaked with the creation of the second level of self-government in Slovakia. There are still many changes to be made and many bodies to be created in order to fulfil "a requirement given by the EU"—the capacity building.

⁵ There are still many problems related to the transfer of powers: while there were not any problems related to the regional (*kraj*) level—the whole agenda and the employees were devolved within one month, the transfer from state district offices to local municipalities in the area of regional development has not been realised in many cases yet.

Future of Public Administration Structures

The future of these types of organisations depends on the political decisions of the government. As the winning coalition of the latest national parliamentary elections in the Slovak Republic from 20–21 September 2002, consisting also of the party of the former prime minister, the new government decided to continue its way of policy-making in all walks of life. This is reflected in the approved⁶ Policy Statement of the Government of the Slovak Republic. It is stated there that the government is aware of the economic differences among Slovak regions, thus it would like to create conditions to stop the process of their further extension and to reduce them through regional policy application while respecting the process of decentralisation of powers. The way of realising this is to utilise internal sources of regions in order to achieve the goals of regional policy through various planning and programming documents, to set the legislative framework, the system of public finance, applying the partnership principle among municipalities, microregions and the higher territorial units within the state or among the candidate countries and/or the EU members, and to strengthen the administrative capacity and supporting of human resources.

From this brief overview of relevant public administration legislation and the recent political developments, one can observe a clear decentralisation of powers from district offices and regional offices in the area of regional development mainly to the higher territorial units and some to the local municipalities. However, the budgetary sources for HTU which were formally administered by the central government bodies are now being reduced and the promised reform of tax system has not yet been launched. This means, regional governments currently lack an adequate financial backing of their operation. Higher territorial units receive only block grants from the state instead of having their own revenues.

Recently, there has been a political debate that questioned the need to operate district offices. One political stream argues for their abolition as the reasons for their existence have disappeared—this should be done when the Slovak Republic enters the EU. On the other hand there are other specialists and politicians who would like to save these bodies. How the real situation will end up remains to be seen.

In the following section the microregions are going to be examined. Despite that they are not typical regional institutions, it makes sense

⁶ The document on governmental policy statement was approved in November 2002.

under the Slovak conditions to include them into the discussion for the reason mentioned above. It is also possible to state that because they exist at a higher than local level, they represent certain types of the regions in spite of the fact that their borders do not correspond to the official administrative division of the country.

Microregions

There has been a notion of their mass establishment in the Slovak Republic since its creation, in many remote parts of the country even during the existence of the Federal State of Czechoslovakia in 1992. One of the main reasons for this—as stated by some authors (e.g., Bauer 2001)—was the absence the intermediate level of self-government in Slovakia until the law on regional self-government was approved in 2001.

The organisational form of the microregions in Slovakia is twofold:

- a) in accordance with Law No. 83/1990 on Civic Associations, these types of organisations are nonprofit-oriented legal entities. They are obliged to register with the Ministry of the Interior;
- b) in accordance with the Civil Code, §20, these associations are registered with the state regional offices and are profit organisations.

The registration of the microregions in any of the above-mentioned ways does not require to name the members. Because of this it is difficult to say whether a municipality⁷ is active in the intermunicipal cooperation on an institutionalised basis.

Creation of the microregions is based on the initiative of the local governments mainly represented by mayors, who often join or create these institutions only for the above mentioned reason. However, an establishment of this type of the civic association is being justified by a wide variety of reasons. According to Sasek (1999, pp. 26–29), they could be divided into eight groups:

- participation in the integrated infrastructural project selection of local municipalities, where especially small villages do not have sufficient

⁷ A municipality as a legal entity with all powers and duties is every village or town and city in the Slovak Republic. However, when the village is too small, in accordance with law, with is necessary to create a joint executive municipal office.

financial resources to run larger projects, so they ought to become members of the microregion;

- solving the problems from the past, the extent and importance of which go beyond the borders of one single municipality—in this case there is very well-prepared plan in order to achieve the aim very soon. These plans focus mainly on all kinds of infrastructure, such as sewerage and gas supply systems, water waste treatment plants, etc., which serve more than one municipality;
- implementation of development plans and intentions, fulfilment of the intentions for a better quality of life of all inhabitants of the area. From the communist period there are many local non-profit organisations, such as associations of beekeepers, gardeners, local libraries with insufficient financial backing for their operation. The solution for them is to join an organisation and support the building of infrastructure, bus and train connections, support for the small and medium enterprises, which then would be able to sponsor the activities of different associations and unions;
- joint protection of the rights and interests of the local municipalities in the negotiations with the bodies of state administration, businesses, non-profit organisations, infrastructure managers, etc. It is crucial for the local municipalities to coordinate their action towards the above-mentioned actors. One of the crucial roles of the microregions in the current situation is to overcome the 'not in my backyard' approach and to start thinking rationally to the benefit of the area development;
- common strategy of all parties mentioned above in the lobbying for the region. As the European Union stresses the involvement and cooperation of the public and private sector with its representatives, it is necessary to involve local state administration, entrepreneurs, local self-government and citizens in the regional development. If this condition is not fulfilled, even the very well prepared project does not have any chance to be successfully implemented with the lack of support of the above-mentioned bodies;
- joint effort in urban and investment planning and in rehabilitation of the traditional character of the rural areas. One of the first steps such body should make is to elaborate a strategic study with the goals and activities for at least one election period. When such a document is developed, it is much easier to deal with, and to decide on, the further steps in order to raise the necessary funding;

- joint obtaining of information necessary for the further development of the microregion and for the submission of the development projects. In the rural areas there is a big problem concerning communication flows: on the one hand there is a lot of 'trustworthy' information, on the other hand, crucial information is often missing. That is why the microregion ought to try to collect as much up-to-date information as possible. The responsible manager of the microregion ought to analyse it and the microregion should adequately respond to it. One way of using the already retired mayors is to use the contacts they have built during their active political life for the development of the microregion and for obtaining the right and up-to-date information; and finally
- the exchange of information and experiences among the representatives of the local municipalities and the microregion. If there are only time-to-time meetings of the members of the microregion, a lot of information, ideas and stimuli for the development are simply lost, which does not help to develop the local and regional economy.

According to current information, there are 41 microregions in Banská Bystrica NUTS 3 region and 110 of them in the whole of Slovakia. In the most cases of the Banská Bystrica microregions it is an association of the neighbouring municipalities in one geographical area (valley, mountain, etc.). The second most frequent reason for their creation has been the decision to build or complete the process of construction of technical or environmental infrastructure. In the end it is worth noting that the aim of microregions is not to create a competitive environment, but to play an integrating role within the geographical territory in an economic, political, social and ecological sense.

The second section of the chapter deals with the so-called soft infrastructure institutions. Those at the regional level are not directly subordinated to the state bodies, but there are certain connections either to the Ministry of Construction and Regional Development or to the Ministry of Economy. Soft infrastructure institutions help to create the environment suitable for the development of the private sector, small and medium enterprises in particular, and for the development of the regions.

SOFT INFRASTRUCTURE—REGIONAL DEVELOPMENT
AGENCIES, BUSINESS INNOVATION CENTRES AND REGIONAL
ADVISORY AND INFORMATION CENTRES

Regional Development Agencies

They have been employed in many countries as a crucial tool for implementation of the regional development initiatives. It is important to bear in mind that these institutions are not a goal *per se*, they serve only as a means for achieving the economic and social development of the regions. RDAs are tested as efficient tools of regional development support in the member states of the EU.

Regional development agencies (RDAs) in the Slovak Republic also belong to the soft infrastructure of the regional policy institutions, and help to foster economic and social development. At the regional level they have to be a vehicle for institutional coordination on the basis of the partnership principle. They foster economic development of a region together with public administration, the private and third sectors.

At the beginning of the 1990s the concept of regional development agencies pervaded widely the EU countries as well as the Central and Eastern European countries (CEECs). This process was running mainly through involvement in the PHARE programmes and/or political decisions and the enthusiasm of the local stakeholders (and in some cases, e.g., in Slovakia national) actors. In every state the existence, functioning and running of these agencies is connected with cofinancing and also with institutional and governmental support that RDAs are able to obtain.

It was in 1993, when they first appeared in the Slovak Republic, namely in Žilina where Regional Development Agency as a joint stock company was established, based on a governmental resolution. A year later, the Foundation for the Development of the Regions was set up, where the only stockholder was the Business Seed Capital Fund of Váh and Kysuce oriented towards risk capital. Later on, the agencies in Banská Bystrica, Rimavská Sobota, Spišská Nová Ves, Rožňava and Trebišov were established. Some of them were created on a bottom-up principle through the involvement of the locals and their enthusiasm to help to develop the geographical area where they live, the other involved a government which came after the spontaneous rise, or in some cases even extinction, of the agencies. The government's intention was to assist regions lagging behind, one of the ways was through institutional building. As one of the results, regional development agencies were set up. Different agencies

were realising different activities and were not cooperating at all, the government wanted for a long time to coordinate them. This intention came to be realised only in 2000 by the Integrated Network of Regional Development Agencies (INRDAs or Network) based on governmental resolution No. 738/2000 approved on 20 September. The Slovak government was bound to Brussels' Regular Report on Slovakia's Progress toward Accession into the EU (last one published on 9 October 2002), where a note of insufficient institutional building in the whole public administration system with a focus on regional policy institutions appeared. Thus at the beginning of the document on RDAs it is stated that "an increase of institutional capacities in the pre-accession period is anticipated, mainly the creation of implementation units and their regional headquarters within the PHARE 2000+, ISPA and SAPARD programmes". Another response to the above-mentioned lack of institutional capacity is the creation of jointly (by Slovakia and the EU) developed Action Plan for reinforcing the administrative and judicial capacity, approved in April 2002. It represents a tool for meeting the common objectives of the EU and Slovakia, ensuring that preparation of the country for the accession be effective and fits into the timeframe.

Other legal documents, where the role and activities of the RDAs are described, are the National Plan for Regional Development published in May 2001, the Principles of the Regional Policy of the Slovak Republic based on the Slovak government's resolution from 13.9.2000 (No. 725/2000) approved a week earlier than the decision to create the Network of the Agencies. Since then regional development agencies have been operating as non-profit organisations (associations of legal entities), which activate economic development of a geographical region via institutional cooperation among public administration, private sector and the third sector. They are designed to serve as tools for the regional development support mainly in the backward regions.

RDAs in Slovakia should:

- a) perform their tasks as executive bodies of regional development support;
- b) perform tasks resulting from a need of integrated and efficient use of resources provided by state, self-government or the European Union;
- c) serve also as specialised offices for the design of regional projects and programmes commissioned by regional self-governments (after their creation).

One of the main tasks of the agencies is their active and successful participation on grant schemes. They have to be able to develop a project and to apply for grants either from abroad (PHARE 2000+, ISPA, SAPARD) or from domestic donors. Thus their task is to develop an absorption capacity at the regional level, which supposedly leads to an improvement within the country. They are also required to undertake analytical studies of the development potential of the regions. In the regions where no Business Innovation Centre or Regional Advisory and Information Centre is present, they can assist business planning and offer advisory services to the newly created businesses free of charge. Last but not least, they serve as a good information channel between the central level institutions and BICs and RAICs, where the flow of information works both ways.

Regarding financial resources and grants from the state, it is necessary to stress that the customers of these agencies have been mostly institutions and bodies of public administration. This proves a must of financial support from the state.

Coordination of economic and social cohesion in regional development supported in line with a partnership principle includes consensual cooperation of all partners involved in the process of regional development, including non-governmental organisations.

Why was this legal form of non-profit association in accordance with the Civil Code chosen? There are two special reasons for this:

- a) the association is set up by legal entities, such as towns, chambers of commerce and unions, which represent private businessmen, enterprises, associations, research institutions, etc., and
- b) as a non-profit organisation it does not have any obligation to pay taxes on the contracts in the form of unconditional grants, contributions and grants in general.

Relationship between RDA and the Ministry of Construction and Regional Development. The RDA is based on a contract signed as Contract for Activities Financed from the State Budget (the Contract). The Contract is limited to one year only. Its inseparable part is a Yearly Plan of Activities, whose approval by the Ministry is a condition to sign the Contract and to allocate financial resources from the state. The RDA elaborates the Plan of Activities, according to the guidelines of the Ministry. To be approved, it has to contain a strategy and activities of the RDA in the

form of projects and programmes, a draft budget and assessment of the qualitative and quantitative goals that should be achieved. It also has to be in line with the National Plan of Regional Development as the highest-order medium-term strategic document of the Slovak government. The evaluation part with the precisely stated methods and performance measures to fulfil the Contract creates a unified framework. The creation of such framework represents an advantage in the coordination of the regional policy in the country. If the end of the calendar year does not fulfill the obligations approved by the signature of the both sides, the Ministry will not prolong the Contract for the subsequent year. As could be seen from the above-mentioned facts, the Ministry of Construction and Regional Development is thus the body that coordinates and provides methodological guidance to the Integrated Network of RDAs.

This Contract represents the main involvement of state bodies in the operation of RDAs. There is no influence on the positioning of the RDA heads from the Ministry—they are chosen in an application process (as well as all employees), and final approval comes from the board of directors. All employees are employed by non-profit agencies, they are not civil servants at all. Governmental influence could be via the membership of any central body in the steering process as a member of the board of directors. In some cases in the past the Ministry was a member of the agency, e.g., in the regional agency in Banská Bystrica, but since 2001 central bodies have left their membership in these bodies. In the future there might be the influence of the regional self-government representatives as the law on regional self-governments enables this.⁸

When considering financing of the RDAs, thoughts on financial influence of the governmental structures might appear. There is a certain amount of money assigned for the agencies and there is a control of their application through approved Contracts. However, such financial resources cover, in most cases, only expenses related to wages and a small portion of the running costs of the agencies, where the range of resources accounts for 20–40%, the rest is gathered either from individual activities or from project funding (PHARE, EU and others, mostly international ones). These organisations might, when deciding not to belong to the Network of the Agencies, exist without any governmental financial support (see below).

⁸ See above the law on higher territorial units.

Relationship between RDAs. Activities of all RDAs within the integrated network should not overlap. They cooperate in order to provide the needed information and services, they use local experts and a scientific potential to develop synergies within the region.

When considering a geographical location of the RDAs, the Ministry had assessed economic and social situation in the regions in line with government resolution published in 1999 identifying the regions eligible for assistance. The agencies established *before* the resolution came into force have been examined in all relevant aspects. In order to receive state support they had to adapt to new conditions, e.g., to transform their legal form into an association of legal entities. If they failed to do so, the government could create a new agency to deliver state support in a region.

There are 18 RDAs in the Slovak Republic at the moment: Banská Bystrica, Dolný Kubín, Galanta, Humenné, Kežmarok, Komárno, Kráľovský Chlmec, Lučenec, Moldava nad Bodvou, Nitra, Prešov, Rimavská Sobota, Rožnava, Spišská Nová Ves, Svidník, Šahy, Trenčín and Žilina, 11 of them are in the regions supported by the Slovak government. As Slovakia has eight regions at the moment, some of them have more than one agency. This situation requires rethinking on the highest level of the government about the use of financial resources towards more efficiency and effectiveness to prevent overlapping of the functions and operating modes of the agencies. If the agency is located in an assisted region, it receives 50% more in financial allocations than the one in a 'normal' region.

Activities and outcomes during such a short existence of the RDAs vary significantly. There are some—like the newly created Agency for Regional Development in Gillian (September 1999)—which have been continuously successful in achieving their goals, while the others are evaluated as the not the most efficient users of state resources and the region where they are established. Participation in the projects of those less successful could not be judged as sufficient and/or adequate to the reputation of the agencies and the responsible ministry. A lot of them have not been active in the field of regional development, many project agencies have only started and have not been completed successfully. In many cases they finished when the foreign resources (human, financial) were withdrawn. This state is not typical only of the Slovak development agencies at the regional level, but also a problem of other CEEs and countries of the European Union as well. For example, in the UK, considered to be a 'cradle' of regional policy, it took several decades to establish such

organisations in England in spite of their establishment in Scotland and Wales, and this process was subset to a long public debate.

The Agency for Regional Development in Žilina, which started to operate in September 1999, is considered to be a successful example of RDAs in Slovakia. It is necessary to note that the RDA created in 1993 has been a different agency with a rather bad reputation. Perhaps because of this, the newly created agency is reinforcing its activities and goodwill in public and among professionals. It is a non-profit and non-governmental organisation with the aim of coordinating regional development, mainly through the preparation and implementation of the various projects of regional development and cross-border cooperation (CBC) with regional, national and also international impact. They are mostly oriented towards environment, energy, ecology, they foster children activities and CBC. The successful outcome is the establishment of the Regional Agency for energy management (REMA), as an agency cooperating with Italian and Austrian organisations in order to provide counselling in energy management and bioenergy projects at elementary schools and in two small villages. Other activities include promotion of the agency among the state bodies (ministries, regional state and self-government offices, state district offices), local municipalities, individual firms and schools. They also presented some projects for international organisations and cooperate with international partners. The founder members of the Agency were the University of Žilina, Civic Association Ecoenergy and the Slovak Foundation for European Studies. Other members have joined later: the Slovak Chamber of Industry and Commerce and Region Beskydy (micro-region). This agency has been successful in obtaining finances in competition from various international and domestic donors. State grants represented 32% from the financial budget in 2002 which was used for the administrative and wage costs. The Ministry of Construction and Regional Development audited the usage of the provided grant within the framework of the approved Contract for the year 2002.

Future prospects. After the higher territorial units run by regional self-government become fully operational, these non-profit bodies participating in regional planning and management will take over functions originally performed by the municipalities. When looking at their activities, they should be more diverse than they currently are, as most of their activities are focused on tourism, perhaps influenced by governmental policy supporting a strong tourist industry (e.g., in tax laws, by different

support programmes and financial assistance). As stated in the document, SWOT analysis is the basis of the operation of the existing network of regional advisory and information centres (RPIC), business innovation centres (BIC) and regional development agencies (RRA) in the field of promoting small and medium-sized enterprises elaborated by the Ministry of Economy from 234 session of the Slovak government on 18 September 2002. Agencies often substitute the tasks of specialised bodies in many cases. After continuous adaptation of the regional self-governments to their rights and duties stated in the law, there is high probability of the gradual fitting of the location of agencies to the needs of the regions.

*Regional Advisory and Information Centres
and Business Innovation Centres*

The first counselling activities focused on the regional development in Slovakia as it appeared in the years 1990 to 1991, many of them were delivered from abroad. In this period, in all 38 districts regional information and advisory centres were established, based upon the initiative of the Ministry for Economic Strategy (predecessor of the Ministry of Construction and Regional Development). A lot of them were transformed to private enterprises or became part of the developed network of the National Agency for Development of Small and Medium Enterprises. These bodies supported small and medium-sized enterprises, so regional development only indirectly.

Regional Advisory and Information Centres. Regional Advisory and Information Centres (RAICs) are non-profit institutions operating in between the private and public sector as independent regional associations of legal entities. Their role is—by means of the funds raised in Slovakia or abroad—is to provide support to small and medium-sized enterprises. They offer professional advice, information and training focusing on already existing companies to help solve business problems and/or to expand their business activities. Examples of their work include:

- recognising the risks and chances of the businesses;
- assisting in preparation of individual business plans;
- providing consultancy in the areas of management, marketing, taxation, legislation and accounting;

- organising specialised training programmes, conferences and seminars in all the above-mentioned areas of assistance, especially for the unemployed;
- helping to find suitable partners for the cooperation and supplies in the home country and abroad, and
- enabling participation of assisted firms in various joint export promotion activities.

Up to 2000, they also offered services for newly created enterprises, particularly to the unemployed starting their own businesses. These activities were later moved under the already existing body of CEPAC Slovakia, with other related services having moved to the BICs. CEPAC Slovakia is a Centre for Patronal and Long-Lasting Care about newly created businesses as a non-profit organisation with a nationwide scope of operation. It was set up by the National Unemployment Office, NADSME and CEPAC Soisson. Its mission is to help to develop small and medium-sized enterprises by providing comprehensive training-advisory programmes oriented towards the registered unemployed in the network of labour offices all over the country.

There are 12 of RAICs in Slovakia, some of them concentrated in the following parts of the country: Dunajská Streda, Komárno, Košice, Lučenec, Martin, Nitra, Poprad, Považská Bystrica, Prešov, Trebišov, Trenčín and Zvolen. There are three from the South-West Slovakia region situated in the southern part of the country, three from North-West Slovakia region and six from Eastern Slovakia. The majority of them have very good reputation in what they do.⁹

All centres cooperate with panels of experts, who are regional specialists with an expertise in specific fields of business. There is a competitive advantage in accessing information through a certain RAIC, as this is usually timely and up-to-date due to the networking of the RAICs and their shared use of information resources administered by the National Agency for Development of Small and Medium Enterprises.

Business innovation centres. Under Slovak conditions they are corporate bodies—limited liability companies. They assist newly established companies and already existed firms, and their support is more advanced

⁹ Personal reference is on Zvolen RAIC because of the region where author is currently working. Since 1997 they, e.g., have provided 59 loans of 17.16 mil. Sk within the Microloan programme.

and specialised when compared to the RAICs. They assist the development of the innovative capacity and potential of small and medium-sized enterprises, which could be seen from the activities grouped as follows:

- preparation of all kinds of planning documents from business and marketing plans to various background documents needed for accessing bank credits and loans;
- legal and accounting services;
- identification of the business potential for developing joint-ventures, and of business partners at home and abroad, due diligence for project evaluation and risk financing;
- activities related to the innovation and technology transfer: implementation of ISO quality norms, technological and patents consulting, and
- spin-off consulting as a recently launched activity.

The main difference from the RAIC is that of long-lasting care provided by a BIC for innovative firms—up to three years of supervision of firms launching new products and/or service or applying new technology. Services for such clients are more oriented towards searching for suitable business partners either within other BICs in Europe or cooperative links, towards their promotion within trade fairs and public relations, and towards various training programmes in cooperation with the CEPAC.

How such activities work is shown in *Fig. 2* below:



Source: KUBRICKA 2001, pp. 53.

Figure 2

Business incubators as tools for reducing transaction costs of setting up a business are specific only for BICs. There are five such centres all over the country: in Banská Bystrica, Bratislava, Košice, Prievidza and Spišská Nová Ves. In 90% of them the major owners are local municipalities, the high proportion belonging to sole proprietors and to a regional Chamber of industry and commerce only in the case of Bratislava BIC.

The last BIC established was BIC Banská Bystrica in 1996. The stakeholders are the City of Banská Bystrica, Regional development agency in Banská Bystrica and three sole proprietors. The innovation centre, a business incubator and an independent legal entity, where stakeholders are the City with 50% and BIC Banská Bystrica also with 50%, was set up only in September 2002. The board of directors, consisting, except for the representatives of the stakeholders, also of members of the NADSME agency, decides whether a firm is placed in the incubator or not. There are four criteria in the selection process: innovative business idea, quality of management, adequate technical, human and financial resources and predictable success on the competitive market. There is neither a feedback nor a control mechanism in decision-making, but there has been no complaint from any of the firms so far. The businesses located within the incubator could be classified into five groups: innovative firms, businesses with a lower innovative level, firms providing service for other firms located there, commercial and foreign companies. As an incubator offers special support for newly established businesses and for already existing innovative ones, by now already 50% of the site is occupied, while the plan for the first year was only 30%.

Both Business Innovation Centres and Regional Advisory and Information Centres are closely related to operations of the National Agency for Development of Small and Medium Enterprises (NADSME) as the umbrella body created in 1994 to foster development of the small and medium-sized enterprises in Slovakia. Their relations with the Agency are based on contracts signed for one year as in the case of RDAs *vis-à-vis* the Ministry of Construction and Regional Development. The contract specifies services eligible for the financial support from the state budget—mainly counselling and advisory services and other various services approved yearly by the government, based on the projects proposals of the Ministry of Economy supplied by the NADSME. The amount of financial resources also varies according to the share from the state budget assigned for the relevant year. Each centre has to keep records on provided hours of service, while a firm pays only 50% of the costs, the rest is

reimbursed to the centre. Since 1995 they have been receiving public funding for part of their activities based on services actually delivered, with the costs of operation being fully financed from their own financial resources.

The agency supports and develops RAICs and cooperates with BICs and business consulting centres in Slovakia in their endeavours aimed at developing managerial and technical skills, as well as marketing and financial strategies of entrepreneurs in the SME sector.

NADSME was set up as a joint initiative of the PHARE programme of the European Union and the Slovak Government. The main mission of the Agency is to initiate the development and growth of the existing or newly established SMEs in the Slovak Republic. It coordinates all activities directed towards the provision of support to small and medium businesses in financial matters at an international, national, regional and local level. NADSME also drafts proposals for government policies and strategies in the area of small and medium enterprises, and submits these drafts to the relevant bodies of the central administration. It is a PHARE Programmes Managing Unit with access to technical assistance programmes delivered by foreign experts with new ideas and approved budget for the fixed period. In 2001, a contract was signed for the period of 2002–2005.

RAICs are partly-financed by this Agency. In case of BICs it is a cooperation in order to help small and medium enterprises in developing their technical skills, marketing and financial strategies, etc. Both of them implement the programmes of the NADSME agency at the regional level. Regarding counselling and advisory services, the RAIC and BIC network provided SMEs with 536 informative consultations and with 2,226 technical consultations concerning all areas needed for the development of the business activities. They also developed 172, and renewed 121 business plans (Annual Report 2001, NADSME).

All staff working in the centres are employed by the centres themselves, they are not public servants. They are chosen in an application process and approved by the board of stakeholders.

The geographical location of the centres, similarly to the RDAs, does not exclusively follow the regions lagging behind. An example is BIC Bratislava, while the Bratislava region is the most developed one in Slovakia. In the Banská Bystrica region RAICs and BICs had branches in the districts mentioned below:

BIC s.r.o. Banská Bystrica had a branch in Brezno, RAIC Zvolen in Krupina and RAIC Lučenec in Rimavská Sobota. These bodies provided training for around 200 unemployed per year within the programme 'Set up your own Business' (Regional Operational Plan 2001, Banská Bystrica).

The Future of RAICs and BICs

The network of BICs and RAICs in the Slovak Republic is not comprehensive in geographical terms, so the NADSME has decided to root its activities deeply by creating first contact point centres (FCC) that would fulfil the role of first informants and advisors. These centres are planned to be established in several districts of the Slovakia-East region without the parallel existence of RDA, RAIC or BIC. Nine districts were chosen during 2001, based on a joint consultation of the Ministry of Construction and Regional Development, the Association of Towns and Villages of Slovakia and the Delegation of the European Commission with the status of observer. "FCCs will be established in cooperation with the local governments and other entities (chambers of crafts, guilds, civil associations, etc.)" (Annual Report 2001, p. 10). Financing of the project is jointly secured by PHARE, the state budget and local budgets. All FCCs are currently being staffed and a public procurement procedure for technical equipment was announced. The centres officially started operating on 1 January 2003. After becoming fully operational, they will help to solve a problem of unequal geographical endowment with the support infrastructure institutions—BICs, RAICs and RRAs.

We have already mentioned the existence of branches of RAICs and BICs. Those located in the region with special governmental support have either merged (all agenda and staff) with the newly established FCCs or they simply lapsed.¹⁰

Governmental influence over the BICs and RAICs could be seen not only through the NADSME agency, but also through the document containing SWOT analysis (see p. 19), approved in September 2002. Here the government set the tasks for the Minister of Economy to improve the qualification of employees of the agencies involved in the integrated network in order to increase the absorption capacity of the regions in relation to the projects. Thus special training should be provided for them in the near future, which represents state influence on operation of the agencies.

