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Department of Political Studies
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Ilona Pálné Kovács

GOOD GOVERNANCE AND DECENTRALIZATION



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Good Governance and Decentralization

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Ilona Pálné Kovács

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I. Introduction

The notion of 'good governance' is not new in the sense that all governments would like to govern well. In the several thousand years-old history of thinking about governance, the performance of governments has been measured naturally from various aspects and values.

In organizing of economy and society the elements of market, redistribution and reciprocity (Polányi, 1976) are present in continuously changing proportions grounding different governance cycles. Governments had to adapt to different requirements which are contradicted each other from several points of view. Referring to the necessity of legitimacy the representation had to be provided for citizens. Referring to well-being the public services had to be managed equally and cost-efficiently. But in the same time, economic competitiveness had to be supported as necessary basis for both afore mentioned missions.

Any power needs legitimacy and this has had various resources over time. The pre-modern governments were legitimated by force and violence stemming from the inherited or symbolic virtue of the ruler. The legitimacy in modern national democracies is more "spiritual" in nature and is ensured by extension of representation and participation for the citizens. Post-modern welfare states are legitimized by "material satisfaction", by provision of public services as guarantees of well-being of the people. The more technocratic perception of the government performance has been added to these three actually parallel sources of legitimacy in the last decades. Dimensions mentioned before arrange the relationship of the state and its citizens, but in the era of globalisation the performance of the governments are measured internationally. The notion of 'good governance' differs from the former ones in this respect. 'Good governance' has become an international standard and evaluating this is not anymore an exclusive right and opportunity for citizens.

It seems that this international standard is changing, and we can ask whether the idea of good governance is getting to a crossroad? The neo-liberal idea of small, decentralised state that emerged in the seventies is still popular in several countries and international organisations.

However, partly due to the impact of the crisis and partly as a consequence of the critique of the neo-liberal paradigm occurred already before, there are strong

arguments supporting the traditional representative and bureaucratic government, the neo-Weberian state that preserves though some neo-liberal elements. The cyclic impact of fashions in public policy can be one of the reasons of the paradoxical manifestations. But there is no doubt that we are witnessing an important stage of evolution of governance systems when we have to answer the theoretical and practical questions of appropriateness of government organisation and functionality in adapting to new challenges. It is likely that surviving elements of neo-liberal and neo-Weberian governance will be harmonized over time but is worth to analyse the connections between the two governance-paradigms and decentralisation. These paradigms provide namely different conditions for territorial sharing of power although decentralisation cycles are determined not only by general governance model.

The selection of the topic has been motivated also by reforms of Hungarian governance model implemented in the past few years. The government model based on the new constitution (basic law) has completely rearranged the territorial government system also. Investigating the circumstances of Hungarian centralisation process provides excellent opportunity for revealing the recent challenges of good governance and the questions of centralisation vs. decentralisation.

Ottó Bihari in his presentation (1981) used the symbol of Leviathan for analyzing the dilemmas pertaining 'good governance'. As the notion of Leviathan is ambivalent so the question of "what and whom has one to see in the public power" (Bihari, 1981:3) can be answered differently in different eras. The force of Leviathan can be found not in the size or means of violence but rather in agreement. Bihari thought that decentralisation is one of the ways of reaching agreement. Thirty years after, it is worth to ask the question again, whether decentralisation is an appropriate mean for serving the good governance.

II. Connection between the doctrine of good governance in the last decades and decentralisation

The understanding of good governance used in the last decades outlines the ambition that governments would be in convergence in the era of globalisation and produce international governance standards. The convergence is, simply formulated, the interest of international organisations (like UN, Council of Europe, the European Union) which regard as their mission the dissemination of the western principles of rule of law and democracy. However it is not to be ignored the motivation of international financial and development organisations (like World Bank, IMF, the OECD) to secure the payment an instalment of loans and efficient use of subsidies representing the sponsor countries formulating governance requirements for supported states (Santiso, 2001). The idea of good governance is a collection of governance standards, protocols, handbooks, good practices, policy advice, charters adopted by international organisations, backed by rich literature, many scientific institutions, economists, sociologists, and prestigious lawyers.

The system of criteria covers two main fields clearly delineated from each other: first, the democratic governance quality, and, second the policy performance of the given country. Measuring of requirements is done by benchmarks, ranking and indicators. The measurement, comparison became a popular field of public policy science. Reports ordered by international organisations (like World Bank, Kaufmann et al 1999-2009, UN, OECD, Bertelsmann Stiftung), scientific articles, conferences are dealing especially with methodological questions. Meanwhile some critics argue that uniform models and single standards are not applicable everywhere because of different economic, social, cultural geographical contexts (Litvack, et al, 1998, Nunberg, 2003). Empirical surveys conducted all over the world (World Value Survey, Eurobarometer, European Social Survey), scientific schools focusing on cultural values provide evidence for understanding the crucial role of values, moral, trust, knowledge, generally of the social capital in the functioning of governance institutions (Inglehart, 1990; Putnam, 1993, 2002; Hofstede, 2001). It is therefore a controversial ambition to compare governance systems by uniformed indicators when we already know that it cannot be expected the servile implementation of the same requirements. It does not mean that we do not need standards and benchmarks

because these efforts of convergence and policy transfers might launch positive learning processes. However one has to be aware that the concrete, adaptable model of good governance can be shaped just with taking into consideration the context.

2.1. Democracy criteria of good governance

What the democratic requirements formulated under the label of good governance,, such values and institutions like participation, rule of law, transparency emerged naturally . Besides the political participation, competition, democratic representation based on universal suffrage as regarded almost evident by the neo-liberal state philosophy, has been emphasized the necessity of partnership as horizontal type of cooperative governance which is called 'governance' and is difficult to translate into Hungarian. 'Governance' is a distinct feature of neo-liberal model against the traditional representative democracy ('government'). This notion has originally been formulated not only and not primarily as an element of democracy rather as an appropriate mean for more efficient government and correction of state failures (Bevir, 2011). Its spirit is not searching for new forms of legitimacy but in its consequences it has had a crucial impact on the traditional democratic representative institutions and processes. The partnership, the different forms of involvement of stakeholders served practically the aim to have more knowledge, support and external resources for the central and local governments suffering from budget problems. Especially the cooperation with business actors and civic organisations in development policy and public service provision has led to emergence of corporative, delegated decision making frames and exclusive elite networks. These new phenomena undermined the values and institutions of traditional bourgeois democracy even in countries where the democratic representative system is both morally and institutionally stable. Public power functioning mostly with traditional hierarchy and representation came into conflict with different partners entering a decision making arena (Schuppert, 2011). There is no doubt that governance has enriched and according to several experts renewed the set of instruments of democracy with direct participation, involvement of civil society, deliberation (Elster, 1998, Salamon, 2000, Grote –Gbikpi, 2002, Steiner, 2012) but it has become a source of several troubles also. The more flexible, networked, bargaining but very often also selective, elitist model of governance has proved to be successful in attracting additional resources, in saving public money but recently it is also a target of strong criticism (Lovering, 2011). Bevir holds that the governance paradigm is a theory, practice and dilemma in the same time (Bevir, 2011:1). According to the expert of UNDP (United Nations Development Programmes), Frazer-Moleketi, the reason of problems facing us is the 'good' governance itself which followed the values and methods of the market, it transferred the decision making to partners and experts following technocratic principles and citizens were regarded only as clients, consumers (2012).

The matrix of governance is getting more and more complex where besides the traditional democracy, and vertical bureaucracy, horizontal networks of partners are present. This formula has been becoming even more difficult because of multi-level governance (MLG) or global governance (Kennett, 2010). It is well known that the globalizing world, the strengthening and direct role of international organisations undermine the sole sovereignty of nation states born in the 19th century (Sassen, 2008), and made international cooperation one of the requirements of democracy. In the member states of the European Union this requirement is supplemented by the necessity of involvement of meso-level governments (Hooghe, 1996, Bache-Flinders, 2004). In the system of multi-level governance not only actors, institutions, legitimacy, hierarchical and horizontal protocols have been interwoven but the number of interrelated governance levels are changing. There is not always a vertical subordination, consequently there is no uniform understanding of MLG (Marks-Hooghe, 2004). It is already commonplace to mention the interrelationship of globalization and localization (glocalism) which sometimes and in some places led to balancing of power among governance levels (Sassen, 2000). The theory and model of MLG is a challenge for central governments since they have to cooperate with new partners although the original model that was regulated mostly in the constitution has not been exchanged with a newer one. Therefore the MLG system is not homogenous, the division of power between the levels differs by regions and times. The influence of regions prevails less in centralized unitary countries (Hughes et al, 2004, Bache et al, 2011), but there are huge differences also between countries in their capability of interest representation at supranational level. The question was raised – in the nineties with good reason – that nation states are hollowing out, and they become victims of globalization (Jessop, 2004). Today it seems that globalization does not lead to a new governance paradigm, to disappearing of nation state, moreover we are witnessing the revival of the centralized nation state. The changing relationship between governance levels is not a problem in itself rather the lack of clear regulation of competences at each governance level is the problem. The cooperation depends on informal bargaining and asymmetric power relations come into being as experiences in different countries. The MLG – or as it is also called: global governance – Is an unavoidable reality which penetrates the national government systems and impact on the space of maneuver of the sub-national level of governance, but it has limits and disturbing consequences also. We cannot speak about a single model or meta-governance yet (Jessop, 2011, Peters, 2010) which would be suitable to explain clearly the problems of complexity of governance (Kennett, 2010).

The challenges are especially important in the European Union as this is the strongest international integration. The member states respond to them differently adapting their domestic governance system also. The meso-level governments entered the international scene emerging as a third level in the European Union

(Jeffery, 1997). This power restructuring is not always a zero-sum game. The governance levels do not always obstruct each other rather they can assist each other also and freed capacities can be relieved for undertaking new functions (Pierre-Peters, 2000:78) like activity of national governments in order to represent their interests at international level. According to MLG studies the differences in constitutional status, in legitimacy and in social capital of sub-national governments have crucial impact on the efficiency of the model not producing uniform solutions at all (Jeffery, 2000). There are especially successful examples like Lombardy (Percoco-Giove, 2009), or the cases of German and Belgian regions where the strengthening independency and international role of the regions (Länder) became the additional source of development. However, the behaviour of regions towards the EU is far from being the same. The more independent regions reach the polycentric version of MLG and in these cases we have to speak not about Europe of regions but rather about an Europe of competing regions (Knodt, 2002: 193), where there are conflicts, there are losers and winners, there is centre and periphery. The system of trans-national and sub-national actors is getting more difficult because of sub-national expansion and fragmentation of parties (Hanley, 1997) and also because of emerging international networks of local governments, civil and business organisations.

It is not true that the idea of MLG would enjoy general support and the development would go ahead without stops despite the fact that the grounding principle of subsidiarity in the EU official narrative is not questionable. It is not accident that the white book on MLG has been initiated and supported by the Committee of Regions but it was not accepted at upper governance level (CoR, 2009, Delamartino, 2009, Piattoni, 2009). In any case we can state that the international connections, their impacts on domestic politics can not be ignored in the evaluation of national governments. There is no doubt that the partnership with international organisation is a precondition of good governance. An empirical experiment has found strong correlation between the global integration and governance performance (Ezcurra, 2012).

The values outlined above, the triple requirement system of participation, partnership and multi-level governance require decentralised structures. It is a generally accepted political and professional opinion - although not indicated in all relevant international documents - that decentralization is one of the preconditions of good governance. Lijphart's modelling of consensus and competitive democracy and the state traditions have been generally regarded as determinant frames of local democracy (Loughlin et al, 2011). In spite of this a large diversity can be found at local and regional level. Decentralization itself can generate or make possible changes in the model of democracy. For example it has been found that innovation in participative or direct democracy cannot be only the achievement of the national government because even local governance could also produce these (Hendriks et al, 2011:728). According to the results of World Value Surveys the opportunity of participation is a more

supported value in decentralized countries than in centralized ones (Mello, 2011). According to other researches regional and local governance arenas provide more opportunity for governance innovations (Kemp, 2003), for involvement of citizens and application of horizontal governance methods. Decentralization rearranges the position of local and regional interests in the central decision-making arenas and changes the territorial organisations and clientele of parties also.

