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Building Structural Fund Management systems
Learning by doing or imitating?

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1. Introduction to the case

This case study deals with the development of the management process for the implementation of Structural Funds in four Central and Eastern European (CEE) countries (Poland, Slovakia, Romania and Hungary)¹, and focus on one Hungarian region's (Southern Transdanubia) Regional Operational Programme planning and implementation process.

From a research point of view, the relevant policy areas are European Cohesion Policy and the process of strategic planning directed at the access to Structural Funds (SF) money. We will analyse the context of these policy areas and territorial governance, and the impacts that they have on each other.

The aims of Cohesion Policy fit into the expected development objectives of Europe 2020 with the main objective to decrease regional disparities. One potential instrument of this policy objective could be the making and acceptance and implantation of "bottom-up" regional plans (with involvement of regional stakeholders). Another way could be the creation of regionally sensitive National Strategic Reference Frameworks (NSRFs), and there may be a combination of both. We will also examine the Regional Operational Programmes' (ROP) embedded position in the investigated countries' national plans, and its connections to the sectorial Operational Programmes (OPs).

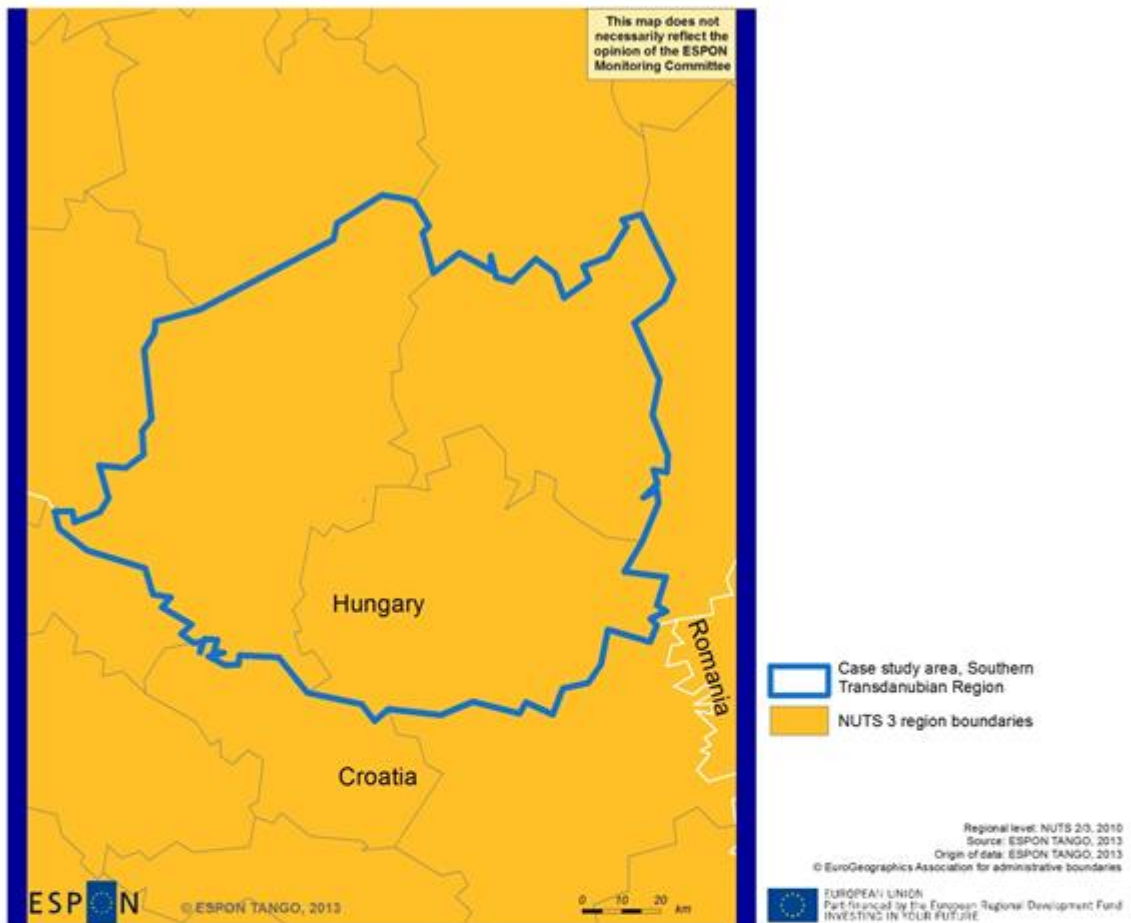
Structural Funds (SF) have a significant impact on public administration, especially in CEE countries, where the absorption of the EU subsidies is one of the most important policy and political ambitions. However, the governance regime of SF is a considerable challenge, since traditional government structures and practices in CEE countries do not typically harmonise with the principles of subsidiarity, decentralisation, regionalism, partnership, efficiency, transparency and strategic, integrated planning. Therefore, CEE countries have tried to adapt to these challenges in different ways. They do so institutionally by implementing internal structural reforms of public administration (learning) and/or by establishing separate, "unfamiliar" structures and institutions to better fit to the SF system (imitating). Further, there are functional changes in the instrumental model and processes. The main question became: is it better to establish an internal institutional development process, and as a part of it, an integrated (into the national administration) and convenient (from the point of view the EU) institution. Or, was it better to build a new SF institution separated from the national governmental structure, where the SF institution fully fits with the European requirements. The investigated countries chose different solutions. The case study therefore deals with territorial public administration reforms of the selected countries and the SF management institution building process and its governance methods (multilevel, multi-actor).

While the European Union generally considers the structure and functioning of

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public administration as a national internal affair, it has established a fairly strong adaptation force through the rules of utilization of Structural Funds (Pálné Kovács, 2009). From the territorial governance perspective, it is an important question. Each Eastern European Member State (EU 12) is characterized by the institutional pressure of EU Structural Funds which push the administrative reforms simultaneously with the SF management building. The Structural Fund's relative importance is particularly high in the CEE countries, where the Structural Funds have virtually replaced the domestic development policy which determines the national contributions, the national development resources, and therefore significantly exceeds the volume of national development resources regulated by non-European Union rules. Therefore, the role of the SF is much more dominant in these cases than in the old Member States, and subsequently, it has the instruments to promote a multi-level and participative mode of governance in the new Member States. That is why the Structural Funds were able to influence to such a high degree the administrative reforms in CEE countries.