¹⁰ As the interview with Ms. KELLENBERGEROVA showed, they have not proved to be financially viable and efficient, and therefore *de facto* did not operate during the year 2002.

Other Institutions of Regional Development

At the regional level there are other institutions that have not been mentioned yet. There are regional monitoring committees and various initiatives and programmes supported mainly by foreign donors and also various non-governmental organisations.

Among official structures belonging to the public sector the Regional Managing and Monitoring Committees (RMMCs) was established at NUTS 3 level by the Ministry of Construction and Regional Development. They secure tasks connected with the use of EU funding. The RMMC through its members promotes socio-economic development interests of its own region. They participate in the preparation of regional development documents within the strategic plan of the regional development of the Slovak Republic, its implementation and monitoring of its implementation. This body is going to operate while the old national Plan for Regional Development is still valid (see footnote 2). As the new Regional plan is being prepared, the new National Committee for the Community Support Framework has been established and together with a special committee for the regional operational plan and sectoral operational plans at the national level. These regional committees are not operating bodies and it seems they will end their activities when new strategic plan will be approved at the national and European level (in the EU).

Various non-governmental organisations deal with different programmes and projects fostering regional development but their activities in the field are not regular and are based purely on tenders. Many of the organisations are very actively involved in the creation of the microregions and the RRAs (e.g., in Žilina) and thus have high interest in their successful operation, others might be cooperating with the microregions or RDAs in individual projects or a series of projects; the last is founded on the partnership principle promoted through the EU regional policy and might have two forms: written contracts for an individual project or a series of projects and verbal agreements.

The agency that encompasses almost all non-governmental organisations is the Slovak Academic Information Agency—Service Centre for the Third Sector. It is a non-governmental, non-profit body which, since its establishment in 1990, has been enhancing civil society and assisting in the development of education in Slovakia. Regarding the activities of non-governmental organisations, it maintains and makes the database of Slovak non-governmental non-profit organisations publicly accessible,

organises training and consultation for non-governmental organisations, collects publications and information materials on the non-profit sector, through various projects it supports the development of voluntarism and participates in international programmes and regional cooperation. The other organisations registered within the SAIA database are published on the website www.saia.sk. They are available only in the Slovak language, but every year there is a hard copy publication with the list of organisations registered during the previous calendar year.

The future of these organisations, as they are so various, is very difficult to predict. Regarding the governmental bodies—monitoring committees—it had already been stated that the old ones will be functional for the duration of the old National Plan for Regional Development (2004, when Slovakia enters the EU after a successful referendum), while the newly created ones would become fully operational from May 2004. When speaking about non-governmental organisations, in spite of the fact that they are dependent on financial donors, there is probably a bright future for them as the third sector, part of the civil society in the process of development. This is true especially in the case of those supported fully or partially from abroad and those already well established. However, there are also some organisations, which have moved more eastwards to the former Soviet Union countries, Bulgaria and Romania, when the membership in the EU is more or less secure.

CONCLUSION

Institutions as a tool of any policy are very important for policy application in practice. This applies also to regional policy, as stated by HAMA-LOVÁ (1995, p. 130):

“A system of regional policy institutions is connected with:

- political-economic and territorial-administrative organisation of a country;
- a type of the applied government regional policy;
- level of decentralisation and democratisation of social processes underway, and
- character of the basic problems of regional policy and the level of development disparities among regions within a country.”

The political-economic and territorial-administrative organisation of a country is a precondition for its institutional setting. The location and

operational scope of devolved state bodies and the central level state institutions created a substantive amount of the text, where the patient reader was able to identify mentioned links mainly in the first part. State regional and district offices had powers in the regional development until the beginning of 2002. These powers were moved within the Powers Transfer Law to the regional self-governments, which lack adequate financial backing and the real operation of the system has not started yet, as several steps have to be taken, e.g. human resources need to be trained, and knowledge of the possibilities, duties and rights in reality must be studied.

Different states apply differing policies despite the partially united policy of the European Union. Slovakian regional policy with its unitary system of governance was presented above, mainly in the section on soft infrastructure. Soft infrastructure bodies, such as Regional Development Agencies, Regional Advisory and Information Organisations and Business Innovation Centres are, in spite of their 'independent' status, influenced by the government or its bodies. These institutions support regional development when creating positive environment for the entrepreneurs.

Slovak microregions could be viewed as regional institutions in spite of the fact that they do not respect the official administrative division of the country and they exist in the space somewhere between the municipal and the official regional levels. Non-governmental organisations are bodies closely adhering to the microregions, but relate to the regional development as such. Some of them have only regional dimensions in terms of geographical regions, while some are active in the whole of Slovakia.

Last but not least, regional monitoring committees are bodies set up to supervise the activities of all bodies working in the field of regional development in order to fulfil the objectives of national strategic documents, thus serving the central government.

Two other points of institutional character defined above were omitted from the text.¹¹ A wide variety of institutions active in the social and economic development of the regions operate within Slovakia. In spite of this fact, there is a long way to go before being able to fulfil the absorption capacity of the regions in order to profit fully from the Structural Funds and Cohesion Fund available for the Slovak Republic after its accession into the European Union.

¹¹ The reader could find pieces of information dealing with last two points in: MAIER, G., TÖDTLING, F. (1996): *Regional and Urban Economics II*, and BUČEK, M., BÚŠIK, J. (1998): *Regional Consequences of Economical and Social Transformation. Case study*.

LITERATURE

- BAUER, R. (2001): Local Aspects of Regional Development. In: *Implementation of the Regional Development Support Programmes. Proceedings of the Conference 9–10 January 2001 held in Košice*. Bratislava: PHARE 9808-04-01/0007, pp. 30–33.
- BUČEK, M. (1996): Regional policy in the Slovak Republic. In: MAIER, G., TÖDTLING, F.: *Regional and Planning Economy 2. Regional Development and Regional Policy*. Bratislava: Elita, pp. 239–250.
- Creation of Integrated Network of Regional Development Agencies approved by the Government of the Slovak republic of 20 September 2000.*—The Slovak government resolution, No. 738/2000.
- HAMALOVÁ, M. (1995): Regional Economic Policy in Europe and all over the World. In: TVRDOŇ, J., HAMALOVÁ, M., ZÁRSKA, E.: *Regional Development*. Bratislava: Ekonomická univerzita v Bratislave, pp. 130–136.
- KUBRICKÁ, M. (2001): *Support of Small and Medium Enterprises in the Slovak Republic 2001. A Guide of Initiatives*. Bratislava: National Agency for Development of Small and Medium Enterprises, pp. 51–57.
- Law No. 221/1996 on Territorial and Administrative Restructuring of the Slovak Republic.
- Law No. 222/1996 on Organisation of Local State Administration.
- Law No. 416/2001 on Competence Devolution of Some Competence from the State Administration Bodies to the Local and Regional Self-governments (The competence law).
- Law No. 503/2001 on Regional Development Support.
- Law No. 302/2001 on Self-government of Higher Territorial Units.
- Ministry of Construction and Regional Development (2001): *National Plan of Regional Development approved by the resolution of the Slovak Government No. 240/2001*
- NEMEC, J., BERCIK, P., KUKLIS, P. (2000): Local Government in Slovakia. In HORVÁTH, T. M. (ed.): *Decentralization: Experiments and Reforms*, Budapest: OSI-LGI, pp. 297–342.
- NIŽŇANSKÝ, V., PILÁT, J. et al. (2002): *Regional Self-government*. Bratislava: Open Society Foundation.
- OECD (1998): *Preparing Public Administrations for the European Administrative Space*. Sigma papers No. 23. CCNM/SIGMA/PUMA(98)39. Paris: OECD.
- Principles of Regional Policy of the Slovak Republic based on the Slovak government resolution from 13.9.2000*, No. 725/2000.
- SASEK, J. (1999): Strategy of the Development of Micro-regions. In: REKTORIK, J. et al.: *Strategy of the Development of Towns, Villages, Regions and their Organisations*. Brno: Masarykova Univerzita, pp. 23–32.
- SEKERESOVÁ, E. (2002): Regional Development Agencies in Poland and Slovakia. Proceedings from international scientific conference *National and Regional Economics IV*, Košice, Faculty of Economics, pp. 468–475.
- The Constitution of the Slovak Republic (2001)*: Bratislava: Chancellery of the Parliament of the Slovak Republic.

IV

REGIONAL E-GOVERNMENT DEVELOPMENT

THE PENETRATION OF INFORMATION- COMMUNICATION TECHNOLOGIES INTO REGIONAL PUBLIC ADMINISTRATION

ISTVÁN TÓZSA

The information boom began in the 1960s in the Western democracies. Its first waves reached the post communist part of Central Europe only after the fall of the 'Iron Curtain' in the early 1990s, although at their highest technological level. The new European democracies served as open gates and a proper platform for the Information Communication Technology (ICT) on which to build an information society.

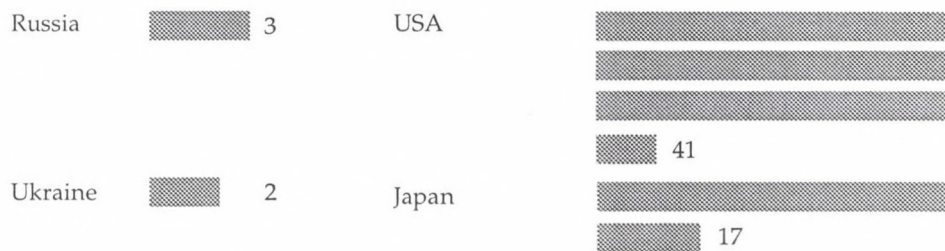
When considering East Central Europe, Slovenia, Hungary, Slovakia, the Czech Republic, Poland, Lithuania, Latvia and Estonia can be mentioned, that is the first possible circle of the countries bound to join the European Union, though from the physical-geographical aspect Estonia belongs to Northern, and a part of Slovenia to Southern Europe.

According to a survey conducted by Mediaresearch, the leading Internet users of the region are the Slovenians (with 37 citizens out of 100), while Lithuanians, Latvians and the Polish are lagging behind (with seven and eight citizens, respectively), but they are still not in a bad position compared to some EU countries, like Greece, Spain, Portugal and Italy (with seven and eight citizens out of 100).

In information society the role of knowledge and information and of all the services applied to acquire and convey information is being re-evaluated. The new democracies of Central Europe with their economies open to globalisation are susceptible to ICT. However, there is an 'age slope' perceptible among citizens using the Internet. The younger generation is a lot more willing to use ICT, including not only Personal Computers and the World Wide Web, but cell phones with Short Message Service (SMS), Wireless Application Protocol (WAP), Multimedia Message Service (MMS) and even General Positioning System (GPS) or Geographical Information System (GIS) (*Fig. 1*).



For further comparison:



Source: Mediaresearch 2000.

Figure 1. The rate of internet user citizens ('netizens')

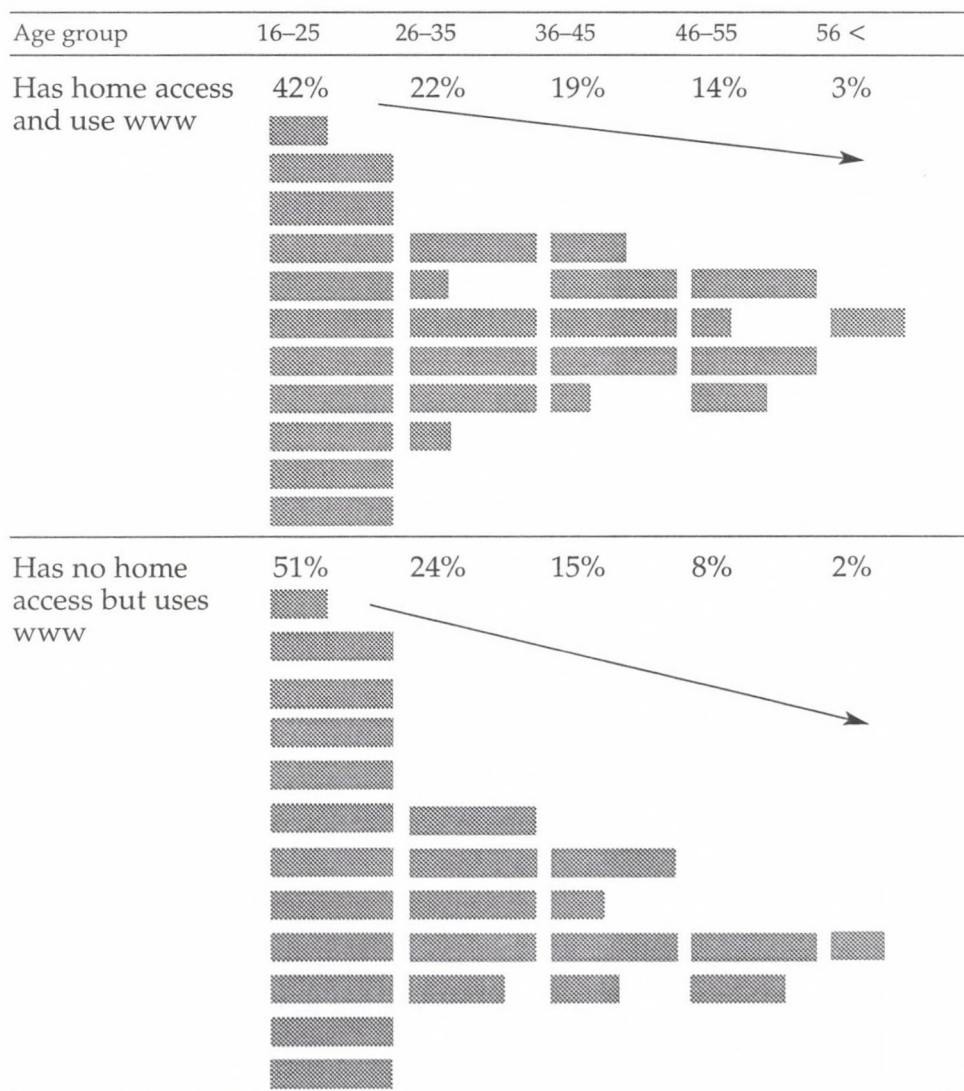


Figure 2. 'Generation/Age/Slope' in using Internet in Hungary representing East Europe

There is an electronic gap (e-gap) forming between those who can, and those who cannot have access to the Internet. People who do not have home access can use Internet at work, at school and in the country at the so-called tele-houses equipped with fax, photo-copier, PC text editor and www online service. The system of tele-houses accessible to all citizens operate within municipalities, community houses or schools (Fig. 2).

In the East Central European region, the formation of information society is being initiated not by the central governments, but NGOs (Non-Government Organisations). In Hungary for example the National Information Strategy was worked out by a civil formation in 1995, while the central government issued a major project entitled Hungarian Response to the Challenges of Information Society only at the beginning of 1999. ICT is developing much faster than the environmental and social awareness of society on the one hand, and the "spreading of ICT changes" social attitude on the other: citizens tend to be more active, willing to take part in local decision-making, demanding transparency of local and central government activity. To do so, citizens have to possess ICT devices and the knowledge to use them. This is influenced by traditional consumption and ways of investment of the population, the business companies, and the institutions of the countries concerned.

In Hungary, the emergence of information society is marked by symptoms like the improvement of the telecommunication network with a supply market, computer access has also improved in families, all secondary schools are equipped with Internet accessibility and the basic data registration of national issues are all being, or are bound to be processed digitally. The main problems slowing ICT penetration include the missing regulations of using new devices in public administration, the unsuitable structure of institutions to apply ICT, and the traditional (manual and interpersonal) workflow of public administration within the frame of law and legal rules, too slow to react the challenges of ICT.

Information society will be reality when at least 80% of the families possess personal computers (PCs), 50% of them can use internet at home, but 90% of them can have Internet access via cell phones (mobile access) on the one hand, and 75% of the customer service at the central government's offices and at least 50% of the customer service at the local municipalities can be administered completely via Internet on the other hand. This era can be expected by 2015 at the soonest in East Central Europe and particularly in Hungary, if the pace of the development of the 1990s is considered (Table 1).

Table 1. The forecast of development phases of information society in Hungary, with special emphasis on public administration and representing the Eastern Central European situation

Time	Facility	Families	Enterprises	Central	Local self-
				government	governments
		%			
In 2000	Own PC	18	60	100	70
	Internet access	1.5*	20	100	30
	Mobile access	0	0	–	–
	Own web site	–	5	85	25**
	E-administration	–	–	0	–
By 2005	Own PC	50	90	100	100
	Internet access	20	60	100	60
	Mobile access	30	90	–	–
	Own web site	–	25	100	60
	E-administration	–	–	10	1
By 2010	Own PC	70	100	100	100
	Internet access	35	80	100	100
	Mobile access	60	100	–	–
	Own web site	–	35	100	90
	E-administration	–	–	50	25
By 2015	Own PC	80	100	100	100
	Internet access	50	90	100	100
	Mobile access	90	100	–	–
	Own web site	–	60	100	100
	E-administration	–	–	75	50

* But 8% has access at workplace; ** civil organisations or simple citizens are likely to create web sites of settlements first and municipalities follow especially at small settlements; – no relevance. (Source: Hungarian Response to the Challenges of Information Society—Prime Minister’s Office, 1999 and author’s estimation).

The outstanding step taken towards worldwide information society is going to be the e-revolution of telephones, when cell (mobile) phones and even the traditional telephones equipped with ISDN (Integrated Services Digital Network) lines and VMC (Voice Mail Centre) units will enable a great number of the citizens to have access to the Internet without any PCs at home. That will be the age of the mobile M-Government, on the basis of the GPRS (General Package Radio Service), making the interactive websites of public administration unavoidable both in visual and audible context.

REGIONAL ADMINISTRATION

Since the studies and surveys of the section on Regional E-Government focus on regional public administration, here, only the structural items are mentioned that are essential from the viewpoint of electronic devices introduced and applied in regional administration.

Regional public administration is part of *local* public administration when it is opposed to *central* public administration. The difference between local and central is that the latter's authority or range of functions extends all over the state, whereas that of the former extends over a part of the state only. In Hungary local public administration is confined to settlements or the districts of Budapest, while regional public administration is responsible for a certain network of settlements over a microregion, a county (shire or borough) or macroregion. At present Hungarian local administration has two levels: the city or the village and the county (answering NUTS 5 and NUTS 3). The so-called regions consisting of three counties respectively (NUTS 2) have no administrative function, except the redistribution of regional development funds, and the statistical microregions and the association of settlements (answering NUTS 4) have no administrative role at all, they perform economic, supply and cultural functions.

Local administration, however, can be divided into two levels again, depending on the type of the administrative institution: *decentralised* and *departmental*. Since the cardinal, political changes at the beginning of the 1990s, the decentralised bodies have been directly elected from among the local population, they are independent of the central government, legally autonomous, and the central government can control only their legal function. The special administration bodies are the regional offices of the central government, seated in major towns, controlling either a city, a district, a county or several counties together, but often their venue is not identical with the administrative boundaries of the counties, like that of the nature conservation or water management authorities, where the physical boundaries cannot be adjusted to the administrative ones. Regional administration thus consists of a decentralised county self-government (general assembly) and several departments of regional special administration of the central government.

There are four basic types of special regional departments: maintenance of order (and law), recording (data), fiscal (taxation) and inspecting (controlling). Self-governments of regional authority also have four

types: county, the capital city consisting of 23 district self-governments, the regional offices of the trade chambers that are also self-governing bodies and the so-called district clerks offices (when very small settlements with a population less than 1,000) have the possibility to make up an administrative association, running only one office and one chief clerk managing it (Table 2).

Table 2. The structure of regional administration in Hungary

Decentralised institution	Regional departments of special administration
1. The county self-government (general assembly of the county)	1. Maintenance of law and order (police stations, customs and finances directorates, fire departments, civil guard)
2. Self-government of the capital (Budapest)	2. Record departments (statistical offices)
3. Offices of district clerks	3. Fiscal departments (revenue offices)
4. Professional self-governments (regional offices of trade chambers) conservation,	4. Inspection agencies of authorities (legal control over municipalities, nature environmental protection, water management, geological survey, forestry, inspectorates of mines, public roads, electronic media, regional departments of medical officers, chief architects, registries of titled deeds, etc.)

The classical form of regional administration is, however, the county administration (NUTS 3) in Hungary. The present function of the one thousand years old regional administration in Hungary can be seen in Table 3:

Table 3. Functions of the county

Licences of authorities	Tasks	Budget
County Hall	Public health hospitals	representatives are indirectly elected, i.e., delegated from the settlement with the exception of the town with county rank
with the Office for Dues,	Education secondary school	Financial and auditing Economic and public procurement Steering and administration Public health
Office of Defence,	Culture theatres	Cultural Urban zoning
County Archives	Social care old people's homes, homeless shelters	Tourism and international connections
	Child welfare, Guardianship children's homes	

The structure of the County Hall

President		
Defence Office	Chief County Clerk and Deputy Clerk Cabinet Bureau Offices	Vice President
Economic ~ Budget Section Financial Section Trusteeship Section Education/Culture ~s	Presidential Cabinet ~ Regional Connections ~	~ of Dues Due Imposing Section Auditing Section Management Section Health/Social ~s

The duties of the Presidential Cabinet include organising the meetings of the General Assembly, keeping in touch with its members via the Representatives' Bureau, informing the public and the news media about the activity of the County Hall and maintaining the County Library. The Budget Section of the Economic Office is engaged in institution maintenance and auditing the county institutions' budgets. The Financial Section manages the supports, grants and applications, while the Trusteeship Section is in charge of the assets of the county like recording, filing and managing properties. The Office of Dues imposes, supervises, collects, accounts dues. The offices of education, culture, public health and social care are responsible for maintaining and professional supervising of the institutions of the county. The Regional Connections Office deals with urban regional zoning and master planning of the county, with environmental protection, with organising chimney sweeping and energy supply of county relevance, with regional marketing, and with information technologies and geographical information systems applied at the county level. The county halls very often house some offices of the regional departments of the central government, like the Public Administration Office of the county exercising legal control over the operation of the local self-governments.

Public administration generates a demand for regional office networks in case the settlement is too little, or if it is large enough for a high volume of transactions. In Hungary, e.g., there are 3,135 settlements represented by independent local self-governments. Local self-governments include 19 county assemblies, 23 district self-governments for Budapest and one for the whole of the capital city. Thus there are $(3,135 + 19 + 23 + 1 =) 3,178$ local self-governments altogether. The settlements with a population

number under 1,000 are encouraged to form and maintain municipal mayors' offices together with other minor settlements. Consequently, there are 1,604 municipalities of independent mayor's offices and there are 580 so called district municipalities involving 1,531 minor settlements. The number of the major settlements (towns) are 252, out of which the ones having a population of more than 10,000, are only 136. This means that the following municipalities are strongly expected to develop regional administration and to apply several forms of ICT or e-government: the municipalities of the 19 counties, that of Budapest the capital city, the districts of Budapest (23), the major towns of more than 10,000 inhabitants (136) and the administrative associations of the 1,531 minor settlements (580). $19 + 1 + 23 + 136 + 580 = 759$ which is 24% of all the local self-governments in the country. That is, at present one-fifth of the self-governments are strongly recommended and expected to apply ICT and e-government means in their municipal work from the side of public administration. The pressure pointing towards an interactive regional e-government, however, is going to be much stronger than that from the emerging information society. You will immediately recognise it if you lose your identity card or want to have your passport renewed one week prior to travelling abroad.

REGIONAL E-GOVERNMENT

When speaking about regional electronic government, first of all the existing structure of the actual regional public administration has to be mapped with all the possible links between its agents. The links have to be established in the EDI (Electronic Data Interchange) system, based on UNSM (United Nations Standard Messages) to ensure eligibility all over the world. The agents of regional administration ought to be linked not only to the citizen (customer, client) but to other parties that can be interested in performing public services such as these civil organisations that operate not only in a particular settlement, but all over a region, the Roman Catholic, Presbyterian, Calvinist, Greek-Catholic, Israelite and Orthodox Churches, those enterprises that take part in public supply or run regional utility works, and other regions that are partners in cooperation.

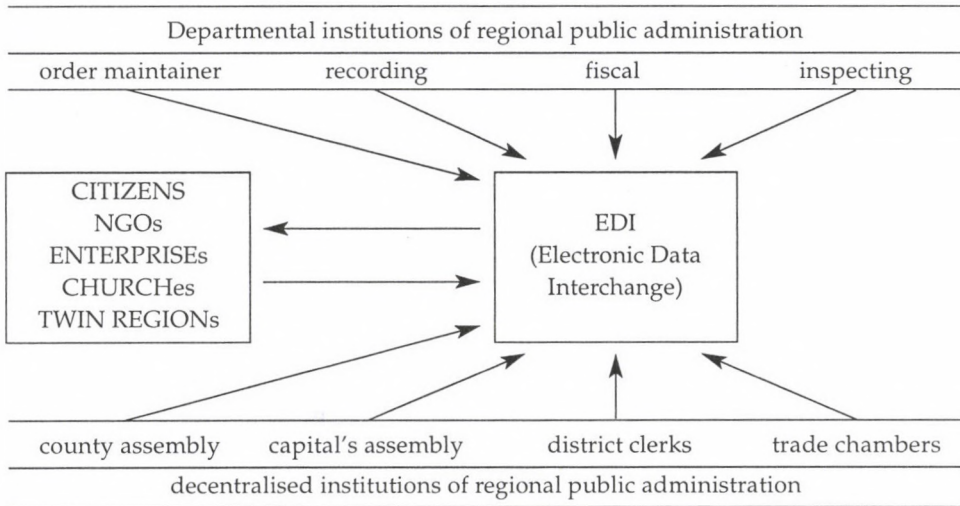


Figure 3. The possible links within regional public administration that any regional e-government system ought to be aware of, in its data interchange

FIELDS OF REGIONAL E-GOVERNMENT

GPS WORLD

ITSS (Intelligent Transport System and Service) is an important application field of GPS where the vehicles have GPS transmitters on board, sending signals to a satellite, which, with the help of a geodetic reference network of the region sends back signals to the vehicle with its exact location within 1 metre accuracy with coordinates or, preferably, visual map information. The operation of transport companies via road, sea or air became easier with GPS, the safe and quick navigation is ensured by the GNSS (Global Navigational Satellite System). This technique brought about a revolution in geodesy, making measurements much quicker, and more accurate than before. GPS also modernised cartography and photogrammetry, since the exact location of the camera is known when taking an aerial picture and there is no need any more to identify geodetic reference points in the aerial picture when using it for mapping. The new generation of cell phones is going to have connection with GPS systems, so the scope of available services is enlarged with exact position determination that can be used in emergency or in case of car theft.

Land registry includes building properties as well, so the application of an accurate digital map system is an unavoidable condition of any regional e-government that is responsible for building permits and supervision over large territories.

CRM IN REGIONAL ADMINISTRATION

The Customer Relationship Management (CRM) was the first device to become widely spread in electronic business, the banks and commercial companies applied it to meet the requirements of their clients. In regional administration it is the public utility service that begins to use it (water, sewage, electricity and gas utilities). The operators maintain direct telephone or online connection with the users and have an up-to-date digital map system of the network thus making troubleshooting, maintenance, invoicing faster, more accurate and efficient. Since public utility covers a large area, usually more than that of a single settlement, CRM is the 'first swallow' in interactive regional e-government applications. In the USA the maps of public utility networks used to be accessible via Internet free and for anyone, however, after the terror attacks in 2001 September, these maps were removed. The quantity and quality of available data regarding public utilities and their transparency, publicity ought to be carefully considered in the future in the information society. In Hungary and Eastern Europe, however, no such maps were removed from the net, simply because there were no such maps available for the public.

