
Territorial Governance and the Role of Institutions in Development Policy – About Conditions of Functional Space Construction from Unitary State Perspective



Abstract

During the past twenty years the proliferation of networked governance forms can be experienced all over Europe, which do not harmonise with statutory state spaces. Parallel to this, in planning theory there is discussion about the modernisation of planning and the birth of new spatial categories, about “soft spaces”, which render state boundaries fuzzy and allow the space construction for public-private networks. The precondition of this process has been the rescaling of state territories and the decentralisation or devolution of state power to multi-scalar new spatial entities. This also means that sub-national governments, city-regions have been mobilised and have been given new fields of action for the assertion of their interests, while national governments have kept their control over them. Networked governance, formulated in functional spaces, ought to place into multi-level governance structure gain its legitimacy, and multi-level governance is the analytical framework of the investigation of spatial space construction in the article. The new paradigm of the cohesion policy of the EU, which puts emphasis on integrated development approach provides for the broader framework of the topic.

The article reveals the different characteristics of territorial governance efforts in Central Eastern Europe, especially in Hungary, compared to highly developed countries. In this latter country significant hindrances in the adaptation of governance structures can be recognised horizontally on the one hand, and on the other the very weak vertical connections between the different political levels, owing to the rejection of decentralisation by the state. The analysis based on the institutional and regulatory environment points out the lack of decent authorisation of the local and subnational levels for network-building and taking part in the national planning scheme. The new conservative state philosophy stresses the statutory state spaces and favours standardisation unlike the mainstream of the European perception on territorial governance.

Keywords: state rescaling, regional development, statutory state spaces, functional spaces, territorial governance, spatial planning

INTRODUCTION

In the last quarter of a century, new forms of governance have been rapidly spreading, which is a process typical of the old member states in the first place. Territorial communities – involving non-governmental and business organisations – create new functional spatial units at different territorial levels, in fact, even at so-called intermediate levels, which differ from the administrative territorial divisions of the respective states. Representatives of the three sectors, in some cases together with the higher education and academic sector, aim at the socio-economic development of the local area. Increasingly more people believe that in certain public policy areas it has become necessary for the nation states to give up their decision-making monopolies and give space to the operation of different networks, because in the frameworks of the globalised world their assets are insufficient for the effective and successful implementation of state functions.

The process is inseparable from economic development as capital, labour, money and goods move in space, and become imbedded and externalised from a territorial aspect. In this respect, state institutions and their territoriality served as an important infrastructure and as the geographical frameworks of territorial scales until the late 1970s, but a re-scaling has taken place since then. The institutional scenes of the capitalist economy are now dominantly supra- and sub-national organisations – think of the new sub-national spatial units like city regions, institutions formalising cross-border cooperation etc. that appeared in the European countries as an effect of decentralisation and regionalisation. This process does not change, however, the fact that “Only the state can take on the task of managing space on a grand scale” – as emphasised by Lefebvre (1978, 298 in Brenner, 1999).

Already in the 1990s academics argued that market-oriented economic policy must be based on functional subsidiarity and the cooperation of the public and private sector. The decentralisation of decision-making and the principle of subsidiarity must be implemented not only in the relationship between the state and the territorial units but also horizontally, among the sectors and among the actors of the public and private sector. In the focus of cooperation are the relationship between the state and the economy and between the state and its citizens, while the state is that activates non-governmental organisations and economic actors to involve in a dialogue-oriented bottom-up approach in the public policy procedure to participate.

This is evidently interrelated with the recognition by the nation states: there is a correlation between their competitiveness and the governance capacity of the state, and bad governance jeopardises the operation of the economy. In fact, in the new economics of competitiveness, the competitiveness of states themselves is a comprehensive notion.

The territorial decentralisation of the state was compared by Capellin (1997) to the act of a company that externalises some of its activities, knowing that they produce

loss along the value chain. In other words, it flattens its value chain and purchases the respective functions, products and services from the market. The point of this is to get cost advantages and become more competitive. In order to achieve the latter, it becomes a member in vertical and horizontal networks, and cooperates.

The task of the institutions of the public sector is to integrate the policies of the participants of the networks and stimulate the birth of common scenarios, goals and development capacities, and also to technically assist their implementation. Governments must take on a catalyst role in the creation of new societal solutions, for which they must assist the integration of the supplementary resources of different actors. In fact, governmental levels must even stimulate network type cooperation with financial supports (Capellin, 1997).