CASE STUDY AREA 9: SOUTHERN TRANSDANUBIAN REGION



Map 1: Case study area: Southern Transdanubian Region

2. Integrating policy sectors

Comparative analysis

The degree of policy sectors integration depends on the (1) domestic management of regional development and the (2) institutional system built up for Structural Fund management.

There are two main strategies applied in the CEE countries' practices in connection with supporting the balanced development of the territory through **domestic regional development management** and implementation. In the first model (for example in Hungary and in Slovakia), the central administration of regional development is divided between two institutions a) a special regional development "sectoral institution" (Ministry), which is responsible for regional development tasks and b), a supra-ministerial institution, which is responsible for inter-sectoral coordination and for the horizontal enforcement of the territorial approach. In the second model (as we can see in Poland) there is a top Ministry which performs the management and planning of development policy as a whole, including the domestic regional and inter-sectoral development. These models vary through time and from country to country.

From the point of view of the **compliance of the Structural Funds institution** to the domestic public administration system, two models can also be identified. In the *integrated* model the planning, implementing, monitoring and evaluating institutions and procedures are not distinct from the domestic development institutions and procedures (PL). The *separated* model means that there are parallel Structural Fund and public administration institutions. This model depends on the degree of administrative integration (using existing administrative bodies), the integration of programming (the EU programmes are integrated partly to the domestic development policy implementation), and the financial integration (using funds according to the national accounting rules). It may imply therefore the appearance of a mixed model (HU) (Perger, 2009).

The South Transdanubia Operational Programme (STOP) case

2.1 Public policy packaging

In Hungary, the priorities of sectoral ministries were dominant during the planning process in the programming periods. The other general finding is that sectoral interests were often overwritten by political interests, which was perceivable in the reorganization and mergers of ministries, forming of SF institutions, and in the involvement or omission of actors. These decisions were justified by neither sectoral nor regional interests.

During the planning, serious conflict situations arose between sectoral ministries as they competed for the same finite resources. In addition to that, the unused resources given by the EU were likely to be lost due to the scarcity of national development resources that were needed to match EU funding. Forced sectoral cooperations and synergies were formed (i.e. there were integrated sectoral OPs, where the ministries were forced to think

together). In general, however, it is true that regional interests were not represented in the development of NSRF and the Community Support Framework.

Inter-sector conflicts emerged during the implementation of the programme. The financing source of a project (by which OP the project could be financed) could become a debated issue as the aspiration in the course of planning was to prepare general OPs in which everything could be included later on (Interview B).

Sectoral ministries also influenced the tendering phase. Tenders could be announced only by the approval of the affected Ministry. Initially, regional development agencies as intermediate bodies were involved in calls for proposals and action plans but their functions had been gradually reduced since 2008 and terminated in 2011 (Interview B). Once again, the process became centralised and homogeneous. From the point of view of the central SF management, the reasons for this were the homogeneous regional visions (which did not justify the seven different calls as they stated almost the same), and the questionable success of involved initiatives of the Regional Development Agency (i.e. making cooperation the basic condition) (Interviews D-E). The management situation of the ministry responsible for regional development did not help either to involve regionalization in the planning and implementation of NSRF.

2.2 Cross-sector synergy

A Government Commission for Development Policy was established in order to strengthen the governmental coordination of developmental policy during the preparation of NSRF. Its task was to coordinate the various national strategies. (It operated only until 2008.) In 2006, in order to represent local interests more effectively, a government advisory body responsible for regional development was formed as well. It was the National Development Council, whose members included experts, government actors and regional development agencies. However, neither of them was responsible for sectoral coordination. Thus, conflicts of sectoral interests emerged (strictly in terms of a relevant topic i.e. in terms of human resource development) mainly during the harmonization of OPs organized by the National Development Agency.

The national strategy was prepared partly in a bottom-up manner, as the regions (Regional Development Agencies) had also made regional plans in advance but the regional efforts could not become stand-alone plans. Since 2007, there had been individual ROPs although they did not reflect true regional efforts since plans were structured from above, primarily under the direction of national sectoral ministries. So regional conceptions were often involved in sectoral OP, and only the remainders of priorities could be included in ROPs. Sectoral OPs were, however, characterized by local insensitivity (as it should have been the role of ROPs). Another planning mistake was that the strongly filtered ROPs of the seven NUTS2 regions were hardly distinguishable and contained no territorial specificities.

The planning of South Transdanubia Operational Programme (STOP) also took place in a centralised scheme. The elaboration of STOP strictly followed the continuously changing requirements of the EU and the central

governmental expectations (Pálné et al. 2009). The planning process of the STOP was launched at the end of 2004. Following the decision on the main targets, the planning team determined the so-called strategic development programmes which were elaborated for each major sector with the exception of rural development. Then the National Development Agency gave priority frames for each ROP in which the prepared strategy had to be inserted. Some uniqueness and regional characteristics could be involved as well. In the case of STOP, the European Capital of Culture programme is a good example for this. (European Cultural Capital programme was involved due to the pressure from central government, though.) Interview B shows another example for projects with regional characteristics: the prioritization of brownfield investments, but it had less role and less emphasis within the STOP than the mentioned European Capital of Culture programme.

Features of territorial governance

Independent, strong and stable management of regional policy under central government enables the continuous representation of local interests and the involvement of local actors to a certain extent. If regional development appears as a strong sector then local interests may emerge during sectoral negotiations as well and there is no need for sectoral or political coordination. The Hungarian practice is characterized by the weakness of regional policy and its "migration" within the government structure.

Whilst displaying regional interests and needs, the Regional Operational Programme theoretically guarantees the enforcement of regionality in the use of SF through the involvement of regional actors. This has only partially been realized in Hungary, as in the first programming period there were no ROPs and even though ROPs they were elaborated in the 2007-2013 period, they did not contain effective regional specialities as they were constructed on the basis of the residual principle; i.e. that took up all of the "leftover" priorities. It is already foreseeable now that there will be no regional knowledge accumulation as an integrated ROP will be drafted again for the country from 2014.