REGIONAL PORTALS

In Hungary the territorial statistical regions, the so-called macroregions stand for three counties respectively with the exception of Budapest and its county. However, Internet home pages and portals of regional dimension include not only the portals of the macroregions, but those of the counties, the free associations of counties, the free associations of settlements, the territorial statistical microregions, and all the departments and offices of the central government having territorial authority like national parks, water management authorities, environmental protection agencies, tax offices. Thus, there is a great variety of possible regional portals. Most of them contain information regarding regional history, culture,

programmes, travel, accommodation, places of interest, introductions of firms, companies, and services. These are short of e-government and serve tourism first of all. On the contrary, the portals of the territorial departments of the central government, contain demographic and economic information serving administrative tasks. Interactive role of e-government like downloading possibility of different forms and uploading the forms filled in, is not characteristic of regional portals, because this function is needed at the portals of local authorities performing public services directly for the citizens. Regional administration deals, e.g., with professional supply of education, public health, catastrophe management. Thus linking the home pages and data of secondary schools, hospitals, defence offices may be of importance within the administration of public education, health and defence for the territorial authorities of the central government.

E-PROCEDURE

There is a saying in public administration 'filing documents is the memory of the office'. So e-government and ICT can first intrude into the document registration of the offices of regional administration. Since the regions with administrative authority [counties, voivodeships, districts, oblasts (territories)], in Eastern Europe after 1990 have indirectly elected assemblies, another stage of e-government is to send the representatives all the documents by e-mail instead of traditional mail, thus saving the postage, paper, photocopying and ensuring a modern way of filing documents at home. Also the decisions of the assembly have to be stored and registered digitally.

THE TELE-HOUSE SYSTEM

The tele-house system is a characteristic NGO initiation begun in Sweden in the mid-1980s. It is helping the local communities even in small villages to have access to ICT. In Hungary this movement began in 1994. There are about 500 tele-houses in Hungary and, compared to the total population, it means the 5th place in the World following Canada, the USA, Australia and England. The equipment expense of an average tele-house with six online PCs, photocopy and fax facilities, is around 10,000

EUROs. It is mostly the local self-government in Hungary that finances the establishment and the operation of the tele-house. The Hungarian Association of Tele-Houses plans to introduce the TQM ISO to ensure a reliable service in the tele-houses, where there has to be advisory and training service for the public. Tele-house access is free or very cheap in order to ground a basic ICT supply on the local level of administration with regional links—all over the world. The Hungarian Association plans to facilitate all the minor settlements in Hungary with tele-houses by the end of 2004. There will be 2,500 tele-houses in the country with more than 3,000 employees.

E-VOTING

The possibility of electronic voting is another e-government application in the regional sense. Though in the eastern part of Europe only the procession of the votes is performed by e-device, some Western European example is already set in voting during local or regional elections at home.

REGIONAL DATABASES AND INFORMATION SYSTEMS

The most important regional database for each country is the one used by the central administration with spatial and mainly statistical data extending over the whole of the state. This information system is built up and run usually by the national statistical offices in the countries. In principle they have three levels of data: the national (the country as a whole), the regional (regions or counties) and the local (settlements). The data from this statistical territorial information system are basically used for land use zoning and for contributing to the regional development plans as well.

Data include at each level the statistics of *economy* (e.g., number and size of enterprises, volumes of production and local tax), *demography* (e.g., the characteristic features of population like age, sex, education, mortality rate, incidences of illnesses), *society* (concerning the data of unemployment, social supports, civil organisations, traditions, festivals, cultural heritage, etc.), *ecology* (like land use, catchment area of rivers, national parks, wildlife facts, properties of soil, etc.), *environment* (e.g., the polluting impacts of motor traffic and power plants, noise level, radia-

tion, air, water and soil pollution) and *infrastructure* (services like waste management, transportation, water and power supply, education, public health care). These data usually cover the territories of large cities and larger areas than a single settlement, so they are of regional dimension. The access to these data is usually limited, in Hungary, for example, only ministries and the major regional departments and institutions of the central government can use them in their work. Private companies can have access to these data only if they work for the state, e.g., preparing regional zoning.

GIS IN REGIONAL ZONING

Regional zoning plans give the frame for the local master plans, and nowadays most of them are constructed with CAD devices. They use information from the national territorial statistical databases. GIS makes easy displaying, storing, conveying and modifying regional information. The urban zoning plans of the settlements within the region can be stored and registered in the regional zoning plan and they can be adjusted to one another making sure that the administrative boundaries and the land use zones of the different settlements meet, and that they are in harmony with both the regional and the national zoning plan.

GIS IN REGIONAL DEFENCE

The DTM (Digital Terrain Model) over a territory with very high geodetic accuracy is the basis of any military or civil defence GIS. The spatial data contain the elevation above sea level, helping radar to ensure or to avert low altitude aeronautical navigation of intelligence purposes, the energy, road, rail and airport networks, the location of water bodies, drinking water reservoirs, bridges, dams, the quality of the terrain from the viewpoint of motor traffic conditions, the units of public utilities, doctors' offices, hospitals and other sanitary institutions, shelters to put up refugees, and even the dominating wind directions, wind channels to be able to model and forecast the spreading paths of atmospheric pollution with infectious or radioactive materials.

WEB GIS

Map servers can be used for downloading spatial data over different territories including physical-geographical, demographic, traffic, economic, etc., information. Thus the Internet users can build their own maps at home via online connection to the map server. Such systems are usually developed in most countries, though accessibility is highly limited in Europe and especially in Eastern Europe, while the North American map servers are by far the best, and have easy and free access for any users. Regional spatial data concerning land use, economic, demographic, etc., data are hardly accessible for common Internet users in East Central Europe. Spatial data downloading and data analyses mainly require special permission from authorities and the circle of the users includes state departments and institutions.

GIS IN REGIONAL DECISION-MAKING

There are two fields of decision-making GIS application at the regional level. One is the environmental impact assessment surveys and the other is the site selection GIS using either factor analysis or differentiated weighting device, or map comparison. The EPAs (Environmental Protection Agencies) can give permission for new industrial, logistic, etc., investments on the basis of an environmental survey over a region that informs us about the expected impact like air pollution, traffic, and noise. GIS is used in mapping and evaluating the future effects of the economic activity. The other function, the site selection can be performed if the regional authority wants to have background information helping decision-making on choosing the most suitable place for an investment or for an economic (industrial, service or agrarian) activity. Many environmental factors influence the suitability of a given site. Without a GIS, decision is unavoidably subjective. Experts first decide the degree of importance for each factor that is considered to be relevant for a certain activity. Then the factors are assigned weights as suggested by the experts. The GIS then compares the factors displayed in map layers. The result is a synthesis of the map layers showing several clusters of the most and the least suitable sites. Site selection with factor analysis needs no weighting function. From the several environmental factors that are taken into consideration, those are chosen that show the strongest correlation with the ex-

pected result of land assessment. Finally, the comparison method is the simplest, when map layers, showing the spatial distribution of different factors, are superimposed and those sites are the results where there is a coincidence of (most of) the factors.

THE INTELLIGENT REGION

The Toledo Conference of the European Regional Information Society (Eris@) in 2002 emphasised online e-government as the final step to achieve a *new European democracy*. A properly functioning e-government has more chances to make the right decision than traditional administration. It is the level of the region, they said, where e-government can be used most efficiently. Where the central government is able to recognise the importance and possible economic income of ICT, Internet accessibility is free and granted. Where the central government is ignorant of the possible economic benefits of ICT, Internet accessibility has to be paid for in public places, offices, hotels, and cafés. Cyber-friendly customers are welcome everywhere in an information society.

The settlements cooperate in establishing e-government *networks*, due to the criteria of economy of sales. Thus not only the large municipalities, but also those of the minor settlements will be able to afford ITC means. After introduction of the on-line administration, and online platforms for the citizens' opinions, there will be a wide choice to pick up the most important and relevant local messages for the right decision-making. The wide platform of opinions will permit the right decisions to be made and the public will control their execution, so the lost trust and good reputation of the local and regional governments will be regained. That will be the new democratic *region, based on knowledge*.

According to the theory of the 'penta'-region, there are five forces forming regions: the physical environment (1), history and folk traditions (2), economy and politics (3), culture (4) and ICT knowledge (5). In different historical periods one of the above forces dominates the formation of the regions. Today in Europe it is the ICT knowledge that takes the lead. The region is the most suitable dimension and size that can harmonise the basic contradiction between the local and global values (Fig. 6).

<i>Globalisation, carrier of ICT, regarded to unify values</i>	↓
<i>'E' Region, the medium</i>	
<i>Local, national values, meant to be preserved</i>	↑

Figure 6. Role of the e-region

In the USA, Japan, Canada, the EU, etc., the central governments have recognised the danger of being excluded from the development of information society, or of just lagging behind the main stream of development. An e-gap between the well-developed and the underdeveloped regions will lead to much higher differences than the inequality of traditional economic development.

In June 2002, the European Committee organised a conference in Ljubljana, Slovenia entitled Information Society Connecting Europe. They found that the first circle of countries bound to join the Union has a very similar rate of telephone- and cell phone access to that of the EU countries. However, Internet accessibility and its relatively high costs, the preconditions of life-long learning, training, the security of the databases and the structure of ICT, and finally the representation of civil society in the e-world are not sufficient and efficient in East Central Europe, compared to the EU.

CONCLUSION

To form any regional e-government network, the *first* step is to make a strategy based on the demands of the local or regional society. *Second* is legal ruling to enable civil servants to use e-devices, since it is not the lack of technique, or the lack of experience of the servants that renders e-government uneasy to introduce. The main problem lies in the legal ruling of public administration that hardly allows inventions like new e-devices to the introduction in the traditional and strictly ruled workflow of civil servants, including the institutional structure of administration. *Third* is funding the financial means to introduce ICT, *fourth* is the launching of the activity and *fifth* is the maintenance of international connections to keep up with development and to adopt new techniques into training and application. Some *disadvantages* of Eastern European e-government users, not like American or EU citizens, include the relative lack of *English language* knowledge, the *expenses* of obtaining the necessary

equipment, the lack of individual urge and *affinity* towards e-devices and the *underdeveloped post socialist regions* where people are forced to earn a living in a social environment of high unemployment and low demand. In these areas e-government could appear only for technical facilities. What paralyses its spreading is the backward awareness of people, the bread- and butter-crime and the lack of ambition due to the poor living circumstances (*Table 4*).

Table 4. The steps of regional e-government introduction in Hungary

Stages	Social background, disadvantages
1. Strategy (based on social expectations and demands)	The lack of English language knowledge.
2. Legal and organisational restructuring of regional administration to be able to incorporate e-government into workflow	The relatively high expenses. The lack of proper affinity towards e-world (with the exception of the younger generation).
3. Finding financial sources	
4. Starting activities	Underdeveloped and backward regions.
5. Maintaining international links and training to receive new developments	

Source: Prime Minister's Office (2001).

In East Central Europe, the main problem in launching regional e-government is that the municipalities and the self-governments of the settlements are independent of the administration of the region [counties, voivodeships, districts, oblasts (territories)] in which they are situated. Consequently, the strategy of ICT building is not uniform in the settlements. The e-government devices differ from settlement to settlement depending on their *size* and *budget*. We can call the ICT of settlements an *archipelago type*. So, there is no uniform regional e-government forming in the sphere of the decentralised institutions. What about the central government? Information technology was given an independent ministry in most countries, or an independent state office at least only at about the end of the 1990s. But it does not mean that the different ministries have compatible ICT devices. Each ministry builds its own information system, its own database, each has an independent ICT strategy, and there is little or no harmonisation among them in this respect. The efforts of the Prime Minister's Office or the Ministry of Information Technology are all in vain to coordinate information systems and e-government devices even at the central level of administration, not to mention the decentralised municipal network (*Fig. 7*).



Figure 7. The numberless counterinterests paralyse the establishment of compatible and uniform e-government devices and information systems among the actors of the government

However, the departmental institutions of the central government are more liable to apply uniform systems than the municipalities of the local self-governments. By 2004 in Hungary, for example, they will be equipped by compatible ICT. Unfortunately, public administration is *flooded by party policy* and ICT is an attractive slogan to be used by the parties and politicians. Thus, ICT strategy changes at least every fourth year following the ruling political parties. Up to the end of the 1990s and the early 2000s *legislation ignored* ICT in government. In Hungary, the first laws on ICT were passed only in 2001, though three a year: one on the digital signature, the other on telecommunication, and the third on electronic public procurement. Bringing the laws into operation is again a slow process. For example, in 1992 the Hungarian government decided to establish the network of the document offices (an initial step towards regional e-government) where it is possible to obtain identity cards, address registration cards, driving licences and passports at one single place. It took eight years, until the network of the document office could be opened in 2000.

To summarise briefly the ICT penetration into regional administration in the eastern half of Europe, we can state that *although there is a wide and promising variety of possible devices, regional administration permits only fractions of e-government, and the main reason for this lies in the present weakness of regional authority, the lack of laws regulating e-government functions in general and the dominating political counter-interests in ICT.*

To counterpoint this survey of modern technology application in administration, one should look for a historical prophecy with which to end. In principle ICT provides a direct link between state and citizens, with which the idea of an ideal, serving state can come true in democracies. This idea can be traced back as far as 1852, and strangely enough, has its roots in the Carpathian Basin, in East Central Europe. At that time, LAJOS KOSSUTH, the defeated leader of the Hungarian War of Independen-

ce, toured the USA. ABRAHAM LINCOLN, as a young lawyer, is said to have listened to one of KOSSUTH's splendid speeches in America, the words of which are very similar to the famous Gettysburg Address (1863), and the last lines of which referring to the serving state, are identical with KOSSUTH's words: "*a government of the people, by the people, for the people shall not perish from the earth*". Thus e-government can be considered a pledge for the technical realisation of this democratic idea of the serving state.

APPLICATION OF GIS IN REGIONAL PLANNING

GYÖRGY DOMOKOS, VIKTÓRIA HEGEDŰS,
VLADIMIR ZENKL, ÁDÁM FATSAR

AMTeIR

BACKGROUND AND GOAL

In Hungary, the regions (based on the EU requirements) consist of groups of counties. Traditionally, each county has a so-called County Government (CG), whose authority is above that of the municipal local governments. There is a Government decree No. 112/1997 (VI.27), which regulates the mandatory information system of land development and planning of the counties. According to this decree, the aim of the Regional Information System (RIS) is to serve as the data service for the administrative organisations and other legal entities defining the characteristics of society, the economy and the environment, as well as the changes taking place in these domains.

Firstly, a centralised countrywide system (called TeIR) was built up by VÁTI Kht. (VÁTI is a non-profit, state-financed organisation responsible for managing regional planning.) The system is based on the collected and aggregated settlement data and services of the Hungarian Central Statistical Office (KSH).

In case of the Regional Information System on the County level (RISC, MTeIR in Hungarian), comprehensive support for land development and planning was indicated as the primary goal of task specification. The decree clearly specifies the development of a complex, decision support system for the experts concerned, which has to be based on GIS functionality and handle the wide selection of different documents (from a simple letter to legal rules), as well as the management of tenders.

The appropriate provider for the application development for the above-mentioned product was managed by a public procurement lead by VÁTI Kht. The winner was a consortium, which consisted of a system integrator, a project manager and developer companies.

During the entire application development process there was a great emphasis on the original goal of MteIR: compiling existing data which describe the current characteristics of the region, processing, sorting, evaluating, storing and publishing of these data to give access to the interested professionals. The customers of this system can get support for:

- preparing and making decisions for land development and planning;
- continuing to keep track of the indicative changes of the society, economy, and environment, and in the analysis of the impact of these decisions;
- concepts and programmes for regional development, as well as regional master plan production;
- concepts for settlement development and production of a master plan;
- the realisation of regional development, and the realisation of regional master plans (by tender management).

DATA SERVICE

The system stores the data in a regulated, standardised way at each county centre. So the data are easily usable and accessible at any point of the county network. There is a so-called Metadata Manager, who handles the precise data record and inventory. The other benefit of the Metadata Manager is that, the information and parameters of the real data are accessible not only for professionals, but for the general public by using the Internet (*Fig. 1*).

The county centres support many aspects of everyday activities. It means direct connection to several organisations, institutes, and serves to send and receive data from them, such as:

- to the centralised system;
- to other county information systems;
- to the regional development councils;
- to the regional development local governmental associations, which are active in the county, or cooperate with other counties;

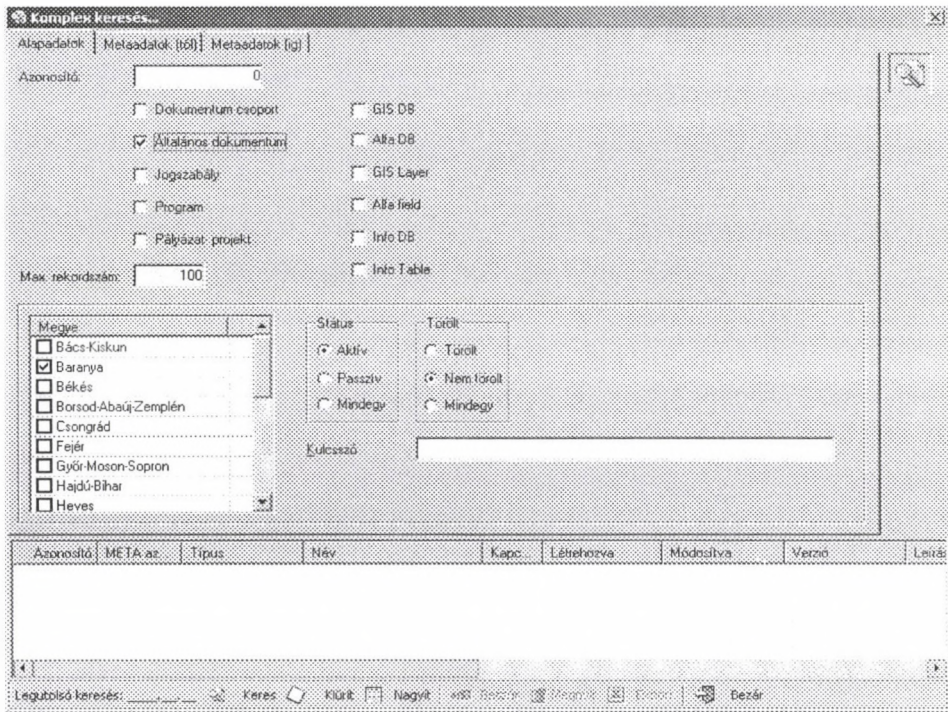


Figure 1. The browser of the system

- to the local governments (municipalities) of the county;
- to the civil defence committees;
- to the commissioned planner of regional development plans.

The counties manage an extremely large information flow that is really difficult to track.

BASE SYSTEM

Based on the decree referred to in the preface, the TeIR system was built in two phases. First, the countrywide system was developed by VÁTI Kht., using ESRI GIS technology. The second level is the county TeIR (MTeIR) that consists of 20 (19 counties and one at VÁTI as a gateway to the countywide system) independent, individual, but connected systems. Of course, these systems have the same structure and functionality. The MTeIR systems can manage data exchange with the countrywide system, and between each other as well.

The MTeIR system is a modular application, which consists of the following:

- GIS subsystem;
- META subsystem;
- document management subsystem;
- legal rules subsystem;
- programme-, tender-, and project subsystem;
- administrator subsystem;
- Internet subsystem.

The broad selection of subsystems shows the wide support that is accessible to professionals.

GIS SUBSYSTEM

During system realisation many kinds of issues, as well as development-retarding factors have been raised. Among many others (probably the most important) was the lack of financial resources.

In the original concept (even in the logical system plan too) of the MTeIR there was the intent to use a specific Spatial Database Engine (ArcSDE), in order to efficiently integrate the geographical data to the other data in the same standard database, providing safe multi-user accessibility. Unfortunately, during the development it was not possible to apply it. So without this important item, only a limited capability, simplified version was produced. It must be considered only a temporary solution, in a stopgap arrangement.

Without ArcSDE, the GIS subsystem works as a data warehouse. It means that all the geographic and alphanumerical data are stored in specific 'warehouse' in the server. The data display and update can be managed on the client workstations. In order to this, first the user has to 'download' the data from the server. This transaction is recorded in a log system. This is the way it can manage the data modification for only one user at the same time.

Due to the above-described procedure (in contrast to other subsystems), to the GIS subsystem works with two kinds of databases (a server and a client side). Of course, to some extent, it means additional work, and complicates data management, as well as some other issues also can be raised because of the database duplication.

On the server side the geographical data are logically stored in the standard shape file format. Both the geographical and attributive data are physically stored in an Oracle relational database. The shape files are stored in the so-called blob fields.

On the client side, where the customers use the real GIS functionality, the ArcInfo workspace was introduced. This is the supported native format by the basic GIS software.

The GIS subsystem TeIR-specific, developed functions provide the following:

Import:

- alphanumeric data import;
- geographical data import;
- alphanumeric data update and maintenance.

Export:

- Alphanumeric data export;
- Geographical data export.

Connection with the document subsystem.

Connection with the META subsystem.

Dataflow management among the server and clients (check in—check out).

Data exchange with other MTeIR system (e.g., other county).

Data exchange with the countrywide system (OTeIR).

This functionality was established taking strictly into account the real demands and co-operation of professionals and experts of the county governments. So the representatives of the county governments had played a very important role (*Fig. 2*).

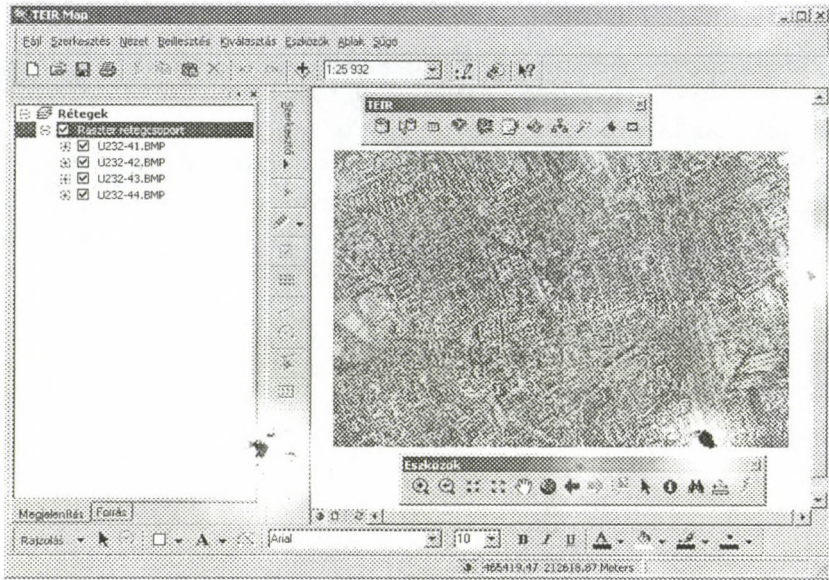


Figure 2. Map-layer management function

DOCUMENT MANAGEMENT SUBSYSTEM

The document management subsystem integrates the management of various documents, legal law, programme, tenders and metadata (Fig. 3).

APPLICATION FORM TO RECORD THE SUBMITTED TENDERS' INFORMATION

The document management subsystem was developed as a part of the MTeIR, but this application is able to work independently, without the GIS subsystem. Its goal is to support the management of various documents, which are important for regional development and planning.

The specific terms used in the system are as follows:

- *Document group*: Logical group, which contains one or more documents.
- *Subgroup*: The main groups of the document management subsystem (Document, Law, Tender).
- *Fix group*: Predefined groups, which cannot be changed.
- *Own group*: User-registered group.
- *Base document*: Which is not part of any special documents.

Figure 3. Application form

- *Law*: Local legal documents.
- *Program*: Programmes, requests for proposal, designated projects, which are concerned with regional development.
- *Tender*: The submitted tenders for requests.
- *Project*: The accepted tender, which has confirmed budget, milestones, deadline and invoices.
- *Delete*: It means a delete on the screen, it is not possible to delete from the database using the user interface.
- *Active*: The current documents.
- *Passive*: The archived documents.

In the database the data (base data, metadata) are the main objects with document groups, particular documents, and with their changes.

The software uses certain background data during the creation and management of the documents. These core data are: organisations, tenderers, estimates, and titles.

The structure of the database can be easily understood by the tree construction of the main window (Fig. 4):

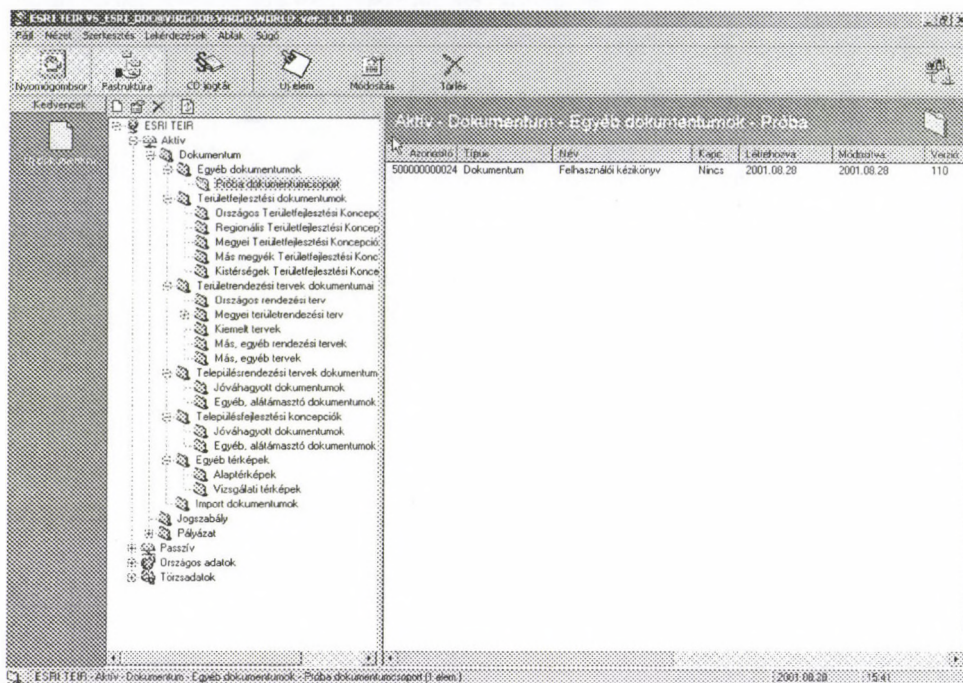


Figure 4. Tree construction of the main window

The dark folders are the pre-defined, countrywide unified groups.

OVERVIEW OF SOFTWARE ARCHITECTURE

Both the server and the client applications run under the Windows 2000 operation system. The unified database system uses an Oracle data server. The server-side GIS applications are based on ESRI 8, and ArcView 8 on the client side. All the other applications are based on Microsoft Visual Basic. The Internet map server is ArcIMS, which works on top of the Microsoft Internet Information Server.

This construction allows the widespread information access and usage for professionals and citizens as well on the Internet.

IMPLEMENTATION

After finishing the application development the system was installed on test sites to start the trial period. Several enhancements were made, based on the comments and suggestions by the local experts and customers.