Some literature pointed however to the fact that decentralization results not always in more democracy (Litvack et al, 1998, Pickvance, 1997), especially when cultural, economic, social, political environment does not support decentralization. In transition countries more time is needed until the advantages of decentralization emerge at all, since these countries are implementing not simply institutional changes but they have to cope with total political and economic restructuring and the costs of transition are high (Temmes, 2000). Often mentioned disadvantage of decentralization is the dictatorship of local bosses, dominance of interests of narrow groups (Hutchcroft, 2001, Swianiewicz, 2001). The civic and citizen participation doesn't mean *ab ovo* everywhere more or better democracy (Hart, 1972). The input and output legitimacy are already distinguished in political democracy theory referring to the experience that neither representation nor participation do not lead necessarily to prevail over citizen's will (Scharpf, 1999). Decentralization can emerge only as shifting the responsibility top down. There are time periods and countries when and where local governments are only buffer zones (Offe, 1975) or conflict containers (Ágh, 2008) used just for absorbing, handling of conflicts between the public and civil sphere resulting in a decreasing trust of the citizens towards local governments.

Despite of the dangers listed above the philosophy and value system of good governance prefers decentralisation. International organisations and public professional circles are inclined to accept that decentralisation is 'better' and more democratic, and regard it as a normative requirement. The white book of the EU indicates that the elements of good governance like openness, participation, transparency, efficiency and coherence can be better fulfilled in decentralized governance system. This opinion has been mirrored in the European Charter of Local Governments adopted by Council of Europe, or various declarations, reports published by the UN organisations and the World Bank (Gold report, 2008, UN-Habitat 2007, 2012). Decentralization and democracy together result in synergy authoritarian regimes however, are not decentralized. Decentralization has generally positive impacts on the political system, but on the other hand the decentralization depends on general features of the political system.

III. Good governance as a government performance

The task of assessing the connection between decentralization and efficiency is even more difficult if one takes into account the aspects of democracy. The starting point has to be the fact that evaluators of good governance are focusing on the performance, since the most important requirement concerning the governments is their contribution to solve social, economic problems, to cope with the poverty, to improve competitiveness. This requirement assumes that economic performance is strongly connected with the quality of governance ('governance matters'). The technocratic notion of good governance is rooted in neo-liberal paradigm that is based on the false illusion that good governance is politically neutral (Santiso, 2001). In the spirit of economic rationality, the experts – especially those of the World Bank and other international organisations – and later even scientific institutions made crucial theoretical and methodological efforts in order to measure governance performance and quality (Kaufmann, 1999-2009, Ágh, 2011, Anheier et al, 2013). Various indexes consisting of hundreds of indicators (Worldwide Governance Indicators, Quality of Governance Index etc.), rankings are evidences for the recognition that there is a correlation between economic performance and the quality governance of the countries. It means that it must be analysed not just 'what' is the production of the given country (by GDP, HDI, other well-being indicators, etc.) but also 'how' was it achieved. The 'how' is here the quality side like the quality of public services, lack of corruption, and impartiality which are understood as focusing on the favourable climate or risk for business investments (Rothstein-Teorell, 2008). The most often used methodologies and indicators have been elaborated by the experts of the World Bank. The so called worldwide governance indicators are aggregated into six groups: (1) participation and accountability, (2) political stability and safety, (3) governance efficiency, (4) quality of legal regulation, (5) rule of law, (6) fighting against the corruption. The methodology enjoys consensus especially for international benchmarks in spite of the lack of data, high proportion of subjective data sources and margin of error (Kaufmann et al, 2009).

The New Public Management (NPM) played an important role in the performance approach of good governance. The exhausting of resources of welfare state in the eighties led to expansion of market instruments and actors, to the so called new

governance (Le Gales, 2011). The decrease and reassessment of state functions impacted on the modes of governance as well. In the seventies still ruling traditional administration has been succeeded by the NPM in the eighties and after ten years the new public governance (Osborne, 2010). The former monolit, hierarchical, paternalistic state operated by public finance has been replaced by market actors and management technics within the frames of public or rational choice theory of institutional economics, harmonizing the private interest with the common good, drawing a parallel between the political and private market (Johnson, 1999). The budgetary cuts implemented on behalf of NPM and narrowing of public sector were going together with public administrative reforms (Karkatsoulis, 2000).

The results of the market driven administrative and public service reforms following the logic of NPM were not always convincing and many times negative side effects were experienced especially because of dogmatic understanding and one-sided exaggerations (Rhodes, 1997, Wollmann et al, 2010). A positive result of the NPM current is however that both quality and efficiency in a broader sense became general requirement (Pollit, Bouckaert, 2004) and this facilitated the emergence of public policy science (Horváth M. 2005, Jenei, 2005). This knowledge is very diverse and according to some opinions, is not transparent (Wallas, et al, 2007) but without this already codified knowledge today the good governance cannot be imagined.

When we analyse the efficiency dimension of good governance the question is how much role does decentralization play in the government performance, or economic development and the handling of regional disparities are connected with the territorial structure of governance? The few relevant research results are quite ambivalent. There are no elements among the indicators of good governance for measuring decentralisation. The lack of this knowledge and ignorance of territorial aspects are contradictory since decentralisation reforms were implemented in about 60 countries in the world (Crook, Manor, 2000), and it seems that international organisations advocated these reforms for many countries without careful assessment and practical experience (Hutchcroft, 2001).

The fiscal federalism school which has analysed decentralisation in a large number of literature, approaches the topic from the point of view of efficient public finance assessing the efficiency of decision making on resource allocation and managing of public services. According to the classical works (Tiebout, 1956, Oates 1972, stb.) based on the logic of rational choice theory the individuals (and companies) are participating in social and economic life taking into consideration their own interests. It means that knowing the motivations of individual behaviours the consequences of economic development and public policy decisions are predictable. The territorial dimension is especially visible in the phenomenon of 'voting by feet'; it means that when people are not satisfied with the local public service conditions or taxation they answer by moving out (Tiebout, 1956, Hirschman, 1995). Brennan, Buchanan (1977) described the

negative impact of the over taxation by the 'big state' with the help of the Leviathan symbol. In summary the fiscal federalism supports the decentralized allocation of public goods because the only institutional and allocation reforms proved to be failed (Horváth M, 2008).

The classic fiscal federalism models needed changes over time (Dafflon-Madies, 2011). The optimum of decentralization and centralization depends on facts changing according spaces and time, it is impossible therefore to identify for ever existing rules (Charbit, 2011). The elaborators of the so called decentralization index have already made a distinction between administrative, political, decisional, qualitative and quantitative fiscal and executive decentralization and they concluded that economically more developed countries are generally more decentralized (Müller 2009). Despite this conclusion one could ask whether the interconnection of decentralization and economic performance is the only explanatory fact. On the two ends of the spectrum, the performance of Bulgaria and Switzerland can be explained only with the scale of decentralisation? This question is all the more justified since another research group has found that the quality of governance depends rather on the social and economic conditions and on the overall trust in a given country and not on the scale of decentralization, although the improvement of regional government quality is an important performance reserve in all countries and regions (Charron et al 2011:15). There are also research results which draw attention even to the negative consequences of decentralization, like inflation, increasing public debt (Saito, 2011:493). About the correlation between corruption and decentralization there are however contradictory opinions (Treisman, 2007, Saito, 2011).

The theoretical frames of the dilemma of centralization vs. decentralization have not changed in the last decades. Similar aspects, arguments and counterarguments are repeated in different literatures (Begg, et al, 1993, Linder, 2002). The picture is maybe a bit clearer by the recognising the importance of the context. Based on often mentioned advantages and disadvantages it is sure that the question of how much decentralization is needed and possible in the given place and time depends always on political and professional considerations. Decentralization is embedded in the context, is not automatically advantageous and decentralization can be understood as many different processes *de iure* and *de facto*, either administrative or political (Hutchcroft, 2001).

It is also necessary therefore to make a critical evaluation of the role of decentralization in the governance performance. Managing the financial crisis is nowadays very often an argumentation for centralization, although successful decentralized regional strategies for crisis management have been also reported (Keating, 2013). The necessity and advantage of decentralization is not an axiom although the good governance conception is still supporting its preferred position, but the empirical evidence is not convincing. According to a group of opinions

decentralization hinders the equal, quick and uniform provision of public functions while the others emphasise that decentralization does not mean necessary distinction in the public policy practice but its additional positive consequence is a stronger legitimacy, because people and decision makers get closer to each other. The third group of opinion draws the attention even to the fact that neither the opponents nor the supporters have enough evidences to prove their seemingly normative statements (Banting-Costa-Font, 2010).

Decentralization is still rather a normative value (or stereotype?) than appropriate mean for solving all kind of problems. Decentralization is not an end in itself but is rather a governance device which tries to ensure the inner cohesion, efficiency, integration, and reactivity through the territorial optimalization of the power structure and it's functioning. The social sciences dealing with governance have to investigate more deeply and impartially the territorial division of power in order to understand the relation of decentralization and centralization.

IV. Governance decentralization in Europe

In the former chapter it was stated that decentralization was a temporal fashion since it was regarded as advantageous both for legitimacy and performance. Territorial reforms aimed at decentralization, however the top down transfer of competences and resources can be implemented in different way. The form, scale, mode of decentralization can differ as the geographical scale also which is the object of discretion or how it was formulated of ‘territorial choice” (Baldersheim-Rose, 2010). In the next chapter we will try to approach the real driving forces, concrete circumstances and consequences of territorial division of power by analysing the reforms implemented in Europe in the last decades.

4.1. The problems of terminology and models of decentralization

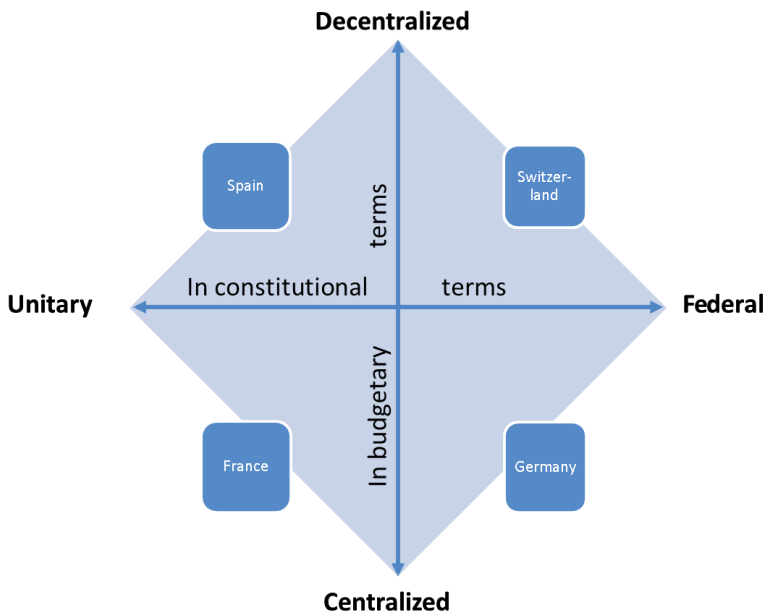
While the horizontal dimension of the separation of powers – the checks and balances of the legislative, executive and judiciary branches of power – is a commonplace in political science, but the same cannot be said about the territorial dimension. Decentralization is a dimension of the sharing of powers. The stronger emphasis on territorial dimension can be explained maybe as a reaction in the social sciences to the previous dominance of the time (Massey, 2005). The direction, form and content of territorial adaptation haven’t been elaborated fine scientific theories, so they couldn’t become firm pillars in shaping the territorial governance. The important relationship of representation and territoriality, designation of constituencies which were regarded as axioms, today these are questioned due to recognising that territorial changes caused in changes in the model of governance as well (Faludi, 2013).