Collaborative Plans serve the common development of the regions. In the STOP case, this was clearly lacking. There were neither development policy strategic documents nor sectoral plans in many cases, so even though strategic plans were made by the beginning of planning phase, there was nothing they could have been adjusted to. Later on, sectors used them mainly for adopting good ideas in the sectoral OPs.

Intersectoral coordinating body in the central government is able to integrate various sectoral conceptions and can think in terms of a single and complex developmental vision. This could be beneficial especially in some regions requiring complex development even if there is no separated regional development sectoral ministry. This kind of coordination in Hungary took form in the organization of the National Development Agency and in the framework of the debates surrounding OPs with a sectoral approach. Thus no complex thinking was fully realized.

The coordination of national development policy integrates visions, efforts of various sectors, sectoral interests and different sectoral and regional actors in

a single framework and uses consultation forums on different levels where local actors are represented. During the preparation of the Hungarian NSRF, different institutes and bodies were formulated; however, the coordination efficiency was reduced by the continuous structural and personnel changes as well as the political influence of some institutes and its leaders. In addition, at the beginning of the NSRF preparation, when strategic decisions had to be made (i.e. OP structure) and national strategic development documents had not yet been adopted, EU rules and requirements were much more influential than the domestic complex development ideas.

3. Coordinating actions of actors and institutions

Comparative analysis

The centralisation to a large extent determines the coordination mechanisms between the stakeholders and institutions. Therefore, we should analyse the centralised and the decentralised public administration bodies' roles in programming and implementation. In the *decentralised* model such as we see in Poland, the regional actors have an important role in the process of planning, programming and implementing ROPs. They make decisions about the allocation of the ROPs. In contrast, in the classical form of the *centralised* model, administration bodies of the central state are responsible for planning, implementing and managing the whole SF program, including the ROPs, as seen in Hungary, Romania and Slovakia. Even though these central bodies can involve regional partners in the planning process, it still remains primarily central, and the managing authorities are also centralised (Perger, 2009).

The STOP case

3.1 Governing capacity

Regional Development Councils and Regional Development Agencies had a negligible role in the allocation process of the national development resources from the beginning (1996) to 2008. This negligible role originated from the limited amount of decentralised domestic regional development funds. For the programming period 2007-2013 the steering competencies of the NSRF and the OPs have been concentrated in one single mega-organisation, namely the National Development Agency, which has resulted in the regions' secondary role in the planning and implementation (Pálné et al., 2009). The National Development Agency conducted the bi- or multi-lateral consultations, working group discussions, where Regional Development Agencies were usually also invited. The seven Regional Development Agencies generally arrived at a prior agreement and represented a common standpoint during these occasions. ROP Managing Authority represented the common territorial interests during the central and sectoral reconciliations. Certain programs were passed on to ROPs, yet on the basis of the experiences of the previous programming period (Integrated Regional Operational Programme), the Managing Authority strived to integrate "good, achievable programs" as well (Interviews D-E). During the negotiations with sectoral ministries, the

presence of powerful local politicians meant an advantage, so even if sectoral ministries were not willing to satisfy the demands of Managing Authorities of ROPs, regional interests could still be enforced by the regional political actors (Interview B).

In the planning process of the STOP Pálné Kovács and Varjú (2009) identified the dominance of the steering, institutional knowledge. They have found that planners of the National Development Agency and the Regional Development Agency were able to acquire a dominant role because they were familiar with the procedural, organisational and institutional requirement system, the specific terminology of European planning, the logic of reconciliation mechanisms and the competencies of the different tiers. Commonly used phrases were “Brussels expects that...” “European knowledge”, i.e. being familiar with the “functioning of the EU” in Hungary at that time was the privilege of a narrow group of expert elite. A peculiar paradox is that the staff of the National Development Agency had a relatively poor institutional and steering knowledge of its own institution. The unstable organisational context concerning its new, fairly complicated internal regulation reduced the performance of the staff working there. The employees were new and young technocrats with relatively poor knowledge on public administration and the organisation itself, which caused some coordination problems.

3.2 Leadership

A peculiar form of coordination appeared with the fact that Regional Development Agencies, which were mobilised as intermediate bodies, were in a relationship of subordination with Regional Development Councils (founders, owners, continuous working relationship), even though no contractual relationship existed between the Councils and the National Development Agency (Interview B). Councils have been excluded from the processes since 2008. A specific problem in coordination was eliminated, however, which was caused by the unclear division of labour (parallel activities, unregulated situations) between the regional network of the cooperating organisations of the integrated ROP during the 2004-2006 programming period. From 2007, the same two organisations were involved in the form of Intermediate Bodies, yet this time their competencies were defined along the handling of priorities. Uncertainties did appear in the beginning, especially since Regional Development Agency was charged with regional planning and the preparation of tenders even in the case of priorities which did not belong to the RDA. From 2008 onwards, centralisation within the Regional Development Agency resolved this problem (Interviews D-E). The problem in coordination was a result of the action of decision-makers in this case, since the involvement of the two Intermediate Bodies was not justifiable from the viewpoint of capacities, Regional Development Agency alone would have been capable of handling this task (Interview B).

The ROP Managing Authority had its own internal procedures, and thus the involved intermediate bodies had other means to establish relationships with the applicants as in the case of other constructions. This relationship was also regulated by the Intermediate Bodies’ contracts. During the phase of planning, the Managing Authority handed concrete templates concerning the structure of the OP to the Regional Development Agency. Until 2010, the Managing

Authority and the Regional Development Agency had been in a direct relationship with each other. However, from 2011 onwards, even the relationships became centralised (where regional demands had to be channelled to the National Development Agency centre). Initially, the various Intermediate Bodies had disposed of different contact persons within the various Managing Authorities, thus it could occur that Intermediate Bodies and applicants received different information about the same question. There were attempts to apply common standpoints in the case of certain general questions, yet their wide dissemination to the public was not achieved (e.g. on a webpage) (Interviews B, E-D).