After the final acceptance of the system, the systems managers' and end users' training was begun. It took 1–2 weeks. Meanwhile all the systems were installed at the customers' sites. It was experienced that due to the lack of real, up to date data, well-trained staff and committed leadership, the system utilisation was still pretty low. This experience shows the next steps to strengthen and vitalise the potential capabilities of the system.

APPLICATION OF GIS IN REGIONAL PLANNING

THE POSITION OF BUDAPEST IN THE REGION

Budapest holds a special position in the spatial structure of the country. It forms the core of the Central Region of Hungary (consisting of Budapest and Pest County). It is also the core of the smaller conurbation ring (the so-called agglomeration) within the 20–25 km commuting distance of the city. Budapest has a population of 1.8 million, with an additional population of about 650,000 people in the agglomeration area, consisting of 78 settlements.

The self-government structure of Budapest is equally unique. Budapest is the only Hungarian city having a two-tier administrative structure with elected municipal and district local governments. This structure was established by the 1990 Law on Local Governments: the Municipality of Budapest and the 23 district governments are local governments with equal power, each of them having their own mayor and general assembly (decision-making body of elected politicians).

Some of the local governmental tasks are managed by the Municipality of Budapest (infrastructure, public transport, hospitals, secondary education, etc.), while others are delegated to the district governments (basic neighbourhood public services, elementary education, health care, social services, welfare provision, etc.).

Urban planning tasks are likewise divided up between the two levels. Several planning tools are used in order to facilitate the long-term use and development of the constructed environment.

Municipality of Budapest:

- the *Strategic Development Plan of Budapest* sets the priorities and the long-term strategic goals concerning the constructed and natural environment, urban transport, education, culture, health and recreation issues;
- the other major planning tool is the master plan of Budapest, the so-called *structure plan and framework regulatory plan (FSZKT)*, which is basically a combination of land use and zoning plan for the whole area of Budapest, a local by-law approved by the General Assembly of Budapest.

District governments:

- the two-tier local government structure is also apparent in the planning system: the 'framework' regulation means that the 23 district local governments must work out their detailed *district planning regulations* and *district regulatory plans* within the framework of the above-mentioned FSZKT master plan. *The district governments also issue building permits.*

Since the links with the district governments are much stronger than those with the region, cooperation in GIS concerning urban planning is more significant with the districts than with the municipalities of the region.

USING GIS IN URBAN PLANNING

The rapid political, social and economic changes of the early 1990s called for a new approach in urban planning as well. The zoning regulations of the old master plan could no longer provide a sufficient base for new urban development, and the changes in legislation also required a new approach in urban planning.

By the time the actual planning process of the new master plan of Budapest began in 1994, it became clear that the amount of data would make the using of GIS absolutely essential. The new master plan was supposed to include not only detailed land use and zoning regulations, but also a number of other restrictions in architecturally or environmentally sensitive areas. The master plan had gone through a long consultation process with the district governments, and during this process, a number of changes had been made in the plan before it was approved by the General Assembly of Budapest in 1998.

In the course of this lengthy planning procedure, a large amount of data was processed and analysed. Building a set of thematic layers for the new master plan proved to be pioneer work. The work started from scratch—even the base map had to be created.

The official cadastral map had not been available in a digital form from the Land Registry Office. Therefore, some of the public utilities companies, who could not survive without using sophisticated GIS, had decided to take on the enormous task of digitising the 240,000 plots of land in Budapest, based on the paper maps of the Land Registry Office. Because of the differences between data management, even these digital maps had to go through a series of corrections and adjustments before they could be integrated into the GIS used in the planning process.

The layers of new planning regulations were divided into two major categories: the new zoning map was a thematic map covering the whole area of Budapest, with some 20 zoning categories. The other type of regulation is a set of layers, containing architecturally or environmentally sensitive areas to which special restrictions apply (listed buildings of the architectural heritage; the boundary of the UNESCO World Heritage site, natural environments, forests and reserves, caves and areas of unstable soil structure, etc.).

By the time the *FSZKT* master plan was approved in 1998, it became evident that having a complex set of regulation layers in a digitised map form was not enough. Rather than just using the standard built-in functions of the GIS software, a customised query application was developed, in order to provide prompt and accurate information on the planning regulations for any of the 240,000 plots of land in Budapest.

To apply the Master Plan Database in everyday work for querying and for producing official map extracts from the master plan, an ArcView application was developed. This application can be used on PCs with ArcView 3.1/3.2 installed, using the shared database files located on the GIS server of the Mayor's Office of Budapest. The zoning categories and other regulations for areas of restrictions and protection can be given for one plot of land only or for a selected larger area. The selection can be carried out by typing in the identification number of the plot or by selecting the area graphically. The regulation texts and the map layers can be displayed in ArcView text and view windows or in a layout window, from which both the map and the regulations can be printed. Additional data from the database can also be displayed. When more than one building plot is selected, regulations are given for the whole area and an addi-



Figure 5. The ArcView Data System window shows the selected building plot and its surroundings, together with the list of layers. This particular plot (with a black contour) is quite large with a long list of zoning regulations: it is covered by several zoning categories, marked by coloured polygons

tional table is created which contains the regulations by plots. This additional table can also be printed, or it can be saved as a file. If the selected area is covered by several zoning categories, all of these, together with their area ratio, are listed (Figs 5–7).

The planners realised early on that even though all operative planning regulations were available in the newly developed GIS system, old planning regulations (the so-called ÁRT) could not be discarded overnight. Therefore, in parallel with building the GIS system of new urban planning regulations, the old zoning map was also digitised and built into the new query application. In the long run, this proved to be a wise decision, since nowadays planning regulations for a particular piece of land can be listed and printed out so easily that it would be difficult to justify why the old zoning regulations cannot be obtained equally effortlessly.

COOPERATION WITH THE DISTRICT GOVERNMENTS

Since the 23 district governments must work out their detailed *district planning regulations* and *district regulatory plans* within the framework of the above-mentioned *FSZKT* master plan, collaboration with the districts is essential. So far, this collaboration has not been complete. The degree of cooperation is quite uneven with the districts. Those with the similar degree of GIS supported planning are willing to exchange planning data, and district regulatory plans are available in digital form. A few district governments have never considered using GIS in planning. The majority of districts, however, see the importance of GIS-assisted planning, therefore ask for the digital maps of the *FSZKT* master plan when they start working out their district regulatory plans. Most of these districts do not have a GIS system at their planning department. However, the planning department commissions urban planning consultants to draw up the district regulatory plan, and these consultant companies have already been using GIS. Therefore, even if the planning department has never thought of investing in GIS, the idea of using GIS in planning is filtering through.

On the other hand, it is still very difficult to build upon acquiring planning data from the districts, and it is almost impossible to build a district planning data bank of uniform strength. The reason behind this is the above-mentioned special local government structure: the Municipality of Budapest and the 23 district governments are all autonomous local governments with equal powers, therefore any kind of cooperation must be based on mutual agreement rather than imposing regulations on the districts to provide planning information.

Still, cooperation with the districts concerning GIS in planning is far more advanced than cooperation with the region. Currently, there is practically no exchange of GIS-based planning data with the agglomeration or the region.

CREATING AN ARCHIVE FOR PLANNING REGULATIONS DATA

The *FSZKT* master plan is a constantly changing plan. For example, a certain area that had been zoned for office development could be re-zoned for housing. In the beginning, the query system of the master plan could

only provide information about the current regulations. By the time the number of re-zoning changes in the master plan had become numerous, it was clear that the 'old', former regulations should also be incorporated into the query system. Thus, the 'history' of a particular plot of land can be easily accessed: what was the former zoning regulation, how many times and when was it changed, and what is the current zoning regulation. This can be very helpful when debates about the planning position of a certain area have to be settled quickly and effectively.

COLLABORATION WITH THE LAND REGISTRY OFFICE

The starting point of any GIS system is a digitised, regularly updated official cadastral map of Budapest. Currently, this is not available—some parts have already been digitised and updated, while other areas are still lagging behind. The cadastral map used in the master plan's query system is a fairly up-to-date map, but it is not an official cadastral map and it is not updated. Therefore, the Mayor's Office of Budapest has embarked on a long-term collaboration with the Land Registry Office to provide an official cadastral map for not only the master plan's query system, but any other GIS applications used in the Mayor's Office.

RESULTS AND LESSONS

Using GIS in urban planning provides an efficient tool for making queries quickly and accurately. A carefully developed GIS-software application can assist in everyday work, making queries and producing official map extracts from the master plan.

Making complex analysis based on the available data is also very simple and straightforward. For example, the local politicians might want to know how many square metres that had been previously zoned for 'park' or 'woodland' has been re-zoned for 'housing' in the past 4 years. Analysis of this kind is fairly simple, yet it gives an impressively quick and accurate result.

It takes a long time to build a proper GIS databank of any kind, and it can be a meticulous, sometimes frustrating job. However, afterwards all the efforts will pay off, making everyday work more efficient, thus improving the credibility of public administration.

GIS AT REGIONAL E-GOVERNMENT IN THE CZECH REPUBLIC

Application of GIS in the Czech Republic began in 1991 when The Federal Environment Committee of former Czechoslovakia equipped the Environment Departments of all district offices of the former Czechoslovakia with a PC ARC/INFO software and hardware.

Even if almost no digital geographic data were available that time people in local governments started to learn GIS technology. This wide availability of GIS technology and lack of data was a great impulse for the starting of digital geographic data creation.

Also, this initial technology has in many cases been upgraded and extended to ArcInfo Workstation, ArcView GIS, ESRI Internet GIS solution and even to ArcGIS since then.

During the last decade, GIS technology has expanded to almost all levels of government and self-government (from municipalities to central government agencies). And in most cases ESRI GIS technology is used in this field.

There are also institutions whose goal is to standardise geographic information and to coordinate GIS effort especially in the field of public information systems in the Czech Republic.

THE CZECH ASSOCIATION FOR GEOINFORMATION

The Czech Association for Geoinformation mediates and coordinates communication and GIS effort among various institutions. Members include public institutions and commercial companies.

THE OFFICE FOR PUBLIC INFORMATION SYSTEMS

The Office for Public Information Systems (OPIS) (<http://www.uvis.cz>) is a public administration body established by the Act on Public Information Systems (No. 365/2000 Coll.).

OPIS is the major coordinator for public administration information systems building and development in the Czech Republic, covering also regions and communities. Publishing standards for public administration information systems and testing of ability to meet those standards are the major instruments for execution of OPIS competence.

OPIS is charged with preparation of strategic papers on information society, e-commerce, information systems security, etc. The Office acts as a major contact institution for European Commission in the area of various issues regarding the development of information society. The Czech Republic joined the eEurope+ 2003 Action Plan in June 2001.

EXAMPLES OF GIS APPLICATION

At the central level, significant use of GIS can be found in the Ministry of Environment, Ministry of Defence, Ministry of the Interior, Ministry of Local Development, Czech Statistical Office and the Road and Motorway Directorate of the Czech Republic.

New regions (units at NUTS 3 level) are also building their GIS and ESRI ArcGIS technology was selected as a common software platform.

CITY HALL OF PRAGUE

The City Hall of Prague uses GIS (ArcInfo, ArcSDE, ArcView, ArcIMS and other ESRI GIS products) for urban and territorial planning and for many other agendas. Officers are supported both desktop and web-based GIS applications. They can work with basic map layers and with layers specific to their departments. Dynamic maps (e.g., information map or map of building estates price) are published on the official city hall web site www.praha-mesto.cz to better inform the public.

CITY HALL OF OSTRAVA

City Hall of Ostrava performs tasks of municipal and state administration in the area of the town Ostrava, the third largest town in the Czech Republic. The GIS section ensures geographically referenced data and their use for local government and for departments of the City Hall Ostrava and 23 town districts. Besides data capture, entry and management, the GIS section of City Hall is responsible for creating user-oriented programs on the following themes:

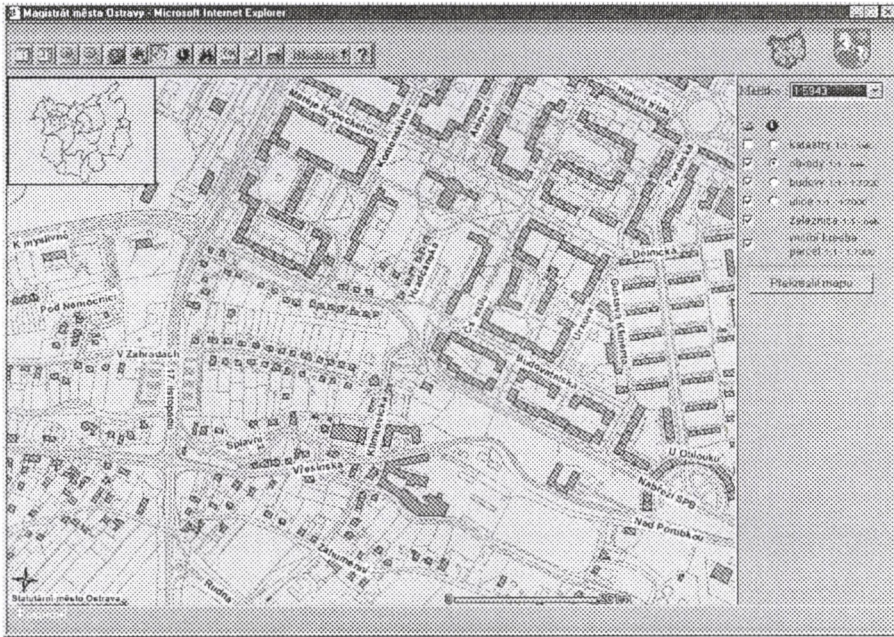


Figure 8. Ostrava

- lots, lands and utilities information;
- urban and regional analysis and planning;
- environmental assessment;
- geodemographic analysis and address geocoding;
- transportation problems.

A part of GIS database is published on the Internet: addresses, streets, railways and some other basic features, orthophotos, maps of building estates prices and maps of cycling paths (Fig. 8).

The Emergency Call Centrum of the Integrated Rescue System of the Ostrava City also uses GIS technology for event location, surrounding analyses and for quick response. This solution was appreciated with EURO CASE European IST Prize award.

But not only the biggest towns use GIS. There are a lot of other towns (Hradec Králové, Havlíčkův Brod, Chodov, Most, Písek, Ústí nad Labem, České Budějovice and others) where ESRI GIS software products help to make better decision in municipal and state administration.

REGIONAL POLICY AND INTERNET GIS SOLUTION

Many authorities at various levels recognise the power of the Internet technology and its potential for both office staff and public. ArcIMS and other ESRI GIS Web technologies are the base for their intranet and the Internet solution. Town councils of Prague, Ostrava, Hradec Králové and others publish some of their geographic data on the Internet.

Another example is the Metadata Information System (MIS) created by the consortium of BRGM (France), AQUATEST (Czech) with participation of IFEM (France) and ARCDATA PRAHA (ESRI distributor for the Czech Republic). The MIS is based on the 'ETC-CDS (European Topic Center—Catalogue of Data Sources) Core Data Model' standard and GIS MapObjects IMS application helps users to find and locate data and information sources in the department of environment through the Internet.

INTERNET AND E-GOVERNMENT

ZOLTÁN TÉCSY

E-GOVERNMENT AND INFORMATION SOCIETY

THE INFORMATION SOCIETY

The rapid evolution of Information Technology (IT) in the 80s and 90s has resulted not only in an increasing integration in the IT branches like computer manufacture, telecommunication, software, Internet, media, but also in the IT applications having become determinant elements of public administration, the business and the civil sector. These applications brought fundamentally new possibilities in almost every field of the economic and social life. Consequently, everyday life has underwent such changes that the end of the 20th century can be taken as the time of the Information Revolution. The course of events we participate in today is an inevitable change going hand in hand with the development and will result a social transformation with the measure of the Industrial Revolution. There is a knowledge-based information society emerging, built on IT. The most convincing indicator for the measure of changes is the exponential development of the microprocessors the basic elements of IT (*Fig. 1*).

As politics became conscious of the importance of IT early, it became evident that the countries which are not able to apply the cutting edge information technologies in time will be in a disadvantageous strategic position. Computers have been spreading unpreventably everywhere, where data and documents are needed. They have penetrated into the offices in the public and business sector, transformed the system of institutions in the public administration in both the functional and organisa-

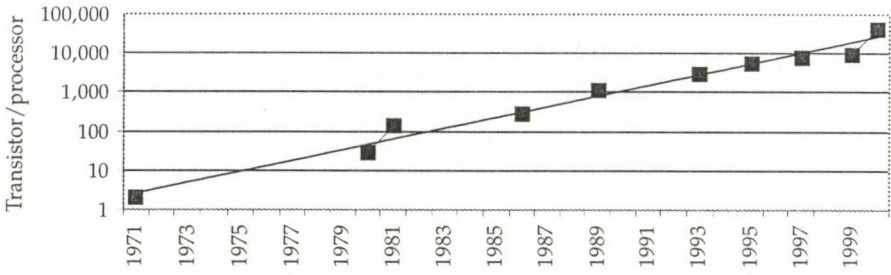


Figure 1. Development of microprocessors

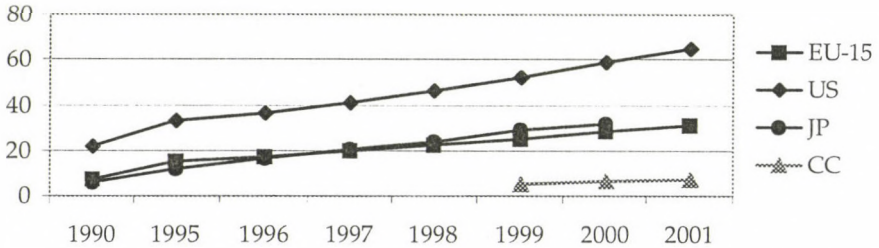


Figure 2. Number of PCs/100 inhabitants (CC: Candidate Countries)

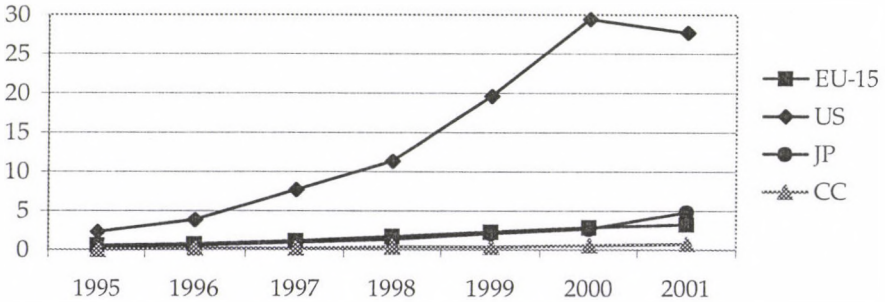


Figure 3. Internet hosts/100 inhabitants [RIPE, NetSizer]

tional ways. Simultaneously, the explosion-like spreading of the home PCs and Internet (Fig. 2, 3) opens a new world for citizens, accessible from home. It has created a new e-service market and a lot of new e-service branches: e-commerce, e-entertaining, e-communication, online media, e-banking, e-learning, e-working, etc. There was a possibility to have access to the services of public service at the local and central levels through online computer network, in other words, the technical background of electronic government was formed—mainly in the highly developed industrial countries. The number of potential e-service users is determined by the number of Internet users, so the rate of social demand

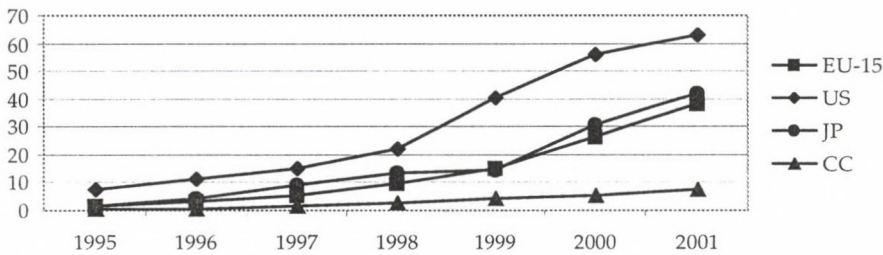


Figure 4. Internet users/100 inhabitants [NetSizer 2001 IS, EU]

is decided by the Internet penetration of the society. The Internet network became the central element in the Information Technology Strategies (ITS) in 90s due to such popular Internet services as WEB and e-mail, and it started extensive changes in many different fields of social life. Year by year the number of computers with Internet access (hosts) expanded spectacularly all over the world (Fig. 3), and meanwhile, the number of Internet users also expanded with a high rate due to a policy of governmental support, technical development, and the decreasing prices of ISPs (Internet Service Provider). With the rise in the strategic value of IT there was a special high growth after 1999 (Fig. 4). The USA packs 30% of the world Internet population at the 63% penetration level, therefore keeps its determinant first position in the IT sector in spite of the 'dot-com' crisis in 2001. As a result of the development in the last few years, the other highly developed countries also achieved the 40% penetration level, while the industrial countries with great inner distances, relatively isolated settlements and therefore with traditional advanced communication (Scandinavian Countries, Australia, the USA, Canada) are at the 50% level. On the part of citizens these facts open the door to implementation of e-government strategy and even demand it. The backwardness of developing countries is demonstrated by the Chinese situation since in China Internet penetration is about 1%. The expansion of the market in these countries could be hardly predicted, because on the one hand, the annual growth is at least as high as in the leading countries (in 1995 the Internet penetration was below 2% at the most EU-member countries), but on the other hand, it must be considered that in the developing countries there are other fields (infrastructure, employment, basic supply, demography) with higher priority than Internet improvement, and the purchasing power of inhabitants limits the expansion of the number of home PCs and Internet access with a higher rate.

The Central and East European Countries (CEECs) waiting for EU membership have a medium-level economy and the countries in an IT

position, where the average penetration is below 10%, only Estonia, Slovenia and Malta get near the leaders. In the CEECs a narrow layer represents the real demand for e-services, but the Internet market expands with such a high a rate (annual average 35–40%), that in 2–3 years the potential request could become significant, especially as the good experiences of the EU members accelerate implementation of the terms of e-government applications.

NATIONAL STRATEGIES OF INFORMATION SOCIETY TECHNOLOGIES (IST)

In the leading countries the development of e-government strategy, as part of the implementation of information society, started already at the beginning of the 90s, and nowadays it is in the centre of political interest everywhere. In the industrial countries the end of 90s is the time of the implementation, demonstrated by a significant increase in the annual rate of Internet users and, simultaneously, there is a great advance in e-government programs as well.

It will be useful for the better understanding of the role of e-government to examine the major elements of some national strategies.

USA—Access America, 1996

President BILL CLINTON in 1993 named an expert team headed by AL GORE to make a report to reform governmental administration within the framework of the National Performance Review. Many of the 1,200 proposals built on IT applications, wished a decentralised restructuring to increase efficiency, namely official information and the attached rights for basic level decision making must be shared among the executive staff. The implementation of these proposals was so successful that the program was expanded, so the technical background had developed with a storm over three years (capacity and speed of PCs and networks, number of Internet users, etc). The proposal for the new governmental administration based on the experiences and new technical possibilities was made in 1996, named 'Access America' as a hint, that the goal was implementing e-services to help citizens through access to every American (*Fig. 5*).

'Access America' slated IT applications and the implementation of e-governance in the centre, as the subprograms represent:

http://www.firstgov.gov/index.shtml

FirstGov Home About Us Help Site Map For Kids **September 5, 2002**

Search Federal/State
 Federal State Both
 Search a State

America Remembers September 11th Welcome from President Bush
 The Official Government Gateways for:

Citizens
 Interacting with Government
 Government helping citizens connect to services and more.

Business
 Interacting with Government
 Helping businesses from start to finish with tools and more.

Government Employees
 Serving federal, state, local and tribal government employees.

Online Services for Citizens

- ▶ For Sale
- ▶ Find Government Benefits
- ▶ Find a Government Job
- ▶ Social Security Online
- ▶ Apply for Student Loans
- ▶ Find a School or Library
- ▶ Passport Applications
- ▶ Recreation One-Stop
- ▶ Volunteer
- ▶ Birth & Marriages Certificates
- ▶ Drivers Licenses
- ▶ Change Your Address
- ▶ Zip Code Look-Up
- ▶ and much more

Online Services for Business

- ▶ Business Opportunities
- ▶ Business Laws & Regs
- ▶ Government Auctions & Sales
- ▶ E-File Your Taxes
- ▶ Employer ID Number
- ▶ Wage Reporting
- ▶ Small Business
- ▶ Procurement Registry
- ▶ Subcontracting Opportunities
- ▶ File Patents & Trademarks
- ▶ and much more

Online Services for Governments

- ▶ Grants
- ▶ e-Training Initiative for Federal Workers
- ▶ For Sale to Government Buyers
- ▶ FirstGov Search for Federal Agencies
- ▶ Employee Directory
- ▶ Per Diem Rates
- ▶ Federal Personnel-Payroll Changes
- ▶ Federal Thrift Savings Changes
- ▶ Government Jobs
- ▶ and much more

Agencies

- ▶ The White House
- ▶ Federal
- ▶ State, Local & Tribal
- ▶ International

Reference

- ▶ News Releases
- ▶ Federal Forms
- ▶ Laws & Regulations
- ▶ Phone Directories
- ▶ Questions About Government?
- ▶ More

Select a Topic

America Responds to Terrorism

Comment to Government

Figure 5. US Federal Government Portal

E-Governance:

1. better access to the public services;
2. introduction of federal integrated electronic allowance transfer system;
3. every federal payment with electronic transfer;
4. publication of environmental data;
5. built up systems for electronic environmental protection, safety and health assistance supporting economic growth;
6. build up secure wireless open network among the governmental agencies;
7. IT in the criminal investigation and the administration of justice;
8. simplified workplace taxation certificate system;
9. faster foreign trade;
10. electronic centres for exportation support;
11. e-commerce in governmental work;
12. expand the integrated information system of governmental agencies;
13. improve the utilisation of the world-wide IT experience.

Supporting tasks:

14. guarantee security and personal rights;
15. integrated information infrastructure for public service;
16. improve IT procurements;
17. improve efficiency of employees in public service;
18. support IT training.

The subprograms cover the civil and business sector in addition to inner governmental sectors, because implementation of a functionally and organisationally by efficient, low-cost governmental system is the condition supplying the citizens with electronic services. To reduce operational costs is one of the most important questions for liberal governments today. The supporting subprograms hint at realisation of the importance of security, training and infrastructural background. At the end of 2001, the Task Force proposal appeared for renewing the governmental system, reducing operational costs and functional redundancy, improving efficiency, placing the citizens in the centre.

Japan

The program of Japan Telecommunication Council declared social goals with national priorities in 1994:

- problems coming from aging society;
- decreasing the overpopulation in Tokyo;
- changing the economic structure;
- provide convenient quality of life for the citizens.

Emphasised goals are promoting employment by ensuring the terms of teleworking, and a significant reduction in energy consumption and environment pollution with decreasing delivery of goods and people due to spreading of e-services and e-commerce. These goals can be realised in the frame of a society based on knowledge and info-communication infrastructure. The way leading to it has four stages:

- 1. info-communication hardware;
- 2. information processing;
- 3. digitalisation of public administration and public services;
- 4. ensuring the legal background, changing the lifestyle and working practices.