Even the term of decentralization is fluid. Stable starting point is just that the competences are going downwards and outwards from the centre. But which kind of competences, resources for whom and where are going down, in these respects there are huge differences. Principally three models of decentralization can be distinguished. Administrative deconcentration is when the tasks are transferred within the public administrative organisation; financial decentralization is when shift occurs in the allocation of public resources in the direction of local governments; democratic decentralization (devolution) is when there is real power sharing between the elected governance levels (Crook-Manor, 2000). The three models result

in a very different scale of decentralization. Just in the third case the advantage of decentralization emerges in political sense that is the closeness to the citizens, transparency, legitimacy, direct participation etc.

The public legal status is not the only criteria along which one might evaluate the real space of movement and independency. Decentralization needs at least two factors to be taken into account: the appropriate legal, constitutional status and the financial model. The combination of these factors and their changes over time, produces crucial differences and different models. For example Switzerland is going towards centralization (Curson Price, 2004), despite the fact that the principle of subsidiarity is implemented in the most consequent way (Church-Dardanelli, 2005), because the so called pragmatic political integration enables the continuous adaptation (Linder, 2010). Also in Spain the flexibility and the asymmetric solutions proved to be successful for handling inner tensions (Malaret Garcia, 1998).

1. Figure: Models of legal and financial decentralisation



Source: Dafflon & Madiès 2011.

Many works have tried to make a balance of decentralization reforms implemented in the last decades from the points of view of the content and results. Gaulé distinguished (2010:49) three periods in the European decentralization reform process:

- In 1950-1980 dominantly administrative reforms were implemented.
- From the eighties efficient solutions have been experimented by territorial and functional restructuring of governance levels. This period was characterised mostly by managerialism (Jenei, 2005).
- The nineties brought changes especially in forms and actors. The previous goal of efficiency has been expanded by strengthening participation and legitimacy.

Loughlin focuses on interconnections between forming of state models and governance levels (2007). In the first, in the welfare state period the national level was dominant, therefore the decentralization followed generally an administrative model where territorial actors are agents of central government (principal-agent). The second period was the partial crisis of welfare state when neo-liberal governance forms and actors emerged and the directions of reform processes were more diverse. In that time the transferring of public services to local governments has occurred. The third period shifted the proportions of public and private sectors and strengthened the regional levels especially in order to take part in development policy. The trend is going from the hierarchy towards equality of tiers, from the uniform models to asymmetric solutions, as regards the content, from the administrative deconcentration to political decentralization and from public services towards economic development.

As it was already mentioned, the contours of the third epoch are getting opaque in the last years under the heading of neo-weberian correction (Dreschler, 2009). The question is whether deep and general opposition against the neo-liberal governance period is taking place where the ambitions of centralization become dominant grounding the new, fourth reform wave?

4.2. Dilemmas of organisation size, geographical scales and boundaries

Decentralization is often coupled with changes of territorial scale and boundaries. It also often occurs that the changes of territorial boundaries do not result in real decentralization and decentralization can happen without territorial reform. The most frequent aim of territorial reforms having the object of changing the scale and boundaries is the reason that the decentralization should enable territorial decision makers to fulfill new tasks by larger size and by geographically more appropriate boundaries. The enabling is a key factor of decentralization since failures, missing results can mostly be explained by the fact that those targeted by decentralization lack administrative, organizational and financial capacities for undertaking of new tasks (Litvack, 1998, Manor, 1999, Stead, Nadin 2011).

The ideal size is an old dilemma not just in modern economics but also for political thinkers. Plato was already dealing with the question how a large polis can be 'good' governed. Dahl, referring to the American local community studies, analysed how can be assured real participation in decision making to a large population (Dahl-

Tufte, 1973). The numbers do not mean of course too much (Plato's city with its 5000, Dahl's with 20000 inhabitants could be an ideal). What is important that the size is to be calculated not just from the dimension of the economies of scale but also from point of view of democracy. The point of the dilemma is that larger size provides opportunity for local governments to control really the local issues but the smaller size makes possible the citizen participation (Houlberg, 2010).

In Western Europe, following the economies of scale, drastic integrational reforms were implemented from the seventies. A crucial part of settlements have lost their own local governments, offices and even their representation consequently the right of decision on local public issues, for managing the public services. The reforms generated many conflicts that resulted in democratic deficit, and the distance between the citizens and local governments have increased. However, the larger local units emerged they were able to fulfill more important tasks, to manage public services achieving better quality and cost efficiently. Therefore they did not become governments without tasks just being merely a „local façade” of central government (Humes, 1959: 20).

The size of local governments depends on historical contexts, local characteristics and value preferences therefore it is an object of an ever ongoing discussion on ideologies, mentality and values (CoE, 2001). There are places and countries where the better and efficient services, the 'production' is more important and when there is dissatisfaction concerning local allocation decisions, inhabitants are voting with their feet (Baldersheim-Rose, 2010:8), or the state's deconcentrated organisations replace local self-governments (Martins, 1995). Avoiding structural reforms also leads to marginalisation of small local governments when municipalities are obliged to associate with each other since they have to give up the opportunity of independent decision-making and even the participation in common decision-making (Swianiewicz, 2010).

There is however research conducted in 'no ideally sized' villages which indicate the political advantages of participation, and identity not just in avoiding democratic deficit but also in development policy (Illner, 2013). There is no doubt that the balance of the reforms depends also on the philosophy, governance model and political culture which determine the functioning of a given local government system. Where the value of local community and autonomy is high, the democratic deficit is assessed as a high price and no reforms are implemented. The Napoleonic countries belong to this group but even in Eastern Europe the higher turnout in smaller settlements indicate the stronger support for local governance. However, in England and the Scandinavian countries the rational consideration of economies of scale was easier enforced without too much local opposition. It has to be added that according to the newest research results the citizen satisfaction has been improved even in the larger, integrated systems. It is likely therefore that the size and distance of local governments have had not so much negative consequences in feeling of belonging to

local community first of all due to the development of communication and converging standard of public services (Swianiewicz, 2010).

Thus the assessment of structural reforms aiming uniformity but with time to time changing ideal size is ambivalent. For improvement of the economies of scale can be used functional cooperative models which leave untouched the basic structure. The preservation of local autonomy motivated only by political aims just on the surface might be considered a result when the local government system is hollowing out because of the insufficient organisational and financial capacities. There is a strong connection between the public role, the share in public budget and the size and administrative capacity of local governments (Baldersheim, Rose, 2010: 3).

As regarding the change in size and decreasing of number of local governments/municipalities there are many differences in country strategies. Each groups of countries, representing various administrative, governance culture, are going in different and discontinuous ways. The more developed states with Anglo-Saxon, Scandinavian or German traditions are undertaking the consolidation reforms through even more cycles while the Napoleonic South-European countries insist to their fragmented structure. Some countries of Eastern-European group underwent also hectic changes justifying the fact that in the question of 'territorial choice' not only technocratic aspects of economy of scale have an influence and there are no stable patterns at all (Swianiewicz, 2010). Bouckaert noted that the reforms in East-European countries have not been successful because only the shape of patterns were followed but not the real content (Bouckaert, 2009: 102).

The second wave of territorial reforms implemented in Europe targeted the meso-level governments in forms of integration of smaller territorial units or establishment of new, larger tier (Pálné 2005). The literature calls rescaling the reform which changes the territorial administrative structure in a given country leading to reshaping the territorial frames of some social, economic etc. facts and at the same time restructuring of power (Swyngedouw, 2000). Rescaling often contributes to the emergence of new practices, innovation of governance modes which means changes both in formal (geographical) and principal terms (Guilani, 2006).

Looking back to the process, motivations and consequences of regionalisation reforms in the nineties it is necessary to distinguish the bottom up driven reforms motivated mostly by ethnical, cultural, historically rooted movements (regionalism) and the top down reform measures aimed mostly at modernisation (regionalisation) (Keating, 2004, Loughlin et al, 2011). This distinction has a crucial impact from the point of view of decentralization. The top down reforms were not always or were not at all implemented aiming at decentralization. The regional reforms did not always result in a tier with elected self-government or at least in these new geographical units deconcentrated units subordinated to the central government have also emerged in parallel. These deconcentrated organisations gained dominance in power, in some

countries just temporally (France, Poland), in others for a long time (Greece, Portugal, Finland, England). The feature of the top down regionalization is that it creates new, artificial boundaries, there is not enough attention paid to the social, economic cohesion and identity (Nemes Nagy, 2009), therefore these mostly failed. Thus one has to be cautious while the cases of regional, meso-level reforms, regionalization and political decentralization are not always interconnected. The explanation for this we may find in the diversity of driving forces, aims of regionalization. Maybe it is surprising that really regionalized countries in Europe where the regions would enjoy constitutionally recognised status, autonomy and dominant governmental role are rare. In rare cases of political bottom up regionalization the aim of the regional elit was counterbalancing the ambition of centralization of the nation state (Kohler-Koch, 1998). Sometimes ethnic and cultural differences are generating regional independence movements leading often to recognition of special status (changing geometry). This happened in cases of Basque, Catalonia, Scotland and Wales. Today it is already realised that bottom up regional movements can generate also the putting the secession on the agenda. Even though, regionalization as a social process needs longer time. The region as a social creation (Paasi, 2000) is important force of cohesion and integration and source of development in the same time.

The functional, modernization reforms are initiated by the central government (top down regionalisation) following rationalist, economic development aims. The impact of cohesion policy of the European Union was substantial in the so called cohesion countries, and this is why they have tried to adjust their new administrative units to the so called NUTS system (nomenclature of units of territorial statistics) that was created in the frame of European cohesion policy. The accessibility to the Structural Funds was not the only motivation. For example the brave regional reform in Denmark has been motivated surely not by absorption of EU money and the regional devolution reforms of the British Labours was taking place also in more complex and contradictory circumstances and just partially succeed. The traditional national structures just slowly or hardly were changing. For example the case of Sweden is interesting, because she has been experimenting with creating regions for almost one decade under the influence of the Union (Feltenius, 1997), but it has not completed a total regionalisation. Even though there are countries where the idea of new regional government tier has been raised several decades ago the reforms have not been successfully implemented yet (Portugal, Finland). And there are several countries where the administrative map is the same (Ireland, the Netherlands), but strong decentralization has taken place and countries where the map has been redrawn but this did not change the traditional centralized governance model (Greece, Getimis, Kafkalas, 2007). As the case of Ireland shows, regions created by the centre just for money absorption have usually not been able to be embedded in the power structure (Cearbhaill, 1997).

Eastern Europe



In the post-communist member states of the EU the case is special since here the regional decentralization had no traditions at all. The imagination on regionalism was strongly penetrated by the conservative attitude and opposition against decentralization of the past (Nunberg, 2003, de Vries, Nemeč, 2012). The access to the Structural Funds had a crucial impact on the ambitions of central governments concerning the meso-level governance reforms, however only Poland was successful in establishing self-governmental regions (Jordan, 2011). The so called Europeanisation, the convergence of national administrations is going on by different means and

mechanisms (Knill, 2001). Such common policies have the most direct influence where the member states have to fulfil concrete institutional requirements, however in these fields there is also space of movement for the national governments. No doubt, the principles and institutional preconditions have had an influence on functioning and structure of national administrations but these were not able to become the main driving forces of decentralization. The East-Central European countries are late in decentralization and in building territorial governance. Neither the functional model of self-governmental service provision nor the proportion of central and territorial responsibilities, and even the geographical boundaries have been fixed yet. After the former ambitions for decentralization a massive centralization has been started since the accession to the EU in 2004. Even though during the preparation for the accession the region building was intensively going on by implementing regional reforms, putting new regional boundaries on the map, the national management system of Structural Funds of new member states has been established in a centralised way. This fact was a big disappointment for political and professional groups supporting regionalism. It seems that during the time of 'conditionalism', before the accession, there was more determination and demand for adaptation (Hughes et al, 2004). Following the access to the EU the indirect requirements have an impact only besides the existence of a real ambition for learning (Bouckaert et al, 2011). The reflexes for centralisation of new member states were fed by the absorption need of EU funds than by strategic innovation of their development policy (Bachtler et al, 2013). The history of territorial administrative reforms justifies the fact that decentralization is mostly not successful if it occurs just as a transfer of uniform, external requirements and models. When evaluating the Europeanisation is very often claimed that models, best practices coming from older member states motivate only changes on the surface in the new member states which do not possess capacities that are necessary for real transfer (Stead, Nadin, 2011). It has to be investigated during decentralization reforms whether territorial levels are able to accept further tasks and resources. It has to be noted that these limits of Europeanisation mentioned before are valid also on global scale. Investigating dangers of decentralization in developing countries implemented under external pressure of World Bank and UN Romeo (2003) draws the attention to the importance and even necessary distinction of inner and interactive capacity of local governments. These capacities have to be built before the starting of decentralization reforms. The ability and readiness for decentralization depend on extremely complex conditions (Litvack et al, 1998). The supporters of new regionalism claim that comprehensive and defined summary about territorial governance of Europe is needed recognising the complexity of interests and phenomena which led to territorial rescaling (Keating, 2013).