The coordination competence of the Regional Development Agency was a result of a political decision, therefore it was accepted by every stakeholder. In a similar way, the designation of Intermediate Bodies was also a result of political decision-making, during which local networks and experiences of the previous programming period played an important role in the case of ROPs. The National Development Agency enforced its ideas through its standpoints, regulations, control and supervision of the leaders of the Intermediate Bodies. The management system was transformed during the programming period as well, the governmental change brought about radical transformations (designation of new Intermediate Bodies, centralisation, etc.).

3.3 Subsidiarity

A continuous system of feedback served as the basis of the implemented changes in management and coordination. External expert opinions were prepared, internal institutional investigations were performed, opinions were handed in by Intermediate Bodies and applicants, and each tender was submitted to public debate (Interviews B, D-E). On this basis, there was a continuous modification of procedural orders, the practice of communication, the methods of implementation, authorization and control, the tenders, and practically the entire operation of coordination. This resulted in permanent centralisation, and during the governmental change at the turn of 2010/2011, a radical institutional transformation occurred which involved the appointment of new Intermediate Bodies, institutional leaders and changing competencies.

The evaluation of the NSRF was also terminated. There was an attempt to incorporate the statements of the ex-ante evaluation into the plan. During this period, a mid-term evaluation was also prepared (KPMG, 2011) without any direct impacts since the governmental change interfered, and Brussels had granted permission to the transfer of resources between OPs prior to the publication of the report.

New changes have occurred since 2012 with the abolition of Regional Development Councils, county governments remained the only spatial development and spatial planning actors which had accumulated practice in the process of regional development strategy-making as partners, but not as coordinators. Self-governments lost several of their functions which were transferred to the county-level state decentralised administration. Furthermore, the Regional Development Agencies, as Structural Fund and regional development institutional actors, have also become centralised organs, as they were transferred from the Regional Development Council's control to the ministry responsible for regional development. The centralised

control of regional development agencies limits their functions directed at project generation and assisting and improving the position of local citizens, which has a highly negative impact on the quality of tenders. In addition, there is no regional stakeholder which would be able to fulfil their previous function.

Features of territorial governance

The coordination experience of the European funds may result in the accumulation of knowledge within an institution or organisational unit which is indispensable for successful coordination. The Hungarian practice demonstrates that since the transmission of such experiences did not always occur (it was rather the professionals and the employees migrating from one institution to the other who preserved and brought those experiences with them), the advantages inherent in that system could not be exploited to the fullest extent. The South Transdanubian Regional Development Agency constituted a positive exception from this aspect, since the conservation and continuous development of the staff were regarded as a priority.

The changing central government impacts the institutional system and the staff, which may hinder knowledge accumulation, cause uncertainty and threaten permanent functioning. In the case of Hungary, the governmental change fundamentally transformed the institutional system and its functioning. This included the way in which resources were allocated, the circle of stakeholders involved, it contributed to centralisation, thus producing a multiplied negative impact despite the fact that some of its impacts led to enhanced efficiency.

Authorisation in itself is not sufficient to guarantee the effective scope of action - financial autonomy is also required. The global financial crisis proved that a considerable amount of external funds (EU support) and the conditions they implied (e.g. pressure towards integration or centralization) opposed the functioning of territorial governance. In Hungary, financial dependence (from EU funds) characterizes the central government - which has no proper development resources - just as much as the local and county self-governments. There has been a minimal flow of resources from ROPs towards the real sphere, and most often they served to finance the unproductive developments of municipalities. In addition, local self-governments have no longer any scope for autonomous development, and they have been deprived of the bulk of their previous tasks and resources, which has decreased their financial autonomy further.

Experiences in partnership-making may contribute to the involvement of territorial stakeholders in the processes. Hungarian experiences in these domains are lacking, therefore deficiencies in partnership-building were observed during the preparation and implementation of the NSRF.

The participation of local politicians may contribute to the enforcement of local interests and their direct representation towards central decision-making stakeholders (in the case of parliamentary representation). In the STOP case, local politicians were evidently those who channelled the local-regional interests, albeit in an ad-hoc manner.

The Structural Fund institutional system was characterized by the process of centralization and recentralization. The centralization itself and the operation

of the state controlled institutional system reduced the flexibility of the system and it is in contradiction to the principle of subsidiarity.

4. Mobilising stakeholder participation

Comparative analysis

In the design of the financial and operational framework of Cohesion Policy, the importance of the partnership principle has increased and includes civil society organisations. They are also defined in the White Book on European Governance: trade unions and employers' organisations; non-governmental organisations; professional associations; charities; grass-roots organisations; organisations that involve citizens in local and municipal life with a particular contribution from churches and religious communities. In this respect, the partnership principle highlights aspects of both vertical and horizontal integration. Cooperation between such actors can be realized through vertical and horizontal networks and involves the state, but also civil society at the local, regional, national and global levels (EP, 2008a; Oriniaková, 2008).

The partnership principle is a general requirement of the EU towards all of the institutional bodies of the SF management system, during the whole implementation process. However, it was a great challenge, due to the CEE countries' traditional, bureaucratic state administration system and their limited experiences in the area of partnership, which needs a new form of management. There are two forms of involvement of stakeholders into the SF allocation process. First, they are members of Monitoring Committees, and they monitor the implementation of SF money. Second, they can comment on and create the sectoral and regional programs of NSRFs. According to a European Parliamentary Report on several EU member states (2008a-b), it was common that the biggest umbrella organisations were able to exploit the opportunity of the SF consultation process. The involvement of smaller NGOs poses some technical problems when it comes to expanding the civil society partnerships in Cohesion Policy. Local or ad-hoc NGOs often lack the resources in terms of personnel and infrastructure to analyse and process documentation, and even to have a continuity of representation in the instances where they participate (different voluntary representatives attending meetings).

The STOP case

4.1 Democratic legitimacy

In Hungary, neither traditions nor national rules for partnership-building existed, and the civil sphere was not able to realize self-organizing and bottom-up organizations. Civil society had the pretext that the centre authorities had selected the partners for itself so the more active and less "disciplined" civil organisations were excluded. The opportunity for partnership building resulted in a competitive situation in the civil sphere, where the civil organizations used this new situation to consolidate their position. The

members of the SF institutional system were looking for partners whose involvement would match the EU's requirements. From the point of view of SF institutions, partnership building was a compulsory extra task; they just wanted to imitate its performance. The other aspect of partnership requirements was interest reconciliation with the NGO partners during the programming period (Perger, 2009).