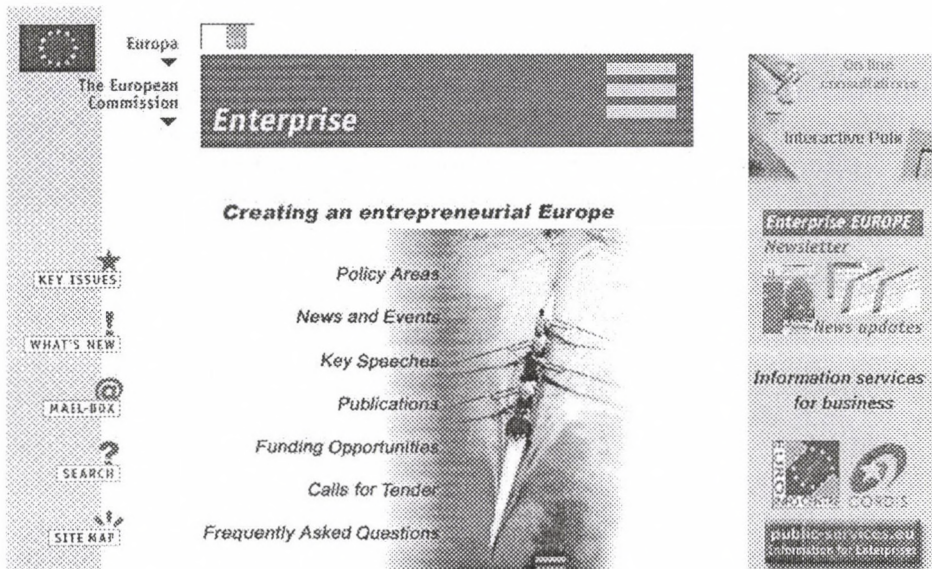


Figure 6. EU Enterprise Portal

Bangemann Report

Already in 1993, the European Council emphasised the importance of applying recent information technologies in the White Paper about economic growth, competitiveness and employment. To continue development, an expert team was asked to develop the Information Strategy of the EU, the resulting document with the title 'Europe and the Global Information Society. Recommendation for European Council', later named as the Bangemann Report, was adopted in 1994 (Fig. 6).

The document outlines a comprehensive vision about the way to the Information Society in six chapters, analysing the tasks, possibilities, and the terms of implementation. In this vision electronic public administration is in the centre, as it derives from the list of the most hopeful IT application areas:

- teleworking;
- e-learning;
- high speed network connecting the universities, and research institutes;
- telematic services for SMEs: e-mail, video-conference, e-learning, e-commerce, public services, etc.;

- traffic control: online routing, communication, etc.;
- air control;
- health care network: online diagnostic, registrations, etc.;
- electronic tenders: procurement, government ordering, benefits;
- trans-European public administration—replacement paper-based connections by networking with the national public administration institutes;
- city information centres—accessing IT services from home.

The first important practical step of the EU on the way towards an Information Society to promote the research and application of IT technologies is the Information Society Technologies Program (IST) for 1998–2002 as a part of the Fifth Research and Technological Development Framework Programme. The first IST subprogram (KA1—Key Action) promotes the development of public services (System and Services for Citizens), health care, environment, delivery, tourism, etc. The IST completes the eEurope 2002 Feira Action Plan adopted in 2000 for the EU, a knowledge-based dynamic economy with improving employment and social cohesion until 2010. The programme has produced a significant advance in the implementation of European e-governance, and was succeeded by Sevilla eEurope 2005, endorsed in 2002. This Action Plan set priorities by the quality e-government attributes (security, broadband networks, equal opportunity, multilingual interpretation, strengthening the local and Pan-European levels, electronic access to every basic governmental service).

Common Strategic Elements

Summarising the e-governmental strategy of leading IT countries illustrated with examples, it can be established that e-governance is regarded everywhere as a basic pillar of the global Information Society and as an integrating element among public services, forming one inseparable unit with them. The role, terms, expected results of e-government are also considered equally. E-government will play a central role in future society. On the basis of strategic plans and programs the mean conditions to the implementation could be summarised as:

- *network level*: satisfactory secure and high speed—broadband—network infrastructure (with hardware and software), standards;
- *institutional level*: set up coordinated, integrated institutional systems at governmental level, the needed architectural and functional renew-

al, defining user authority, ensuring security (Internet/Intranet), training the staff;

- *application level*: built easy to use, citizen-centred portals for e-services, continuous development based on the opinion of citizens;
- *legal/regulation level*: regulations about e-documents, e-services, customer services, legal background (privacy, digital signature, authentication, ISP scope, e-commerce, e-voting, e-banking, etc.);
- *promote level*: ensure to access the e-services for equal-opportunities, free training, guidance, promote R&D, dealing with IT development.

Recently the updating of the programs paid great attention to the construction of broadband networks, ensuring satisfactory speed, security, authentication, customer-oriented attitude and improving equal opportunities. For equal opportunities the Internet access of lower and disabled layers must be ensured. To do that the central and local authorities must establish public terminals, and supply schools and libraries with computers.

In regard to the most important applications, the picture is uniform as well: public administration, education, health care, social supply, universities, R&D, public services, tele-working, e-learning, job fair, procurement, G2B, tourism. The difference according to the national public administration system is mostly in sharing the functions between the local and central authorities. In fact, generally we found the most frequently

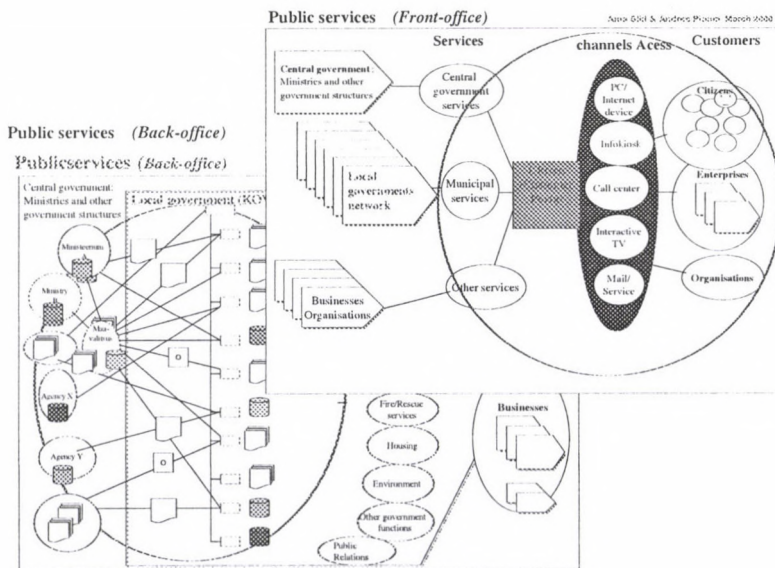


Figure 7. E-Government architecture

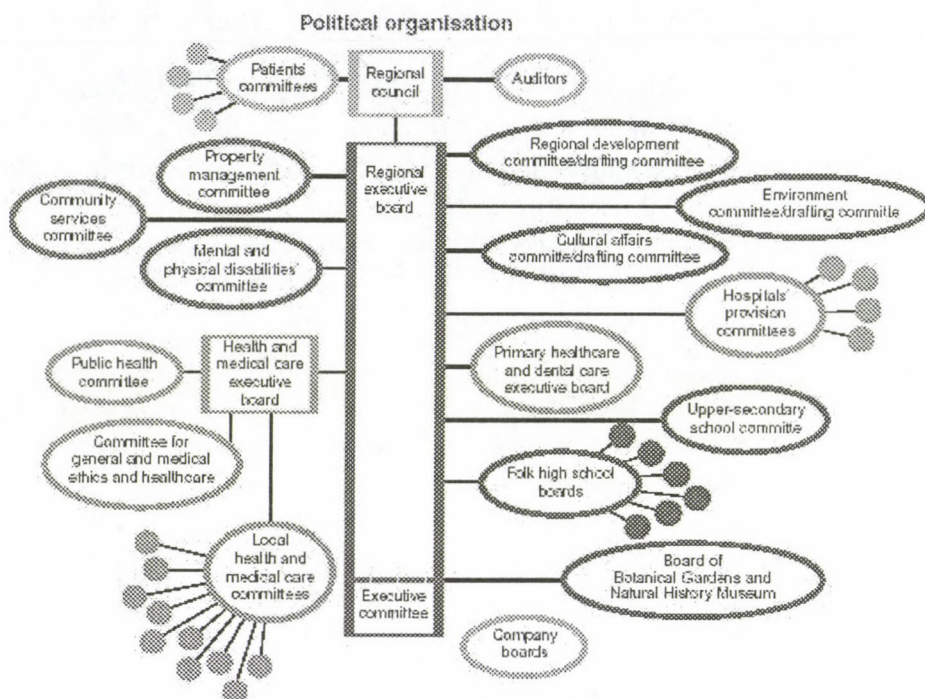


Figure 8. Västra-Götland Region, Sweden

demanded services for the civil and business sectors are at the local level. This highlights the significance of developing electronic public administration not only at the central government but at the local level as well. Electronic public administration is an integrated system that will fully complete the connection of the local and central governmental institutes. Figure 7 shows a typical multilevel e-government architecture, while Fig. 8 the functions in the organisational structure of a Sweden NUTS 3 region.

E-GOVERNMENT—ADVANTAGES, RISKS

The introduction of electronic services inserted a third element between public administration and the citizen—the computer-network, where the Internet connects the customer's PC to the portal of some public authority, so the customer can really access overall public administration (Fig. 7). The advantages are evident:

- reduction of operational costs at long-range, better organised, more efficient, verifiable administration;
- clients can use the e-services every day, in 24 hours—even from home;
- there is no queue, less cost for customers, significant decrease in time to replay, a higher quality in the citizen–government relations (G2C);
- better efficiency in business–government relations (G2B), and in the relations among governmental institutes (G2G);
- there are a lot of services available only on portals.

The client terminal with Internet access, the home PC is a condition to apply e-services, so lack of it could exclude certain lower social classes. The number of potential customers is restricted by the rejection of computers—especially by the elderly, and the disabled people could use the terminals only with help, or with special adapters.

Citizens without home-PCs are excluded not only from the e-services but the absence of computer knowledge means a serious handicap in the job market, especially at tele- (or distance) -working and e-learning. These examples highlight the risks caused by a not well devised e-governmental strategy. These risks are:

- people at a disadvantage could withdraw even more (e-exclusion);
- operational errors. According to experience errors originate equally from hardware, system breakdown, and personal matters;
- the systems in the agencies cannot communicate;
- planning mistakes. It could lead to serious loss of confidence when at the frequently used services the system cannot answer too many simultaneous requests;
- the 24/7 access may cause problems in providing staff;
- security, authorising problems;
- one of the main motivations to implement e-government for politics is to reduce operational costs. This reduction will be considerable only if the functions are fully online;
- the quality of online services must be at least so good as at traditional (offline) services;
- the leaders of the agencies may obstruct the renewal process.

The risks can be decreased with careful planning. In this context I relate to the strategic goals mentioned in the preceding pages. For instance, eEurope 2005 wishes to set up easy-access terminals (Public Internet Ac-

cess, PIAPs) for every EU citizen until 2005. Every government developing e-government promotes equipping schools and libraries with PCs for accessing the Internet, more countries are going to set up PIAPs in post offices, and metro- and railway stations as well. The main elements of all IST programs consist of modernising infrastructure and the introduction of systems needed for security (digital signatures, ID cards).

TRENDS

The long-term trends for developing e-government based on tendencies in the national programs follow:

- Internet penetration in the developing and medium-level countries increases rapidly; a saturation level is reached gradually in the industrial countries. The gap between the leaders and the followers will widen in e-governance;
- the number of WAP mobile instruments will exceed the number of PCs until 2005;
- besides e-commerce, u-commerce (u: ubiquitous) using mobile Internet will spread at an even faster rate. This technique can be used by e-governance as well, u-government appears;
- the organisation and the interaction of agencies will improve significantly. Electronic documents and e-services will be overall in the industrial countries; the range of e-services will be almost complete.

In the industrial countries the public terminal network will expand to ensure equal opportunity.

E-GOVERNMENT PORTALS

THE ROLE OF PORTALS

In an English survey from 2000, showing the current weight of e-governance, the rate of Internet in official matters is found to be about 10% (Fig. 9).

Regular users of various e-services could spread to a significant part of the population according to present rate of development and that will give new dimensions to democracy and central and local administration.

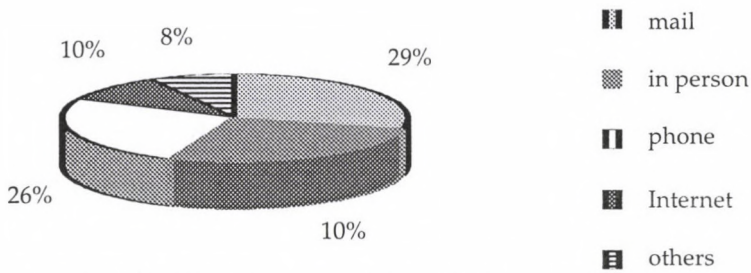


Figure 9. Preferred channel to interact with government
[The Henley Centre 2000]

To ensure the electronic public services, as mentioned, numerous conditions must be completed: infrastructure, reorganised, networked institute system, legality, security, portals, civil and business sector with Internet access and digital personal ID.

In the following, we are going to examine the most critical one of the elements mentioned above, the portals as the user-interface to e-services. The user, the customer connects to one of the government, central organisation, regional or local authority portals, to look for the demanded service and to use it as well. From viewpoint of the customer, the success of e-government depends not only on the quality of the used service, but its capabilities, how easy it is to see the potential functions, to find the demanded service, and to use it. This means the success depends on the satisfaction of the customer with the portals. So it is highly important that the portals have a convenient quality in formal and content elements, and to accommodate to the customer's demands.

Consequently, the portal quality is a strategic question, so a special team must develop the portals by processing the customer's opinions and by applying successful solutions of other portals. In the following I describe a requirement system for impartial qualifying of portals. This system can compare portals, eliminate typical solutions, therefore it can make it easy to apply the experiences promoting efficiency.

PORTAL CHARACTERISTICS

Basic requirements:

- easy-access, high speed communication;
- friendly user-interface, good arrangement, simplicity;
- errorless operation;

- easy to use services, reliable, actualised information;
- security, privacy.

In the following, we will take one by one the attributes affecting the above requirements, consequently its evaluation could be the basis of portal qualification.

Accessibility, Basic Characteristics

The Internet is a worldwide computer network. So WEB sites must consider that the customers have very different PC configurations (mainly older PCs), use different browsers (Microsoft IE and Netscape with a rate of at least 90%), have different network transmission speeds (generally rather slow). Simple accessibility is an important attribute as well. To find the demanded site is not an easy task, so it is not wrong if the site URL could be guessed, or is accessible from the central government portal (or from other popular sites) in a few steps. Therefore a portal must have the following attributes available at least:

- simple, logical, standard URL (xx : country-id), e.g.:
- government portal: *www.[e-]government.xx*, *www.[e-]gov.xx*;
- local authority: *www.<municipality/county/region>.xx*;
- simultaneous URLs in national languages;
- quick download—artless site (without animations, big images, background image, banners);
- the display planning must have regard for resolution of 800×600 and 256 colour (the most typical parameters of the older computers);
- microsoft IE 4× or Netscape 4× compatibility, at least.

Basic Functions

Every WEB site has to ensure certain basic functions, their scope may change depending on the measure, complexity, the characteristics of expected user group and the main designation. The public institutes are generally complex organisations supplying many functions. The expected customer type may vary (civil, business, public servant, researcher, tourist, foreigner), who may have very different experiences. So the following functions are definitely needed:

- searching for accessible services, documents;
- possibility of feedback, to contact persons responsible for portal;
- help to use the portal (help, site-map, tutorial, directory, etc.);
- choice of language—English must exist, as the basic language of international communication (especially in the Internet). Besides, depending on the national relations and traditions, it is highly proposed to ensure the choice of some other international languages (e.g. German, French, Spanish, Russian, Chinese).

Portal-like Functions

The name 'portal' is used for general designated sites providing: news, expanded search, thematic links, program download, computer plays, useful information, e-commerce, free e-mail address and WEB page publishing, forum, chat, banners, etc. In the sites of public institutes there are noticeable demands for such 'portal-like' services in many cases. This ambition is characteristic especially at the central and local government portals, since these sites may be attended by general-minded Internet users without exact goals. These official sites usually have the following portal-like functions:

- extended or thematic search;
- thematic links in overall areas;
- news, events, press releases—mainly related to the activity of the agencies, interesting news, events in the country, regions or settlements;
- basic information (local time, date, whether, number of users, etc.);
- forum, mailing lists.

Institutional Functions

According to the European Council the mean areas of e-government applications classified by service type are:

- information services;
- communication services (among individuals, groups, organisations);
- transaction services—related to basic functions of organisations, where the client-agency interaction is needed).

That is slightly different from classifications that use customer relation types to qualify governmental portals (Accentor 2000–2002):

- information publishing (Passive/Passive Relationship)—there is no communication;
- interaction (Active/Passive Interaction)—the customer communicates;
- transaction (Active/Active Interaction)—both side communicate.

In a practical view, the weight and maturity of e-government among the public services are determined by the number of available electronic services in a portal and its ratio to the overall services. Besides presenting the organisation and information related to the professional fields, presenting the region or city is also a very important duty of portals. Depending on the institute type, there are the following essential function groups:

Central Government

- greeting the guest, the mission of portal;
- about the country;
- introduce the Government, Prime Minister, and ministers. Political system, Action Plan;
- architecture of governmental system ministries, countrywide organisations, links, addresses;
- the system of the state, the regional and local levels—links;
- development, IT and e-governance strategies, programs, documents, results;
- services, themes;
- archive, legacy, rules, searching documents;
- statistics.

Public institutes

- introducing the agency and the leaders;
- designation, strategy, programs, results;
- architecture, departments, internal links;
- thematic information, document search, archive, external links;
- e-services (forms, online applications, I/O transfers, etc.);
- benefits, tenders, winners;
- actual rules, important themes;
- special databases according to authority;

Local governments

- about the region/settlement: history, geography, economy, sights, statistics, maps, and images;
- introducing the Council, Mayor, members. Politics;
- agency, organisations of the Council—architecture, departments, functions, addresses, leaders;
- rulings, orders;
- services—official working orders, e-services. Stressed matters (benefits, aiding, tenders, procurement);
- new, notifications;
- tourist information, schedules, cultural events, useful links;
- investment opportunities, regulations, enterprises, projects.

Good Arrangement

As it was mentioned, the presence of WEB sites, the good arrangement and simple identification of functions are of key importance to success. Some formal elements promoting these requests are as follows:

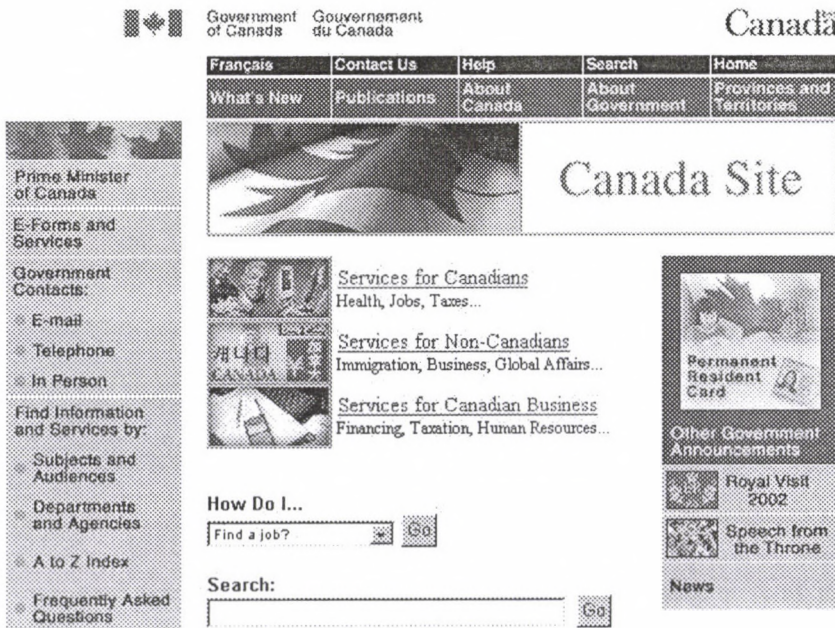


Figure 10. Governmental Portal Canada

- unambiguous URL emphasising the official characteristic;
- menu-driven services, submenus helping the navigation;
- clearing the unnecessary text, images;
- external links come in new windows;
- display of the path of the actual function;
- the main menu (above or in the left side frame) is fixed. It also helps navigation.

The official portal of Canada is a good example for a well-arranged site (*Fig. 10*).

Access the Services

Most customers attend a portal with a determined purpose related to public administration. Consequently, the main task of portals is to direct the users to the right way to easily access the demanded service. In the sites generally there are three ways of continuing:

- access the demanded function identifying the responsible department;
- choose a proper theme;
- searching the service (usually it means document searching, by chance there are links or thematic groups to go on);

The first two cases are implemented by menus. There are many menu-techniques. The citizen-centred solutions are based on the citizen-known themes not on organisation architecture. Accessing a function is generally possible in more steps, through more levels, WEB pages. WEB programming must resolve a difficult contradiction—on one side there have to be clear, well commented, distinguishable alternatives, and on the other side, the page has to be well utilised, full of information to decrease the number of steps to get to the demanded service. So to ensure the optimal step-number, the artistic home pages usually fail, they have detailed, thematic grouped functions. The services are often grouped at a higher level according to customer-types.

Customer Types

It is not an easy task to process a user-friendly interface or to accommodate it to the customer expectations, since the users may have very different purposes of attending, various practices, and fields of interest. For optimal results some knowledge of the most important customer types, groups and their goals are definitely needed. In the following there is a simple classification of the main customer types and the related tasks:

Citizens, civil sector

- By Internet practice
 - beginner without any practice—teaching the basic elements of Internet and computers, explaining what to do step-by-step, a comprehensive tutorial is recommended;
 - beginner with some practice—a detailed help subsystem should be available, as well as FAQ (Frequently Asked Questions), and contact;
 - advanced Internet users—thematic, functional help for official matters, clear instructions to fill in forms, forum.

- By life events
 - children—they would like to play, find interesting information about the country, politics, etc.;
 - youth—leisure time;
 - students, teachers—directory to educational matters, competitions, scholarships, benefits, ruling, etc.;
 - unemployed adults—job market, e-learning, courses, tele-working;
 - family—social aids;
 - seniors—directory to health care, social benefits, pensions.

- By field of interest
 - general fields—actuality, informational background, essential themes, archive;
 - factual theme—functions related to the theme, comments, links;
 - factual matter—matters—services—departments directory, regulations, help to arrange a matter, to fill in forms, links;
 - social layers with special fields of interest;
 - women;

- ethnic minority;
- people at disadvantage;
- youth building the first house of their own;
- car owners;
- travelling abroad, etc.

Business sector

- businesspersons gathering information for decisions—legacy, orders (import, export, investment, taxation, etc.), projects, enterprises, rivals, labour force, financial sector, real estate market, etc.—at local, regional or country level;
- investors—investment, bargain opportunities, tenders;
- enterprises—procurement, G2B;
- businesspersons arranging a matter—e-services relating to business, applications, forms, links.

Public administration (at portal level)

- daily work—gathering information, function—organisation—official in charge directory, regulations, legacy, data bases, links;
- live contact—video conference, chat;
- training—e-learning, e-books;
- jobs in the government organisations.

Foreigners (in English and other world languages)

- tourists—visa, embassies, customs duty, about the country, about a tourist sight, maps, travel agencies, accommodation, links;
- migration—visa, immigration, citizenship, settlement affairs, grants, e-services, links;
- business—as above completed with statistics, politics, about the system of the state.

The types listed above are redundant in the most probable destinations, so it would not be right to arrange the functions according to customer types only. Actually, in the portals there are usually only 2–3 main types taken out, most frequently the civil and business sector or the life events (*Fig. 11*). Besides, there is often availability for some stressed class—youth, foreigners, kids, etc.

The screenshot shows the Australian Government Portal (fed.gov.au) with the following elements:

- Search Bar:** Located at the top right, containing the text "all of the words" and a "Search" button. Below it is a link to "Go to Advanced Search".
- Navigation:** "Home" and "Help" links are located at the top right.
- Header:** The text "Access to Australian Commonwealth Government Information" is centered below the logo.
- Most Accessed Sites:** A list on the left side includes:
 - gold.gov.au - Commonwealth Government On-Line Directory
 - Foreign Affairs and Trade (DFAT)
 - Public Service Gazette
 - Parliament of Australia
 - Immigration and Multicultural and Indigenous Affairs (DIMA)
- Individuals:** A central menu with categories:
 - Benefits & Payments
 - Communications & IT
 - Consumer Protection
 - Defence & Security
 - Education
 - Employment
 - Environment
 - Finance & Taxation
 - Government & Parliament
 - Health
 - Immigration
- Business:** A central menu with categories:
 - Information Services
 - International Relations
 - Law & Justice
 - Natural Resources
 - Primary Industry
 - Rural Development
 - Science, Industry & Technology
 - Society & Culture
 - Sport & Recreation
 - Tourism & Travel
 - Transport
- Current News & Issues:** A right-side menu listing:
 - Bali Helplines and the Australian Government Response
 - Centrelink Bali Disaster Assistance
 - National Water Week, 20-27 October
 - Inquiry into the Education of Boys Report Released
 - Carers Week, 20-26 October
- Quick Links to Government:** A section at the bottom with links:
 - A-Z Government Sites
 - Government Sites by Portfolio
 - Who's Who of Parliament
 - General Overview
 - Contact Government
 - Find a Local Federal Member
 - Government Jobs (Gazette)
 - Parliamentary Proceedings (Hansard)
 - Media Releases
- Footer:** The "australia.gov.au" logo is in the bottom right corner.

Figure 11. Governmental Portal Australia

Customer Relations

Portal functions of relatively less significance could largely influence the user's satisfaction, such as:

- the system stores the information about previous visit and inner parameters. This is usually solved by a formal registration;
- the quality of help functions relating to user practice, the path of an individual service;
- contact, feedback possibilities. Response time in 1-2 days;
- thematic mailing lists, forums;
- integrated searching for documents through the networked servers of the overall governmental system. As part of the results there are related documents, links listed;
- actual, essential themes (new laws, reorganisations, tenders, news, etc.) are stressed.

Problems

There are many imperfections in design and operation which could make difficult the use of portal services:

- links to services, organisations go wrong because of neglected actualisation. Missed links;
- laws, regulations will be available late;
- missed function caused by reorganisation;
- outdated or illegal forms. Missed or old news, programs, statistics;
- over-concentrating the functions, every function in one server;
- the local systems in the institutes cannot communicate;
- overflow, bad assessment of maximal simultaneous client number;
- one window slows down the navigation;
- overflow in e-mail traffic, the response time will be unacceptable;
- errors in programming (unreadable text, failing buttons, colour problems, etc.);
- unneeded registration, security, and privacy problems;
- slow interaction because of unnecessary big images, animations;
- the needed plug-ins cannot be downloaded from the portal.

GOVERNMENT PORTALS

Every leading country has realised its e-government programs successfully. In the centre there are the portals often with 5–7 years' experience. Their common characteristic is the continuing development based on the processing of experiences of their own and other's, the customer's opinions. So slowly the differences are getting smaller, the design of government portals are getting more uniform due to the application of successful elements in international practice and the citizen-centred attitude. Simultaneously the maturity, the efficiency of national e-governments represented by the portals will be equalised. The basic difference will be where the gateways are between the central portal and the institute/thematic portals.

