

“Under Pressure”: Permanent Transformation of the Administration of Regional Development in Hungary

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Our paper could be interpreted as a problem map, by which the challenges and answers of the Hungarian regional development administration could be identified. Our analysis focuses on the institutional, organisational system, and we aim to analyse the changes of the regulatory environment of these bodies from the time of the pre-accession until

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2024. This transformation of the administration has a direct impact on sensitive political issues, and this structure was even an object of power games in Hungarian politics. Therefore, the main factors of the Hungarian administration have been, primarily, the European environment, especially the regulations related to the EU budgetary cycles. Secondly, as it could be seen, changes of the government and even the power struggles within the governments have been a significant factor of the changes of the administrative organisation of the Hungarian regional development system.

Keywords: regional development, regional administration, governance, Hungary

1. Introduction and Methods

1.1. Methods

Regional development, despite being a relatively new policy, has become increasingly relevant in today's economic and social life (Cooke, 2013). As spatial development has a significant impact on a number of other policies, competent coordination is required to achieve the outmost impact. After the democratic transformation of Hungary, it was up to the first governments to establish an EU-compliant legal and institutional system especially due to the ever-growing importance of the PHARE programme and the accession negotiations. By the end of the century, the creation of an operative, euro-conform, however tradition-based structure was the main aim.

After a brief description of the background, the paper focuses on the rather widespread changes of the regional development policy of the country, with specific attention to the appearance of EU resources.

Our paper has a primarily jurisprudential approach – our analysis will focus on the legal regulation of the organisation of regional development in Hungary. Thus, it will examine the legal institutions in the organisational

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background (Rosanõ, 2021). Therefore, firstly, the acts and mainly the decrees of the Government of Hungary will be considered and the dogmatic issues reviewed in the paper. Secondly, the practice of the administrative bodies will be examined, including the judicial practice on these issues. The predominant aim is to highlight the economic and political considerations behind the institutional and legal decisions of the different governmental eras, and to present the current directions of Hungary's regional development policy. Therefore, our paper will partially apply the methods of administrative sciences and of political sciences as well (Coppola et al., 2020). This paper could be interpreted as a problem map, by which the challenges and answers of the Hungarian regional development administration could be identified. Because of the problem map approach of the paper, it mainly focuses on the steps that have led to the current situation. Our analysis has shown that the major factor defining the regulation on the administration has not been the jurisprudence and the legal dogmatics, but rather that it has been strongly influenced by the political changes and transformation and reflected in the actual political interest. It should be emphasised that EU funds play an important role in the Hungarian socio-economic environment, with the role of the European Structural and Investment Funds being significant in Hungarian national economy (Nyikos, 2023). Because of this significance, the role of the regional development tools has an important political role in the Hungarian socio-economic system (Pogátsa, 2013). This importance became even more significant during the accession procedure to the EU and has become eminent after the accession to the EU – because EU funds have an important role in the development of Hungarian public services, and even in several key Hungarian economic sectors (Medve-Bálint & Šćepanović, 2020). Therefore, it is one of our hypotheses that political power games and political questions could be an important factor in the development of regional development management and could even be interpreted as a crucial factor in the evolution of the Hungarian system.

We would like to emphasise that our analysis focuses on the institutional and organisational system, thus the legal regulation of the procedures and the transformation of the formal and informal decision-making of the Hungarian regional development is not analysed in our paper and could be the subject of another review. Within these frameworks, we would like to show the permanent transformation of the Hungarian system. Therefore, our paper will examine the transformation of the regulatory framework, the actual practice of the regulation, while the evolving informal, legally unregulated networks and solutions will be not analysed. Thus, we

would like to focus on the transformation of the regulation and the impact of the above-mentioned factors on the organisational legal framework of the Hungarian system.

1.2. Historical Overview – The Spatial Structure of Hungary and the Beginning of Modern Regional Development Administration (Before the Pre-Accession Reforms)

It should first be mentioned that the Hungarian regional development system has been strongly connected to the administrative spatial structure and reforms. The roots of modern regional development in Hungary could be traced back to the late 1960s, when the Socialist Economic Planning System was significantly transformed by the New Economic Mechanism of 1968. The centralised and hierarchical approach remained after these reforms, but a slight deconcentration could be observed after the publication of the National Urban Development Concept (*Országos Településhálózati-fejlesztési Konceptció, OTK*) in 1971 (Nagy, 2017). As a result of this reform, the role of the counties (*megye*) was strengthened, especially the role of the elite of the Communist Party in the counties (Zongor, 1999). Thus, the counties of the Socialist time seemed to be the last defender of the Communist *ancien régime*, and therefore the Socialist county-level administration was largely rejected by the Hungarian society (Hajdú & Rácz, 2020). During the regional development reforms of the democratic transition, the deconcentrated regional development based on the counties was transformed. However, the counties remained, and they have their own bodies, but the newly formed county self-government lost their regional development tasks (Pálné Kovács, 2016). The framework of the county system was not changed during the democratic transition: Hungary (with an area of 93,030 km² and a population of currently around 9.7 million inhabitants) has 19 counties and Budapest Capital City (which does not belong to the counties). There are now 25 (21 in 1990) towns with county rights which do not belong to the county local governments, but these towns fall under the jurisdiction of the county level agencies of the central government (Pálné Kovács, 2016). However, these counties were considered after 1990/91 as “floating counties” because their democratic legitimation was weakened (the members of the county assemblies were elected indirectly), and they have only a subsidiary service provision role (Pálné Kovács, 2016).