The goal of the paper, in the light of the above, is to demonstrate a novel form of networked governance which leads to the birth of so-called functional or “soft” spaces from the aspects of the space creation by the state, and territorial division. The object of the analysis is the intentional and controlled rearrangement of power and territory, manifested in states providing space for the development and implementation of public policies in the framework of functional territorial units better satisfying the needs of the economy. This means to some extent the abandonment of the characteristics of hierarchical states and the acceptance of the new governance structures that relativize administrative territorial division. The structure of the paper is as follows: chapter one is a summary of the *raison d’être* of the category called functional or “soft spaces”, of their main features; chapter two is about the major conceptual features of territorial governance and connected that to multi-level governance as the analytical framework in the management of spatial spaces; while chapter three is an analysis of the public administration system and the system of spatial development units in effect in Hungary, enumerating from institutional and regulatory aspects the conditions for the application of the concept of territorial governance and functional spaces. During the processing of this issue the paper is mostly built on literature references and secondary data.

1. EXPRESSION OF NON-STATE CENTRED SPATIAL VIEW IN THE MODERNISATION OF SPATIAL PLANNING

Traditionally states shape their territories in normative ways with territorial structures fitting into the administrative boundaries of elected representative organs. It has been a problem for a long time, however, that these boundaries seem increasingly too rigid and inflexible for the solution of socio-economic problems, and so since the 1990s statutory space construction has been supplemented in several countries of the Union by functional spatial units established by the governing networks, whose boundaries are designated by the participating stakeholders themselves. The selection of intermediary levels from the aspects of the spatial division of the state,

and their authorisation with planning competencies (city regions, sub-national and supra-local levels) are manifestations of a non-state centred spatial view. Besides the planning of space use within the administrative boundaries, spatial planning with its fuzzy boundaries is now also accepted, manifested in development strategies without direct legal effect (Allmendinger et al., 2015).

The penetration of spatial planning is also the expression of a modernisation attempt, an indispensable precondition of what was the devolution or decentralisation of the power of the state, for the benefit of sub-national territorial units. Since the 1990s a political and institutional reform has taken place in the member states of the EU during which the states have rescaled their territorial structures (Herschel-Newman, 2003) both functionally and in the geographical sense. This is called the first step; the second one was the networked governance reform as a political strategy. The appearance of spatial planning was embedded into the restructuring process of the local and sub-national levels (Brenner, 2003).

Recovering from the world economic crisis that started in 2008, the state found its role, as opposed to the former welfare functions and its efforts to harness the market, in the promotion of the operation of the market (competitive localism). Related to this, the market support attitude of the planning of space use has been replaced by a growth oriented planning view, the interpretation of spatial planning, and thereby strategic planning, as governance emerged (Allmendinger et al., 2015). Also, planning was forced to become more transparent, accountable and sensitive towards the diverse expectations of the public. This meant that states somewhat seceded from planning. A condition for this was that public policy networks, in possession of adequate central state authorisation, should create their development strategies for spatial units of optimum size, with a primary focus on economic development.

Spatial planning strategies can give quick answers to challenges, as opposed to the plans made in a painstaking, long planning procedure regulated within the frameworks of the hierarchical state. This planning methodology is called soft spatial planning by Faludi (2010). The governance networks affect the operation of the state, the use of integrated attitude, and make the state do more active planning, as their members are interested in the decrease of the transaction costs. These networked groups can also be considered as driving forces of integrated and joint sectoral policy making, as they are suitable for overcoming bureaucratic slowness during the implementation of policies (Faludi, 2010).

As regards the origin of spatial planning, it is believed to be a continental European concept that has different theoretical foundations, as it is related to regional geography, organisational sociology, institutional system capacity building and discourse analysis. Spatial planning has several features that distinguish it from its predecessor, the land-use planning (Allmendinger-Haughton, 2010):

- it promotes the elaboration of longer term strategic future visions,
- creates integration among the plans and activities of sectors,
- follows the view of sustainable development,

- generates the link between business, the non-governmental and the public sector, promoting their dedication to joint developments.

Spatial planning parallel to the legally binding state planning procedure provides a communication space in which interests pro and contra development are articulated; also, due to its capacity of conflict management it leads to decision-making on the basis of consensus.

It is obvious that planning activity is not the only way for the creation of functional spaces; they can just as well be generated by environmental issues or the solutions of problems of cross-border regions. Already the Territorial Agenda (2007) made it clear that territorial governance and public policy networks have an outstanding significance from cohesion aspect in the EU, as governance can relate to any procedure that influences societal decision-making, encompassing as it does all those forms of collective actions that focus on public issues.