In Hungary, the professional groups and civil society in many cases were only involved in a formal way in the program's public consultation. This meant that some proposals were not or were only partially incorporated into the planning process (KPMG 2011). Smaller civil organisations did not dispose of sufficient capacities enabling them to participate in the processes.

4.2 Public accountability

The tools of the public information were websites, conciliation boards questionnaires, strategic background surveys and formal/informal, thematic and regional working groups (Molnárné Hegymegi, 2009). Formal legitimacy was provided during the preparation and implementation of the NSRF. This was guaranteed by the National Development Agency through the obligatory procedures of publicity provision, societal consultation, assessment and the inclusion of partners (e.g. Monitoring Committees).

The social discussion of the NSRF was a two-month procedure, involving almost four hundred organizations. The National Development Agency sent letters or e-mails to the partner organisations registered during the former conciliation process or found in the ministerial databases. Nevertheless, the participants complained about the one-way communication: in the majority of the forums the intentions of the Government were introduced and the debate was restricted to why the recommendations could not be accepted (Pálné et al., 2009). During the programming period the stakeholders characteristically were able to deliver their own opinions by web-expression. The National Development Agency started its own portal with an internet platform for web-expressions in connection with 14 OPs (from the 15). 1350 NGOs reflected the OPs (Molnárné Hegymegi, 2009). However, the time devoted to requesting comments was too short and bureaucrats had to observe too many regulations which prevented stakeholders from feeling its real effects. Smaller modifications were achieved.

4.3 The procedure of STOP elaboration

The Regional Working Group (set up by the law) of the region had 47 members, but there were no civil actors among the members; their role was merely consultative. The regional planning network was built up of representatives of micro-regions (with elected representatives), cities of county rank (with elected representatives) and county spatial development councils (with delegated representatives). The Regional Development Councils established a cooperation agreement with micro-regions (settlement communities) as well. The Professional Planners' Network has 7 professional, sectoral Working Groups where experts were also invited. The plans commissioned by the Regional Development Councils and subject to the reconciliations and debates were prepared by planning consortiums. The planning network was open, yet no one applied for membership (Interview B),

members entered through invitation, who were highly active, since a kind of anticipation was experienced from the side of the stakeholders as well. There were certain members who were absent from the sessions because during ministerial reconciliations complete sectors were removed from the ROP (Interview A). This was the case with the agricultural and the higher educational sector.

The stakeholders had varying opportunities to participate in the negotiations, previous cooperation experiences with the Regional Development Agency, Regional Development Council meant an advantage, yet there were certain groups which were excluded from the negotiation, since the involvement of stakeholders was not functioning properly, only in an ad hoc manner (Interview F). While the entire NSRF is characterised by the imitation of partnership building, ROPs were evidently the most successful in this area since it was here the widest circle of stakeholders could be involved. During the preparation of the STOP, 90 conciliation forums and 30 micro-regional workshops were organised, which contributed to the involvement of almost 2500 stakeholders (STOP 2007).

Economic actors were almost completely absent in the planning process of the STOP but to some extent traceable (Pálné et al., 2009). Instead, various entrepreneurial organisations were responsible for interest representation, individual enterprises were absent during the reconciliations. One of the interviewees (F) reported that the involvement of economic actors in the planning process was rather poor, and it was indicated that the calls for tenders and project evaluation demonstrated hostility towards entrepreneurs. Undoubtedly, the STOP concentrated community type developments and paid less attention to project opportunities for the private sector.

Certain social layers or groups were prominently absent in the STOP (e.g. gypsies, women, homeless or elderly), and without interest representation they were unable to enforce their own aspects in the disputes (Pálné et al., 2009). In the meantime, the structure of the STOP, the planned development orientations did not reach these groups adequately (Interview B), therefore besides the absence of civil interest representatives, a lack of information and interest could equally be detected.

Features of territorial governance

Previous cooperation experiences of stakeholders determine to what degree they are willing to participate in the partnership. If they are convinced that they can exert an influence and powerfully represent their interests, then wider circles can be mobilized and be transformed into active stakeholders. Regional stakeholders' good cooperation experiences were lacking in the STOP case, yet a certain enthusiasm was present which could be detected in the increased activity of the stakeholders of the planning process. The mobilization and formal involvement of stakeholders in the case of ROPs was the most successful and least imitated in relation to the Hungarian NSRF. The list of partners compiled during long years of the work organization of the Regional Development Council, the Regional Development Agency, provided an adequate basis for the organization of regional forums and included by and large the most significant regional stakeholders. However no stakeholders

were involved who had had no previous relationships with the Regional Development Councils or the Regional Development Agency. New voices did not appear in regional development ideas in this sense.

Guaranteeing the flow of information, the operation of adequate and wide-ranging information channels is a precondition for the accession and potential mobilization of stakeholders. In the case of the STOP, several organizations were excluded from the conciliation processes and the invitation of comments due to a lack of information; there was a lack of time for processing the mass of information, language skills and professional knowledge required for the interpretation of regulations and the various planning documents were often lacking on the side of the stakeholders. On the other hand, a mass of information channels and tools reaching a wide public were also mobilized in order to facilitate the communication of the NSRF.

The level of the organization of civil life determines the opportunities of partnership-building. Where private stakeholders do not cooperate in order to enforce their own interests, partners have to be detected in a multi-stakeholder set where each actor has different interests. Where a large number of civil organizations are formed, the identification of interest groups and interests is easier and their involvement encounters fewer obstacles. The building of partnerships is harder in non-participatory type countries, such as CEE countries. The organization of civil life was weak in Hungary during the beginning of the examined period, therefore, the involvement of civil society occurred in a highly formalised manner, along forced paths.