Returning to Eastern Europe, beyond the euphoria of systemic change and joining EU, the real systemic change in territorial governance is going on just now under

the pressure of budgetary restrictions. The consolidation of local governments being in crisis generated strong state expansion and intervention in managing public services, in financial system, though there are not so sharp differences in behaviour of Western and Eastern countries under the crisis (Gorzalak-Goh, 2010).

Thus very different solutions, forms and scales have been used during the European meso-level reforms but it cannot be stated that these contributed to the progress of democratic decentralization. There is a decreasing trust towards democratic 'new regionalism' also which was originally against the older, administrative regionalism questioning their dominant existence in Europe (Scott, 2009, Elias, 2008). The slogan of Europe of regions in the nineties that supported the deepening integration and has driven the territorial reforms nowadays seems an illusion (Keating, 2008). Only one of the evidences for the decreasing popularity of regions and also for strengthening influence of national governments is the fact that EU Committee of Regions represents not only the regions since the enlargement in 2004. In most of the national delegations there are more representatives of local governments than regional ones (Brunazzo-Domorenok, 2008). A signal of decreasing influence of the 'third level' (Jeffery, 1997) is the general opposition of national governments against accepting the European Charter of Regional Self-governments. Although it is still on the agenda of the Council of Europe, it is likely that at least a more loose text, full of compromises, will be accepted. The equality of the tiers was assumed in the original conception of multilevel governance (Loughlin, 2007), nonetheless this balanced situation is valid only for countries with strong regions and federations (Keating, 2008). Most of the European regions are not empowered for being strong counterweights of the power. It is possible in the future that regionalisation steps made by member states will be less influenced by the EU requirements.

In summary, despite the territorial administrative reforms and ambitions for convergence in the last decades no standard of local governance has been emerged. There is extremely diverse picture of statistical data, number and status of the tiers. It is not an accident that the Council of Europe had to set up a quite difficult classification. According to the status of the regions six clusters have been distinguished, neglecting their scale (Balázs, 2009). The picture is more diverse when not only the regulation, but the real functioning, the budgetary conditions and cultural embeddedness are taken into consideration.

The governance system of countries and different eras show big differences from the point of view of what kind of power and function division and what kind of relationship there are between the territorial levels. It is generally experienced that both local and meso or regional tiers are seldom of the similar strength, so the territorial balances are changing (Bibó, 1986, Nemes Nagy, 1998). If local government, being capable – considering its scale and resources – to undertake many administrative and public service tasks, in that case the role of meso-level is weaker

but on the other hand it would have an important integrative mission. The shaping of territorial, settlement structure has also an impact on the structure of governance. In a more urbanised system where the territorial management mission of cities is intensively used, the meso-level is naturally not needed. In mostly rural areas the assistance of territorial governments is dominant. Approached from anywhere, changes in the whole system are generated. This fact makes it overwhelmingly important that preparation of territorial reforms should be complex and consequent.

4.3. The procedural characteristics of territorial reforms

Above we have tried to stress that the territorial shaping of governance is taking place within a very complex context, not following always the original targets and not resulting in uniform models. The reason of this is not only that in spite of the real convergence national governments cannot bypass the national specialities and historical traditions, but also that the concrete governance environment and the day by day changing challenges have also an impact on the territorial reform process. The process of territorial reforms influences the result itself. It is commonplace that reform targets are only partially fulfilled. Quite ambitious reform targets are generally announced but the real performance, the efficiency of implementation is always modest due to the so called policy slippage, and of course the reforms need compromises. The typical reason of postponing of reform goals is that the implementation is already regarded not as a priority and also the administrative reforms are hardly getting into the focus of general political attention (Schneider-Heredia, 2003). The decisions on reforms are influenced by voters, that is, by need of vote maximising, therefore politicians do not like to undertake unpopular reforms (Levin, 2007:144). Announcement of comprehensive, constitutive reforms is typical especially during crisis and systemic changes, but mostly at the beginning of the government cycle. Due to the impacts of concrete circumstances the speed and scale of implementation are modified as compared to the original plans. Besides the external circumstances like general social, economic, cultural and other factors, even the institutional model, governance capability and reform capacity cannot be ignored (Weaver, Rockman, 1993). The biggest challenge of public policy reforms is coping with the complexity of goals and context (Wallace et al, 2007).

With the help of investigating reform processes could be learned which are the driving forces or even veto players of each reform decision, actually whose interest is the decentralisation? The literature is dealing with decentralization reforms focusing on the content ('what'), and especially the fiscal decentralization ('how much') is at the core of investigation. Besides these questions, the process of shaping and implementing ('how') and the context ('where') of the reforms have been often neglected (Gaulé, 2010). Meanwhile the main condition of the successful reforms

is bearing the support of direct stakeholders or at least counterbalancing their opposition (Wright, 1997).

The reform capacity of national administrations (that is the capability to adapt to changes) depends on formal and informal veto points, players whose numbers are determined by the political system. Their presence and influence stem from the general political, institutional and cultural frames. Tsebelis found (2002) that the identifying and relationship of individual and institutional veto players can help in understanding the real functioning and reform ability of public power systems independently from the governance model and party systems. According to his analyses, the increasing number of veto points has a serious impact on reform ability of the given country. Knill (2001:85) focusing on administrative reforms distinguished three main groups of factors from the point of view of reform capacities: the general force of executive power, the institutional order and functional characteristics of public administration and the influence of bureaucracy on public policy decision making.

The situation is more complicated in the case of territorial reform because besides the central governmental arena the formal and informal interest groups of territorial actors are also participating in the process. Analysing typical conflicts that emerged during territorial reforms in Europe has been found that if local governments in the given country are strong, the decentralization reform generates more conflicts between the parliamentary parties. If the local governmental system has a weaker role, the conflicts emerge rather between the actors at local and central level (Baldersheim-Rose, 2010:17). In Italy, for example, the regionally elected and party politicians played a crucial role in deepening the regionalisation (Brücker, 2005, Oppe, 2013). The ethnic minorities have especially strong role in regional reforms with or without success (Pálné, 2005, Baranyai, 2013). The associations of local governments could have an important mission in territorial decentralization and in protecting local governmental positions and also the way how territorial interests are represented in the parliament. General experience is that ordinary citizens are quite neutral towards decentralization, let us just referring to the fiasco of referenda on regionalization in Portugal. Strong political attention is directed towards the autonomy movements motivated by ethnic tensions, but changing of boundaries also or lost of administrative rank of cities can generate citizen protests – this happened in Poland (Regulsky, 2003).

Knowing more about the nature, process and context of territorial reforms is a challenge for political science which could help not just the more successful implementation of reform plans but also it tells us more about values, actors and model of the given political system (Pálné Kovács, 2013). The analysis of territorial reforms in transitional East European countries cannot bypass the question of path dependency, although it is also sure that path dependency is not the only explanation any more for reform failures since the actors, ambitions of the stakeholders, the reform capacities have themselves consequences in the implementation of reform plans (Haveri, 2012).

V. Territorial governance and territorial development

It is already indisputable that the success of public policies is determined by the organisational frames where the implementation is going on („governance matters”). The literature on regional policy and regional economic development stressed also that the institutional system influences the targets and instruments of regional policy (Danson et al. 1997). The organisational and value system of participating actors, the efficiency of co-ordination and of course the level of decentralization, all determines the performance, priorities of territorial development. This chapter will focus on the relationship between governance and regional policy.

5.1. Regional policy cycles

The territorial development policy (usually called also regional or cohesion policy), i.e. state intervention in territorial development processes, went through many development phases, presenting forever new governance challenges.

1. The centralized, redistributive era: Some regulatory elements of regional policy as conscious state activity had emerged already in the first half of the 20th century in Western Europe. The deepening of regional disparities after the Second World War motivated the governments for elaboration of territorial development strategies. The welfare state with its mission of nursing the citizen faced the challenge of differences in living conditions. In the seventies, when the general economic crisis led to the emergence of crisis regions where there was a need not just for equity and solidarity but also for economic intervention. In the era of a slowly emerging independent regional policy the central governments formulated the strategic plans, they also controlled the public resources, therefore local governments had just a servile function of implementation. Real development was necessarily taking place only in the core regions (Horváth, 1999). The relationship between the state and the stakeholders was hierarchical, the state had almost unlimited discretion, territorial actors got a share from state subsidies according to the chance for reconciling their interests. The power structure preferred the development poles and industrial districts due to the fact

that peripheries were not able to influence the central government. There was a paternalistic relation between the local and central governments.

2. The neo-liberal, regionalised era: The regional model change in Western Europe occurred at the turn of seventies and eighties, realising that the former system was not able to handle regional disparities. The model change was also supported by the neo-liberal turn in the economic policy due to the scarcity of public financial reserves. While the Keynesian state intervened and protected the economy and the regions against the instability, the new neo-liberal state dismantled the system of central supports, channelling the regional and local economy into the competitive market. At this point the local and regional actors entered the scene helping out their economy being in crisis. In this period the cohesion policy based on EU structural funds became increasingly dominant in European countries, which was designed as neo-liberal in economic and governance sense as well. The centralised redistribution based on paternalistic hierarchy has been replaced by horizontal partnership, mobilizing the local driving forces, enabling the regions instead of the centre, and launching regional reforms. The European cohesion policy had massive influence on the convergence of governance systems of member states (Bache, 1998). Series of research investigated the networks of new development agencies and organisations, and the partnership forms established according to the EU requirements. The essence of partnership is that the decision making expands beyond the traditional public sphere, resulting in special corporative mechanisms for interest reconciliation and harmonisation. These mechanisms are extremely varied and their success depends on the development quality of governance, political system and on the civic traditions of the given state (Tavistock, 1999, EP, 2008). According to the so called 'third way' theory based on community development the results of development programmes are determined not just by the availability of all technical and professional conditions of planning but also by the presence or lack of political representation (legitimacy) and governance capacity (Roberts, 1997). This model designated this role for local economic and civic organisations. The new, planning public administration needed ability for achieving consensus, solving conflicts, generating local resources by involving the economic actors, employees, local neighbourhoods. This period is characterised by reciprocity. Both, meso-level decentralization and strengthening of civil society were taking place in the same time and they were supporting each other. This process used to be called a transformation from the 'government to governance' The special mission of the regional governments is to improve skills for development policy, integration of different actors and resources, connecting the networks. In this kind of economic development policy the central and regional governments do not have to tell what to do rather how and with whom (Cappellin, 1997).