By the mid-nineties, it became evident for the Hungarian Government in office that a comprehensive model change and thorough restructuring were needed within its regional development policy. The political background of these reforms was the change of government after the parliamentary election in 1994: the conservative government was replaced by a social-liberal government which won 72% of the seats in the Parliament and had a two-thirds majority, which meant that even the Constitution could be amended as well as the most important acts. Therefore, there was an opportunity to reform the regulation of regional development and spatial structure. First, the democratic legitimization of the county local governments was strengthened: the members of the county assemblies were elected directly by a proportional party list system, which was based on two constituencies in a county. As a result of the new election rules, most of the counties were led by the governing coalitions, but several important and significant counties were led by the opposition parties (Zongor, 1999). In 1994, the tasks of the county governments were not transformed.

The former model of severe centralisation in the field of development policy and significant decentralisation in the municipal administration sector was heavily criticised on several bases (Faragó, 2004). The main concern raised was the unresolved position of the counties, which essentially had no powers due to the emergence of a number of deconcentrated administrative bodies and the complete centralisation of the regional development policy's resources (Pálné Kovács et al., 2023). The ruling government's aim was to adopt a national concept and enact a law on regional development. By that time, experience had shown that a successful spatial development policy requires a conscious effort to develop the competitiveness of all regions in addition to treating acute territorial crises. However, the real obstacle to development, the over-centralisation of powers, was not easy to overcome, particularly because of the significant conflict of interest between the groups in the Parliament. To end the disputes, a compromise solution was reached. With regards to the resources, the addressed and targeted aids remained centralised, however other additional development resources were widely decentralised (Pálné Kovács, 1999a). For this reason, an amendment to the Local Government Act (LGA) created the county spatial development councils, which were atypical public administration bodies. Although the chairmen of the councils were delegated by the county assemblies, the main aim of the introduction of the council system was to marginalise the county governments. Both the coalition agreement and the government programme declared that county

governments shall not receive a redistributive role. Even though the new LGA expanded the scope of the county's responsibilities – with functions in regional planning, environmental protection, tourism, and employment policy – spatial development, which provided a framework for the above-mentioned roles, was extracted from the unit. Altogether, the institution of the councils served more as a tool to assert the central state influence than as a coordination forum for equal parties interested in the regional development sector. This regulation has a political background: as we have mentioned earlier, the governing coalition lost the elections in several important counties, so they did not want to transfer further important development responsibilities to the opposition-led county assemblies, and thus a mixed, central-local solutions was developed (Pfeil, 1999).

The temporary modifications of the LGA were permanently included in Hungary's first Spatial Development and Spatial Planning Act in 1996. The legislation served as a framework act, which mainly established the fundamental standards of the institution system and the various subsidies. The detailed rules were laid down in government regulations and ministerial decrees. The Act followed the prevailing EU principles and institutionalised the previously missing integration and coordination between numerous levels and sectors. The overarching aim of spatial development became economic development, which opened a new dimension to the considerations of Hungarian spatial development. After 1996, the spatial planning powers and resources were coordinated by the Prime Minister's Office and the Government Office for Spatial Planning. This practically meant the centralisation of both tasks and resources, as prior to the act these powers rested within the respective sectoral ministries. The Spatial Development Act provided the opportunity for the county spatial development councils to cooperate with one another, creating regional development councils. It also encouraged local government associations of municipalities. The system of county spatial development councils was formed based on the principle of partnership. It channelled both the governmental, municipal and economic organisation's interest into the decision-making, thus creating a special, corporative model. Although there were many positive implications of the Act, there were some deficiencies as well. Due to the framework nature of the Act, the public law status of the new institutions remained undefined, which resulted in frequent confusion, especially in the early period. Moreover, the lack of a clear division of labour often resulted in overlapping, parallel institutional systems (Pálné Kovács, 1999a). These phenomena partly hindered the expansion of government effectiveness during the period.

It should be mentioned that Hungary applied for accession to the European Union in 1994, therefore these reforms were related to the accession procedure. Because the EU regional development policy was based on regional entities and the Hungarian counties have an average area of around 4,900 km² and an average population around 400,000 inhabitants, a debate was initiated about transforming the territorial (2nd) tier of the Hungarian system and introducing larger, regional units (Pálné Kovács, 1999b).

2. "Elective Affinities": Hungarian Regional Development Administration During the Pre-Accession Period (1998/1999–2004)

By 1998, when Hungary's accession negotiations with the EU began, the weight of spatial development policy increased significantly. The phenomenon was caused by two reasons, one internal and one external. The internal cause was the structural change affecting the Hungarian economy in the nineties. The transition to market economy, the emergence of foreign capital, the dismantlement of the former nationalised, sectoral management of the economy widened the spatial disparities. The external reason was the desire to join the European Union and its economic and legal regulations. Through its competition rules and subsidy policies, the European Economic Community had a significant impact on its Member States' regional policy (Illés, 2002).

This period, which may be referred to as adaptive Europeanisation, imposed greater responsibilities in preparing for accession to the EU. At this stage, Hungary had to transpose EU legislation in all areas in the process of legal harmonisation. Moreover, during this period, PHARE only supported projects which directly contributed to the development of the institutional system to an appropriate level and to the adoption of the *acquis communautaire* (Ágh, Rózsás & Zongor, 2004). The assistance received by Hungary from the pre-accession programme amounted to EUR 284 million between 1997 and 1999 and peaked between 2000 and 2003 with the amount of financial assistance of EUR 476 million, which was around 120 million annually (European Commission, 2015). These resources can be interpreted as significant, because in 2000 – based on the Act CXXV of 1999 on the Annual Budget of the Republic of Hungary – the annual regional development spending was around EUR 400 million. Thus, this

assistance represented more than one quarter of the Hungarian national development budget.