Figure 12 shows the rank of 23 countries in 2002.

The maturity of e-government is rather uniform apart from the three leaders and the six less developed countries (except Italy) standing at the end of the rank—and this process will become stronger over the long-term. The differences are still larger in the CEECs (Central and Eastern European Countries), there are countries without central government portal (at the survey time, Latvia and Lithuania), or they have mostly informational and introducing functions (Slovakia, Croatia, Romania, Russia). At the same time, there are also European-level, good portals, e.g.

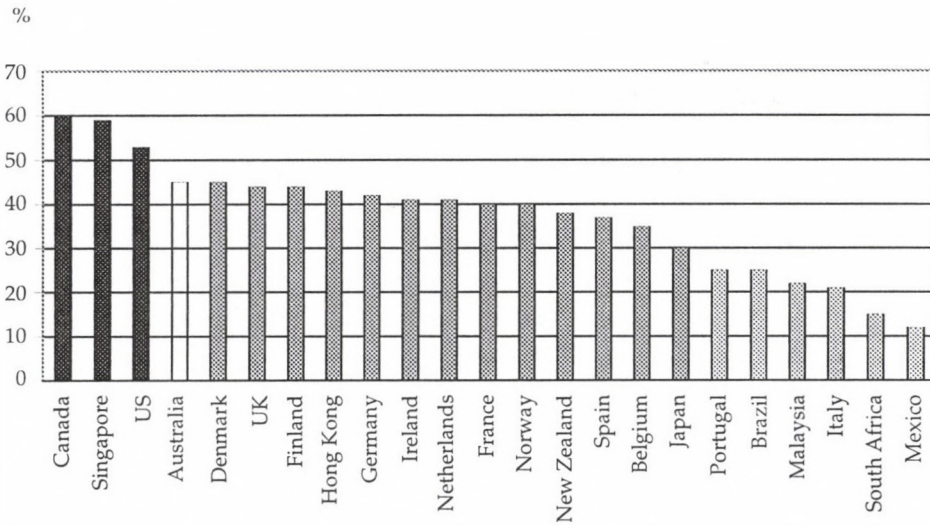


Figure 12. Overall Maturity of E-Government [Accenture 2002]

the Estonian with a good arrangement, complex functionality and the Hungarian with a good customer relationship, detailed thematic arrangement and an advanced searching machine giving large-scale linkage.

E-REGIONS

REGIONALISM AND E-GOVERNMENT

The governmental functions form one inseparable unit with the public services independently of the different systems of states. The situation becomes even more complicated considering the type and location of public administration. In the democratic, decentralised countries the local—at least municipal-level—governments have the local political power, but usually one or two middle levels may exist (regions, counties, districts), and in the federal system there is a state or province level as well. In the European Union the Pan-European level belonging to common affairs, EU administration gains more and more ground, but in a wider sense the services of international organisations (UN, foundations, Red Cross, unions, Interpol, etc.) also represent a trans-national administration level. Consequently, public administration has a subsystem consisting of national and local institutes of central government, the local

governments at various levels are in the second subsystem, and the international organisations mean the third one. So in the background of e-governance there are more subsystems and an institutional e-system differing in each situation.

In the following we will first concentrate on the regional level that has gained relatively small ground in e-governmental analyses. The regions play a greater role worldwide in public administration, since regional development is increasingly becoming one of the most important issues in every country, and the presentation of regional interests is usually devolved to the regional authority. Programs endorsed and covered by the budget for developing electronic public administration exist mostly for the central government. The local/regional government has to build and organise its e-systems itself. To help this process the central government generally gives indirect support—countrywide infrastructure, network bone, legality, increasing penetration of Internet users, grants. It is a frequently used method in national public administration that the local government performs decentralised governmental functions under ministerial control. In this case, the organisation of the e-services is a common task. The local governments frequently have to send statistical data to central organisations, through an infrastructure built up by the government.

The role of regions in the European Union is especially significant, since the central goals of common policy—the moderation of territorial differences and social cohesion—are managed at the regional level (NUTS 2) and nearly half the EU budget is assigned for regional development programmes. The Agenda 2000 allocates to cover the Structural and Cohesion Fund 275 bill. ECU in 2000–2006, and that is a significant motivating factor not only for EU members, but for the CEECs as well. Practically every CEEC region will have to be aided after joining, so it is not indifferent that the new NUTS 2 regions in the CEECs do not have any self- or de-concentrated* governing authority, they play only statistical-developing roles (*Table 1*). These regions have restricted significance in public administration, the middle level is devoted to the NUTS 3 authorities (if it exists at all). NUTS 1 macro-regions are only in the federal-type countries.

* Territorial agency of the central government (the Editor)

Table 1. Public Administration System in the CEE Countries
 ('A': de-concentrated; 'B': self-government;
 'C': statistical-development authority)

Country	NUTS 2	NUTS 3
Bulgaria	9 A regions	28 A counties
Czech R.	7 C regions	13 + 1 A + B districts
Estonia	–	15 A counties
Hungary	7 C regions	19 A, B counties
Poland	16 A + B voivods	308 + 65 A + B districts
Romania	7 + 1 C regions	40 + 1 A + B counties
Slovakia	8 A + B districts	79 A districts
Slovenia	–	58 A, 62 B districts

EVALUATING REGIONAL PORTALS

In the following I present the results of a survey studying first the regional level e-government in the CEECs by comparing the CEEC regional portals to the leaders. Regarding e-government analyses this comparison is very interesting because of the special historical position of CEECs. On the one hand these countries have a medium-level economy, but on the other hand, they are layered, differing from traditional civil societies, where the middle class, the class most able to apply and purchase goods and services related to modern technologies, became established and strengthened in the 1990s after the change of regimes. The processes accompanying the advance of democracy, like, e.g., the leaders in public administration could change their mind about the protection of their positions against reform, ceasing subordination between agencies and citizens, increasing the citizen-centred attitude, civil self-consciousness and transparent administration, are the social conditions of e-government as well. The advance of these processes has a primary importance with a view to democracy, and it can be measured simply by the advance of e-governance—just evaluating it with the public portals. This development can be studied at local, regional, national or international levels, so the regional level of these social questions has a great significance in politics, social sciences and public administration as well.

All of the above reasons justify the choice of regional level in our survey.

All of the above reasons justify the choice of regional level in our survey.

The aspects taken into account to select the reference countries are:

- they are at different levels of e-government maturity—Canada is a leader, Sweden, Germany, the Netherlands are advanced, Malaysia and India are following in position;
- the referenced regional portals represent various forms of the middle level public administration;
- the portal attributes were analysed from the point of view of a foreign customer to give equal opportunities in qualifying, so the presence of the English version (the language of international business and Internet) was of particular importance.

The reference regions and portals:

Table 2. For explanation of types see Table 1

Country	Regions/ portals/ English	NUTS/ Type*	Region	URL	Terr. (1000 sq km)	Popu- lation (1000s)
Hungary	7/7/4	2/C	Central- Trans- danubia	www.kdrfu.hu	11	1,100
Poland	16/14/2	2/A + B	Mazovia	www.mazowcze.uw .gov.pl	35	5,068
Czech R.	8/4/1	2/C	Prague	www.monet.cz	0.5	1,178
Estonia	15	3/A	Viljandi	www.viljandimaa.ee	3.5	62
Bulgaria	9/4/3	2/A	Haskovo	www.hs.government. bg/hs	14	889
Slovakia	8/8/0	2/A + B	Bratislava	www.statistics.sk./w ebdata/ks/ksbrat	2	617
Germany	16/16/16	1/A + B	Bavaria	www.bayern.de	70	12,154
Sweden	21/21/21	3/A + B	Västra- Götland	vregion.litium.com	24	1,493
Netherlands	12/12/5	2/A + B	Limburg	www.limburg.nl	2.2	1,139
Canada	10/10	1/A + B	Manitoba	www.gov.mb.ca	650	1,147
New-Zealand	16/16	2/A + B	Auckland	www.arc.govt.nz		1,159
Malaysia	13/12/8	1/A + B	Selangor	www.selangor.gov.my	8	3,287
India	28	1/A + B	Bihar	Bihar.nic.in	99	68

ASPECTS IN QUALIFYING

Apart from the regional system type, the organisation representing the region must have some basic functions. This survey studied the portals mostly from the aspect of their overall economic and social regional roles.

tions at the institutional level. The survey concentrated on the existence and quality of the most important elements supporting these basic functions. The 30 attributes in five ranges of subjects opened the door to qualifying the regional portals impartially.

These attributes are:

- simple access. Practically, especially for a foreigner, it supposes a direct linkage from the government (or other popular) portals. It is not surprising at all that this attribute is the most critical, since the most perfect portal would be unusable if we can't access it. The standard URL could help if we know the exact region-name (in the national language or in English at least);
- the user-friendly, customer-centred appearance—or in other words the good Customer Relation Management (CRM)—is also a highly significant requirement for the portals. The attributes of this range of subjects are:
 - good arrangement;
 - clear, classified functions, and menu items;
 - completeness of the English version (in the English-speaking countries it was neglected);
 - searching machine;
 - help;
 - contact, guest book.
- *Regional marketing*
 - presenting the region, publicising and popularising (history, culture, nature, economy, infrastructure, demography, location);
 - improving the investment-attraction ability (business opportunities, enterprises, projects, regulations, related organisations);
 - improving tourism (tourist sights, accommodation, transport, leisure time, cultural programmes, useful information, related organisations);
 - environmental protection, regulations;
 - living conditions, work;
 - innovation, IT market.
- *Institutional functions*
 - presenting the regional organisation—architecture, official orders, departments, contact persons;

- notifications, consulting hours, aids, jobs;
- official information about the administration;
- e-services;
- regional development strategy, programmes;
- tenders, procurement;
- international (especially EU) relations, partners.

The attributes have different weights compared to each other, *Table 2* shows the average (in a range of subjects) weights used in the qualification. During the evaluation subjectivity is inevitable, this uncertainty could be decreased by the applying group-evaluate techniques (MCGDM, brain-storming, multi-factor) used in the ranking methods.

CEEC PORTALS

In the survey time Lithuania, Latvia had neither governmental nor regional portals available. The English version of the Croatian and Romanian portals did not have any regional or a local linkage, nor did Slovenia have real middle-level public organisations. From the remaining CEECs regional portals (county in Estonian) were studied.

Summarising the results for CEECs, it can be established, that these portals are insufficiently developed, usually have difficult access, and often do not have any English versions.

The Hungarian portal—otherwise a very good solution—does not have links to regional portals, the Slovakian and Czech regions are available in the native language, in the Bulgarian portal we have to find the ‘useful links’ item to get to the regional links. Out of the 48 there are 37 regions in the studied countries which have portal (77%), but only nine (19%) have any English version.

The presentation of the region its administration, development strategy, and projects occur usually in every portal—in a rather simple way, the possibilities are far under-utilised. The set aims have been achieved the best in the Hungarian and Estonian portals. Near to the European average (*Figs 13, 14*). In the Czech site there are interesting documents relating to development strategy, without portal-like functions.

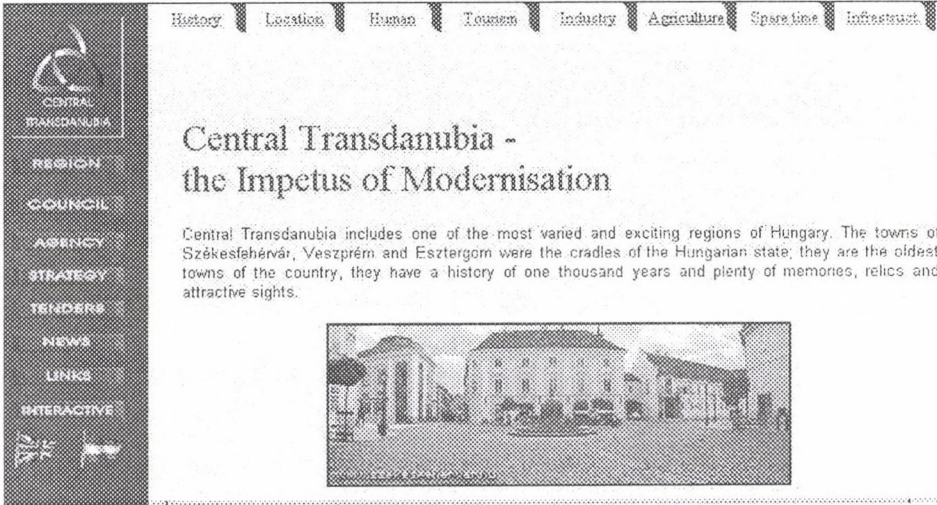


Figure 13. Central Transdanubia Region portal, Hungary

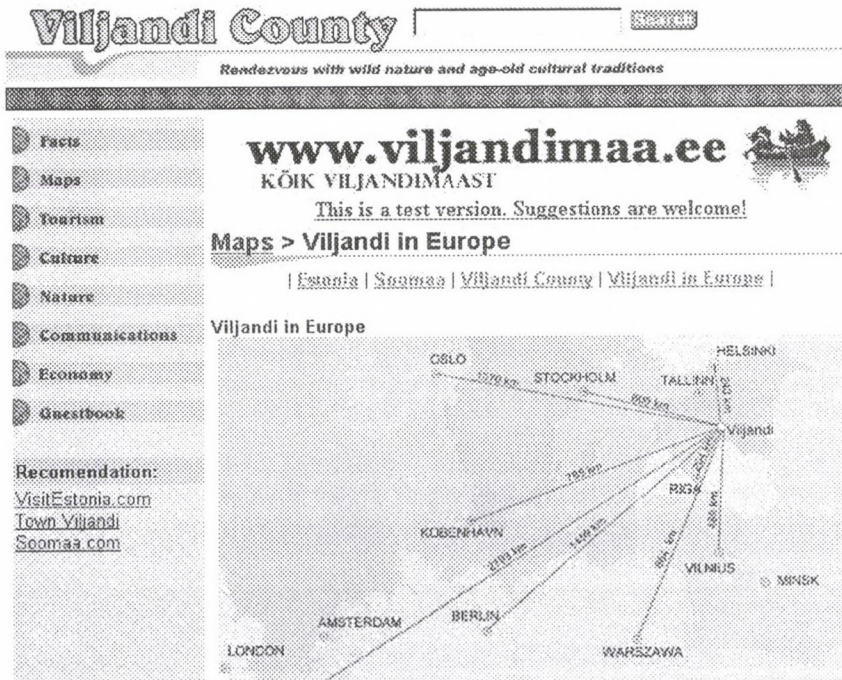


Figure 14. Viljandi County portal, Estonia

REFERENCE PORTALS

Studying the portal access we have to become aware of the surprising fact that even the most developed regional portals (Swedish, German, Dutch) do not have satisfactory linkages to the regions, and in addition, the clear presentation of the system of the state is missing. We would not be helped by knowledge of the region names, since the portals do not have standard URL addresses. Good solutions are seen at the Canadian, Indian, Estonian and Polish sites.

A characteristic of reference portals is the greater weight of region marketing and the implementation of customer relations. Limburg separates from the queue with a small functionality and simple self-presentation, but gives detailed links at least. The New-Zealand regional portals are very special, they deal decisively with environment and nature protection in accordance with their mission in public administration—other functions play lesser roles. In the advanced portals (Sweden, Germany, Malaysia, Canada) there is an often-used solution to link a significant function (business, investment, tourism, statistics, culture) to a thematic portal, which can describe this range of subjects in great detail.

The Malaysian regional portals are excellent examples of how a country's regional government, based on capital import, utilise the possibilities of the Internet and e-government for regional marketing (see Fig. 15).

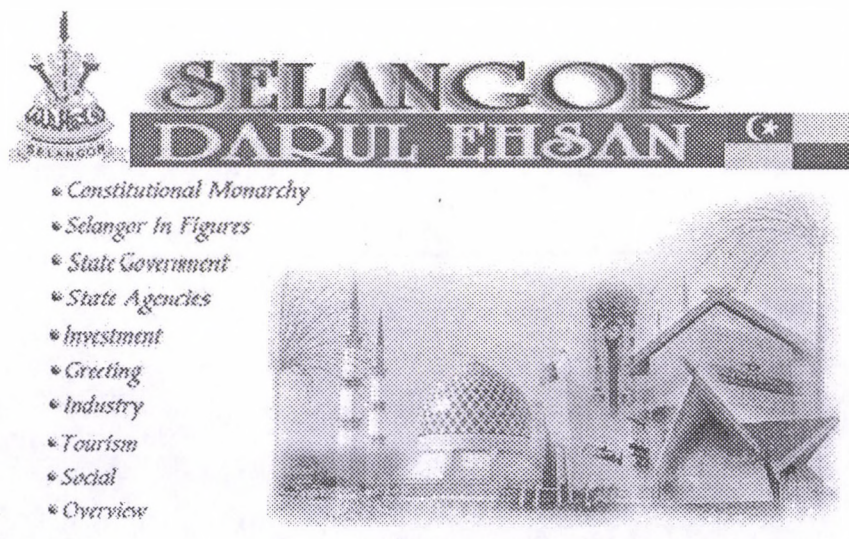


Figure 15. Selangor regional portal, Malaysia

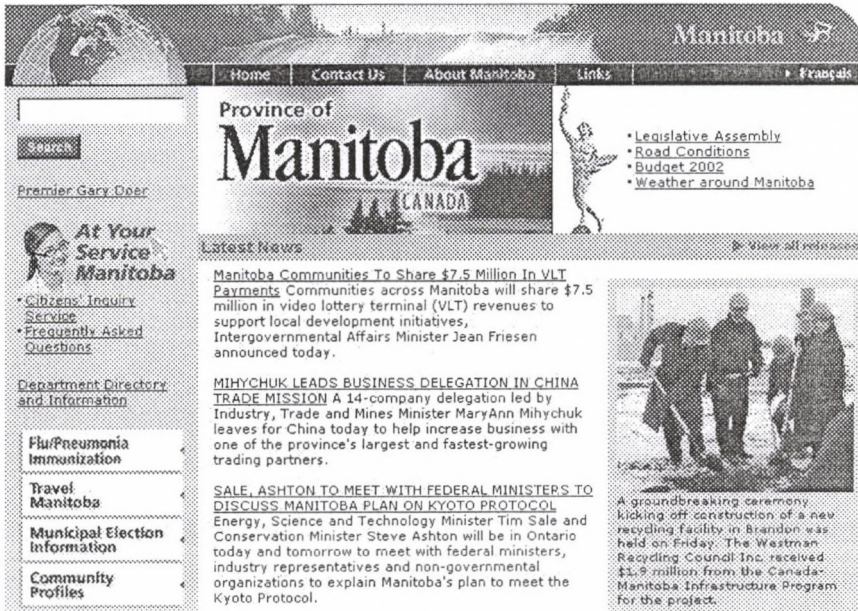


Figure 16. Manitoba regional portal, Canada

According to the survey results, the Manitoba (one of the provinces of Canada) portal rises above the others in every respect (Fig. 16). This time the Canadian regional portals can be regarded as the future of regional level e-government without exaggeration, especially in the implementation of e-services.

SUMMARY

Table 3 summarises the results of the portal analysis. The points mean the average, weighted values (in %) of qualifying the attributes in some range of subjects—the 100(%) are the maximum level.

The measure of user-friendly characteristics (CRM) differ least between the CEECs and the reference region, since the costs needed are the lowest as well, and practically some good WEB programmer(team) is sufficient for the good solutions (this value is less in the English-speaking countries). More likely, the collecting links to the administrative and other important organisations can be solved without any expenditure, however, these links may be very useful for the customers. Despite its simplicity, especially the CEECs do not utilise this possibility, but this

Table 3. Results of portal analysis

	Average weight	4	1.5	1.3	1.7	1.8	Summary
Country	Region	Link	CRM	Portal functions	Regional market	Institutional functions	
Bulgaria	Haskovo	50	58	38	9	17	26
Czech R.	Prague	25	25	0	22	20	20
Estonia	Viljandi	100	69	14	32	3	32
Hungary	Central Transdanubia	0	58	19	26	32	31
Poland	Mazovia	100	56	0	24	0	25
Slovakia	Bratislava	25	25	0	13	11	14
Sweden	Västra-Götland	25	61	24	76	28	49
Germany	Bavaria	50	47	19	59	15	38
The Netherland	Limburg	50	50	48	16	3	24
Canada	Manitoba	100	33	48	74	52	59
New Zealand	Auckland	75	33	10	35	14	29
Malaysia	Selangor	75	25	38	50	14	35
India	Bihar	100	19	19	26	25	30

however, these links may be very useful for the customers. Despite its simplicity, especially the CEECs do not utilise this possibility, but this field is generally implemented with an unsatisfactory level of care. The eliminated, thematically classified links are needed even if at the other functions there are lot of specific links 'hidden' in the text (see Limburg and Manitoba).

The news section, being compulsory in the portals, is generally presented only in a few regions, but the actuality could complete the appearance of regions very effectively and could give inspiration for investments. This is hardly understandable because of the small expenditures that the CEECs reach only 35% of the reference level regarding portal-like functions (the reference level is the rate of the average qualification values of the two groups).

Nowadays in the world economy, based on the globalisation and international capital, one of the most important roles of corporate systems at every level is to awaken the interest of the domestic and foreign capital, and to utilise the possibility in tourism, the branch becoming more and more decisive in the tertiary sector. This realisation is reflected by the weight of regional marketing. The average qualification value of the

reference regions. This rate is one and half in the CEECs. The rate is rather high, but the 37% reference level is very low. With a good organisation, cancelling bureaucratic barriers, setting up actualised databases and thematic portals, the development of CEEC portals could be accelerated without high expenditures.

In the degree of supply of public administration there is no such great difference, the reference level is 55%, but it must have come from neglecting the institutional function also in the reference countries. The situation is the same as before. Most of the services could be implemented in the portals without greater expenditure or organisation, only the e-services demand serious work and costs. At the same time, these functions ensure the transparency of regional public institutes and the information for civil (official affairs, forms, benefits, aids, jobs, etc.) and business (G2B) sectors (regional development, projects, tenders, procurement, etc.). The details of e-services were not analysed, as it was mentioned above, since the studied regional organisations have rather various authorities, consequently the comparison of the completeness (and quality) of e-services regarding portal quality would be unwise. The detailed e-services should be analysed in the scope of the authority of the related regional organisation, or at an international level we could compare the differences in the regional authorities. Otherwise, generally very few e-services are available, except for Manitoba (Canada)—it is in accordance with the Accenture survey for 163 e-services, where the Canadian e-government was the first of 23 countries in 2001 and 2002 (see *Fig. 12*).

The summary of portal qualification is shown in the *Fig. 17*.

The two region groups differ in the average qualification values as well, but at the same time, it is obvious that the CEECs' average value nears the average of reference regions following the leaders (Manitoba, V-Götland, Bavaria). The regional level is in the stage of formation in more CEECs, and it inevitably decides the actual weight in public administration. Under these conditions, the existence of regional portals is a success by itself. Analysing Internet penetration (*Fig. 17*) helps us to learn how the maturity of regional e-government portals relate to the rate of potential customers defined basically by Internet penetration (Internet users/100 inhabitants). The result demonstrate that the connection between the two characteristics appears only in tendency. There are large deviations both in the negative and the positive direction. Limburg, Auckland, Haskovo, Central Transdanubia, Mazowcze show a negative deviation. This means that the development of e-governance has got

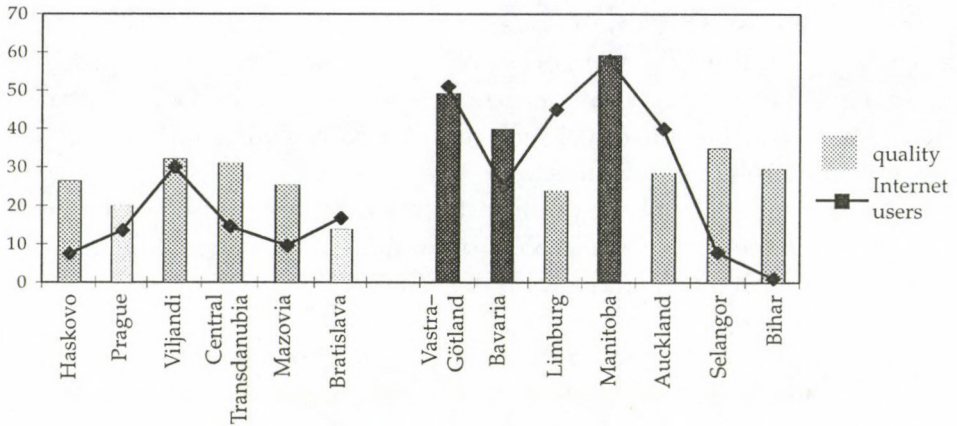


Figure 17. Regional portals

ahead of the possibilities of the citizens. Among the reference countries, the extreme negative deviations of the Asian regions (Selangor, Bihar) offer an especially good example for the farsighted policy, when the developing regions/countries could start their e-government program before overall social maturity emerges, to accelerate modernising public administration, to improve the demand for e-services, and to help strengthen the attractive force in tourism and the economy. Of course, it reacts to the further development of e-government at both the regional and the country levels.

MEDMAP IN THE REGIONAL GIS SYSTEM FOR PUBLIC HEALTH—CASE STUDY

ISTVÁN NIKL

TARGET AREA AND JUSTIFICATION

The equalisation of the disproportions of the medical profession, the ensuring of proper accessibility, and the correct allocation and utilisation of resources are prominent features among the continuous challenges of the medical field. All this could be truly effective within a system built upon self-organisation. This is the reason why the development of regionality in the medical field could serve two purposes at the same time: it helps the development of the more adequate and decentralised system of supplying the local needs and demands of the medical, professional and control and adjust the system to the norms of the European Union in the form of its organisations.

The primary target group is the medical professionals of the Regional Developmental Council. Primarily, we make the integrated GIS system accessible and applicable for ourselves, and with the help of this system the pieces of data of public administration will be accessible, analysable, and possible to query.

In order to achieve that the system should not consist merely of databases and possibilities of analysis, the Cooperators fill it up with the performance data (basic and aggregated data) belonging to the providing system of medicine.

We will supply a primary target group of seven consumers (RFT) separately with the developed product, for which we give full authority (query, definition of algorithms, analysis, presentation). Simultaneously, by means of the Internet interface, restricted accessibility is ensured for other target groups (accountability, web browsing only): for other regional institutes and citizens.

OBJECTIVES

The principle of regionality which appears as a modern administrative level in the preparatory stages of joining the European Union evokes new institutional networks and decision competence. It offers a tool for the Hungarian region's planning, modelling and program-developing activity which (through the connection of a full data base) is immediately usable.

The system offers an opportunity for the spatial illustration of the territorial deviation of the data of the supplying system. The spatial (geographic) distribution is presentable at all statistical regional levels, but (quasi, or developed on other principles) on regional (i.e., district supplied) levels as well. Basic and originated data can be arranged according to two important criteria: the density, or the accessibility of capacity (Fig. 1).