3. Era focusing on competitiveness and cities: in the next period, at the beginning of the second millennium the emphasis has shifted from cohesion to competitiveness due to the turn in economic policy, or the Lisbonisation. Besides or instead of the regional scale there is more attention paid to the urban and metropolitan areas in order to strengthen their integration capacity. (Faragó, 2006). There is a change in the EU cohesion policy as well. The centralization has been supported by the principle of shared responsibility and accordingly the central governments of member states have been empowered with more competences in the management of Structural Funds. The accession of East-European countries in 2004 contributed also to the increasing distance from the regionalised, decentralised cohesion policy model (Bachtler-McMaster, 2008). The programming period from 2007 legitimized the goal of competitiveness among the official cohesion policy objectives which is a contradiction according to many experts and has negative consequences for the poorer regions and countries. The targets of competitiveness, and the more emphasized efficiency in resource allocation are focusing on dynamic urban areas., However, the more attention for cities means more chance for the poorer countries as well (Szirmai, 2004). On the other hand the urban renaissance raises the question of which governance instruments can manage these shifts? The stronger territorial integrative role of cities is a big challenge for designers of territorial governance, since it would need using of horizontal, network, and functional elements in the traditional public administration which is settled according to hierarchical levels. Even though there are experiments, pilot projects for introducing of these innovations but there is no fundamental change in the European, still hierarchical territorial governance yet (Berg et al. 1997, Tosics, 2008, Somlyódyné Pfeil, 2008), and this is mostly the case in the less urbanized Central and Eastern Europe (Sýkora-Mulièek-Maier, 2009).
4. The period of centralistic crisis management: meanwhile the command of competitiveness and the expansion of the cities have not led to fundamental change in governance. The financial and economic crisis and the following economic, social tensions have generated new governance needs and reforms. The role and scale of national governments have been expanded, the local governments are suffering from budgetary restrictions, the regions have lost their positions, and centralisation is strengthened in many European countries. In spite of this phenomenon the philosophy of 'good governance' is still keeping its position in the narratives of the international organisations. The new programming period of the European cohesion policy has brought more shifts in the proportions between equity versus efficiency, and competitiveness versus regional catching up. On the one hand the territorial convergence remained an official aim, and more than that the term of territorial cohesion has been inserted

into the text of Lisbon Treaty since the territorial disparities have been growing in the European member states. On the other hand in spite of the Lisbonisation, the preference of competitiveness is in a strong position since the cohesion funds have to contribute to the fulfilment of EU2020 objectives. The territorial cohesion, the place-based regional policy (Barca, 2009) is going to focus on the efficiency in the future, but in order to be more efficient the necessity of decentralization has been still emphasized. The new regulation of structural funds provides new development and management schemes like integrated territorial investment (ITI), and community led local development (CLLD). It is still an open question to what extent member states will use the opportunity of more decentralized development policy. There is a real chance of establishment of a centralized management structure especially in those cohesion countries where the regional disparities are originally deep and even increasing and where the necessary local resources, capacities for more decentralized development policy are missing. The circle has been here closed since besides centralized resource allocation the paternalistic, servile local governance culture has been preserved, thus the culture of creativity, responsibility and learning is blocked by taking root.

As we could see, the content, targets and instruments of policies focusing on regional disparities and on spatiality of economy and society are cyclically changing. The reason for this not just that changing circumstances produce different territorial phenomena but also that it is still an open question even in scientific circles whether the territorial characteristics, the distances on one side and economic growth and global competition on the other side are interconnected. It is impossible to recall the huge literature of regional science on this topic, only some elements will be stressed which are important in shaping of governance models also. The assessment of spatiality is seemingly simple according to Tobler's law of geography that states that all things are interconnected but closer things are much more than the distant ones (Tobler, 1970). The geographical distance is evident and according to the most recent research results (Tranos, Nijkamp, 2013) despite the digital development is has still a role to play, but different approaches prevail. There are experts who emphasize the competition among countries based on competitive advantages while others think that the regional characteristics are important in economic development. The various regional economic schools emphasize various elements, mechanisms of emergence and decrease of regional competitiveness and disparities (locational advantages, innovation, labour force, social capital, territorial capital etc.) (Krugman, 1995, 2000, Enyedi, 2000, Lengyel, 2006, Camagni, Capello, 2012). For example the assessment of the cohesion policy of the European Union is also ambivalent because from methodological point of view the measurement of the results until now has not

been solved. (Bachtler et al, 2013). It is already a widely disputed opinion whether the aspects of economic competitiveness and efficiency and regional catching up, growth and convergence are compatible with each other, recognising that the development that is concentrated on metropolitan agglomerations of Western Europe does not help East European peripheries. The contradiction could be alleviated only by territorially different, special interventions and by true subsidiarity, because economic decline is often caused by institutional sclerosis, lack of weal capacities and corruption (Farole et al, 2011).

There is no unequivocal scheme for governance of development policy and for form and measure of decentralization, although, as it was mentioned, the dominant opinion represented by international development organisations is that decentralized governance systems are more suitable for development policy interventions. Despite of the strong connection between governance model and regional disparities this is a subject of continuous professional discussion because the empirical research results do not provide enough evidence for this connection. According to many experts, decentralization enhances regional differences, opposes the territorial (social) equity because, in contrast to (national) solidarity, the competition among regions and areas prevails (Gordon, 2011; Varró, 2012). Others, however, claim that decentralization is a precondition for more harmonious, inclusive growth based on endogen forces which is not only more efficient locally but also a mean of fair national development policy (Perrons, 2011; Turok, 2011; Tödting, 2011).

The relationship between governance and uneven territorial development is analysed mostly by theories and schools which are focusing first of all on actors and institutions. The essence of these approaches is not how regions are governed but how does governance have an impact on regional development, which kind of governance is able to contribute to regional competitiveness and decreasing of territorial disparities. Meanwhile we know that governance models are influenced by many factors, and it seems to be sure that development challenges have strong effect on governance, and the governance innovations (like partnership, multi-level governance, networks, New Public Management) often relate to changes of geographic units, and territorial scale. It is hard to decide whether changes in governance spaces generate innovations or the innovations make necessary larger or smaller territories but certainly these are mutual relationships. Instead of precise analysis of difficult interconnections of development policy and governance system the elements will be further investigated which are relevant from my point of view of decentralization and not just accepted by the relevant literature but supported also by my own research experiences (Pálné, 2003, 2004, 2009).

5.2. Decentralisation challenges in territorial development policy

The topic of the so called developer state (Ágh, 2011) is important in those countries where economy is penetrated by the redistributive allocation policy of government and the comprehensive and deep modernisation is financed not by domestic but European Union's resources. Special attention has to be directed towards governance performance, the question being how much this contributes to economic performance and how it is capable to use the development resources effectively. It is not just about absorption capacity of subsidies of the European Union rather the use of subsidies contribute really to the long term sustainable and stable competitive development of the given country.

Territorial dimension possesses generally a crucial role in the design of governance. The role of spatiality is much more emphasized in modelling of management system of development policy. It is evidence to ask first what kind of territorial scales, units and boundaries are ideal for development policy. As we have seen each development policy cycle prefers other scales and actors. First the regions became the most important actors in the last decades when research of economics and economic geography pointed to the advantages of regions in economies of scale regarding economic clusters, innovation, some infrastructure and services. This challenge has generated significant changes in the territorial administration, that often has led to structurally new tiers or merging of former territorial units. The optimalization of the scale could occur not just as a result of structural reforms. Even the lack or weakness of regional administrative units has required the special institutional process of territorial tiers and regional development policy called institutional pluralism or thickness (Amin, -Thrift, 1994). New types of management have been set up relatively independent from public administration, 'agencies' which are intermediate actors between public power and private market (Halkier et al. 1998, Morgan, 1999).

The formal and functional regions became often arenas of networks being important especially in development policy. It has been revealed that formal and informal networks among actors, tiers and sectors have improved the adaptability, flexibility of regional structures, the strategic nature and innovativeness of regional policy. The importance of especially the strategic alliances, partnership between public and private actors, the coordination between branches, business activity of public sector, involvement of locals, support and strengthening of synergies, system integration, and capabilities for organisational innovation are emphasized by the literature.

Regional decentralization is especially suitable regarding these requirements since governments have to participate in the process of production not as owners or managers and even not simply as regulators of market relations but rather as integrators of the system, initiators of strategic programmes managing co-operation among actors (Cappellin, 1997). But for these roles the geographical closeness is

unavoidable. Besides public authorities in a narrower sense a multitude of other functions and institutions and their building into networks are necessary in order to make competitive the economy and driving forces of regions. In a decentralized model the branch interests are less vital, having less chance for organisational separation, territorial attitude is evidently stronger, and due to the scale there is opportunity for conducting more transparent, embedded development policy. However the co-operative structures which involve actors in larger number into the local and regional power arenas do not replace, just only extend the institutions of representative and direct democracies (Bovaird et al, 2002). Strengthening of regional dimension can be successful if the general structure of governance and also its central level work efficiently and the state of the art of macro-economic conditions is also basic determinant regarding regional competitiveness (Amin, 2004).

The competitiveness, the efficiency of development policy is connected not only with economies of scale and the quality of means of economic protection but also with social embeddedness, complexity, openness, partnership, or closeness and public dominance of government. Not only the scale but also the inner cohesion, identity, the social capital of the regions matter. The attention devoted to the role of cultural, civic embeddedness has been present already several decades ago. Putnam was looking for the answer in six regions of Italy why does the established institutional system produce different efficiency, why institutions themselves are not able to alter the human, social behaviour (Putnam, 1993: 18). Putnam's empirical research have proved that several decades of regional reforms were not enough to eliminate the gap between the South and the North, differences persisted in civil society and culture during centuries. The performance of the regions has been deteriorated by civil society environment based on lack of trust, vertical dependency. However, no doubt, the new institutions have launched learning processes, so formal change can motivate informal change also (Putnam, 1993: 184). Series of empirical research have justified that efficiency and adaptability of regional economy cannot be understood alongside national pattern of economic policy only, because the locally rooted social culture has significant impact, feeding dynamism somewhere or decline in another place (Deffner et al, 2003). The social trust, social capital are results or 'side effects' of a process of reciprocity among actors and civil participatory networks, (Paraskevopoulos et al, 2006), which determines the efficiency of public, community actions. It is not indifferent that the mostly top down channelled cooperation between actors of institutional networks supporting or blocking the process of region building is based on what kind of social capital and trust exists on the ground. All three types of capital, the material, knowledge, and social (Coleman, 1990) which are interchangeable, are necessary to achieve the goals of actors and stakeholders.

The recognition of social capital caused important breakthrough in the science that deals with regional development. Besides or instead of approaches starting from

institutions, economic structure, and resources, the social capital, regional identity and discourse, participation, networks, presence of knowledge types, milieu etc. became relevant explanatory factors of success and failure. Territorial capital can be regarded as the synthesis of all these factors which integrates the traditional types of capital with the cognitive and relational capitals, and there is an experiment to measure them by elaboration of a new model (Camagni, 2012). The recognition of the increasing complexity of regional development has a message for governance sciences: besides the structural, institutional aspects it has to be paid more attention to functional mechanisms, processes which have to harmonize an increasingly complicated system of factors and impacts.

Besides the region as administrative or functional, artificial or original unit, that often is changing its size, the local governance tier has always had important role which is not identical with the settlement as geographical category – as it was already mentioned. The local frame of decentralization is relevant not just in local democracy, public services and administration but in development policy also although with other and other accents in different development policy cycles and development eras. In an over-simplified way local scale can be divided into two groups, the development and governance of rural and urban spaces are going on along separate goals and mechanisms although their interdependency and interrelationship is (would be) evident. The rural development and the mission of local governments in it has not been preferred in the regional policy despite that it is a typical dimension of centre-periphery relation. The European Union has contributed to this restriction because the rural development has been separated from cohesion policy spilling out the baby with the bathwater since the coupling of common agricultural policy and rural development would have been really reasonable. As spaces of governance innovations, networks, multi-level governance only the regions, at least larger cities are mostly mentioned especially since the competitiveness, efficiency, growth are the priorities. The problem of governance and control in the rural development is coming to the fore at least in management of contacts with the cities. Especially on this territory the necessity of involvement of local communities is emphasized realizing that the instruments of municipalities in local economic development is really modest, but it is also true that this transparent scale of rural areas provides opportunity for local social embeddedness (Syrett, 1995, Campbell, 1990, Mezei, 2004, Kovách, 2012). The rich literature of local economic development based on local communities and local resources serves for lot of evidences concerning what kind of strategies and governance modes are applied by local communities in villages, rural areas. The rural development policy of the European Union has contributed to the innovation of governance in rural spaces by the so called *Leader* programme, generating local alliances, networks however following different patterns (Maurel, 2013).