Faludi warned us that usually neglected in the discourse on territorial cohesion is whether the related spatial unit is part of the administrative territorial division of the state or a functional space created by the participants in governance (Faludi, 2012); then since 2010 there has occurred a shift in European Cohesion Policy to a new paradigm. The new paradigm emphasises the encouraging of underutilised potential enhancing regional competitiveness in functional economic areas (Barca, 2009). It is said that the new functional approach, promoted by the EU supports interventions at the right scale, i.e. actions that may penetrate from neighbourhood areas through regions right to functional areas, depending on the decision of the respective member state (Böhme et al., 2011). Likewise, Scott pointed out, that the new territorial solutions suggested by the EU targets spatial flexible and multi-level institution-building and highlights the integrated development approach (Scott, 2013). In this respect for the current European planning period introduced new tools can be mentioned, the Integrated Territorial Investment (ITI) and the Community-led Local Development (CLLD) which promote strategic and integrated interventions into functional spaces designed by the cooperating actors. The implementation of the integrated development initiative shows a narrow connection to territorial and urban governance for serving better territorial and economic cohesion throughout the EU member states. The explanation of integrated development in the Urban Agenda for the EU (2016) makes it clear that vertical and horizontal (multi-level and cross-sectoral) cooperation can contribute to effective solutions of main social and economic problems of urban areas and the territorial cohesion. Integrated territorial governance interlinked with territorial cooperation became undoubtedly one of the main components of the concept of European Territorial Cohesion presented by Madeiros (2016).

These are the reasons for the application of network governance so that public administrative borders can be crossed and spaces can be re-shaped in certain cases, as required by the geographical, economic and social conditions. The Urban Agenda can also be quoted (2016) in which the European Commission stresses

the strengthening of the governance across administrative borders; the implementation of strategic urban planning with a place-based and human-centred attitude. It furthermore promotes the creation of networks and the exchange of knowledge among cities of different sizes and different levels of governance.

In summary we can say that the application of the modern tools of networked governance can improve the quality of the decision-making process itself, just like the quality of its outcome. The essence of network model is mediation, communication and the creation of possibilities, i.e. the creation of innovation, using the contemporary language (Brenner, 1999). This means a temporary summary of resources and competencies, subordinate to certain public policy goals, moving away from the territorial division of the state and the spatial structure of public administration, crossing the borders thereof. And for this purpose the birth of supra-national and sub-national level cooperation should be promoted.

2. THE RELATIONSHIP OF TERRITORIAL GOVERNANCE AND MULTI-LEVEL GOVERNANCE (MLG) IN THE MANAGEMENT OF FUNCTIONAL (SOFT) SPACES

The specification of the concept for the management of functional spatial units other than the state administrative territories led to the definition “soft spaces” (Benz, 1994; Allmendinger–Haughton, 2009; Faludi, 2010). The preliminaries of the crystallisation of this concept can be found in German language literature (Benz, 1994; Knieling et al., 2003), but “the specification comes from those English authors who examined the effect of devolution during the English and Irish practice of planning” (Haughton–Allmendinger, 2007). The majority of researchers are of the opinion that the concept “soft spaces” expresses the strategic view typical of networked governance, i.e. can be interpreted as a break from the formalised scale and legally binding rules of state planning.

In addition, in the concept of those who believe in constructivist spatial theory, space is a relational dimension, not an absolute pre-existing one, it is made up from relationships among societal phenomena, i.e. it is a societal product (Farágó, 2013). Thus, governance implemented with the participation of different actors conceptualises functional spaces outside political-administrative borders and the internal territorial division of nation states (Walsh et al., 2012, 5): for the state government the adequate division of space is statutory state spaces with permanent borders and covering space without overlaps. The state, however, is motivated in a rapidly changing environment to reconsider its spatial structure and the division of decision-making centres. A suitable tool for this is the application of soft spaces that are usually born out of the cooperation of territorial actors. However, even in this relationship – as generally – the normative state and law are the static elements, and economic flows are the dynamic one. In order to integrate

the two (top-down and bottom-up initiatives and structures), it is typical to create new functional spaces; these, however, are made up by the basic spatial units of public law, following a different logic. The explanation for this is the fact that public stakeholders are necessary participants in networks, while the state must be the regulator of the rules.

The spatial units of governance were multiplied, as there is nothing in the way of overlaps by the soft spaces. Consequently, the scale of the appearance, of non-statutory (functional) spaces may be (Allmendiger et al., 2015, 4-5) at European, macro-regional, sub-national or regional city-regional, and also local and supra-local levels. This correlates with the fact that while in the 1990s a development model based on regions appeared first, a decade later another spatial formation, city region was in the focus, as a basic engine of the global economy (Scott, 2001).