In 1997, the Union released a document, the European Spatial Development Perspective (ESDP), which paved the way for multisector, integrated political initiatives. The document declared the relevance of sustainable development while taking into consideration the specific regional requirements and difficulties. The two pillars of the subsidy policy were the Cohesion Fund and the Structural Funds, however they were only available for Member States. For acceding states, the EU created pre-accession instruments, which were intended to cover the same activities (Hagemann, 2019): ISPA for infrastructural and environmental investments, and SAPARD for agricultural and rural development (Bermann & Pistor, 2004). In the case of ISPA, the funding was assigned as allocation brackets to encourage beneficiaries to propose high-quality projects while ensuring flexible management of resources. In the year 2000, ISPA funds for Hungary amounted to between EUR 72.8 and 104 million, while SAPARD provided EUR 38 million of financial aid (Bilgin & Mercan, 2011).

The pre-accession programmes had a twofold aim. On the one hand, all programmes provided help to alleviate problems in a particular area. On the other hand, through them Hungary was able to establish the institutional system required to receive EU funding available in the future. As the spatial development funds were allocated to the NUTS2 and NUTS3 units, it became indispensable for the acceding countries to establish them alongside with a comprehensive national development strategy (Hajdú, Horeczki & Rácz, 2018). For this reason, in 1998, the Hungarian Parliament created the National Concept of Territorial Development, to fill up the previous framework act with content. The Concept defined the visions, aims, priorities, and requirements for Hungarian territorial development. It already specified the gravest problems, namely the large differences in the level of development between the capital and the rural areas, and between the western and eastern regions of Hungary. The Spatial Development Act was renewed in 1999, bringing about serious changes in the partnership system. Certain powers were transferred to the slowly emerging regional development councils, the membership of which was dominated by government representatives. These councils were established in the newly formed "development regions". Seven development regions were formed, the borders of the regions corresponding with the county borders: these regions covered mainly three counties (the only exception was the Central Hungary region, which covered Budapest Capital City and Pest County). However, this reform could fit into the tradi-

tional Hungarian spatial administration system, and it has been strongly criticised because adherence to the existing administrative boundaries has been an obstacle to organic development cooperation in some cases (Faragó, 2004). As part of this transformation, the formerly triparty model of the county spatial development councils included the insights of the government, municipalities, and economic chambers in the decision-making process (Molnár, 2006). Due to the amendment, the economic participants' role was reduced as they were only granted the right to deliberate, not vote. At the same time, the number of micro-region representatives, which was the lowest, but most active spatial development level, was reduced as well. By contrast, the number of governmental, ministerial and some deconcentrated administrative bodies' representatives increased significantly. Consequently, the amendment resulted in the strengthening of the central power (Rechnitzer, 2012).

The new millennium brought several changes to the Hungarian territorial development system. As the EU's Agenda 2000 programme started, the management of the sector was transferred to the Ministry of Agriculture and Rural Development. From 2000, the tasks became shared between the ministry and the new minister of PHARE affairs. The shared management was required due to the increase of EU resources, and from this period the internal resources were managed by the ministry, while the EU resources were managed by the PHARE minister. However, this reform was based on a rational administrative background – because they wanted to increase the efficiency of the administration by shared competences – it was similarly linked to the political changes in Hungary. There have been debates between the two largest coalition parties, the FIDESZ (the largest government party) and the FKgP (the second largest government party). Regional development – as part of the “rural development” portfolio – belonged to the competences of the Ministry for Agriculture and Rural Development, whose minister belonged to the FKgP. The minister responsible for PHARE issues was a technocrat who was closer to the FIDESZ. Thus, the increasing EU funding could be controlled by the larger government party (Izmindi, 2018). In 2001, a new amendment to the Spatial Development Act made the establishment of regional spatial development councils mandatory. However, the seemingly modern, euro-conform initiative resulted in the fragmentation of power and competences, creating an opaque system of parallel institutional structures. The different councils and sectoral authorities did not communicate or cooperate with each other, which resulted in management disturbances. The former legality control of the public administration bodies over the

councils was changed to legal supervision, which shows further signs of centralisation tendencies.

In 2002, the new government had as its aim to regionalise the complete public administration system (Lopižić & Barta, 2022). The coalition's objective was the dismantling of centralised power by another municipal reform. The government's programme set out a vision of reducing the number of deconcentrated bodies and envisioned the establishment of a system of elected regional self-governments (Oppe, 2016). Regions were named as the beneficiaries for most of the Union's funds, as they are closer to the citizens. The Ministry of Interior launched its IDEA programme, the initial plan of which was to regionalise municipalities, however as it would have required an amendment to the Constitution and a qualified majority and thus would have caused a thorough and complete restructuring, the government opted for the regionalisation of public administration (Hoffman, 2008). This was mainly because of Europeanisation, even though it was not compulsory for Member States to uniformise their administration system. As public administration is a national matter, accession to the EU does not necessarily come with a complex system change. The only relevant difference is that, after the accession, public administration does not serve solely as a national administration, but in organisational and functional terms, it becomes the EU's executive apparatus.