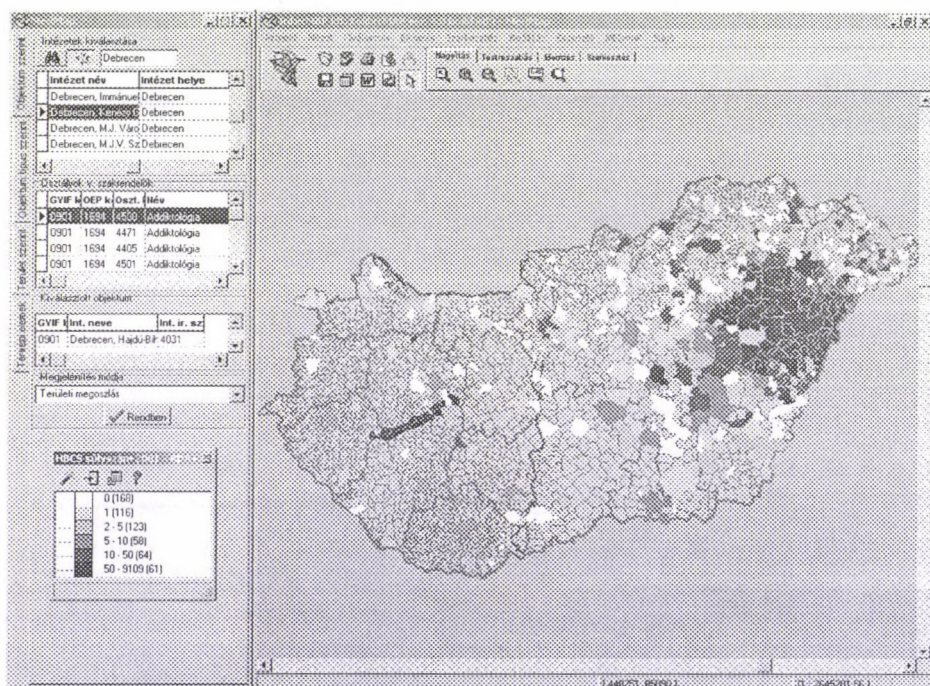


Figure 1. Presentation of accessibility of capacity

The analysis of the contents of the database and the GIS approach to arrangement and presentation lends a possibility for mapping the real patient routes as well. The smallest variable is the postal code, to which all indicators can be assigned, and following the patients' movement, needs, and optional priority exactly, the justified changes of the conditions of care are made possible (Fig. 2).

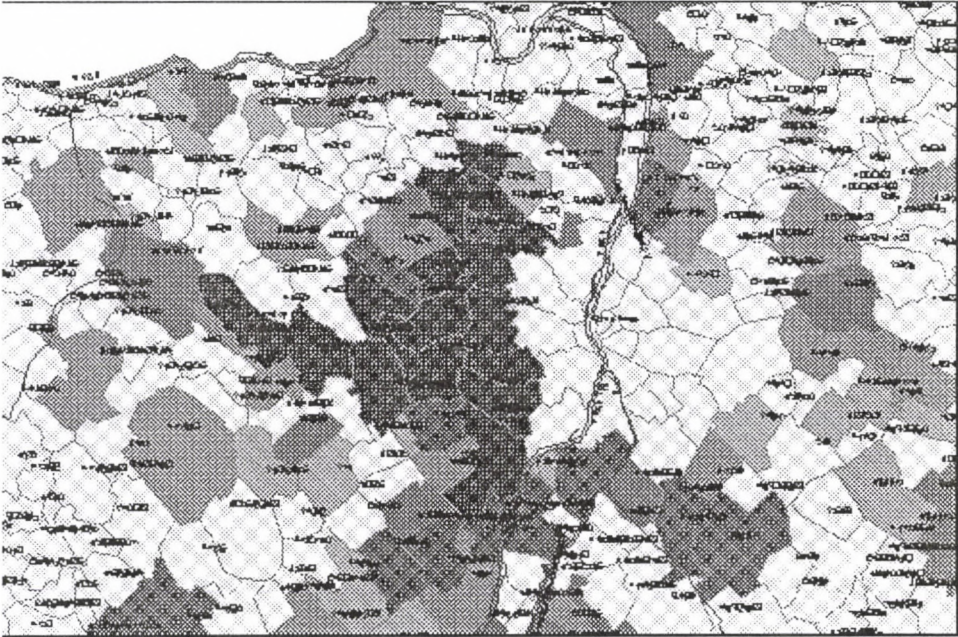


Figure 2. Depiction of patient routes

The analysis of the contents of the database and the GIS approach to arrangement and presentation lends a possibility for mapping of the real patient routes as well. The smallest variable is the postal code, to which all indicators can be assigned, and following the patients' movement, needs, and optional priority exactly, the justified changes of the conditions of care are made possible.

The system offers support for regional developments for those who play a role in economic life, for orientation before the start of any medical undertaking (i.e., mapping of the lack of capacity, presentation of regionally divided technological, technical, and human resources). It also helps in the mapping of regional resources in connection with the development of medicinal tourism.

The system offers possibilities to citizens in accessing basic information (consulting hours, conditions of medical care, etc.) on the Internet in connection with the providing networks of institutes.

THE ADVANTAGES OF THE GIS SOLUTION

Cartographical or localised data are characterised by the fact that beside the descriptive data of the database, they also contain those pieces of (so-called descriptive) data which refer to the spatial distribution of the data themselves. Principally, these descriptive pieces of data (town names, addresses, coordinates), are all dimensions of the contents of the database, just like the rest of the descriptive (so-called attribute) data.

With respect to the practical approach and data management/data handling, the differentiation is justified at the same time.

Although we can perform traditional operations with the data describing the spatial placement (i.e., multidimensional searching for a given coordinate or coordinate interval), the elementary and practical mode of managing the descriptive data is the way maps and map data are used by the GIS systems.

The descriptive data of the database are stored in the *Kolibri Map* connected to maps within the GIS system. Multiple descriptive databases can connect to each cartographical element, thus, for example, we are able to receive the data of different database records which correspond to each settlement or region.

This connection works the opposite way as well. We can depict the site or sites of a given database (i.e., filtered in the database manager) on the map. With this we may easily receive not only the databases' regional statistics, but also those of their descriptive, so-called meta database data (being covered), or individual characteristics (i.e., completeness, quality, updated).

We can illustrate the results with the help of the *Kolibri Map* basic system in *thematic cartographical form*. The connection of the spatial descriptive and attribute data makes the complicated accounting or analysis possible. The typical example of acknowledging spatial connections is the so-called *zone generation*. During the binding of the attraction zone we can choose a given settlement and one of its districts with a given radius, and perform screening tests only related to this district, based on the data of the database attribute.

The *Kolibri Map* was basically written for the *optimal solutions* to such problems. GIS analysis as functionality is not the possibility for general goal software (for example, it can be used for cartographical purposes), but is explicitly the main component of the system. The *Kolibri Map* is optimised for effectiveness, it is easy to survey, but is completely functional. Its module system helps the choice of the suitable application package. The built-in supervising function of the import module makes the *exact quantitative and qualitative characteristics of the cartographical databases possible*.

Necessary information is available for each member of the organisation in accordance with the security adjustments made possible by the almost equivalent table use of *WEB* publication and general attainable abilities of the database.

The system's interface in Hungarian helps usability in the same way as the stressed support of the product.

The knowledge of the programmable system increases parallel with daily use and technological advancement. Its Internet solution is suitable for the treatment of the gradually spreading XML-based transport of data in meta database and glossary technology.

THE STRUCTURE OF THE SYSTEM

The cartographical Web server, the *Kolibri InterMap Server*, developed by the Tenderer, is the central element of the planned system, which enables extensive availability and the execution of analysis. The server connects to the main line of the Internet with a speed of nearly 50–100 megabytes, which provides satisfactory services for a large number of consumers simultaneously. The user-friendly accountability is made possible by the cartographical server software in the thematic classification of the data assembled by MEDINFO and cartographical analysis. The assembled, refreshed package is sent by MEDINFO by way of the Internet (with a connecting line) to the server. The data are loaded into the server, which continues service based on the fresh data.

Performing local operations (new database connection, new analysis) for the seven regional centers is secured by the system which awaits development.

The above Internet service can be suitably joined to the home pages of other organisations (i.e., ministries, medical organisations) with a reference of an URL (*Fig. 3*).

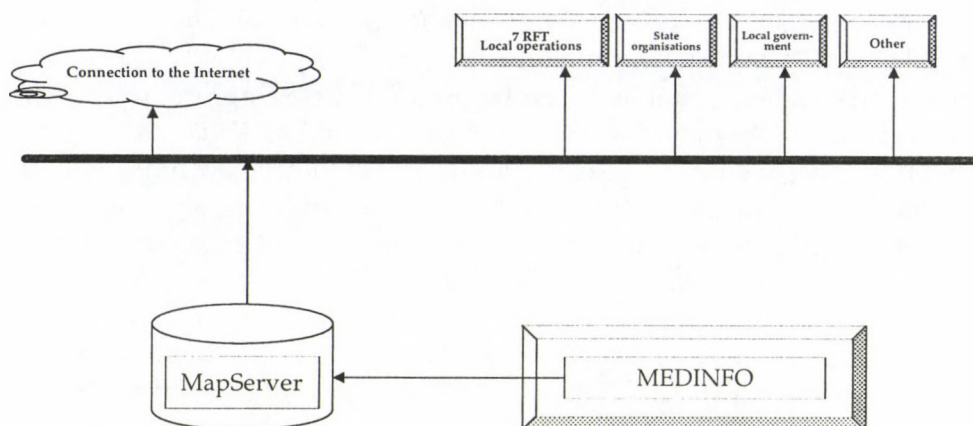


Figure 3. The structure of MEDINFO

BASIC POSSIBILITIES OF ANALYSIS AND QUERY

- Spatial illustration of the data of the supply system performance and regional deviation;
- illustration of the spatial division at the level defined by all statistical regions or consumers;
- the analysis of base and derived data based on capacity density, or capacity availability;
- the mapping of the real patient routes;
- the mapping of the lack of capacity, the presentation of the regional distribution of the technological-technical and human resources, the mapping of the regional resources in connection with the development of medicinal tourism.

The greatest difficulty of the established system is the collection of data and creation of the organised and legal background of data management, which constantly changes and develops in today's world. We have employed the possibilities of the GIS system in the mapping and systematisation of data, especially for the supervision of entirety. Two leading principles accompanied the planning to the end.

One is the data warehouse approach, the other is the spatial arrangement approach and the approach of possibility for aggregation, which

helps in finding one's way around in the jungle of the thousands of types of data. The GIS data warehouse technology developed for the regional mapping and modelling of the medical supply system based upon the experience of the professionals from InterMap, Inc. in the area of the economy—together with the inclusion of those in the medical field—made the solution to the problem possible.

In spite of the difficulties in data collection, the system can be an excellent example for the solution to the real and detailed problems which require fast decision support and strategic planning based on practically basic data. The system created the model for the development of the GIS data warehouse conception which spans the entire medical field, and at the same time would like to create a professional (GIS, e-government) and a politically professional (medically, publicly administrative clarity of public data) model.

SOCIAL IMPACT ASSESSMENT AND SOCIAL PARTICIPATION

ANDRÁS KRÉMER

The survey includes techniques of regional development planning and assessments in the field of health care, macroeconomy, location-based statistics and spatial assessments, as well as available databases. It also deals with public participation, social impact and assessment (SIA) in regional development planning and management of regional development using GIS.

The regional-application social impact assessment is not a regional assessment. Regional assessments are performed in various sets of questions, in regional sciences, in economic geography, and in other questions,¹ and in given cases, within the boundaries of social impact assessments.

Impact assessment accompanies the total process of intended changes in real time, and thus becomes an active participant of it.

The regional-application social impact assessment is a: communicational process that takes place between the designers, decision-makers and decision-affected groups; its goal is to find the best developmental solutions for the participants, and to assure their realisation.

In the case of regional-application social impact assessments:

- appropriate communication improves the efficiency of planning processes. This communication shows little similarity to marketing or persuasion communications. Its goal is not to make the decisions reached, to 'sell' them, but to get to know mutual interests;

¹ Here we are only referring, as example to the work of RECHNITZER (1998).

- in the case of impact assessments, it is a goal to approach the scientific standards assuring the correctness of the observation, and on the other hand, to help in reaching the political and normative goals conceived in legal regulations.

TECHNOLOGY-IMPACT ASSESSMENTS (TIA)

Technology assessment emerged at the end of the 1960s with the goal of taking into account the hidden, non-intentional, long-range impacts that come up during the development process.² The key element of this definition was the so-called early warning. The definition has changed substantially by today. Accordingly, the impact assessments cannot isolate themselves from other areas of scientific research.

This scientific assessment method was institutionalised first in the field of environmental protection. The US National Environmental Policy Act (NEPA), enforced in 1969, is still a determining cornerstone of impact assessments. In 1972, the Office of Technology Assessment (OTA), which is a scientific institution professionalised for this activity, was established, based on a decision by the US legislature. In Europe, TA 'grew out of its baby shoes'³ only in the '90s, and it can still be said of its case, that it is a very young branch of science, hence a very recent methodology.

By the very nature of development actions,⁴ these assessments set before themselves exactly defined goals that are valid for a long period of time. For it belongs in the competence of a well-defined professional group to determine technically what, for example, a power plant has to be like. In this case, the basic questions are set like 'Is a power plant needed at all?'. 'If yes, shall it be where it was planned?', etc. Beside the fixed goals, the determination of the anticipated impacts is also a crucial task. Besides the expected technical development and employment impacts,

² "A systematic evaluation, the goal of which is to expose the impacts of programmes which are desirable, which are not desirable, and those which are uncertain" said EMILIO DADDARIO, who was the vice-president of the Scientific Research and Development Sub-committee of the House of Representatives of the U.S., in 1967.

³ Riccardo Petrella uses this phrasing, relating to the fact that in 1992, on the participants of the European conference organised by the Danish Board of Technology (DBT), the sign of confidence could be felt, mostly on those coming from West Europe, but in East Europe by that time, this area of science seemed to be stabilising.

⁴ The projects are technically well-defined objects, or aimed at the realisation of technologies, like power plants, waste management, etc.

social impacts, in a broader sense, also get a distinguished role. Different rules apply to specifically environmental impact assessments. Even in their naming, a distinction is observed between Technological Impact Assessments (TIA) and Environmental Impact Assessments (EIA).

What do we call 'social effects'? The changes in the needs of the affected community or a change in the way these needs are met; or a reorganisation of the connections and structures within the community. In the later phases of the development of the method, not only the goal stage was dealt with, but it also defined alternatives. The impact assessment by itself uses certain forms of feedback by which the assessments could have an effect onto the development strategy decisions themselves. This method is called Constructive Impact Assessment (CIA).

Based on the nature of the stated goal, three groups can be distinguished. The goal can be (a) a concrete project, (b) a new scientific result, process, and (c) a problem, need, strategy formation. In these categories, the regional-application impact assessments clearly stand closest to group (c).

Considering the time and order of the assessments and the development relating to each other, we can distinguish between (1) reactive, (2) projective, and (3) interactive impact assessments. By this, the assessments discussed belong to category (3), because the development processes pertain to at least the middle-range, and need the unconditional feedback of those involved.

With respect to TIA policies, a difference is usually made between the so-called instrumental (when the research, competence are built into the political decision-making), the elitist ('scientific court', in which the professions concerned are represented by the excellent scientists and professionals), and the participatory (in which the concerned are also drawn into the decisions, through the public survey institutions) models.⁵

Considering the methods, every impact assessment requires a unique methodological basis and execution. From a scientific perspective, this brings up serious problems regarding the comparability and reproducibility of the assessments.

Naturally, generally there are mandatory elements of impact assessments, such as:

⁵ See: HRONSKY, LÁSZLÓ (1994): The necessity and possibilities of the national introducing of TA: Introduction to technological impact assessment. OMFb.

- mechanical, technical calculations;
- assessment of impacts affecting living and nonliving environments, ecological analysis (Environmental Impact Assessment);
- economic impact analyses (efficiency, cost, profit calculation);
- analyses and forecasts of social impacts. The sizing up, projecting of the social costs, in a wider sense (Social Impact Assessment) besides the realization of a given goal.

Steps in the Social Impact Assessment Process:

1. public involvement;
2. identification of alternatives;
3. baseline conditions;
4. scooping;
5. projection of estimated effects;
6. predicting response to impacts;
7. indirect and cumulative effects;
8. changes in alternatives;
9. mitigation;
10. monitoring.

In the case of the participatory techniques relating to technological impact assessments, the professional literature considers four kinds of objectives as being important. One is the 'factual goal', namely, that participation increases the information available to the participants. The second is the 'political goal', which improves the willingness for acceptance. The third is the 'enlightening goal', which helps the learning process for those concerned. The fourth is the 'social goal', which, by virtue of the fact that it raises the strategic decisions of importance, helps realisation of the 'open' society.

THE IMPORTANCE OF THE REGIONAL APPLICATIONS

The concept of region—with special regard to locality—has several meanings, depending on where the boundaries are drawn. Every action has, or can have, a regional application, even such that is not generally assessed with scientific tools. Several interests and counter interests act in the direction of creating or not creating impact, or quasi-impact, assessments.⁶ The perspectives with regard to for whom the results of such

⁶ I call those impact assessments 'quasi-impact assessments', which meet the demands of legal obligations, but do not have any scientific validity.

assessments are created, and for what they can be used, can differ considerably. The impact region of the actions usually does not match the region assessed in the social impact assessment. For example, when a power plant is built, the impact region according to the environmental impact is the region where the burning products get above a concentration threshold level, but the social impact region depends on how large the affected workforce market is, what settlements are affected by the compensation paid by the power plant, and does that coincide with the microregion contacts of the settlement, with its transportation-structure relations, etc.

With some excess generalisation, we might say that in 19th Century Europe, the concept of 'region' meant, in a slightly pejorative sense, provinciality, the rural areas. From the 1990s, however, regionalism receives the meaning of a legitimate, self-governing regional social structure in opposition to state centralisation. Thus, regionalism in the last century went through a very significant change of meaning. Within the European Union also, regionalism evolved several patterns. One means the regions of the federalist states (Germany, Belgium and Austria), where the provinces—in accordance with their historical traditions—bear a large degree of independence. The other type evolved on the principle of 'top down'. In this case the regions are formed by the state's decentralisation area organisation, which bestows on them several public administration and public service functions, relying on elected or appointed organisations. Such regions are found in France, Portugal, Finland, and Sweden. The political interpretation of budget decentralisation stands slightly in opposition to the interpretation of regional politics by which the regional political system relies chiefly on state redistribution. As a third model, we can mention those countries, where independent regions essentially did not form. The autonomies perform 'decreed' tasks out of the sources assured by the central budget. In this case, the regions fill mainly developmental and planning functions (Great Britain, Greece, Ireland, Holland, Luxembourg and Denmark).

DEVELOPMENT ACTIONS, ECONOMIC DEVELOPMENT, SECTORAL DEVELOPMENTS, SOCIAL MODERNISATION

It is not an easy matter to decide the developments requiring a regional perspective of social impact assessment, and what relation these assessments bear to the descriptive sciences. Is there an analogy, a transit between them? Although from one point of view, practically every devel-

opmental action has a regional effect, a significant portion of these is not followed up by an impact assessment. If it is, it is not public, and reflects only the viewpoints of the 'investor'.⁷ Clearly, legal regulations determine which actions belong to our topic. In theory, a work place creating investment requires socio-economic impact assessment only if it needs the modification of the master plan of the given region. This is independent of how many people they employ, and of the magnitude of its real employment, economic, and social impact. Similar to the technological impact assessments, legal regulations have a special importance in the assessments of this region, too. Currently, the legal regulations require impact assessments in cases of regional plans, developments significant from the point of view of environmental protection, and with certain branch developments. In certain cases, the habits and value system of bureaucrats in the state administration bureaucrats can also lead to the conduct of impact assessments (e.g., part of the transportation developments).

PARTICIPATING ORGANISATIONS

One of the most important questions of social impact assessments is who are the participants (toward whom is the assessment directed), and who and what kind of organisations belong to the group of users and commissioners, and what is the relationship between these persons and their organisations. Formal and informal relations, political and civil service institutions organise the target groups as well as the commissioners together. Communication between the persons is established under certain conditions which we call participation. The elements of the complicated net formed between the participants include singular interests, missions, expectations, and contacts.

The starting point of the regional perspective is to have an overview of the social and economic persons, and the contact system of these persons, as well as the problems relating to this contact system.

While analysing a regional unit,⁸ we can usually find the following persons:

⁷ In the private sector, such analyses are conducted usually with a market-survey purpose; in the state sector the primary goal usually is the political decision preparation, which supports the formation of the political strategy of local or national (party) politicians.

⁸ We use the name regional unit as a summarising category, which contains residential districts, cities, settlements, microregions, counties, or any region based on voluntarism, or formed by administration, which has not only physical, but 'social' boundaries as well.

- important entrepreneurs;
- local self-governments;
- banks;
- chambers;
- trade unions;
- enterprise-supporting bureaus;
- civil organisations;
- not organised groups (population, small businesses).

According to our hypothesis, through the increase of economic connections between the regional economic persons, the position of the individual entrepreneurs becomes more stable.⁹ Thus social impact assessments encouraging participation at once accomplish the previously mentioned factual, political, enlightening, and social goals.

The exploitation of the developmental opportunities (investor, increasing the efficiency of investments and tying them to region politics) requires an impact-assessment methodology and institution system that is much more established and normative than today's. The impact assessment is an important tool for avoiding dangers.

According to my intentions, the most important common element of case studies is that they represent such a conflict-oriented approach which attempts to fine-tune the interests of these persons, and to find their common interests.

TWO-WAY COMMUNICATION AND THE SOCIAL IMPACT ASSESSMENT IN REGIONAL POLITICS

REGULATORY BACKGROUND

As I noted also in the introduction, legal regulation has a special importance in the cases of the impact assessments (TIA, EIA, SIA, etc.), which draws up compulsory norms not only for the condition of when the conduction of an impact assessment is necessary, but also for how, with what methods that must be conducted. It is rather unusual in the scientific system, that the 'research freedom' (choosing of topics, of methods) is regulated in such a way.

⁹ Let us consider this assumption as a basic of economic hypothesis, for which we cannot endeavour to obtain mathematical evidence, but we accept its speculative, logical proof.

Following the Act on Local Self-Governments appearing after the political transition, after a relatively long time, in 1996, the regional development law was born, which, in many ways was a great relief to those working in the regional development professions and disciplines. It regulates several such questions, resolvable problems, methods, which, until then, came up in a more or less unclear way, since the coherent legal regulation system, which would have given uniform directions both for the commissioners and the commissioned people (planners, professionals) was lacking.

From the point of view of social impact assessments and the participation—which lies in the tuning together of regional and communication politics—especially the §23 and §25 of the Constitution mean a serious step forward:

§23 (3) *The regional zoning master plan contains...*

(...)

e) the environmental, social, and economic impact assessment.

§25 (1) *The regional development and zoning plans are public*

(...)

These two paragraphs allow the completion of such, theoretically unquestionable tasks, like the proper consideration of the *social impact* of the plans, or *participation* persons concerned with the plans, or planned alternatives. It shows some lack of logic, that one of these important requirements, the Socio-Economic Impact Assessment (SEIA), has become a compulsory part only of the master plans. However, the lawmakers did not extend it to developmental plans, whereas it would fit even better into their themes. Its cultivation is more accepted, it has a more logical basis, it is more important chronologically than in the framework of an arrangement plan. Together with this, the regulation still shows a major theoretical leap forward if compared to previous ones. In the following, we will draw up some thesis-like statements relating to the validation of these principles:

(1) *Coordination the regional and communication politics.* One of the most important requirements of the successful performance of regional politics is that an effective communication develop between the regional politics and the communities living in the region. This is the prerequisite of two goals alike, namely, the formation of the participation, and the legitimisation of regional politics.

(2) *The strategy and its elements.* The basic principles, regulation practice, and actions of the regional politics require the inclusion of such strategic elements, which currently count as new, but the European norms (and today even the regional development law) require it. The realisation of these goals presume the integration of the following strategic elements:

- the channelling of the actions, preferences, regulatory practice, and relevant international experiences of regional politics to the public requires that it be comprehensible and applicable for the given target communities. We could also say that the developmental strategies and politics must become public affairs. Enough information must reach the target audience, the social persons: the inhabitants, businesses, institutions, civil services, etc.
- in order that regional policy may react efficiently and in time for the changes occurring in the individual regions of the country, there is a need for the expectations and activities of the social persons of local public life to become known before the regional policymakers, and for them to integrate into it adequately.¹⁰
- the communication methods discussed above require such regional-politics and communications professionals, who are able to communicate between regional politics and the local public. For this, however, there is the need for the cooperation of good professionals from both fields, and also the passing on of this information, and the integrated training afforded between the different educational systems. Unfortunately, today, the two areas speak completely different languages. For the media, mostly the daily, spectacular party/political, ethnic, environmental, etc. conflicts have relevance, and less the view and interest conflicts stemming from the differences between developmental principles, priorities, and policies.¹¹
- Such a network is required that helps the planning and realisation of proper development. For a project, this network enables the access of local and international experience, theoretical and practical knowledge, and by those professionals, who are members of the connection-

¹⁰ Since in all cases the developmental politics can only be based on the real starting points, it has to consider those social facts which describe the given region or community. In the case of the planning, these characteristics must be taken into account just as the characteristics of the soil are taken into account during the construction of a building.

¹¹ SZIRMAI 1999.

al network to be formed. The presence of these professionals in the process at the same time is an efficiency-increasing factor, since existing knowledge and experience can be used in concrete cases, besides the regulatory procedures. (Not only the 'good' can be targeted which is mandatory, but also more!)

(3) *Necessity of social impact assessment.* In the case of developments or regional interferences affecting larger groups of people, regional policy must contain the mandatory detailed legal regulation regarding the creation and corporate approval of the social impact assessment. Today in Hungary, the legal regulation does not speak of the methodology or order of approval, of impact assessments, and not even of what happens, in an extreme case, if the impact assessment reaches a conclusion opposite to the plan. In the Western practice, the first phase of, e.g., an arbitrary settlement, district, or region development, interference, action, or programme is the completion of the impact assessment, which can take up a long time, and only after that can the planning begin.¹²

(4) *The question circle of the participation.* During the regime change, the strengthening of the representative side of parliamentarism led to the weakening of the interest-validation forms of the immediate democracy in the Hungarian public administration system and prevented their formation. The already used participatory mechanisms could reach only those members of the population and entrepreneurs efficiently, who defined, named, and organised their interest-representation as lobbyists. However, the overwhelming portion of the populace could not define itself as a lobby, and is not able to get representation in the interest-collation and conflict-management mechanisms. Thus, participation, the social participation in urban-political development decisions, can only be provided for this circle if it contains the detailed regulations of the appropriate (communication, surveying, and Ombudsman) systems and methods. Such methods have been developed,¹³ however, according to experience, their application is strongly space- and time-dependent, that is, they were successful and effective in different social constellations. Beside the mechanical-physical and economic-financial work, such a parti-

¹² See: Federal Building Code (Germany) 1993.

¹³ E.g., Citizen Advisory Committee, Planning cells, Citizen Juries, Varresbecker Bach Process (Wuppertal), Regulatory Negotiations. I will later elaborate these procedures.

cupative social impact assessment should also be a compulsory task of any region-development and urban politics plan. This is far from being true today.

At the same time, we can not agree with a regulation, which prefers a certain methodology, whose use quickly becomes schematic and, last but not least, the choice of the correct procedure can be made, in view of the given circumstances, and it is a choice based on professional viewpoints.¹⁴

(5) *The locations of the social-regional interactions: the agoras.* In the framework of urban and regional politics, the formation should be made possible and desirable, of such common places, tools, communicational forms, and methods that stimulate the creation and maintenance of the social identity of a region, settlement, city, or district. The existence or lack of local and/or universal identity consciousness, cultural patterns, that is, agora-functions can make a (local) society or groups healthy, active, and autonomous, or ill and passive. The societal context can, in the case of both economic and regional developments, prevent the leaving out of the socio-cultural 'related investments'¹⁵ of the developments. This happens not only in the realisation of development projects, but often already during the planning.