Around the new millennium, in the discourse on cohesion policy and spatial planning the concept of multi-level territorial governance (hereinafter MLG) appeared, focusing on the territorially flexible decision-making mechanism. As territorial governance leads to the division of responsibility among the different tiers of government, and is a concept more comprehensive than government, MLG is necessary for the state to keep its influence over its territorial units, parallel to allowing the stakeholders in networked governance to contribute to balanced and coordinated development. The latter are social formations that require legitimacy, in which actors of the public, non-governmental and business sector cooperate with some planning, development or thematic objective. Their existence also bears a danger, as they are suitable for the destabilisation of existing structures; so the connection of the formal and informal spaces in the practice of power necessarily requires multi-level governance.

In Jessop's opinion "the capacity of governance is a function of the effective cooperation of powers mutually dependant, within and beyond the state". In this sense governance is a procedure implementing horizontal coordination among sectoral policies, territorial levels and public and non-public actors, built on flexible partnership and voluntary participation (Jessop, 2003; in Kaiser, 2014, 85). This is the starting point of multi-level governance that is an analytical framework for the understanding of European integration, and can be interpreted in the context of European public policy making, emphasising coordination and partnership both horizontally and vertically. The EU operates as a multi-level system, in which competencies are located to different levels, but the different levels must join a common will formulating procedure whose method is determined by the supra-national and the national level (Jachtenfuchs-Kohler-Koch, 2004).

The model of multi-level governance was recommended earlier for the European Community by Marks, who also later participated in its elaboration (Marks, 1993; Marks-Hooghe, 2004). The widely used typology by Marks and Hooghe (2004) differentiates between two types of multi-level governance. The first type is actually the system of the federal or classis distribution of power when competencies are divided among a finite number of governments with no overlaps, each of

which has a general and exclusive authority over the respective area, and governance is the interactions among them. This is typical for the operational principle of decentralised states in which formal power is scattered among supra-national and sub-national, and also local levels. At the same time this is where the vertical branch of MLG is expressed. The second type of MLG concept is different from the first approach. Contrary to the former in networked governance there may be governing networks with territorially overlapping competencies, designed for the solution of different social, economic or environmental problems. This latter form of governance satisfies the demands of cooperation horizontally among diverse sectors (Marks-Hooghe, 2004).

In addition, it is part of the MLG approach that the member states should not monopolise public policy making; decision-making competencies should be divided among the actors of the different territorial levels and the chance for collective decision-making should be general. From this time on the central level of the member state is not the exclusive factor in decision-making procedures. In the case of decentralised state administration, besides the national governments the sub-national authorities are also able to work out their own sectoral policies in accordance with their territorial endowments, and the dynamic approach of MLG allows the maximum utilisation of their territorial capital for a balanced development (Davoudi et al., 2008). This also means that sub-national governments have mobilised and were given new fields of action for the assertion of their interests, while national governments have kept their control over them.

3. ADAPTATION OF TERRITORIAL GOVERNANCE IN WESTERN AND CENTRAL EASTERN EUROPE

We can observe the widespread use of the governance structures of sub-national levels in highly developed member states of the EU. The primary objective of this is economic development, with the assistance of cooperation across administrative borders. This resulted first in the creation of regions as competitive sub-national territorial units, followed by decentralisation favouring city regions (city-regionalism), which is a still ongoing process.

The positive side of decentralisation and devolution concomitant with this is the birth of coordination in the targeted territorial units among public policy sectors formerly disintegrated, like e.g. planning, housing, employment, business development, transportation etc. This is well illustrated by a process in England, which gave more autonomy to cities and the municipalities cooperating with them in their hinterland, also to counties, as it is a state intention to broaden their functions and the policy fields in their competencies. In England the state made so-called multi-area agreements with the city regions, by which it authorised them to operate in a cross-administrative boundary way in the areas that can be taken as the economic footprint of the cities. The “redistribution” (rescaling)

of state power shows towards devolution, which can be interpreted as a complex organic development involving several tiers. By this, a new scale of government (state governance) was born in England (Harrison, 2012).