3. "Age of Innocence": The Honeymoon of EU and Hungary – The Post-Accession Period (2004–2010)

Becoming a Member State of the European Union has brought about cardinal changes for Hungary. On the one hand, access to Structural and Cohesion Funds became open for the country, which resulted in a heavy increase in the amount of resources. Throughout the programming period between 2004 and 2006, the EU allocated EUR 1.995 billion from the Structural Funds alongside with EUR 1.1 billion from the Cohesion Fund, aimed at co-financing infrastructure investments. On the other hand, these EU funds created barriers for the national spatial development, as the emerging funds came with a co-financing requirement, which diminished and almost completely replaced the national development funds. At the same time, the national scope of action reduced, as the basic conditions for the use of funds had to follow the logic of EU regulations (Đu-

labić & Škarica, 2012). After 2004, a decentralisation tendency began to unfold, as due to another amendment to the Spatial Development Act, the operational framework of the regions became more precise, and the focus of development started to shift. Within the roles of management, assessment, and allocation of resources, regions became the focal points of territorial development. This caused a gradual reduction of the county level development, and on the other hand, the strengthening of the micro-regional level (Hoffman, 2008). The Union agreed that for the truncated planning period of 2004–2006, it was sufficient for the acceding countries to develop and implement only a single regional operational programme. The reason behind it was that most acceding countries did not have experience in the use of Structural Funds, their institutional systems were underdeveloped, and the Commission would not have been able to coordinate the programmes of more than 50 new regions.

During this period, the Hungarian development policy was based on the concept of "Europe with regions" (Schakel, 2020). The only Hungarian Regional Operational Programme (ROP), known as the 1st National Development Plan in the 2004–2006 period, was built from the ground up, incorporating many development elements not included in other sectoral programmes. In this era, the dual management of spatial development reappeared, establishing once again the separation of EU-funded planning tasks and supervision and those of a national background. For those projects with an EU background, the Minister for European Integration was responsible alongside the National Development Agency under his supervision. The agency's role was to carry out long- and medium-term development and planning tasks, as well as operational programmes. For the operational management of the agency, they created the position of government commissioner of spatial development policies, which served as a political springboard for aspiring politicians close to the government (Izmindi, 2010). The nationally funded developments were managed by the Minister for Regional Development and Cohesion, and the national body under his supervision, the National Office for Regional Development (from 2005).

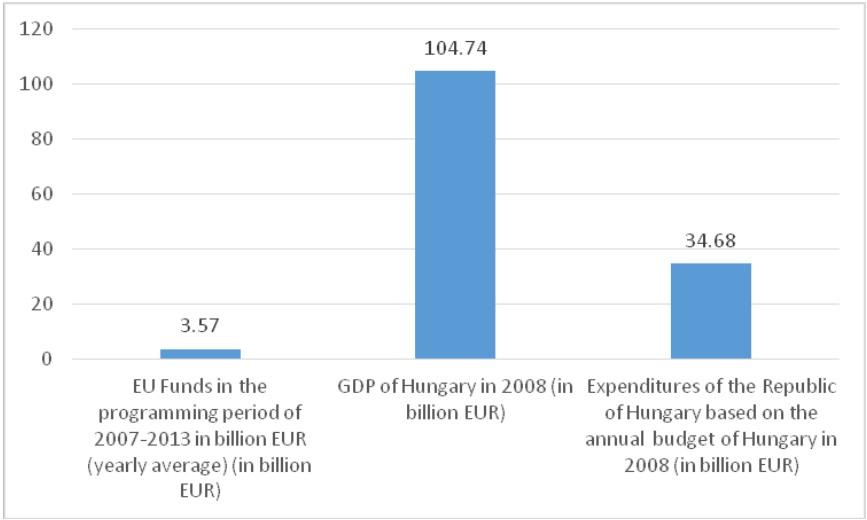
Another factor by which the evolution of the post-accession Hungarian regional development system was influenced was the impact of the approach of the New Public Management (NPM). The agencification – which was encouraged by the NPM paradigm – was widely applied by the Hungarian administration, and the major bodies responsible for the management of regional development funds were agencies, which were

formally private law-based legal entities (mainly so called non-profit limited liability companies (Hajnal, 2020)).

In 2006, the left-wing, liberal governing coalition's visions for the public administration were based on regionalisation and NPM trends, however turned out to be short-lived. Despite the government's attempt to amend the Spatial Development Act, the Parliament voted down the proposal, which required the amendment of the Constitution and the Act on Municipalities as well. As a result, only half-sided changes were made to regionalisation: the transfer of state functions at county and other regional levels to planning regions in accordance with the regional planning regions. The reinforcement of the *mezzo* level public administration would still have been justified, but as the two governing parties differed on the substance of decentralisation, they failed to implement the reforms (Fejes, 2017). By 2008, the coalition fell apart, and for the next government, the only task left was crisis management.

Between 2007 and 2010, a unifying tendency can be noted in the territorial development administration. Although the supervision of rural development aids remained the responsibility of the Ministry of Agriculture and Rural Development for the whole period, the spatial development and spatial planning powers pertained to the Ministry of Local Government and Regional Development until 2008, and to the Ministry of National Development and Economy thereafter. Hungary received many financial instruments from the Structural Funds from 2007 to 2013 under the Economic Development Operational Programme. Throughout the programming period, the funds amounted to EUR 25 billion (see Figure 1). Since 2009, all EU resources were managed at the central level, and as such there were technically no decentralised resources in the spatial development system. In the government's view, the requirement of governmental responsibility precludes decentralised solutions.