According to Stone, the most famous representative of urban regime theory, urban governance is extremely complex and fragmented network of institutions and actors which lacks the ability of consensus (Stone, 1989). The precondition of efficient governance is that nongovernmental actors, having limited capacities to get access alone to the institutional resources, with the assistance of local government might reach them and so their influence can be maintained in local decision making (Stone, 1993). As compared to the former local community studies, the new question is not that who possesses the power (in Dahl's formulation, "who governs?"), but how capacities could be integrated for achieving common interests (Stoker, 1995). As Stone distinguished ingeniously between the regime that is aimed at fulfilling concrete goals from the traditional government: the former one is the power 'to', the latter one is the power 'over' (Stone, 1989: 229). The regime theory, as the name suggests, keeps distance from the traditional democratic theory which concentrates on the power position instead of power function. Although Stone does not hold his theory as middle range theory even after several decades but the essence of his view is that besides the importance of institutional and structural components the personal, human combinations and micro circumstances matter also. This approach in this respect keeps distance from the rational choice theory as well (Stone, 2005).

The researchers of governance type systems do not regard the model a panacea, realizing that, though the plurality of formal and informal relationships between actors works efficiently in given cases, enables correcting locally the failures of democratic representation and market, but it is a source of new problems at the same time. „Partnership or parallel structures” asks Giguère (2002: 223) in his article referring to the phenomenon that because of regional policy networks all over Europe, over fragmented decision making and executive systems have been emerged decreasing the efficiency of governance. Even bigger problems are stemming from the lack of accountability and rigidity of public administrative institutional system during the cooperation with partner organisations.

VI. The history of Hungarian decentralization

In order to understand which reasons, circumstances determined the opinions, values of legislators when enacting the law on local governments at the time of systemic change in 1990, it is reasonable to summarize the circumstances. The history of Hungarian state organisation, and within it the local-territorial public administration point to the fact that Hungary has had no strong heritage of local governmental decentralization – although we would like to see the past as beautiful.

6.1. The foundation of the Hungarian state around 1000

The Hungarian statehood has thousand-year-long traditions, which is a considerable achievement by European measures as well, even if its sovereignty was limited many times during history (Pálné Kovács, 2001). The foundations of the Hungarian state, as a guarantee to its belonging to Europe, were laid down by our first king, Stephen. The state that was built on royal domains and united through “blood and tears” stood the test of time with its structure and ideals, despite the fact that Hungary did not have a written constitution for a thousand years. Stephen I. drew the whole of the country under his reign by expanding the royal domains (lands owned by the King) and building out royal counties around the castles. We can thus say that the state power is just as old as the counties are. The number of royal counties was 45 in the beginning, but by the gradual expansion of the territory of Hungary, the organisation of the royal administration expanded, too. By the mid-12th century, Hungary had about as many as 75 counties. The head of the county was the governor of the castle or the governor of the county (called “comes”), who governed the domain and the people. The authority of the counties gradually spread over the free Hungarian groups who lived in the neighbourhood of the counties, as well.

6.2. Feudal development

By the early 13th century, the disintegration of the system of royal counties started as a consequence of donating the royal domains to the noblemen. The counties more and more became the framework of the cooperation of the nobility. The movement of the county noblemen against the arbitrariness of the big estate owner barons was supported by the weakening royal power, as well. A royal certificate from the year

of 1232 gave self-government rights to the county noblemen, and by the end of the century the so-called noblemen's counties became the political self-governments of the noblemen, headed by the main governor appointed by the king. The main governor or "comes" represented the royal power. The supreme organs of the counties were the county general assemblies, where each nobleman had one vote. The general assemblies elected the executives, were responsible for the administration of the counties, made orders and sent their representatives to the Parliament of the country. The administration of the Transylvanian territories was similar, although with several special features from the beginning.

During the Turkish rule the major part of Hungary belonged to the Turkish Empire, which, according to the Turkish state system, was divided into so-called "sanjaks".

The noblemen's counties strengthened again during the Habsburg rule, partly as an organ of feudal oppression, on the other hand also as a bastion of the noblemen's struggle and the national movements of independence against the Habsburg oppression. More and more serious strain was caused by the fact that the counties represented the interests of the central power by the main governor, and at the same time the interests of the political powers of the counties in the frameworks of the general assembly, on the other hand. The main governor was loyal to the royal court (and many times did not even live on the spot and his appointment was for ever), whereas the vice governor became in course of time the first officer in the county governments. From the 18th century the vice-governor or comes could be elected by the general assembly from among the nominees of the main governor. The organisation of counties gradually has been strengthened by so-called deconcentrated administrative system that served as a restriction of self-governance efforts of counties. Besides the county level public administration, smaller administrative units, the districts, which have never had self-government rights before, gradually strengthened, too.

Joseph II, the king of enlightened absolutism made overt measures against the Hungarian noblemen organising themselves in the framework of the counties, when he eliminated the autonomy of the noblemen's counties in 1784. Joseph II not only restricted the rights of the local governments of the counties but also changed their borders. In the name of rationalisation and modernisation, Hungary was divided into 10, Transylvania into 3 districts, with royal main governors appointed to govern them, with practically unlimited power. After the death of Joseph II, the system of the districts ceased to exist and the self-governments of the noblemen were restored.

In the so-called reform age preceding the Hungarian bourgeois transformation, the counties were subject to considerable debates. Many argued that the role of the counties was important as the guarantee of the national independence and, within the counties, the liberty of the settlements. On the other hand, others considered the counties, because of the overweight of the feudal noblemen in the county power, as

the biggest obstacle in the way of a bourgeois transformation, a modern, centralised public administration.

The revolutionary legislation in 1848 regarded the county organs as bastions of the constitutionality, but they intended to democratise the feudal institution into a system based on the representation of the people. It was the subject of a serious debate, and finally there was no time to accept the act because of the events of the war of independence.

The arbitrary measures taken after breaking down the war of independence were much like the reforms by Joseph II. Hungary was divided into 5 districts, with the complete abortion of the autonomy of the counties. The districts were led by main governors, and the counties by administrative chiefs.

Compared to regional administration, the governance of the settlements showed a much more varied picture. Villages that used to be located in the domain of some landowner did not have real administrative independence, they were subordinated to the landowner. This did not mean, however, that they could not decide in their own internal community issues. As regards the cities, those enjoyed a greater degree of independence that were granted by a letter of privilege of the king. The citizens of the so-called free royal towns could create real self-governments under the protection of the king, independent of the power of the landowner. In Hungary the saying “city air makes you free” was actually true, since the city bourgeoisie enjoyed a certain degree of autonomy.

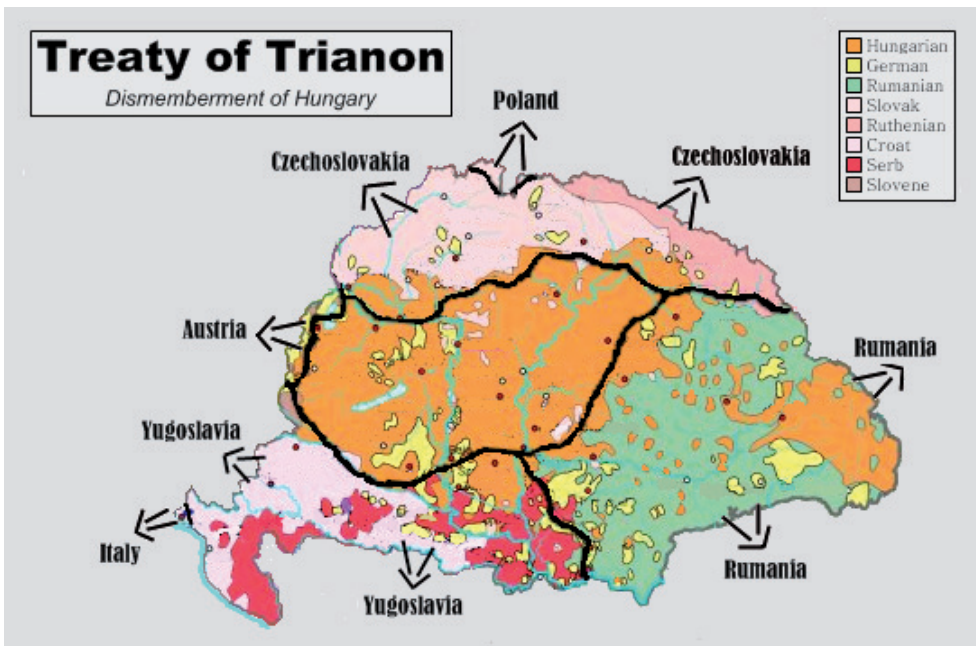
6.3. The formation of modern, united state in the bourgeois/capitalist era

The Habsburg-Hungarian Compromise in 1867 opened the way for the consolidation of public administration. Acts on the counties and municipalities were created and regional administration was fitted into the integrity of state control. The act on the municipalities and the act on the villages, passed in 1870, resulted for the first time in the legal situation that the whole territory of Hungary was under a public administration on the same principles, both the municipalities and the counties were given self-government rights.

The acts, by the Austrian model, differentiated between the local government and public tasks of the counties and maintained, even if with a slighter significance, the political rights of the counties, such as the possibility to express opinion in matters of national politics. This was the period when the establishment of the so-called deconcentrated public administration, besides the system of county governments, took a strong impetus, subordinate to the certain ministries. Harmonisation between the organs of county governments and state administration was provided by the so-called administrative committee.

As regards the settlements, the acts differentiated among units with different legal status, according to what administrative organisation the given settlements could run and what tasks they were able to perform, allowed by their size. The logic of public administration as a whole, however, did not change in the bourgeois era, either, it was still the counties that had a dominant power and the independence of the municipalities only existed in theory.

In the Horthy era following the civil democratic revolution of 1918 and the council republic of 1919, regional administration was built on two pillars: local governments and the special branches of state administration.



In this period, centralising tendencies became more and more dominant. The territory and division of the counties were seriously affected by the Trianon Peace Treaty closing World War I. Out of the 63 counties, only 33 remained in Hungary, and among them only 10 untouched, in the original shape. In 1923 the so-called 'broken' counties (some of which were now beyond the state borders after the peace treaty) were integrated, settling the number of the counties at 25. County organs were partly elected and partly delegated. The counties were led by main governors appointed by the head of state, who were given a more and more significant political role, many times endowed with exceptional, government commissioner' power. A strong hierarchy was formed between the certain levels of control. The county governments were inspected by the main governors, the villages and towns by the county governments, through the district administrators. Between the two world wars, self-government rights were

more and more reduced, territorial governance was taken over by the penetrating deconcentrated administration directly subordinated to the central power.

As an assessment of the public administration in the bourgeois era we can claim that the dominance of the counties remained, municipalities, even the larger cities did not enjoy a significant independence. On the whole, the self-government sector gradually weakened as opposed to the deconcentrated state administration. Another special feature of the historical development of spatial administration in Hungary is that it existed under foreign oppression for centuries, it followed foreign patterns and modernisation was often blocked by the fact that a foreign ruler wanted to introduce it. Paradoxically, this feature of state organisation continued after World War II.

6.4. A Soviet type council system in the frameworks of the party state in 1950-1989

Following World War II, political and professional debates were going on for a few years about whether the local government model or the Soviet council model of regional administration should be introduced. The issue was decided by the power situation; the communists formed a government with the support of the Soviet Union and decided on following the Soviet model. In 1950 the so-called Council Act practically eliminated the rights of the independent local governments in regional decision-making and created a hierarchical territorial governance system. The power logic of the model is well reflected by the definition of the council system, claimed by the administrative ideologists of the communist party: local councils are not the organs of the local power but local organs of the central power.

Fundamental changes occurred in the 1950s in the regulation of the different levels of councils. When the system was introduced, almost all settlements could temporarily elect councils of their own, i.e. at least formally could decide on issues of local provision, even if the distribution of the resources was strongly centralised from the beginning and the local councils could not be neglected in the decision on any major local issue. From the 1960s, however, a strong integration of the local councils started: the almost three thousand former local councils were concentrated into 1600 local councils in the framework of integration. This meant that the smaller settlements lost their own councils and the direct possibility of their interest representation. In the strongly integrated system it was possible that one local council involved 10–12 small villages. It is also important to stress that the integration helped to improve the professional quality of the local staff and the integrated service organisation allowed the provision of higher quality services, despite its democratic deficit. Nevertheless the reform was received with hostility, many blamed the integration for the development policy detrimental for the villages, for the loss of public services and the increased outmigration from the villages.