As regards the institutionalisation of urban spaces, there is a rather wide gap between Western Europe and Central Eastern Europe. Most of the post-socialist states are still suffering large-scale territorial inequalities within their countries and the problems of economic competitiveness. In the last decade and a half, it has been rare to position their big cities in the sense that their fragmentation was eliminated. The explanation for this is complex. There are no traditions of horizontal cooperation among municipalities, on the one hand, and their relations to the other sectors are even weaker. On the other hand, there is no top-down state policy that assists the birth of cooperation and functional areas by decentralisation and financial means.

It is especially in the V4 (Visegrád 4) member countries where an adaptation constraint and catch-up effect towards the Western big city governance methods has existed for a long time. Breakthrough, however, is blocked by several factors, the most important being the rigid municipal and administrative boundaries in the Eastern European area. In contrast, in Poland it is a positive phenomenon that the foundation of metropolitan associations, led by agglomeration councils, is now possible; the central government is still reluctant to carry out a real decentralisation in favour of big city regions, to authorise them for sovereign actions. Consequently, these councils as delegated organs cannot be empowered with spatial planning competencies yet (Mikula-Kaczmarek, 2016, 41-42), i.e. they are not able to carry out strong governance.

The aim of the next chapter is to outline the environmental conditions for the institutional adaptation of governance in Hungary. It is a unitary country, so the issue should be examined within the context of the decentralisation and centralisation of public administration. Public governance, and also governance theory itself are based on plural and pluralist states and offer alternative discourse. Consequently, it makes a regime other than Public Administration and NPM, in its own right. When we choose unitary states as a framework for our analysis, however, it is clear that Public Administration (PA) is in its centre, as, regarding its core, it refers to government where policy making and implementation take place within the government, in a vertically integrated closed system. As a result of this, the key mechanism for the distribution of resources is provided by hierarchy. The public sector uses its hegemony in the implementation of public policies and in the provision of public services (cf. Osborne, 2010).

A recent analysis has highlighted the fact that the Hungarian spatial structure is not efficient from a geographical and regional policy point of view in dealing with territorial-economic problems (Szabó, 2018). In agreement with this statement, we are convinced that the causes of the efficiency deficit also include institutional and governance failures.

3.1. MAIN CHARACTERISTICS OF INSTITUTIONAL ENVIRONMENT IN THE UNITARY STATE – THE CASE OF HUNGARY

In 2012 the Hungarian state made a return from the successful transformation towards the decentralised Western state model from the basic model of the unitary state, the essence of which is hierarchy (Wollmann, 2012, 49). The reason for this, as seen by several researchers, is the fact that decentralisation and the failed regionalisation attempt were implemented as part of the Europeanisation process, and was driven by the need to meet external expectations: the constraint of integration of the Hungarian public administration into the European Administrative Space, on the one hand, and the need to absorb the resources of the Structural Funds on the other hand. The process thus lacked any internal motivation (Pálné Kovács et al., 2016). We can add that a dominant push towards restoration was the considerable efficiency deficit of the decentralised public administration, accompanied by weak economic performance.

Since 2011 the Hungarian state has reshuffled the tasks among the different levels of government, with normative tools. During this, as opposed to the decentralisation tendencies of Europe during the last three decades, the sub-national self-government level has been deprived of practically all its former public service functions. It is a worrying fact that county self-governments, i.e. the representative organs of the sub-national level have not been given any future scenario in the government's strategy about the Public Administration and Public Service Development approved in 2015^[1].

Besides this in Hungary central power has returned, after the years of regionalisation, to the strict administrative boundaries; in fact, it has reinforced the administrative significance of the county borders and introduced districts as a new tier in state administration. As regards the offices of the administrative districts, they are administrative state agents without representative organs and independent legal personality, constituted in 2013 at the supra-local level, in a total of 198 territorial units by the Parliament for all the tasks that it had withdrawn from the local self-governments, formerly managed by the local government offices of the villages and towns.

All institutions of the previous reforms in the systemic change in the self-governmental sector were overruled by one single act, the new Act on Local Governments.^[2] The implementation of an administrative system favouring centralised public administration was started, i.e. the significance of the municipality sector, which had represented decentralisation in the relatively balanced dual administrative model, lessened. We can also add that the essence of the organisational restructuring included the “nationalisation” of approximately 400 municipal tasks and competencies. The standardisation may be justified in state authority affairs,

[1] Government Decree No 1052/2015. (16 February) Public Administration and Public Services Development Strategy 2014–2020.

[2] Act No. CLXXXIX of 2011 on Local Governments in Hungary

but in the field of public services it led to the withdrawal of the local capacities and the decrease of local autonomy. One explanation for this is that the removal of the level of decision-making from the stakeholders and the tasks to be accomplished resulted in a very significant deficit of information.