Figure 1: EU funds, Hungarian GDP and annual budget



Source: Authors, based on European Commission (2020) and Act CLXIX of 2007 on the Annual Budget of the Republic of Hungary

From 2007, the principles of EU regional development policy started to change as well. The initial purposes of reducing developmental disparities between regions and then decreasing other structural problems were relegated to the background, as strengthening the economic and social cohesion at the EU level, as well as increasing EU competitiveness became increasingly relevant (Committee of Regions, 2007). The thematic concentration and strict performance requirements reinforced “territorially blind” methods and a centralised implementation model (Perger, 2022). This continued to deepen the developmental difference between Hungary’s regions, counties or even towns, which causes grave economic and socio-political tension.

4. “Wuthering Heights” – Hungarian Regional Development Administration in the Age of Centralisation (2010–2024)

4.1. General Tendencies of the New Government Era

In Hungary, the coordination and management of regional development has been in a constant move within the government structure with chang-

ing focus. First, we must underline that in 2010 a general change happened compared to the earlier government periods. This is because the system of regional development management that was earlier centralised, became fragmented (Hoffman, 2023). This fragmentation is reflected in the fact that the responsibility for regional development was split between the minister of national economy, who was entrusted with the strategy planning for regional development issues, and the minister for regional development, who was in charge of regional development. This division of competences remained – with the entry of some new actors – unchanged until the overall integration of regional development tasks in 2022. If we look at the various governments since 2010 (all belonging to the same political party, FIDESZ-KDNP), we can also see that the term regional development is not always reflected in the name of the ministry in charge of regional development. For instance, between 2018 and 2022 there was no specific ministry with the phrase regional development in its name.

Between 2010 and 2014, and again under the next government in 2014–2018, there was a Ministry of Development which was in charge of regional development issues together with, among others, investment in state infrastructure, supervision of state property, energy, infocommunication, and climate change. However, as the planning of regional development strategy was moved to the minister of national economy, the latter had a duty to cooperate with the former in preparing laws on regional development issues or on the tasks of central administrative bodies linked to regional development. Defining the guidelines on regional development supports and decentralisation, the division of financial assets between central and regional level, and the modernisation of the institutional and information system of regional development still belonged to the Ministry of National Development. In 2018, the responsibility for regional development was moved to the Ministry of Innovation and Technology with all the competences that were earlier in the hands of the minister for national development, while the strategy planning remained with the successor of the Ministry of National Development, which was the Ministry of Finance. However, the minister himself (Mihály Varga) ensured continuity at the head of this ministry and as minister for national development in 2010–2018.

Finally, it was in 2022 that the two issues – strategy planning and regional development as such – were merged and all aspects linked to regional development were conferred upon a new ministry which was specifically established for regional development. This time the use of EU funds in general was also included in the minister's list of competences. It should be

underlined that the use of EU funds for regional development was within the competences of the Ministry of Regional Development between 2010 and 2014, but between 2014 and 2018 it could only decide on the use of non-EU funds as any use of EU funds was transferred to the minister in charge of leading the Prime Minister's Office. With the setting up of this new ministry, regional development tasks were completely moved from Mihály Varga to a new actor, Tibor Navracsics, who used to be the Hungarian Commissioner. The name of the new ministry was changed in 2023 to Ministry for Public Administration and Regional Development, and with this change the competences and tasks of the minister were considerably broadened, while regional development tasks remained unchanged.

By the very nature of EU regional programming, the programming periods and the government cycle did not overlap. Although it should be stressed that in the given period between 2010 and 2024 there was only one political change in the lead of government, the programming period 2007–2013 was in fact shared by the former socialist government until 2010, and the new government after that. Subsequent programming periods were not concerned with political, only with priority issues as it was every time the same party that could form a government.

At government level, there is an advisory and coordinating body, the National Development Board, chaired by the minister in charge of regional development, which is also a body representing interests. Among its members with voting rights, we can find the presidents of the county assemblies or presidents of professional chambers.

4.2. "The Three Musketeers": Divided Competences Based on the System of 2007–2010 (2010–2014)

From the periods under scrutiny, the 2010–2014 era is peculiar in many respects. First, it fell into the programming period 2007–2013, which was partly managed by the earlier government and second, it was still the early period of Hungary's participation in the EU funds where many shortcomings of the first programming period had to be remedied (Koprić & Klarić, 2015). These shortcomings were the slow distribution of resources, weak coverage of the country's entire territory, failure to strengthen regional cohesion, and incapacity to maintain the results achieved (Gyimesi et al., 2020). With this in mind but without turning upside down the structure and the main focus points of the operational programmes adopted in 2007, the 2010 government only renamed (*Új Széchenyi Terv* – ÚSZT) and reorganised the New

Hungary Development Plan of 2007 for the remaining programming period. In parallel to this, some national programmes with important regional development implications were launched, most of them named after a prominent personality of the Hungarian politics of the 19th and 20th century. Personalising sectoral or regional development projects was certainly a new phenomenon in the Hungarian regional development (Gyimesi et al., 2020).

In 2011, the amendment to the Regional Development and Regional Planning Act conferred regional development planning policy issues to the counties again instead of leaving them at the regional level (in line with EU requirements). On the other hand, the distribution of EU funds remained centralised with a single agency (National Development Agency) in charge but in cooperation with regional stakeholders. This agency was directed by the Ministry for National Development, thus the main outlines of the structure of the management of EU co-financed development policy remained similar to the system before 2010. It should be noted that regional development agencies remained, however, regional development councils were abolished, and a new inter-municipal forum, the regional development consultation forum was introduced (Tóth et al., 2020). The former competencies of these regional development councils were mainly transferred to the central government and to its agencies, and these new fora and county municipalities received just a limited number of tasks (Józsa, 2018).