5. Being adaptive to changing contexts

Learning process

The problem of political elections and the impacts of the continual (often abrupt) changes to public administrative systems have to be investigated as important processes that dictate how governance competencies are developed for SF implementation management. These had an impact on the functioning of the entire institutional system, internal and external relations and communication of regional policy and SF management. For example, in Hungary, continuous personal and institutional changes at the sectoral ministries, in addition to the unclear division of labour between them, inhibited the development of bureaucratic automatisms, despite the existence of unchanged inter-sectoral institutions, such as National Development Agency (KPMG, 2011). The changing intermediate bodies caused problems in communication with stakeholders and beneficiaries. The same effect of erratic communication was caused by fluctuation in staff in the SF management organizations. The latter can hinder the accumulation of organizational knowledge, even in a centralized system, such as the Hungarian one. The impacts of the governmental change resulted in a disruption between sectoral portfolios and the National Development Agency precisely in 2010, when they should have collaborated at the level of strategic planning (preparation for the new programming period, rethinking the rules of the spending money in light of the financial crisis and the midterm evaluation reports).

The managing organization of the SF, the National Development Agency's young technocrats did not always possess experiences and accumulated knowledge, nor did the new organization have its own identity as National Development Agency, and yet the coordinative function was taken away from ministries, the majority of which had acquired institutional knowledge and traditions. While personal and institutional learning generally encountered obstacles due to the fluctuation of the staff and the cooperating and implementing bodies, positive processes did occur in this respect. For instance, experience showed that the movement of persons with adequate knowledge accompanied the institutional changes within the institutional system; their migration went hand in hand with the redistribution of tasks. The enhancement of knowledge accumulation was facilitated within the National Development Agency through continuous feedback, the involvement of external advisors, evaluations, handbooks, guidelines, standpoints, reorganizations (specialization), but due to an overburdened staff, this could not be exploited to the fullest. However, in the case of certain mechanisms, procedures and repeated tasks, institutional learning was apparent.

The utilization of regional knowledge was made possible through the involvement of Regional Development Agencies in the planning and implementation process which had accumulated knowledge on the basis of their previous experiences. By now, Regional Development Agencies dispose of such great institutional knowledge (as intermediate bodies of the second period) that no matter if ROPs are abolished from 2013 onwards, the present centrally controlled agencies (with their regional knowledge, partners and networks) subordinated to the Ministry responsible for development will likely be involved in the form of Intermediate Bodies. The "employment" of other regional stakeholders disposing of sectoral knowledge or knowledge about spatial development was basically absent in the 2007-13 period.

The knowledge accumulation of stakeholders involved in the absorption of Structural Funds and planning must also be mentioned. A wide circle of regional stakeholders acquired knowledge in the preparation of projects; counselling and project writing companies were established which "filter" the tenders in advance in order to select those which are worth dealing with, and they generate tenders which would be impossible within the institutional system. The knowledge of their region, their system of relationships, their local knowledge and often even the reputation of stakeholders involved in the reconciliation of plans showed an increase, their participation at the forums permitted them to continuously access new information.

Risk-taking, experimentation

The interviewees expressed different opinions about risk taking possibilities and experimentation during the planning and/or implementation of STOP. According to other arguments the whole ROP was in fact an experiment (there had not been such a program earlier in Hungary) (Interview B). Experiments could better be involved in ROPs than in other OPs just because the remainders from sectors were placed here and ministries were less interested in them so experimentation was more likely to be permitted in the case of ROPs. .Due to the effect of the economic crisis, there had been more

opportunities for experimentation since 2009 as the whole government was engaged in seeking a way out of the crises. Thus the Managing Authority of ROP was given more chance to try innovations (Interviews D-E).

Leftoility and proactivity

It cannot be stated that the National Development Agency and the ROP's Managing Authority, the National Development Agency's organizational units have been flexible at all or that flexible solutions were incorporated in the coordination. On the contrary, they showed all the characteristics of a centralized, bureaucratic organization. In addition, it was politicized with strong relationships of subordination with the industry and the government.

Regional Development Agencies were "independent" organizations, but they were directed by Regional Development Councils consisting of local and county politicians. As Intermediate Bodies they were powerless actors, but there their relationships of subordination were derived from Intermediate Bodies contracts and later on controlled directly by ministries. Thus, in terms of procedures, Regional Development Agencies were absolutely inflexible. With the increase of centralization (from 2008), the possibility of flexibility within the institutional system decreased even further.

There was no evidence of taking contingencies into account, neither of the consideration of a "Plan B" (Interviews B-E). All actors adapted to the Commission's expectations and higher-level political decisions and the National Development Agencies coordinated accordingly. Other actors were not involved in shaping the events (external, authorized experts were invited for this purpose) (Interviews F,H). They tried to amend the given "A" version within the scope of possibilities. They had no impact on the effective structures, the actors involved, and resource allocation i.e. they were lacking substantial influence. In fact, each actor followed the events, tried to adjust to the new expectations and rules, and no one was proactive or prepared for the different scenarios. On the other hand, there was not sufficient time for participants in the course of planning and implementation. They were lucky if they could follow the calls for applications at all and become familiar with the current rules, etc. (Interviews A-B).

Features of territorial governance

The effective mobilization of stakeholders disposing of territorial knowledge in the processes contributes to the territorial insertion of governance. These actors are able to adequately mediate the specific problems, interests and efforts of individual or several groups of stakeholders, enhance efficiency during the phase of planning-preparation and foster the mobilisation and activity of stakeholders during implementation. The exploitation of territorial knowledge has been ambiguous in the Hungarian practice. The involvement of Regional Development Agencies has evidently contributed to the territorial insertion of the NSRF, yet the "exclusion" of characteristic territorial stakeholders led to the omission of important territorial sectoral knowledge from ROPs.

Institutional learning (SF management, Intermediate Body-type organizations)

may largely contribute to successful territorial governance, but if this knowledge stands in opposition to the expectations of a traditional, centralist political environment, then the external interventions of politics may eliminate the positive effects. In Hungary, there was institutional learning at the SF institution, but the political interventions that took place during the entire examined period and at every level of the institutional system and the processes limited the consolidation and retention of the this learning.

Centralization reduces flexibility and the propensity to take risks. A central, entirely inflexible, practically zero risk taking system was established for the absorption of SF funds in the Hungarian practice, which was further strengthened by a recentralization trend following the most recent governmental change. This has resulted in the extremely rigid structure of the Hungarian National Development Agency.