In the system of PA, the sub-national level (county level) appears exclusively as the competency area of the government offices. The central actor in regional development is formally the sub-national level, the county self-governments that were assigned with the coordination of the development objectives of municipalities and the economic and non-governmental sector. However, it has barely any relations to the civil and business sphere.

Meanwhile most of the administrative state agents have been amalgamated in government offices at sub-national level. Instead of coordination among the sectors it is integration and centralisation that are used as tools in the operation of them. The all-pervading centralisation leads to introversion, and so the Government's strategy wants to solve almost all tasks with central state tools.

3.2. THE NEW ARCHITECTURE OF THE REGIONAL POLICY INSTITUTIONS IN RELATION TO NETWORKED GOVERNANCE AND SOFT SPACES

In Hungary public tasks and decisions were removed from the local communities, and not on the basis of the subsidiarity principle, as it was not the sub-national level that was given the tasks as auxiliary ones. In several public policy areas of strategic importance, the tasks were delegated to state organs (e.g. county government offices, hospital maintenance organisations, Klebersberg Institution Maintenance Centre etc.). In addition, there are only large-scale state institutions that are allowed to carry out investments establishing communal infrastructure and human infrastructure (construction of hospitals, schools and swimming pools etc.). The reaction of the municipalities to this was necessarily the elimination of a large number of existing institutionalised cooperation (Somlyódyné Pfeil, 2017).

Apart from the distribution of the EU's funds, in practice, inter-municipal co-operations in associations between Hungarian cities and their hinterland cover a narrow content, mostly designed for the common provision of some human public services (social care, maintenance of kindergarten, providing basic medical services, family and child protection etc.). It is worrying in the light of the situation described above that in the co-operations of the municipalities, joint planning activity is not pursued all, and neither is interest representation towards other state organs or maybe other sectors. Frequently, there is no comprehensive institutionalised co-operation between the core city and its hinterland (Somlyódyné Pfeil, 2017). The practice of the use of the development resources funded by the EU has receded from the strategic goals launched in the Partnership Agreement made with the EC; 23 big towns with county rank and their hinterlands are now separately developed and financed from each other, which does not advance functional space-construction.

From an institutional approach the new, regional development policy is embedded into the public administration organisation and has a public law character. Currently the National Interest Reconciliation Forum for Regional Development has not worked for years. The fragmentation of local and sub-national level also exists from several aspects, from planning development, and territorial and economic development. In the first year of the current planning cycle, in 2014 all towns with the county rank prepared their new Urban Development Strategy and the document making its foundation, the urban development concept. In relation to this, the Hungarian government transplanted the framework regulation of partnership negotiations into the national legal regulation, and prescribed as an obligation for this the approval of the partnership plan.^[3] Researches on the effectiveness and impacts of the norm, however, failed to indicate any improvement compared to the previous practice, as regards the quality of the inclusion of socio-economic partners. On the participation scale, the partnership realised during the planning procedures of the towns with county rank were classified as the category of symbolic participation (tokenism) (Bajmócy et al., 2016). Research identified three forms of participation, which do not include the interpretation of planning as governance^[4].

In Hungary the state did not establish permanent planning capacities for development planning tasks. At the national level, the Planning Institute of National Economy, founded in 2011 for the enactment of the Partnership Agreement, only existed until 2015. At the level of the regions, the regional development agencies that had functioned well at NUTS2 level before 2012 were dissolved, and only a small part of their capacities was integrated into the offices of the county self-governments. At the level of municipalities, setting up the plans is a service purchased from the market by a broad circle of local governments.

Hungary has long been criticised for the lack of reconciliation of public policy priorities and resource allocation (OECD, 2015). This continuously mentioned problem can also be interpreted as follows: the planning documents are formally accepted. The symptoms of inefficiency can be seen in practice in Hungary, often in the implementation of investments other than those specified in the development strategies, and in the fact that the allocation of development resources follows other purposes. There is no recognition that the significant part of actual development actions could be implemented by the actors involved, by which they could increase the resources and competitiveness of the area. The weak participation of the economic and non-governmental sector also determines the outcome of planning; the goals will be less suitable for economic development and the improvement of

[3] Government Decree No. 314/2012. (8 November) on the concepts of settlement development, integrated settlement development tools and strategies and their special legal institutions.