As already mentioned above, in this period the management of regional development issues at government level became fragmented, strategy planning and traditional regional development issues were split between two ministers: the minister of national economy and the minister of national development. The former position was held until 2013 by György Matolcsy, later President of the National Bank, who was replaced by Mihály Varga, a key figure in FIDESZ, who had already held important positions in the former FIDESZ government between 1998 and 2002, being first secretary of state, then minister of finance. The ministers of national development Tamás Fellegi, followed by Mrs. Németh in 2013, all came from the professional arena and were not professional politicians.

4.3. "Brave New World": Administration of Regional Development During the Years of Significant EU Funds (2014–2020)

The 2014–2020 period was the first programming period that was fully planned and executed by the new FIDESZ-KDNP government. There-

fore, a chance was given to set new aims and goals for the next seven years, and to create those operational instruments and institutions which could be aligned with the political system and its direction. Beyond that, it was also important to enhance the efficiency of using the relevant funds and make the entire system faster and more productive (Gyimesi et al., 2020). The new programming period also provided an opportunity to the old-new government of 2014 to set its own development plan. Among the national strategic documents, one of the most important is the National Development and Territorial Development Concept (NDTC), which contains objectives until 2030. Therefore, it extends far beyond the programming period, and planning for 2021 also starts with this document.

The available amount of funds for this programming period was significantly higher compared to the previous one. Between 2014 and 2017, the resources coming from the EU Cohesion Funds exceeded the incoming foreign direct investments. Each year, the money used surpassed EUR 2 billion euros and reached 4 billion in 2014 and in 2018 (Medve-Bálint, Martin & Nagy). Since becoming a member of the EU, the EU funds used by Hungary approximately equalled 1.39% of the country's GDP. In this programming period, 60% of EU resources were used for direct economic development, while this number in the previous period was 24% (Medve-Bálint, Martin & Nagy, 2022). That means the allocation of 2.3 billion for job creation, enterprise support, etc. (Nyikos & Soós, 2020). Altogether, in the period of 2014–2020 Hungary was entitled to EUR 35.3 billion, which provided 35% of the annual GDP of the country. These sources came mostly from Cohesion Policy funds and the Structural Funds, providing approximately 24.9 billion (Nyikos & Soós, 2020). The NDTC was adopted by the Parliament in 2014. It unifies the goals of the previous period, but most importantly, sets out the regional and territorial development objectives of the country. A major achievement of the NDTC was that it replaced the earlier sector specific programmes already launched after the 2010 government change either by integrating them or by superseding them (Gyimesi et al., 2020). The newly created directives were based on the country's social, economic, sectoral, and territorial development needs, and also define a long-term vision, as well as the development policy goals and principles. The medium-term priorities of the NDTC have been integrated into the Partnership Agreement (PA) for the period 2014–2020 as national priorities of the domestic development policy, and thus into the operational programmes. The 2014–2020 objectives of the development policies were aligned with the principles of the European Union development strategy (cohesion, rural development

and fisheries policy). This NDTC target system was transferred to the content of the Partnership Agreement between Hungary and the EU for the 2014–2020 period. The national development priorities support the Europe 2020 strategy and together encompass 11 thematic objectives of the EU development policy for 2014–2020. Although all 11 objectives could be supported in the given period, mostly research, technological development and innovation and SME development, and the transition to a low-carbon economy were preferred, at least by up to 60% in less developed regions and 80% in more developed regions (Nyikos et al., 2020). At the territorial level, the decentralisation of development could take place on the basis of the county's resources but with regional and local developments in focus and in a coordinated manner. Some counties could show a considerable improvement in using EU funds compared to the earlier programming period. For instance, the county Bács-Kiskun could fully profit from the funds up to the lower level of its villages, while during the earlier programming period some 70% of its towns were left out of the programmes.

In this programming period, development of towns and villages became crucial. Two programmes are worth mentioning, the National City Programme and the National Villages Programme. Although they were mostly successful and could fit in the European perspectives, they were also criticised for certain shortcomings. For instance, that cities were not urged to convert into regional centres taking up administrative functions and having an indirect impact on the structural problems of the surrounding villages (Farágó, 2019). Within the framework of the 1st National Development Plan (NDP 2004–2006), Hungary did not even plan for the usage of financial instruments (meaning exclusively reimbursable subsidies). The introduction of financial instruments from the resources of Structural Funds took place for the first time in the 2007–2013 period within the framework of the Economic Development Operational Programme (EDOP). At that time, loan, guarantee and venture capital products, as well as combined products provided with non-refundable subsidies, were available to small and medium-sized enterprises (Perger, 2022). In the 2014–2020 programming period, the scope of these products was expanded within the framework of the Economic Development and Innovation Operational Programme (EDIOP), and in parallel with it, the Competitive Central Hungary Operational Programme and, to a lesser extent, the Human Resources Development Operational Programme. The field of possible usage also grew. IT and communication technology, research-development-innovation, energy and social areas were

newly added to the list of areas that can be supported by the funds. Between 2014 and 2020, a total of HUF 800 billion was available within the framework of 29 financial instruments. Later, in the 2021–2027 programming period, financial structures will be used again primarily within the framework of EDIOP Plusz. Besides the financial instruments used in EU programmes, the area of the state-supported structures has grown, with the application of low-interest credits (Perger, 2022).