Through a transparent division of labour within the institution designed for a specific task, conflicts surrounding the scope of competencies can be avoided, coordination is simplified, and „firm” institutional units are born, which do not hesitate instead of resolving a problem, do not wait for an answer from the top and do not postpone affairs. This was not so in the Hungarian case, not even at the highest level of the institutional system, and as we descend down towards the Intermediate Bodies, we encounter ever growing uncertainties concerning even their own scope of and potential for intervention. Moreover, uncertainties were further increased by the constantly changing division of labour, the political exposure and dependence of institutional units.

6. Realising place-based/territorial specificities

Place-based dimensions of ROPs

From the point of view the South Transdanubia OP, it is evident (Interviews A-E) that the intervention area is the NUTS 2 region accepted by the EUROSTAT. The decision about the adoption of a territorial OP was made during the committees' reconciliations (it was not permitted during 2004-06), and it was here that the appropriate scale to be used was determined. The main question was whether there would be an individual ROP or only an Integrated Regional Operational Programme, or whether the NSRF would adopt any kind of place-based approach.

The *Regional Operational Programs* and special programs with territorial aspects within the NSRFs reflect the place-based approach of European regional and Cohesion Policy. In the CEE countries, it is common for separate regional operational programs to be introduced in several steps. Since 2004, Hungary and Poland have had an integrated ROP, while Slovakia had no regional operational program. From 2007, Slovakia and Romania chose to develop integrated regional operational programs, although the Bratislava region is not a cohesion region, so it has its own (competitiveness) regional program. On the other hand, Hungary and Poland have separate regional operational programs. In Poland, a decentralised SF institution was created,

while in Hungary, the managing authority of the ROPs has remained the National Development Agency (a centralised institution). But, it should also be mentioned, that the territorial scale of the Hungarian ROPs (namely the planning regions) lack traditions, regional identity and regional-scale participants, so this form of place-based development can not be as successful as the Polish solution.

There were some place-based examples in the Hungarian NSRF, for example the so called *Pole Program*, and the urban rehabilitation projects with the required Integrated Urban Development Strategies. But these weren't success stories. In contrast, the European Cultural Capital 2010 program is designated as a flagship project in the STOP, of which details are in ESPON TANGO Case Study No. 10.

Boundaries as barriers

The administrative boundaries hinder the planning and implementation of the ROP in several respects. During the planning phase, the 3 counties which comprise the region strived to attain "harmonisation". For instance, there were serious negotiations for it in Pécs and Baranya county which received financing for the European Cultural Capital project, then proportionate "program parts" were due for the other two counties as well. The regional interests fell through the cracks (there was no stakeholder who could have represented them, since the Regional Development Council was comprised of county and local self-governmental politicians!), and as a result, the possibilities of cooperation were not exploited. Everybody was thinking in terms of projects whose realization was located within administrative borders (county, settlement) (Interviews F, G, H). That is the reason why no complex programs were realized on the basis of the ROP.

Territorial knowledge and effects

The enhancement of territorial knowledge could be clearly detected in the case of Regional Development Agencies. According to an interviewee (A), the role of the South Transdanubian RDA was that even though several local, regional stakeholders disposed of regional knowledge in their own area and sector, the widest and most complex such knowledge was presumably concentrated in the Regional Development Agency. Unfortunately the centralization trend has reached them as well, so eventually they have become centrally controlled professional organizations albeit disposing of local offices as well.

The territorial impacts of the program can be demonstrated by the ex-post evaluation. The former ex-ante evaluation projected the conservation of the situation of the lagging South Transdanubian region and possibly a putting an end to the deterioration; therefore this is how it appeared among the OP's objectives. On top of all this, according to the ex-ante report, this impact will be a result of the full NSRF (Interview B). What is certain, regardless of territorial impacts, is that there will be no individual STOP during the period post-2014, only an integrated regional OP for the six cohesion regions, which already forecasts uniform future programs totally un-adapted to regional

specificities.

Features of territorial governance

The involvement of administrative regions may strengthen the integration of the regional interests into the plans and implementation. Non-administrative regions are artificial constructions whose regional embeddedness and identity is weak or lacking, so the ROPs designed for them are less capable of enforcing the place-based approach. The Hungarian NUTS 2 regions are merely planning units with management organs where local-territorial municipalities disposed of votes. Therefore, the representation of territorial interests and the territorial identity were absent from the Hungarian practice, which hindered the elaboration of effective regional programs.

The preparation and implementation of complex regional development programs instead of individual fragmented projects may contribute to a more efficient concentration of resources and thereby serves more efficiently the development of the entire region. In contrast, the Hungarian practice was lacking and almost rendered impossible the execution of complex programs. This was due to divergence during the planning phase, where the state emphasis was placed on generalization and not on concentration, while the local-territorial self-governments' thinking was focussed within their own administrative borders and there were no stakeholders representing regional interests. The Hungarian ROPs therefore lacked an integrated regional specificity and were designed in a uniform manner, which made less able to promote the enforcement of a place-based approach.

7. Conclusions

This case study investigated the practice of territorial governance in four CEE countries from the aspect of Structural Fund management. The investigated countries represent unique and different responses to the institutional pressure of the Structural Funds. There is a harmonization gap in these countries, where the availability of Structural Funds has a significant impact on public administration, because the absorption of EU subsidies is one of the most important policies and political ambitions. Another common statement is that the partnership principle was a great challenge, due to the CEE countries' traditional, bureaucratic state administration system and their limited experiences in the area of partnership.

Thanks to the local knowledge, the experiences of the Author and the deep interviews performed, an in-depth analysis of the Hungarian, and more specifically the South Transdanubian Region, was prepared.

In Hungary, sectoral ministries dominated the management of the preparation and implementation of the NSRF. Even though an autonomous institution (National Development Agency) - which was entirely independent from the ministries and the public administration - had been established by the second programming period, the effective decisions were dictated by sectoral

ministries even during the implementation phase. The entire institutional system is characterized by its political dependence, so the governmental changes (and the changing orientations of ministries) brought about a constant transformation in the management system of implementation, its functioning, and internal and external communication. A strong Ministry responsible for regional development could still have been charged with the representation of territorial interests under these circumstances, but no such institution has ever appeared in the Hungarian governmental system.