Strong administrative character was typical for the operation of the local councils, the body of representatives had hardly any real power against the secretary or notary and his/her apparatus. The politicians and leaders of the councils, although mostly directly elected, worked under the strong surveillance of the one single party. Overall, the council system was unsuitable for the assertion of the local interests not because of its structure and organisation but because of power, political and economic environment. The single-party system, the unity of the state power and the hierarchical relationship among the local and the central level together created conditions in which decentralisation had no chance at all. Of course, the central power did not even want decentralisation, not even at the level of slogans.



In this system, the key decision-makers were the county councils that had to assert the central and the local interests at the same time. Naturally, in practice they were only able to meet the criteria of the former function, because of the logic of the system. The counties had direct personal influence on local policy and they were responsible for the distribution of the development resources for the settlements, according to their own priorities and sympathy. The borders of the counties changed in 1949 and their number has been 19 without any change since then. We can state that the counties have remained dominant units of the Hungarian state for a thousand years, but their content, borders and number continuously changed. In certain periods they were clearly the frameworks of decentralisation and the opposition to central and sometimes foreign oppressive power. At the same time, the counties were from the very beginning the targets and means of centralisation, as well. This ambivalent

situation still exists, and this is the main explanation for the painful struggle about the decision upon the medium level after the systemic change.

As a summary of the Soviet-type councils system we can say that, as a power and political model, it did not allow self-governance at all, it blocked the assertion of the interests of the local society. It operated as a subordinate part in a strictly centralised state. However, if we look at the system from the aspect of administrative rationality, we have to admit that operated quite efficiently and professionally within the given political framework. This was due to the internal structure, the spatial integration of apparatus and services, the organisational reforms and the application of modern management methods and strict legality and professional control.

When systemic change took place, these aspects – understandably – were not dominant, the transformation of the political character of the system was much more important.

6.5. The main characteristics of the model after the systemic change

The necessity of the reform in the Soviet type local council system was already perceived by professionals and certain political circles in the eighties before of the systemic change. Of course the reform-oriented thinking at that time affected the territorial structure of the administration only to a lesser degree. More attention was paid to organisational independence than to the freedom and the essential political features of the self-governance. The main barrier to the real reform was the stress on the unity of the state power following the Leninist theory of state.

It is generally accepted both by professionals and by politicians that after the systemic change, the acceptance of the Act on Local Governments was one of the most important political and public legal events. As the result of extremely fierce and intensive debates, and voting over several hundred amendments, the act was born, which fundamentally rearranged the former system of territorial power.

In spite of the fact that the interests of new, various political groups, parties left their marks on the different elements of the act, the continuity with the former endeavours of the innovation of the Soviet type council system was dominant in the model of Hungarian local governance. On the other hand the model that has been introduced started in direct opposition to the former system's substance. The main purpose was to make the local society free even if it was not efficient and rational.

Not denying the virtues, the political and constitutional importance of the model just introduced, the LXV/1990 Act on the Local Government has been unsuccessful from one aspect, namely in the legal establishment of the decentralised territorial and "sectoral" structure of the public administration. On the one hand, organisational guarantees are built into the legal regulation, but on the other hand it has not been clarified,

- to which degree the central power would like to decentralize the state administration,
- where it would like to draw the line between the competences of bureaucratic state organs, agencies and of the elected local government sector and,
- what kind of division of labour it would like to create between the different tiers of local governments.

The introduction of the local self-government system has not resulted in a real decentralised state. The local governments became politically free but they haven't got proper competences and resources to control local affairs generally. The political freedom is necessary but not sufficient to establish a decentralised system, more than that, sometimes too much freedom at the bottom level hinders the rational territorial integration on meso level and the devolution of power from the top.

The first such disfunctional element of the legal regulation is the unlimited right to create local government. Every village, independently from the number of population, had the right to elect its own representative body and mayor, to establish office, there was no legal compulsion to join any association or to integrate the too small offices or to employ civil servants together. This liberal law is very democratic from political point of view, compared to the former, highly integrated Soviet type local administration. The number of local administrative units was doubled after 1990 from 1,600 local units to 3,200.

The next regulatory element because of which the competences and tasks of state and local governmental units could not be separated is the statement according to which local public issues can fall within the competences of state organs only exceptionally. This formula shows the primacy of the local self-governments in the local public issues, but it could not limit the expansion of the territorial state organs operating on fields where the elected, democratic local governments could have functioned much better and more efficiently than the bureaucratic, centrally controlled state agencies.

The legislator considered the elimination of the hierarchy between the tiers as *a sine qua non* of the independence of local governments. The Act states that local decisions on local government issues are final and they can only be revised from legal aspects, and that the basic rights of the local governments are equal. For the control of legality, a new state organ was created, the so-called commissioners of the republic (prefects), since none of the local governments are entitled to make obligatory or hierarchical decisions for another local government.

Summarising we can say that the new Act on Local Governments brought the municipalities in a favourable situation and deliberately pushed aside the territorial governments on the periphery. The supposedly good intention to democratise

regional administration and bring decisions closer to the citizens has brought about several, perhaps unexpected side-effects, as well:

- smaller settlements are only able to carry out their tasks in poor quality and with low efficiency, many times not even complying with the legal requirements,
- despite this fact, the municipalities did not recognise the possibilities lying in associations, in fact, the system further disintegrated by the partitions of settlements and secessions from the integrated notary districts,
- the pushed-out county governments were replaced by dozens of deconcentrated state offices and agencies, also carrying out tasks which would require representative, democratic control.

6.6. New geographical borders and scales of territorial administration

After the introduction of local government model, the rivalry between the state and local government sector, between the central and local power is understandable in connection with the system of checks and balances. This rivalry emerged by introduction of new territorial units as well.

During the discussions in the last fourteen years, the political aims and ideology of the territorial order and the spatial rationality of public administrative organisation were intermingled. The real question from the beginning was who holds the power: the settlements, the local communities, or the counties; the local governments or the state bureaucracy. The professional, theoretical discussion was going on apparently about the virtual territorial categories (larger regions or smaller regions) as alternatives of the county-division.

6.7. Regional policy – without real, strong regions

From the point of view of regional power, besides the Act on Local Governments and the reform of the system of state administration, the most important and maybe most ambiguous step was the passing the Act on Regional Development (Pálné Kovács, 2001/a).

The uncertainty about the decentralisation of the power and the lack of trust towards county governments had their mark on the regulation of regional policy, as well. An Act in 1996 was passed on the decentralisation of regional development and on the units of regional planning without previously clarifying the future picture of the administrative division of Hungary. The Act on regional policy was thus born without existing regions. The Act made the counties (NUTS 3) the dominant units of regional development, and it just provided a voluntary possibility for the creation of bigger (NUTS 2) regions. The fundamental reason for the hesitation about the NUTS 2 regions was the fact that in regionalisation not only political-power issues but also possible geographical borders were uncertain. The regional development concept

of Hungary, accepted by the Parliament in 1998, delimited the seven NUTS 2 regions, each consisting of three or two counties. Later in 1999 the amendment of the Act on regional development prescribed the creation of regional councils.

In 2004 the Parliament passed an act aiming at the systematic integration of the villages in associations, but still on voluntary grounds due to constitutional obstacles. In spite of that this, micro regional association movement launched the integrational process at local level. The Act on regional development was amended in order to give for the NUTS2 regions stronger authority and administrative capacity to participate in the reception of the Structural Funds of the European Union.

Although the most important motivation for the regionalisation were the challenges of EU accession, the administrative strengthening of the regions was not reasonably expected in the 2004-06 planning period of the EU regional policy. The Commission did not want to waste time on unprepared regions. Referring to the 'weak regional capacity', the European Commission insisted on the centralised management of Structural Funds, therefore the regional institutions (regional development councils) have almost completely lost their former influence on regional policy. The management authorities were built out in the central government, the regional actors were only empowered with co-operating functions.

The experiences of the years following the accession did not reinforce the necessity of the regions from the point of view of the beneficiaries, although there is a quite general dissatisfaction with the strongly bureaucratic and remote decision-making centres.

The re-elected government in 2006 tried to carry out the reform of regional self-governance, although this was not very convincing. No wonder, that the opposition did not support the proposal. The issue of regional self-governments was cancelled.

6.8. Empirical experiences on the failed region building

The region in the Hungarian sociological and political scientific literature is an often mentioned but rarely investigated category. There are works dealing with regional institutional setting (Kaiser et al 2007), there are some experiments to measure the regional identity (Bugovics 2007), but our research investigating the relations of regional actors can be regarded as a pioneering enterprise, bearing naturally with it many risks because of lack of methodological experience and former results for comparison.

Further, it is to be mentioned that there is little experience in empirical research on regional identity and politics in social sciences even in Western regionalised countries. There are some excellent exceptions dealing with cultural and identity factors (Stiens 1987, Dirven et al 1993, Deffner et al 2003, Bukovszky et al 2003) or with the networking of regions (Kohler-Koch 1998), but the recognition of political

anthropology according to which political spaces are constructed by the different levels and scales of networks (Abélés 2007:134) has not yet inspired the scientific community dealing with regionalism.

The referred research (financed by Hungarian Scientific Research Fund, OTKA) aimed to investigate the regional networks emerged during the regionalisation process assuming that the success of region building depends on the cooperation between actors, stakeholders. The question was whether the top down regionalisation motivated by the EU cohesion policy contributes to regional identity and cohesion. The survey was conducted in South-Transdanubia, one of the seven NUTS 2 regions, among institutional actors (200 persons) that represented different sectors, functions, like parties, local and county governments, development agencies, business companies, media, university, chamber of commerce, civil organisations. Our assumption in the survey was that regionalisation became an official government program, the region will be shaped as political action arena, where political decisions are taken by legitimized regional actors. The research was aimed at measuring the density of networks in order to prognosticate the direction of regional processes. Our research could not cover all the important aspects of regionalisation but the results served as a proper ground to draw conclusions and formulate further research agenda.

Briefly, the investigation of the networks led to the conclusion that the integrative role of the regional scale development organisations (agencies and councils) were strong, local governments (cities and micro regional associations) were more open and active than before they gained increasing knowledge in absorbing EU Funds. However the universities, civil organisations, media etc. – the non public organisations – were pushed to the periphery in stark contrast with the officially declared ambition of partnership for common regional development goals.

Going back to the characteristics of the policy networks outlined by Rhodes (2000) we could state that the network provided limited participation, whereas the public sector was the most influential, the civil and business actors were on the periphery. The regional development council was in the centre integrating the network on regional scale. The local governments and their micro regional associations on the other hand had stronger role in integrating local actors but on a smaller scale than the region (within micro regions and counties). It was interesting, that besides the mayors, county assembly presidents and the technocrats of the regional development agency, the elected politicians, like members of the European and the National Parliament, and party politicians were not so strongly embedded into the regional networks. This phenomenon shows the basically centralised nature of the Hungarian political life where it is not worthy 'to act locally' or regionally.

The survey devoted a separate block to the question of the potential or ongoing reform. The failures of the announced territorial administrative reforms so far referred to the fact that implementation is really the "missing link" (Dunn et al

2006) due to the lack of real guaranties and social, political support of the reforms. It was theoretically supposed that the regional identity is an important precondition of the success, but the lack of regional identity does not always explain the failures or prolongation of the reform. Hungary has had no tradition in the regional scale of governance, its territory and ethnic composition is relatively homogenous therefore regionalisation is necessarily a top down process driven rather by economic and modernisation considerations, and mostly by the aim of absorption of EU Structural Funds. The question is whether this process has been supported also at the bottom. The relation of the local, regional elite to the regionalisation is a key factor during both the preparation and implementation phases. Nunberg (2003) considered the case of Hungary especially interesting: the country used to be ranked as the first in the region regarding the implementation of political and economic reforms and which formulated very ambitious reform agendas for public administration also. However, these ambitions were not translated into firm plans, instead they were implemented in incremental small steps under the pressure of the EU. The so-called reform programs were more like spontaneous reflexes determined by the strong traditions of centralisation than stable scenarios designing the process of implementation. The explanation for the few partial successes can be found mostly in crises situations and the EU requirements, and not in the deliberate recognition of the necessity of change (Nunberg 2003). This, not so flattering argumentation, is true also for the regional reform.