In view of the fact that there was an increased availability of financial instruments, and the political environment was stable enough, the new government and administration structure had to be able to cope with the given situation. In the new system, regional development and regional planning became separated, while regional development tasks remained divided between the ministry responsible for strategic planning and the ministry responsible for (other) territorial development issues (Barta, 2020). The Prime Minister's Office – in charge of regional planning – became a central actor in the system, showing that with the increase in the available funds, it becomes more and more centralised. This ministry was responsible for the central coordination of EU co-financed territorial development tools and resources. Rural development subsidies previously in the hands of the minister of agriculture were also moved to the Prime Minister's Office. With the strengthening of the role of the Prime Minister's Office, the NDA, in charge of executing the EU programmes and managing EU funds was abolished and its tasks were moved partly to the line ministries, partly to the Prime Minister's Office. A non-independent public administrative body was created within the Prime Minister's Office. The new administrative entity was necessary, because the managers who performed the tasks of the managing authority have tasks and powers defined in EU and domestic legislation, in respect of which they cannot be instructed (Hoffman, 2023). De-agencification was a general trend during this period: the territorial agencies, regional development agencies, which were formerly organised as non-profit limited companies were first transformed, and their ownership was transferred to the county municipalities, however, they were professionally directed by the ministry responsible for regional development. As a second step, these agencies were abolished, and their competencies were transferred to an authority, namely to the county directorates of the Hungarian State Treasury (Simó, 2019).

The 2018 government left the division of regional strategy planning and regional development untouched but entrusted them to new ministries, the former to the minister of finance, the latter to the minister of innovation and technology.

As to the actors in the two successive governments, between 2014 and 2018 the Prime Minister's Office was led during the entire government cycle by János Lázár, a professional politician, former mayor of a mid-sized Hungarian city, while the Ministry of National Economy was kept by Mihály Varga, and the Ministry of National Development was given to a new actor, Miklós Seszták, MEP since 2010. In the period between 2018 and 2022, Mihály Varga became minister of finance, as the Ministry of National Economy was merged into this traditional entity, while the position of the minister of innovation and technology was given to László Palkovics, a professional from the academia. It was not only the system that became more centralised during this period: the new, standardised, and concentrated management became part of the activities and responsibilities of the "centre of government": from 2014 to 2018 it was directed by the Prime Minister's Office. As we have mentioned, the resources provided by the EU were important factors of the Hungarian economic growth, therefore, the major decisions on the allocation of these development policies were close to the political centre of Hungary. This strong and centralised system changed in 2018/2019, when apparently the previous (2011–2014) model was restored, and the minister responsible for economic development was the major actor of the management. It should be emphasised that – as we have mentioned above – this minister could be interpreted as a technocrat and thus he was politically strongly dependent on the centre of government (Boda, 2024).

4.4. "Love in the Time of Cholera" – Hungarian Regional Development Administration During the Current Programming Period (2021–2027)

To understand the background of the administration reforms after 2021, it should be mentioned that after 2020 the EU has developed a cohesion policy which has covered more than just the traditional EU competences. The abstract rule of TFEU Art. 174 fits into the transformation of the EU, which is not only an economic integration, but an area of common political and social values (Weatherill, 2016). Because of these common values, it is not only the financial type of conditionality that can be applied by the EU. Based on this approach, the rules on cohesion policy have been transformed in the recent years (Pech & Scheppele, 2017). The conditionality mechanism has been introduced by the current regulations on cohesion policy – especially Regulation (EU) 2021/1060. The background

regulation of Art. 15 is Regulation (EU, EURATOM) 2020/2092 on a general regime of conditionality for the protection of the Union budget. These regulations offer the possibility to suspend EU funding based on the protection of the basic values of the EU. These rules were contested by Hungary, but the action was dismissed by the European Court of Justice (ECJ) in the case C-156/21. Pursuant to the regulation, the Council adopted the Council Implementing Decision (EU) 2022/2506 on measures for the protection of the Union budget against breaches of the principles of the rule of law in Hungary, and a significant amount of EU funds was suspended.

Planning for the programming period 2021–2027 started for EU Member States with the difficulties in coping with the COVID-19 pandemic. These two factors resulted in the slowing down of programme preparation, and in the reset and redefinition of priorities in terms of prevention and resilience. These factors influenced the reforms of regional development administration in Hungary. According to the Partnership Agreement between the Commission and Hungary (2021–2027), the available funds for this period amounted to 26 billion euros, however it must be borne in mind that in this period, an ongoing political conflict set back the relationship between the parties. At the same time, Hungarian regional development went through two major changes at the beginning of this programming period, which might be considered from the structural point of view as the most decisive changes since 2010. First, regional development was merged into a single ministry with a single minister in charge of all aspects of regional development, this time including the management of EU funds. This could be explained by the fact that the new minister, Tibor Navracsics, had close and living links with the EU institutions as former Commissioner and based on these links, the government hoped to have a better negotiating position with regard to the suspended funds (Kubas, 2023). Second, in 2023 a new Regional Development Act was adopted by the Parliament, with new focus points. One of the most important aims of the new law was to go beyond administrative borders given the fact that – as the rationale of the Act puts it – territorial policies focusing only on growth poles and underdeveloped areas have not achieved a breakthrough in reducing development disparities, large growth poles have not been able to pull backward regions along with them, and spatial development along administrative borders has often been hampered by the need to address issues that cross municipal or county boundaries. Under the new policy, the government's plans to devote more and better attention to the development of areas without an urban core. While retaining the

socio-economic centre of gravity of larger cities, the new approach would increasingly focus on targeting and ensuring the development of small and medium-sized cities. At the same time, in line with the EU's macro-regional initiatives, cross-border macro-regional cooperation is also supported, for instance to make public services available in these regions in a cross-border manner. An example is the Danube Region Strategy.