[4] Forms of participatory planning in the analysis cited (Bajmócy et al., 2016, 60–61): 1) Lack of chance of cooperative possibility; 2) One-sided communication of information by planners and/or politicians; 3) Possibility of the statement of opinions by potential stakeholders, without feedback; 4) Inclusion of selected stakeholders into the non-transparent bargaining process about the plans.

the living conditions of the inhabitants. Accordingly, networked governance can be rarely seen in the practice of planning; we may occasionally encounter efforts like this in a few big Hungarian cities (e.g. Miskolc or Győr)^[5].

It is difficult to explain why there has been a lack of political and economic interest on behalf of central government over recent years towards the creation of a large-scale metropolitan region institutionalising the Budapest agglomeration. The former institution was the Budapest Agglomeration Development Council, whose establishment was obligatory, but it exerted no substantive impact on the development of the metropolitan area. The council was also abolished on January 1, 2012. Nevertheless, the agglomeration of Budapest is not referred to as an agglomeration even in the narrative in the National Development Strategy; it has been re-qualified as the surrounding area of the capital city by the legislator (Somlyódyné Pfeil, 2014a).

For the examination of the functional territorial areas it is important that the legislator gives authorisation for the establishment of spatial (regional) development councils. Spatial development councils are those institutions that would be capable of the development of functional spatial units, as they can be created by crossing or reaching beyond administrative borders, especially the borders of the counties. The creation of one type was ordered by the legislator, e.g. the Lake Balaton Development Council and the Tokaj Wine Region Development Council as obligatory founded institutions. The other type can be established by general assemblies of the counties on a voluntary basis. We have to be doubtful even in this case, however, that spatial councils can actually be organised bottom-up. They are state organs, actually, as the members of the councils are specified by the legislator: membership consists of ministers, and the chairman and one delegated member of each county general assembly. Representatives of the chambers and the economic and NGO sector participate in the activity of the council as permanent invitees^[6].

The spatial (regional) development councils cannot have real development functions, however, as they have no economic sovereignty. This means that the ones obligatorily founded work from state support, while even this chance is denied to the ones created on a voluntary basis. They work out the development concept and programme of their respective functional regions, but those are approved by the government. Summarising the characteristics of the institutions we can conclude that they have limited chances to govern effectively the functional spatial units mobilising of the relevant forces in producing integrated and coherent outcomes in regional policy.

It is worrying that, in comparison with the period before 2012, very little cooperation for regional and economic development has survived in the urban areas of Hungary with the participation of the municipalities. On the other hand,

[5] As regards Győr, a town with county rank, the first splinters of economic governance can already be seen: the municipality has good relationships with both the business and the academic sector. For more information, see Fekete (2018).

[6] Act XXI of 1996 on Regional Development and Spatial Planning Par. 15-16.

there is a strikingly high number of cross-border cooperation with economic and tourism development intentions, with the participation of municipalities. At first glance it is remarkable that Hungary is the leading country in the EU with 22 of the EGTC-s registered in Hungary. The operation of the EGTC-s, however, is less effective, which clearly correlates to the weakening of the power positions of the municipality sector. An explanation for this is that they cannot reach even in their cross-border cooperation beyond their competencies given by the state by the internal law, which is a limitation. In several fields of public policy, the approval of the nation state is necessary for turning nationalised tasks into objects of cross-border cooperation. As the circle of public services that make up a part of state sovereignty is expanded, the competencies of the stakeholders concerned is much narrower now; they are unable to use all the available advantages in the EGTC-s. Central state organisations must be involved in several fields of public policy.

The examination of the 13 European territorial groupings operating in the Slovak–Hungarian border area and registered in Hungary brought similar results. Authors classified groupings into four categories, the majority of them were in the category “Rent seeking”, but the category of so-called “Entrepreneurs” was also present, the essence of which is that EGTC-s offer their members project management services and most of their income is from the market. Not surprisingly, no grouping was classified into the categories “Grant intermediaries” and “Public service providers.” (Törzsök-Majoros, 2015)

We are also aware of the fact that several EGTC-s have their own development strategies, but these have not been made with the methodology of governance. The groupings do not have strong enough relations with the business and non-governmental sector, their existence is a function of the availability of support from the EU and the state. This allows us to conclude that the EGTC-s fail to fulfil their roles, as the state policy related to the border regions does not give sufficient support for their activities. Also, the EGTC-s can rely on an amount of state support for their operation.

In comparison to the introduced status in the previous period (2004–2011) para-state institutions were made for the tasks of regional development: so-called development councils operated at four levels, i.e. national, regional, county and micro-regional level. Regional development councils were the dominant elements in this institutional structure. On the one hand, there were those institutions that provided participation on legal grounds for the municipalities in decision-making at higher levels, on the vertical branch of governance. On the other hand, horizontally civil interest representation was institutionalised in the decision-making process at all development council levels with the assistance of so called Civil Reconciliation Forums, although the civil sector was weak. They have all since been abolished (Somlyódyné Pfeil, 2014b).