THE CONTENT OF COMMUNICATION, THE HANDLING OF INFORMATION TODAY AND EARLIER (TECHNICAL POSSIBILITIES AND METHODS)

THE HANDLING OF INFORMATION DURING THE CREATION OF REGIONAL AND REGIONAL-DEVELOPMENT CONCEPTS AND PLANS

Settlement and regional planning can look back on a 60-year history of legal regulations. The first, antebellum regulation, according to the early European approach, dictates the creation and differentiation of three work phases. These are (a) the developmental plan, (b) the general and detailed arrangement plan, and (c) land registration.

¹⁴ We saw an example for the definition of such an 'obligatory' methodology in the SWOT analysis, required in Hungarian practice as a single analysis method, and appearing in every plan, but in many cases, its validity and usability can be questioned.

¹⁵ Compensational investments, e.g., the detours, sound-absorbing walls, green area creation when building a motorway.

These work phases relate to each other significantly, and build on each other, but the distinction is completely valid, because while programme creation, the 'fabrication' of the settlement future view, was the job of politics and urban management, settlement plan creation was the job of the mechanical sciences (architecture), and the job of land registration was considered chiefly an administrative task. Unfortunately, the war interrupted, preventing the practical spread and naturalisation of the regulation.

Later, these work phases were blended together since the political structure of the first half of the 1950s could not do anything with the independent will of the settlements.¹⁶ It considered the settlement-development programme, merely the part of a central will. According to this, it made programme creation a part of the master plan. Later, in 1955, the programme diverged from the arrangement plan, which was called the arrangement programme. These were created by the executive committees of the councils, but they were accepted by the county councils, coordinated with the national organisations.

The legal regulations of the 1960s pertain directly to cost allocation guidance principles, and urban-arrangement regulations, and the urban-development programme appears. In fact, the mandatory analyses were starting to be performed, too. The product of the '70s is the regional-development and arrangement plan, but these plans were not to help the 'independence' of a settlement, but the 'practicality' of the central management. At the beginning of the '80s, at least in principle, the need for the social tallying of the plans appeared, but in practice it of course still did not become a leading method. The master plans were made by county organisations authorised to do so, and the influential effects of centralised political power were manifested. The periodical review of these plans was merely a formality; accordingly, the present settlement-management plan, is based on this manifestation of a central planning period, determining the ways of region usage, the issuance of building permits, etc. That is, the regional master plan, the regional-development plans concerning the group of settlements, are so basic that they determine the social and economic processes of the settlements for a long time.¹⁷

¹⁶ In this did the birth of the Act on Local Self-Governments following the political transition cause a fundamental, historical-magnitude change.

¹⁷ The latest intentions, released by the Construction Law and related legal regulations, try to urge the local governments to renew or overhaul the settlement master plans with the pressure of the contingency of certain budget funds being tied to the renewal or overhaul of the settlement master plans. We must definitely consider this procedure as hopeful for the future.

The socio-economic system has, at the same time, changed very much. One of the greatest challenges of the regime change was that such a 'bottom-up' society emerged, in which the communities truly decide about their own future. The most important decisions regarding the community are legitimised by the agreement of the community as a whole. The settlement's future view and developmental programme always pertain to a longer period of time, which also requires a strong, wide consensus. It can easily be seen that only confusion is caused by the developmental strategies changing according to the political forces determined by the political election cycles (parliamentary and local authority), which determine land usage, infrastructure development politics, local workforce-market influence goals and methods, and the encouragement of certain target groups of investors. The question arises: Is it possible to democratise the planning, conceptions, and perspective goal-determinations? Hopefully, yes, which we would like to verify below.

The creation of the concept, the goals and methods of the realisable regulation, the realisation, and the control of realisation present several difficulties. As a theoretical difficulty, it is often mentioned that understanding the plans requires such a great amount of professional knowledge that the major proportion of the general public is instantly disqualified even from the option of orienting him/herself. The questions mentioned by conceptions and plans are very complicated, and their understanding requires the knowledge of a huge amount of data and regulation systems. Another problem that is often mentioned is that the information pertaining to an individual region can only be derived from the overview of the conception or plan defined for the whole region. The viewing of the documentation of the plans and programmes also poses practical problems. Partly, few copies are available partly there is no staff to provide the access. The natural decay of the material, and the difficulties related to replacements make it almost impossible even for those with the necessary training, knowledge and incentive in the general public, to access the plans.

The 1996. XXI Law had, as one of its basic goals, to promote the economic, environmental goals of the given settlements in a region, and to create an infrastructure appropriate for reaching these goals (§2). This goal setting brings with it the assumption that the settlements define their economic and environmental (social and societal) goals, and that these goals already appear in the plans. Also, the §24 (1) paragraph of

this law requires the functioning of an informational system.¹⁸ To all this, we must add the categorical definition of §25 (1): 'The regional development and arrangement plans are public', and the provision of this publicity is ultimately the work of the autonomies.

What questions then, does the democratisation of these questions propose? There are several levels to the democratisation of the levels and politics fixed in the plan. First of all, the acceptance of the plan is the work of the committees. The members of these bodies, although they have familiarised themselves, in an autodidactic way, with the interpretation of these plans, are still essentially laymen. For them, it is important that the map and text data 'derived' for the particular region or branch, etc. they are representing can be clearly seen that they can inspect the course of the execution, and that they can transmit that information to their voters and apparatus.

The other level of the democratisation is that the citizens and institutions of the region can access all of that information¹⁹ for their long-term strategy, that can be found in the plan (principle of partnership), or simply just to have the opportunity to get to know, to opine, and to control the realisation of certain politics, strategies defined in the plan.

In possession of the new technological opportunities of our age, the plans and data imported and maintained in an electronic way, have the property that their reproduction is extremely simple and cheap. The special advantage of the space-informatics systems is that we can produce the map and text data in regional or thematic categorisation. Thus, the tasks mentioned above can be easily solved using these systems. By today, the technical solutions have made it possible to create in a few copies, documentation 'customised' to a particular committee, or representative. On a public terminal inside the building of the municipality (on a touch-screen monitor), the data could be made available for the general public, too. It is also an advantage that the pace of execution, the presentation of the accomplished details, perhaps their evaluation, that is, actualisation of the system, can be easily performed, with which we help the apparatus working on this. And what about the costs? Today

¹⁸ "In order to observe, and keep track of, the society, the economy, the environment, and their changes, and also to forecast these, a regional information system must be established between the national, regional, county, and settlement levels, by the provision of information exchange."

¹⁹ Here we must note that information is not equal to data, but rather it is produced with the analysis of the data, in the goals, tendencies, and processes revealed in the data.

there is a system, as cheap as any word processor that even the poorest autonomies can afford.

Thus, we can calmly state that the creation of the public spaces bumps into fewer and fewer obstacles. And then, we have not even spoken about the publication opportunities provided by the Internet, which are not at all exploited by municipalities and regional administration²⁰ today.

THE INSTITUTIONS, CHANNELS OF COMMUNICATION (PUBLIC)

THE ROLE OF THE PUBLIC AND THE MEDIA IN REGIONAL DEVELOPMENT

'Region', the Strengthening of the Role of Local Societies

One of the greatest challenges of the regime change era is that, besides the formation of the democratic institution-system, bottom-up society has to develop, too. This change will probably be much slower and fuller with pitfalls than the previous one. One of the most important elements of the bottom-up approach is the social environment immediately surrounding the citizens, and the relationships of the citizens, as the first links in the bottom-up chain. The bottom-up organisation of the economy, the self-government is multicoloured, and obeys its own laws. The regional economic, social processes form the 'soft' framework, constantly drawing out the regional units, which are the physical boundaries of local society. From the point of view of the rural areas, the countryside, they will be the most important basic organisational levels of regional development, which process we call the organisation of the small areas.²¹ From the point of view of society, this very important question cannot be ignored by the media, and especially its part on the public service tasks.

²⁰ According to the data of a survey created for the Media and News Control Department, in 2000, half of the cities run web sites. A significant number of these are updated less than once a month.

²¹ When defining the concept of 'local', we strongly lean on the relevant interpretations—published by international organisations—formed from the point of view of developments, like Tatsumi (OECD 1990), who called attention to the change that even in a society as traditional as Japan, the earlier agricultural tradition-based locality approach had been clearly replaced with the self-sustaining (maintainable) approach to the economic unit of development. This circle of thought is also supported by the World Bank studies.

In this area, public persons can be the greatest society-forming force. In what does the relationships between its citizens lie and what is the topic, which has to appear in the media? If we look at it from the point of view of local representatives then everything that relates to community affairs of the local society belongs here. Although the 'local'-ness is naturally strongly related to the 'elsewhere'-ness, and as thus, already touches upon regional matters. The local affairs are matched to those occurring in other places, and their specialty can be measured with their relativity. If we look at the question of bottom-up construction from the point of view of wider units (county, country) then we are talking about the questions relating to the regional units, localities, that is, about the spatial structure, processes, and the inequalities of society and economy.

The Presentability of Complex Questions

Regional development is a complex question, and the alternatives of its problems (let us think of a region-arrangement plan, or a developmental conception) are hard to draft in such a way that they will be acceptable to the wide audience of mass communication, so that the 'average person' will be able to take up a position in it or have an opinion on it. At the same time, in certain fields, the special vocabulary and knowledge base to bridge such problems has been formed. Let us just think of the scientific or economic programmes, where, on the side of the media, a circle of experts has emerged. Of the regional processes, the regional-development questions, this cannot be said. The languages of the office, of the researcher (the language of the profession), the journalist (the media professional) are all different, and they have to be translated to the clients (and to those interested) into an understandable form.

Direct Democratic Procedures, 'Publicity'

The development of local society and/or economy is a topic, which is suitable for the application of some direct democratic procedures. The practice of direct democracy—where possible—can contribute, to great extent, to the strengthening of the citizens' patriotism and to the starting of local affair political participation. The EU treats the so-called community development programmes as emphasised ones, which prepare the

local community for the acceptance of the programmes. In light of the aforementioned complicated, elaborate, complex, programme-principle regional-development plans the following must be available to the direct democratic techniques:

- the development goals;
- control over the execution of the developments; as well as
- accounts of the finishing of the developments.²²

The American and partly West European models developed for the solution of environmental problems also had a pioneer role in the formation of direct democratic techniques. These models try to dissolve the inherent contradiction between the participation of wide-scale societal groups, and efficient participation and teamwork by asking for casual (*ad hoc*) representations to represent the populace interests and interest groups. We can see this also in the case of the Civil Advisory Committee procedure,²³ where a 10–20-person group represents the interests and positions. The participants get intensive training to become substantive participators, their teamwork is helped by a moderator, and in the end draw up only spontaneous suggestions rather than decisions. In this aspect, they are similar to the 'Planning Cells' technique, in which some people are randomly chosen from directly and indirectly affected groups. Then they work on in much smaller groups of about five. Besides the (paid) participants, others may attend as observers. The groups evaluate the decision options, and then create recommendations for the judicial decision-makers. These recommendations are then sent out to the populace, the sponsor, the different interest groups, and the media. The procedure has been used in many places, e.g., Germany, Switzerland, Spain, the USA, in habitation planning, the treatment of the social impact of new (informational) technologies, on local and national levels. In the 'Citizens' Juries' method, like in the 'Planning Cells' technique, the participants are selected at random, but according to quotas. There can be two-level procedures, too, where executive regional committees decide which group of 1–3 people they will send to further discussions. The information must be given to the people from different viewpoints, at the right amount, and generally through different 'witnesses'. The procedure is

²² See: *People's Participation in Rural Development*; Rome: FAO 1992.

²³ A.VARI: Citizens' Advisory Committee as a model for public participation. In: *Fairness and Competence in Citizen Participation (Technology, Risk and Society)* (1995).

more effective in determining interest viewpoints than in technical questions. The method used in Wuppertal, referred to in the bibliography as the Varresbecker Bach method, was where a small, independent, communicational organisation carried out the consensus-searching process between the representatives of the interest groups by the commission of a local environmental agency.

The group chose the professional cooperating company, based on their presentations, and in the end this participation resulted in such a degree of involvement, that the local populace set up a significant movement for the shelved project (soil cleaning). There specifically exists a court procedure determining the content of a regulation (Regulatory Negotiation),²⁴ the purpose of which is that the regulation takes into account the viewpoints of both the interested and affected groups. The procedure was used by the Environmental Protection Agency of the United States, but it is easy to see that similar situations can be found in the creation of regional plans for regions regulating land usage. Last but not least, a technique was often used and with success, i.e., mediation,²⁵ which can be effective in discussions with sides really not agreeing with each other, as long as they can describe, precisely their objectives, and try to understand the other party. The mediation can lead to a win-win situation, if the argument develops about expenses, and the division of profits during an action provoking an environmental effect.

These procedures, characteristically assume that the decision situation can be treated as a choice between a finite number of formed alternatives. The formation of the alternatives assumes a sequence of planning decisions, either preceding the decision situation, or afterwards, if the decision meant a goal definition or a priority.

The current region development experiences lie far from the above-described conception, because:

- the reception of the developments is usually negative, or at least divides the local community;
- the developments are unique, eclectic, and are far from the principle of the 'programme', i.e., the developments should be planned as the logical sequence of actions building upon one another.

²⁴ Fiorino: Regulatory Negotiations as a form of public participation. In: *Fairness and Competence in Citizen Participation* (Technology, Risk and Society) (1995).

²⁵ M. BAUGHMAN: Mediation. In: *Fairness and Competence in Citizen Participation* (Technology, Risk and Society) (1995).

It is a further difficulty that while the state, when granting from the state budget, expects the programme-principle development, the organisation of the populace, from the point of view of these developments, the possible usage of direct democratic methods falls into the competence of those autonomies which usually act by the principle of the aforementioned unique developments.²⁶

It is a definitely worthwhile goal to reach to provide the adequate forms of direct democracy. Of the requirements of this, the media is of particular importance. The role of the media is in the strictest sense of the word, public service. Between the forms, space must be provided for sociology and surveying.

THE NATURE OF POPULATION FORUMS

The population forum, an almost exclusively known method for interacting with the population and exchanging information with them, has presented big headaches and difficulties for both politicians and planners. These forums did not become the locations of dialogue and interaction. They are almost exclusively the frames for the opposition of the population or other interest groups. This is strengthened by the fact that news reports prefer the events full of conflict, which only further fuel confrontation. The sense of loss is not due to the self-centred odes, or the self-praising autonomic news reports. Perhaps there is a precedent for a forum where important things were said about intentions, goals, standards, and expectations. The problem is further complicated by the question: On whose expense is the media 'coming out', on the 'public service budget', or the organisations participating in development and taking up public information on themselves? It must also be noted that on the public forums people seldom use independent moderators, thus leading to questioning of the objectiveness of moderators, ultimately creating tension and a bad atmosphere.

²⁶ Here we will only hint at the decentralisation theories and principles of modern economic sciences, which are built into the development strategy (TODD 1986).

WHAT IS PUBLIC AND WHAT IS NOT?

The real situation, however, differs largely from the theoretically desirable. The developmental goals are not public in the starting phase (in some cases, this can be justified).²⁷ The same can be the case in the phase of the finalising and evaluation of the developments. Merely 'asking the bureau' exhausts the control of the execution of the developments for the media. But the affiliation of the media and the bureaus has not yet become automatic yet either. This is expressed in the 'frequency' of such shows, and in the attitude of the decision-makers that 'there is too much professional background material', and that they believe that the resources available should be concentrated rather on the concrete actions. The creators of the study sometimes—to tell the truth—do provide a basis for such an attitude, and from this point of view, the disagreement is understandable to some extent. It can also be observed in other areas that the media age of the regime change forced the representatives of different professions to be able to form opinions and prognoses based on lightning-fast hypotheses and personal intuitions, and this has not always done good to the public image of the individual professions.²⁸

Western experiences show that two-way information, in which the media plays a distinguished role—in the interest of providing communication between developmental—arrangement planning and social—economic actors—has become a routine practice. In view of the participation ratio, the Western methods have, in view of Hungarian circumstances, brought results that are today still unimaginable.²⁹

What is necessary in order that a region (a local society) form a future view legitimised by social participation, and a competent strategy to realise it, and where are those circles visible, where the media's intensive, conscious participation is justified?

²⁷ E.g., where real estate speculation has to be feared.

²⁸ In the period following the political transition, our sociologist colleagues—admittedly—had to provide the media with 'pocket theories', since they did not have the time or resource for the creation of scientifically mature propositions.

²⁹ See: *Policy Management Systems and Methods of Analysis for Sustainable Agricultural and Rural Development* (Rome 1994) where its importance is highlighted in the management, informational, and monitoring systems, yet several other FAO materials give account of such successful projects.

REALISTIC KNOWLEDGE, PRODUCTION OF INFORMATION

The current situation must be clarified, written down, and it is not enough to 'shovel together' the data! The strategy to be chosen for the region or area must be based only on the *real situation*. The cognisance of the situation, the uncovering of the real opportunities and barriers are not equal to the accumulation of statistical data. Thus, the realistic knowledge base means such a synthesised erudition, which makes it possible for every participant to decide important strategic questions. This erudition can be the basis for the development of a common strategic programme. For the assimilation of a realistic knowledge base, of course, every antecedent, survey, and study, which bears upon the matter, has to be relied upon. The feedback of such a knowledge base would be in a significant amount the task of the media.³⁰

THE COGNISANCE AND ANALYTICAL PRESENTATION OF THE DEMAND OF THE POPULATION AND ENTREPRENEURS; FUTURE VIEW

The developmental strategy of any region, apart from the assessment of the real situation, has to be in accord with the *local intentions* and wishes as well. For this, we must be in the possession of such actual information about the expectations and ambitions of the local persons, which should make the expected behaviour of the others (population, local, and external economic actors), predictable for any active partner. Thus, the mutual strengthening of cooperation and initiatives can occur, and the planning of contradictory, mutually weakening actions, plans, and projects can be avoided.

³⁰ The most often occurring such requirements in the professional literature are: cost-benefit analyses, investment and cost-effectiveness studies, 'multi-criteria analyses', environmental cost-benefit and impact assessments, social and demographic impact assessments, the analysis of basic needs and their change. See: the relevant parts of numerous OECD, FAO, World Bank, or LEDA (LRDP) materials.

NURTURING OF EFFECTIVE INTRAREGIONAL COOPERATION

For realising the above goals, i.e., for harmonising intentions and actions, not only the knowledge of the real ambitions is required, but also the *formation of cooperation between the active partners*, and the institutional requirements. Due to its importance, this subject must get special priority in any regional and settlement-development plan. (In this respect, we can find promising Hungarian initiatives, such as the common collaborative planning of the settlements on Szentendre Island through 1997–1999, which, with Dutch support, developed an efficient cooperation between the participating organisations.³¹) We will explore this problem more fully in the section on regional innovation.

PRESENTATION OF REALISTIC STRATEGIC OPPORTUNITIES, THE STARTING OF POSITIVE AND EXEMPLARY ACTIONS

As a result of this, regional politics can have the hope (and rightful expectation) of the formation of such radical break-out alternatives, that can validate the success of the work, even over the short term, with practical examples. In the presentation of the examples, their elevation to the 'common asset' status, the use of all kinds of communicational and informational venues and networks (media, professional, and interest-protection communities) is possible and necessary.

EXPOSITION OF REGIONAL PERSPECTIVES, AND THE INTENTIONS AND OPPORTUNITIES OF THE PARTICIPANTS

At this point of the survey illustrated by us, we encourage the gathering and production of softer, more subjective information. It is necessary to learn the thoughts of the economists and the general population about the future, their problems, expectations, and possibilities by their own

³¹ A. VÁRI: The collaborative planning directed at the integrated land usage and sustainable development of the Szentendre Island (MS).

reckoning. During this examination, it is possible and worthwhile to use a polling method. The finding of the soft, subjective information, the choice of the suitable projects, and the acquaintance with the realistic situation of the region, can all be decisive, for such assessments. The point of view of the local people is decisive over the opinions of professionals. Unaware of this, it is not possible to perform a successful job.³²

DERIVATION OF STRATEGIC ALTERNATIVES

The deriving of strategic alternatives can be solved according to a multiple amount of procedures (i.e., the so-called SWOT-analysis, which takes into consideration collective strengths, weaknesses, possibilities, and sources of danger³³). For this collective analysis of the indicated information concerning the above ideas and the cooperation with strategic groups are necessary. The strategic alternatives can secure principles action plan and the project elements and project ideas. While creating strategic alternatives, the possible regional and temporal divisions are to be executed, so these alternatives are practical to model:

- a) the entire area;
- b) settlement;
- c) each time period;

with the available detail. The cooperation of the local partners is more important in this phase of the work, than ever.

The development of local communication politics promotes development of the institutes of communication.

All the previous plans and conceptions of regional area development have scarcely stressed the continuous communication with the local participants. But one of the most important developing forces was the existence of a dense network available for communicational networks. Through newsletters, publications, and cable television, periodic community forums with entrepreneurs it is necessary to form and maintain a bilateral connection with each participant, thus assuring the clarity, openness, and controllability of the activity.

³² The literature dealing with regions and region development labels this as 'formation of a future view'.

³³ Naturally, other group methods also exist (Pro contra Interaction, DELBECQ method, etc.), which are suitable for similar goals. For some reason or other, the Hungarian region development and settlement development practice favoured the SWOT analysis with its attention.

THE COUNTRY AS THE ENTIRETY OF AREAS AND REGIONS

Region development requires a national conception, which can be enforced within the more intensive bounds of coordination than the one at present. The coordination is to be made stronger horizontally and vertically. Or, rather, the coordination is to be improved among regions and settlements at the same level. However, this is to be realised among the different regions on different levels (settlement, area, county, region, country) as well.

The Social Impact Assessment has a special role in these institutional bounds in the same sense as we have outlined above.

REFERENCES

- AROCENA, J. (1992): *Local Initiatives and Decentralization in Latin America*. OECD.
- BARETT, J. (1992): *Win-Win Bargaining*, Washington DC: FMCS.
- BÓDI, F., BÖHM, A. (eds) (2000): *Successful Local Societies in Hungary*. Budapest: Agroinform Publishing House.
- CONYERS, D. (1993): *FAO Guidelines on Social Analysis for Rural Area Development Planning. Training Materials for Agricultural Planning*, 34. Rome: FAO.
- The European Urban Charter Council of Europe*, Strasbourg 1993.
- Federal Building Code (Germany)*. Federal Ministry for Regional Planning, Building and Urban Development (1993): Oldenburg: Littmannndruck.
- FOTHERGILL, S., GUY, N. (1990): *Retreat from the Regions*. London: Jessica Kingsley Publishers and Regional Studies Association.
- HRONSZKY, I., LÁSZLÓ, T. (eds) (1994): *Introduction to Technological Impact Assessment*. Budapest: OMF.
- Interorganizational Committee on Guidelines and Principles for Social Impact Assessment: *Guidelines and Principles for Social Impact Assessment (1995): Environmental Impact Assessment Review*, 15. 11–43.
- JUNGELING, I. (1994): *Experiences from the FAO People's Participation Program in Sri Lanka Who participates?* Rome: FAO.
- KRÉMER, A. (1996): Innovational perspectives—contributions to the national conception for regional development in Hungary. In: FARKAS, J., TAMÁS, P., MÁTYÁSI, S., VÁRNAL, G. (eds): *European Spatial Research and Policy*. Vol. 3, No. 2.
- KRÉMER, A. (1996): Area development, regional development, and their social criteria. In: VÁRNAL, S. (ed.): *Area Development and Organic Society*. Székesfehérvár: MTA Veszprém Area Committee.
- KRÉMER, A. (1997): The employment of geographic information systems during the preparation of regional and settlement development conceptions and plans. *Autonomy*, July–August.

- KRÉMER, A. (1999): Positional and interest based discussion In: TÓTH, P. P. (ed.): *Arbitration*, Budapest: Püski.
- MARLOW, M. L. (1988): Fiscal Decentralization and Government Size. *Public Choice*, 56.
- MEYER, P. (1999): Assessment of State Initiatives to Promote Redevelopment of Brown-field. U.S. Department of Housing and Research.
- MUSGRAVE, R. A. (1994): *The Theory of Public Finance*. New York: McGraw-Hill.
- People's Participation in rural development in the Philippines* FAO's partnership with NGO's in project formulation (1994): Rome: FAO.
- People's Participation in Rural Development* (1992): Rome: FAO.
- PERROW, C. (1984): *Normal Accidents (Living with High-Risk Technologies)*. New York: Basic Books, Inc., Publishers.
- Policy Management Systems and Methods of Analysis for Sustainable Agriculture and Rural Development* FAO (1994): Rome: International Institute for Environment and Development FAO.
- PUTNAM, R. D.: *Bowling Alone—The Collapse and Revival of American Community*. New York: Simon and Schuster.
- RAFFAEL, J. A., VARADY, D. P. (1995): *Selling Cities*. New York: State University of New York Press.
- RECHNITZER, J. (1998): Területi stratégiák (Regional strategies). Dialóg Campus, Budapest–Pécs, 1998.
- RENN, O., WEBLER, T., WIEDEMANN, P. (eds) (1995): *Fairness and Competence in Citizen Participation (Technology, Risk and Society)*. Kluwer Academic Publishers, 1995.
- Rural Poverty Alleviation Policies and Trends* (1993): Rome: FAO.
- STERN, E. (1992): *National Programmes in Support of Local Initiatives*. OECD.
- SZIRMAI, V. (1999): *Environmental Interests in Hungary*. Budapest: Pallas Studio.
- Thomas, C. (1994): *People's Participation Programme in Pujehun, Sierra Leone Post-project Study*. Rome: FAO.
- TODD, G. (1986): *Job Creation in the UK. A national survey of local models*. OECD, Economist Publications.
- WILLIAM, R. E. (1976): *Putting it all together, a Guide to Strategic Thinking*. New York: Amacom.



THE REGION

REGIONAL DEVELOPMENT,
POLICY, ADMINISTRATION
AND E-GOVERNMENT

This 5th volume of the series is concerned with the regional aspect of the social and economic development, emphasising the role of public administration in the post communist region of Europe, especially in Hungary, with a few comparative outlooks onto Slovakia, the Czech Republic and Poland. The chapters contain surveys and case studies that can be recommended to anyone interested in the regional development of this huge region of Europe that is joining the Union in 2004.

The studies in Chapter 1, entitled Regional Development, describe the changes of the regional structure and the regional processes undergoing in the Eastern half of

Europe and in Hungary particularly, brought about by the emergence of the multiparty democracy, the market economy and the integration to the globalising world.

The studies included in Chapter 2 intend to present how the governments in different levels like local, regional and national, try to react to the above changes and processes in the form of Regional Policy, in Hungary and in the Eastern Central European Region in general.

The studies of Chapter 3, entitled Regional Administration, present the institutions of the regional public administration resulting from the above governmental reaction to the territorial changes of regional development.

Finally, the studies in Chapter 4 aim at showing how the above institutions are influenced by the penetration of information society and the information communication technologies of E-Government, as part of a modernisation process.

AKADÉMIAI KIADÓ
BUDAPEST
www.akkrt.hu