In parallel to the legal and structural changes, a revision of the NDTC started with the aim of concluding it until 2025. The revision was not only necessary because of the various crises that occurred at the beginning of this period, but also because rationalisation and modernisation (especially digitalisation) were unavoidable anyway. The new purpose was focusing on the better coordination of sectoral and territorial programming and the integration of their objectives, and on better assessment of regional problems (Czene, 2023).

5. Discussion and Conclusions

First of all, it should be emphasised that the Hungarian regional development administration has been strongly volatile during the last 35 years. However, the spatial system of Hungary has not been transformed radically, although there was a strong initiative during the first decade of the 2000s to introduce a regionalised system, but the regional development management was a permanent element of the reforms of the central government, and even of the amendments to the territorial agencies of the central government.

If we were to describe the transformation of the system, it could be shortly summarised as a path "from centralisation to centralisation". During the democratic transition, a strongly centralised regional development model evolved based on the criticism and distrust of the former state socialist model. However, although there was a deconcentration reform during the 1990s and a slight decentralisation, the centralised nature of the system remained, and has been strengthened after the accession. This pattern was like that of other European countries, which received significant financial support from the EU cohesion policy tools (Hoffman, 2018). It could be observed that, however, there were several factors that influenced this transformation – as we have mentioned above, the regionalisation of the Hungarian public administration, the NPM approach, and the agencification of the management of development policies – the permanent reforms

have been strongly linked to political changes. Because of the political, social, and economic significance of regional development, the legal framework of the administration was torn by the political debates, changes, and compromises. It was a common tendency that the centre of government wanted to enhance its influence on the system, thus since the introduction of the pre-accession funds, the role of the centre of government in this system could be interpreted as a determining one. Even the analysis of this regulatory framework shows that the Hungarian system is a strongly centralised one and is part of the "political governance" in Hungary.

The period of 2010–2024 was characterised by the fact that one and the same political party (parties) could form governments four times with a two-thirds parliamentary majority, which transformed the administration of the regional development issues of Hungary. This majority within the Parliament made it possible in every cycle to form the government policy in any area according to its own ideas. In the field of regional development, we can first see a kind of fragmentation at government level, where under certain governments different aspects of regional development were shared sometimes by three-four major actors. This fragmentation continued until 2022, when a comprehensive integration was undertaken by merging all issues linked to regional development into one ministry. In this system, territorial aspects were first shifted from regional to county level, but later regional and territorial cohesion and cooperation were preferred both at the level of cities and villages and in the case of cross-regional cooperation.

It could be observed that the transformation of the administration has a direct impact on sensitive political issues, and this structure was even an object of power games in the Hungarian politics. Therefore, the main factors of the Hungarian administration have been, first of all, the European environment, and especially the regulations related to the EU budgetary cycles. Secondly, as it could be seen, even the power struggles within the governments have been a significant factor of the changes of administrative organisation of the Hungarian regional development system.

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“UNDER PRESSURE”: PERMANENT TRANSFORMATION OF THE ADMINISTRATION OF REGIONAL DEVELOPMENT IN HUNGARY

Summary

This paper could be interpreted as a problem map, by which the challenges and solutions of the Hungarian regional development administration could be identified. The paper focuses on the institutional, organisational system, and the changes of the regulatory environment of these bodies from the time of the pre-accession until 2024 are analysed. This transformation of the administration has a direct impact on sensitive political issues, and this structure was even an object of power games in the Hungarian politics. Therefore, the main factors of the Hungarian administration have been, first of all, the European environment, especially the regulations related to the EU budgetary cycles. Secondly, as it could be seen, the changes of the government and even the power struggles within the governments have been a significant factor of the changes of the administrative organisation of the Hungarian regional development system. In the Hungarian regional development administration, a fragmentation at the government level can be seen, where under certain governments different aspects of the regional development were shared sometimes by three-four major actors. This fragmentation continued until 2022, when a comprehensive integration was undertaken by merging all issues linked to regional development into one ministry.

Keywords: regional development, regional administration, governance, Hungary

„POD PRITISKOM“: STALNA TRANSFORMACIJA UPRAVLJANJA REGIONALNIM RAZVOJEM U MAĐARSKOJ

Sažetak

Ovaj rad mogao bi se protumačiti kao problemska mapa s pomoću koje se mogu identificirati izazovi i rješenja upravljanja regionalnim razvojem u Mađarskoj. Rad se fokusira na institucijski, organizacijski sustav te analizira promjene u regulacijskom okružju tih tijela od razdoblja koje je prethodilo pristupanju Mađarske u Europsku uniju do 2024. godine. Transformacija upravnih struktura ima izravan utjecaj na osjetljiva politička pitanja, a bila je čak i predmetom igara moći u mađarskoj politici. Stoga je glavni čimbenik oblikovanja upravnih struktura u Mađarskoj bilo, prije svega, europsko okružje, posebno propisi povezani s proračunskim ciklusima EU-a. Drugo, kao što se moglo vidjeti, promjene vlada, pa čak i borbe za moć unutar vlada, bili su bitan čimbenik promjena upravne organizacije mađarskog sustava regionalnog razvoja. U upravljanju regionalnim razvojem u Mađarskoj može se vidjeti fragmentacija na razini vlade, gdje su pod određenim vladama različite aspekte regionalnog razvoja dijelela katkad tri-četiri glavna aktera. Takva fragmentacija nastavila se do 2022. godine, kada je provedena sveobuhvatna integracija spajanjem svih pitanja povezanih s regionalnim razvojem u jedno ministarstvo.

Ključne riječi: regionalni razvoj, regionalna uprava, upravljanje, Mađarska