All things considered, in Hungary a change of governance and a turn in the style of government occurred in 2012 (Figure 1).

Figure 1 Map of Regional Development Institutions in Hungary, 2019

Criteria	National Inter-reconciliation Forum for Regional Development	Spatial Development Council	Territorial Development Consultancy Forum at Regional Level	County Self-government	Spatial development municipal association	EGTC (Cross-border cooperation)
Structure	hierarchical	partly hierarchical and partly networked	hierarchical	decentralised	heterarchical	heterarchical/networked
Actors	closed (designated public law members)	partly open (selective involvement)	closed (designated representative members)	closed (representative members)	exclusively municipalities	open (public actors)
Organisational form	administrative state agent	administrative state agent or inter-communal association	obligatory inter-municipal association	sub-national self-government	voluntary inter-communal association	voluntary public law association
Territorial scope	statutory state space	functional region	statutory state space	statutory state space	supra-local functional space	functional space/ cross-border region
Results orientation	consultative	planning design authorisation + project orientation	consultative	planning design authorisation + project orientation	consultative	planning design authorisation + project orientation
Targeting	defined	open	defined	defined	open	open

Source: Author's own illustration based on Knieling (2003, 468)

In summary *from the side of the actors* we can interpret the existing situation as follows: the state does not promote either the co-operation of the actors of public law or multi-actor cooperation. Finally, *from an institutional aspect* we can see that as an effect of the dominance of the hierarchy the state directly nationalised the institutions of territorial development, i.e. filled them with actors of public law, exclusively, or relocated competencies from decentralised institutions to administrative state agents. In the opinion of academics (Hoffman I., 2014), territorial development has become a state task in Hungary, which has narrowed down its scope of action.

4. CONCLUSIONS

Bottom-up initiatives in themselves are usually not sufficient for economic development and interventions at the right scale. The inclusion of certain state institutions from a higher level is also necessary for the achievement of economic effects. It means the amalgamation of facilitation, enforcement and negotiation in order to involve all actors. Experience suggests that an adequate package of public policy tools is crucial for the solution of problems. Without this, cooperation will only be effective in the sheer “weaving ties” of partners (Gore, 2018, 158).

It is not typical for the Hungarian state to empower newly created territorial institutions and decentralise its competencies to functional units (functional regions, city regions, EGTC-s, CLLD-s etc.). If we look at the state and within that the institutional system of regional development policy, we can see that the quantitative expansion of the state sector and the hierarchical transformation of governance structures have been peculiar since 2012, which is definitely against any networking effort (Horváth M., 2014). Consequently, its territorial units and the companies operating in them are less able to acquire place-specific economic advantages in order to attract capital than their European counterparts – despite the fact that this would give them a competitive edge in the global economy. On the other hand, it is not enough to formally create governance structures: the capacities and skills of the actors should also be developed. The conclusion could be that, contrary to decentralised states, in unitary states the conditions for the operation of the mechanisms of multi-level governance are usually missing. Of course it is a key question for the future of the cooperation whether the central state is willing to concede some of its competencies and tools for the benefit of the sub-national levels and stakeholders of other sectors.

In the centralised state some factors can be identified as the most important hindrances to the successful implementation of the European cohesion policy and the application of governance methods:

- State-centred public administration blocks the operation of multi-level governance.
- Coordination among the sectors is problematic.
- Sectoral and regional policies at sub-national level are lacking.

- The real network governance is not supported by the institutional structure.
- The state gives seeming authorisation for creating bottom-up functional spatial units (regional development council, territorial development association of municipalities), but does not supports its effective performance.
- Urban areas do not make territorial planning units.
- Social capacities are mostly neglected in the processes of the making and implementation of regional policy.

As our analysis done for Hungary highlighted, since 2012 the formation of space has been done with normative tools, exclusively, which is connected to the reinforcement of the administrative boundaries, and this is not favourable for the birth of functional areas and governance structures in them. There are hardly any institutionalised arenas for horizontal co-operation, and unfortunately this is true not only for rural areas but even more so for urban regions. The missing practice in cross-sectoral co-operation raises serious problems for the implementation of strategic planning that is irreplaceable also in public administration, as planning is a substantial field for the implementation of governance, incorporating the communication and joint learning process among the actors of different sectors and levels.

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