The involvement of local, regional stakeholders in the elaboration of regional operational programs occurred only during the conciliation (commenting periods) of plans and through socialization. The preparation of plans was centrally coordinated and basically driven by sectoral ambitions. External experts were charged with the preparation of plans to be submitted for conciliation, yet no plan variations were ever made. While regional stakeholders involved in the conciliation process had a right to comment on these plans, and to modify them, their proposals had to be approved by central coordination and the individual sectoral ministries. At the same time, there were a small number of effective regional stakeholders participating in the planning process, since the stakeholders present tended to represent local sectoral interests. The political lobby, which certain local (and parliamentary) representatives could exploit to promote a certain affair, gained more emphasis than the reconciliations. Thus, even though the Regional Development Agencies were charged with the organization of regional reconciliations, their power remained superficial the “depth” of the established partnerships was determined at the state level.

The only “quasi” regional stakeholders involved in the implementation were Regional Development Agencies, in the form of Intermediate Bodies, however their double relationship of subordination questions their identity as territorial stakeholders since they were evidently centrally controlled organizations in the SF management system. At the end of the changing processes the outcome was centralization and the narrowing scope of action of the Regional Development Agencies, and eventually the entire abolition of Regional Development Councils.

Additionally, the administrative boundaries of counties and settlements meant an obstacle during the elaboration and implementation of ROPs. Unfortunately the individual stakeholders could not think in terms of complex territorial development, and there were no actors which would have been obliged to take this aspect into consideration (Regional Development Councils were comprised of county and self-governmental representatives as well and ROPs tended to finance mostly their settlement infrastructural projects).

Approaching the end of the second programming period of the SF, it can be stated that a significant knowledge accumulation has occurred at the coordination level. The National Development Agency as coordinating body and the Regional Development Agency were characterized by institutional learning, while the personal knowledge accumulation was realized both within and outside the institutional walls. Regional knowledge accumulation was also concentrated in Regional Development Agencies due to their regional conciliatory role and the operation of the Regional Development Councils.

The National Development Agency as coordinating body and Regional Development Agency as Intermediate Body were characterized by a totally inflexible operation where they were basically a pawn of political powers. Not least, this was due to the fact that, relatively speaking, the share of structural funds that were available was so high compared to what was available at the state level.

While the ROP is characterized by a higher risk taking propensity than other components of the NSRF, since it is based on a residual principle, the sectors gave free scope of action to the things remaining therein. The economic crisis intervened, after which the entire Hungarian economic management and SF management were forced to adopt a higher risk-taking attitude.

It is reasonable to ask whether or not the STOP is a success story in terms of territorial governance. The answer must be no, since regional stakeholders were not sufficiently involved in the process of its elaboration and implementation. The region could not serve as the scale of the STOP, since fragmented projects were realised in individual settlements and counties, a complex programming approach was lacking and it was constructed on the basis of the residual principle. The OP management was overly centralized, and has in the meantime become even more centralized, when in reality international examples, – such as in Poland – demonstrate that territorial stakeholders may participate in the SF management in different roles and to a greater depth in terms of actual decision making.

Definitely positive outcomes are the preparation of a STOP by the 2007-13 period and the establishment of an institutional system which has accumulated sufficient knowledge for the management of SF. Nevertheless, what prevents the author from closing the case study with a positive tone is that these two advantages will undoubtedly disappear from the new programming period starting from 2014, therefore it is difficult to talk about long-term processes and impacts.

8. Promoters and Inhibitors of Territorial Governance

Hungarian Structural Fund management in general:

Promoters:

- Formal obligation of making Regional Operational Programmes, which became a bottom-up part of the National Strategic Reference Framework.
- The National Development Agency (a separate SF management organization) was an inter-sectoral coordination body in the central government.
- A good practice of ensuring information flow via internet about the NSRF was achieved, although a lot of actors were excluded from this consultation process.

- Institutional learning occurred at the SF institution.

Inhibitors:

- Lack of strong and stable governmental department of regional policy.
- The national development policy, the complex national development ideas had only a weak impact on the National Strategic Reference Framework, while the European rules and ideas had a strong influence on it.
- The ROPs were the only bottom-up parts of the National Strategic Reference Framework, although ROPs contain a lot of top-down programmes, too.
- The National Development Agency as the intersectoral coordination body of national Structural Fund management was unable to perform complex, overall thinking on development.
- While the non-administrative regions were involved in the implementation of the ROPs, the representation of territorial interests and the territorial identity were absent.
- Effective knowledge-transfer was absent due to the lack of coordination experience of the Structural Funds and the permanent change of staff and institutions.
- Changing central government had political effects on the SF institutions and staff of these organizations.
- Lack of proper, sufficient own development resources at central and local level, which resulted in an extremely high demand for European money (with its special rules).
- Lack of former partnership-making experiences, which prevented the involvement of territorial stakeholders in the processes.
- There was centralization and recentralization at the SF institution. Centralization, the building and operation of a state-controlled institutional system, reduces flexibility and the propensity to take risks.
- The external interventions of politics sometimes eliminated the positive effects of institutional learning at the SF institution.
- The absent of clear, transparent division of labour at the SF institution resulted in conflicts surrounding the scope of competencies.
- The organization of civil life was weak in Hungary, therefore only moderate, formalised civil involvement was achieved.

As regards the South Transdanubia Operational Program:

Promoters:

- The local politicians (mayors, Members of Parliament) served as local-regional interest transferors, although their presence was quite only ad-hoc in the region.

- The involvement of existing regional organisations (Regional Development Agency and Regional Development Council) with former partnerships had a positive effect on the STOP, but a lot of regional actors were absent from the members and partners of these organisations.
- The Regional Development Agency disposed of the most extensive territorial knowledge about the potential local actors, so the involvement of the RDA had positive effect on the regional development process.

Inhibitors:

- In the Southern Transdanubia region there were no complex regional plans or experience of making complex plans.
- The exclusion of relevant regional stakeholders with sufficient territorial knowledge, due to the unsuccessful partnership-making experience had reduced the regional adjustment of STOP.
- During the implementation of the STOP the project-based approach was dominant, there were no complex regional programmes.

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List of interviews

All interviewees are listed in a random order to guarantee anonymity.

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