As it was already mentioned, the government communicated the reform but had not undertaken too much. It was assumed therefore that people, even the political elite was not convinced about the reality of the regionalisation program, and it is hard to identify which kind of obstructions hindered the official reform programs.

In a question of the questionnaire it was asked to what extent the respondents agree with some statements concerning the regional reform. The responses have shown, that the elite was aware of the top down nature of the reform and that the reform is linked strongly to the EU. Most of the respondents thought that the aim of the reform is gaining access to the Structural Funds and on the other side they were also aware that the regional traditions and cohesion is missing, and they refused the regional identity against the county one. The opinions differed however about the content and the consequences of the reform. There was no agreement concerning the statement that the reform will result in centralisation and increasing distance from the decision making levels, or it will contribute to the improvement of public services and to the decreasing the costs. The opinions were especially diverse about the boundaries and seats of the regions, while most respondents considered the region as not too big but they did not accept that the seat is the city of Pécs (the largest city in the region where, of course, several respondents lived). Here is reasonable to mention one special fact of the Hungarian regionalisation. The designation of the

number and boundaries of the NUTS2 region enjoyed relatively homogenous support since it was created from the part of the counties having “old” stable territories, but there was no consensus on the question of the seat of the regions, since the potential cities (the county seats) were competing for this status and the government was not brave enough to decide by itself, unilaterally designate. It was recognizable that the cities, especially the largest ones, were not enthusiastic with the regionalisation as they were afraid to lose their privileged status within the counties. If we assume that the region is determined mostly by the network of the consisting cities, this rivalry seems to be a crucial obstacle of reaching consensus and support at the bottom.

It was assumed that the differences in the opinions can be explained by the ruling or opposite party affiliations on the statements that regionalisation will limit the central power, or will cause difficulties and uncertainties. On the contrary, there was full agreement about these questions and also on the statement that regionalisation is disadvantageous for small villages but advantageous from the aspect of economic competitiveness.

We have asked the sample whether they support the establishment of regional self-governments, independently from the process of the reform, its motives and possible consequences. Interestingly, the majority of the respondents supported the regional reform (68 %), but this support was not coupled with the satisfaction with the reform process and the performance of the government. This means that the elite, involved in the regional scale policy, institutions like regional development councils or being the beneficiary of European money, accepted the popular slogan of regionalisation. On the other hand, many of the respondents refused the real content or aim of the reform and especially the method how the government tried to implement it.

Briefly, it can be concluded that the support of the reform was relatively high, the elite accepted the necessity of change at the meso-level which was in the time of the survey just a jungle of different levels and institutions and therefore too weak to counterbalance the overweighted power of the centre. Referring to the model of Ostrom’s action arena, the region was not an identifiable action arena in Hungary since based on the circle, competence, regulated relationships and networks of the actors it could not be distinguished, identified as a separate part within the whole institutional, administrative space. The networks were characteristically institutionalised from the top and mainly involved only public actors and a coherent region did not take shape. This result is not surprising since on the basis of the uncertainties of the reform and the paradoxes in the governmental policy it could not be expected that the local actors build regions from the bottom up according to their own interest and using their own means.

The regionalisation in Hungary going on between 2002 and 2010 was not a comprehensive reform based on broad consensus but it was rather infiltrating into the public arena through the backdoor. It was true that the reform has encountered

many political and social obstacles, but this bypass method carried a number of paradoxes and it was uncertain that the process flows in the intended direction.

- The first paradox is the economic one; as it was emphasized, regionalisation served first of all the modernisation and the economic competitiveness. Investigating the economic structure of the country and the regions, we did not find real economic cohesion or clusters. The spatial economic processes followed the location of foreign investments; the economic space remained rather fragmented, structured alongside agglomerations, axes and highways. The gap between the regions has been deepening, only the regions lagging behind have shown some homogeneity regarding their low GDP, high unemployment, etc. We can say that regionalisation could not exploit the advantages of agglomerative effects and the economic development policy did not use regionalisation as a frame or means of interventions. The economic development was not in the focus of the development policy, and for this reason, economic actors, chambers of commerce were not able to influence regional development decisions, being on the periphery of the networks. Public actors, like mayors, were interested mostly in the improvement of human and technical infrastructure therefore there were no actors who could represent the economic, business aspects. In such a way the actors and their networks and interests within the decision-making explained the output or priorities of these organisations.
- The second is the regional development policy paradox whereas the European membership caused more losses and fewer benefits for the regions. As the results of the survey also demonstrated, the expectations concerning the European accession were closely linked with regional decentralisation arguing that regions are eligible to the European Structural Funds. Consequently, it was a real shock the extent to which the regional actors were excluded from the domestic management of the Structural Funds. At the same time, the space of manoeuvre of the domestic regional policy institutions, like development councils was narrowed because domestic resources were spent as additional parts of the project budgets financed by Structural Funds. So the whole institutional setting, established in 1996, in terms of preparing for the accession, became almost empty. The European cohesion policy meant a non-recurring chance for modernisation of the country, but it could not contribute to the regional decentralisation of the power structure and the Hungarian regions were not able to integrate themselves into the European multilevel governance.
- The third paradox can be found in the public administration. The point of regionalisation should be decentralisation and consequently the more efficient representation of territorial interests than before. If we look at the changes introduced within the public administrative sector, we can realize that the political regions have not been built and instead, the emerging deconcentrated

regions represent the interest of the centre. This reform consequently could not be regarded as a first step towards the regional decentralisation, it was nothing else than the further expansion of the central state at the regional level.

- The last paradox of bottom up regionalism refers to the process occurring also in the region investigated. Although the regional reform was initiated from the top, its success would depend to a large extent on the support from below. There is no doubt that some kind of regional networking emerged but the key actors of the networks were public ones and therefore dependent on the central government. The real local institutions, actors had no dominant role, they were just assisting to the centralised distribution of the Structural Funds. It is no wonder, therefore, that these local politicians, civil organisations identified themselves rather in a smaller geographical scale and looked at the regional scene as an accepted but not possessed frame for actions.

The regional decentralisation, the building of political region would require significantly more conscious and complex organisational activity. Local actors are able to adapt to the changing conditions and frames but are not able to broaden the competences and create denser networks. The survey justified that regionalisation in Hungary failed due to the lack of complex preparation and consensus building. We agree with the opinion that real power networks sometimes disfigure the official public boundaries (Abélés, 2007), the question is where the real power is, and who is able to shift it downwards.

This story outlined above leads to the conclusion that the territorial reform cannot be and should not be exclusively handled as a part of the European adaptation process and made subordinate to the needs of regional policy. Adaptation to the European Union is thus one, but not the only and not even the most stable basis for regionalization. The main problem of the Eastern and Central-European countries not just of Hungary is that in the spirit of regionalism they were not able to decentralise their public power system, they actually only rescaled it, at least. The reason is that the driving forces of regionalisation are external, the domestic political commitment to decentralize the power is missing.

6.9. Returning to the old tradition of centralisation

In 2010 a new period has begun with the new right-wing government's ambitions in relation to territorial public administration as well. Overtly defying the previous neo-liberal civic philosophy, Hungary currently witnesses the centralizing and nationalizing efforts of the "neo-Weberian" state, which has obviously to do with the governmental efforts to cope with the ongoing economic crisis. The new government passed a new constitution, as a symbol of the beginning of a new era. According to

the officially declared idea and system of values of the new political and government system, it was claimed that the previous constitution, created 20 years ago, was only temporary. It is no miracle that the new law on local governments adopted in 2011 moved also towards a weaker and centrally more controlled model of local government system. The position and status of self-governments in a strong and centralized state underwent serious modifications, and, in the meantime, the government refrained from regionalisation in structural aspects with the stabilization of counties as the meso-level of governance. It is important to emphasize that the counties survived only as geographical scales, and not as elected county self-governments. This is the end of a 20 years long history of decentralization in Hungary which was mostly identical with the failed experiment for making the “meso” a strong self-government.

The Fundamental Law of Hungary was adopted in 2011, and promulgated at Easter. The new term (title) and the timing were definitely symbolic, demonstrating the overture of a completely new political era. The essence of the change from governance point of view is the much stronger state centralization included. The territorial aspects of governance became less important, or more precisely the role of the elected local/territorial governments weakened in favour of territorial state (deconcentrated) administration.

This formal regulation has actually ended the two decades long hesitation about the geographical scale of meso-level governance by stabilizing the space or scale of the county in the government system.

In the chapter about the state in the Fundamental Law¹, the very short part on local governments contains the rules for the local governments in general with one special provision concerning exclusively the counties, namely the president of the county assembly is not a directly elected position as compared to the mayor's. There is not any constitutional provision on the task, mission of county self-governments. The territorial state (or deconcentrated) administration got however more attention as usual in the Hungarian history. The article 17 in the part on the central government gives general empowerments for the county government offices: “The capital or county government offices shall be the territorial state administration organs of the Government with general competence.” So the constitutional background has provided legal frames for the later legislation to fill the counties as geographical units with completely different power content, thus with much more central, top down state influence and much less elected, bottom up self-governance.

The necessity of the local government reform was generally accepted both by political and professional circles since many reform documents emerged and were discussed during the last decades in order to solve the functional problems. The fragmented structure of municipalities and the weakness of the county assemblies resulted, as it was mentioned, in low quality of performance and financial problems. The latter led to crucial financial crisis accelerated by the global economic and

financial crisis started in 2008. So the new government had to do something and possessing two-third majority in the National Assembly it was able to do essential changes even without compromise with the parliamentary opposition.

The new act on local governments was adopted in 2011 which fundamentally changed the whole territorial governance system. As the new neo-weberian state philosophy emerged already in the Fundamental Law, the stronger state, the centralisation became the fundamental logic in the regulation of the local government system. On a whole, local governments have lost many competences in public services and their former „freedom” in the financing was subordinated to stricter legal control. It is no wonder that the report of the Council of Europe in 2013 on the Hungarian local government reforms criticised many aspects of the law (CoE, 2013). The biggest losers of the reform are the counties. We can say „again” since counties have had minimal presence in the political architecture prior to this reform, but due to recent developments they were seriously weakened.

The management of numerous public institutions (hospitals, schools, etc.) was taken over by the Central Government already in 2010-2011 even before the new legislation on the argument that centralization is necessary because the financial crisis of county assemblies. Instead of the former mission of running public services, the primary function of the counties became regional development.

The fact, which proves that the ruling political elite has chosen the county as a stable scale for public administration and development policy, is more striking in the institutionalisation of county deconcentrated public administration. It is an unambiguous fact that the county government offices are much more powerful actors than the elected county assemblies.

The deconcentrated sector became more integrated and it has also been expanded at the same time due to the nationalisation efforts of the public services. The hospitals, schools, elderly homes etc. maintained before by the county assemblies are managed by the newly established state organisations. The circle has been closed. The shrinking self-government system has been replaced by the expanding deconcentrated state administration instead of enabling local and territorial elected bodies for more efficient service provision.

The shift towards the stronger central state responsibility is of course politically disputed by the associations of self-governments and oppositional parties, but one must honestly admit that the majority of the people is rather neutral concerning the massive centralization. The coming years will be a big experiment how will the central state portfolio cope with the increasing tasks.

Maybe the most important lesson is that actors of decentralized power have no sufficiently strong guaranties to preserve their position and empowerment. The ‘meso’ is in especially fragile position since not just the centrally located actors and institutions are ‘jealous’ towards sub-national levels but also the municipalities,

especially the cities are not enthusiastic being 'subordinated' to any upper level. The civil, democratic embeddedness and identity are crucial factors also in legitimating the regional governments. Without democratic support it is hard to save the power position. When the conflicts between governance levels bypass the publicity these remain only closed bargaining with less chance to win. It is true however that the meso-level governments have hard time to sell their mission to the public.

Notes

- 1 <http://www.kormany.hu/download/e/02/00000/The%20New%20Fundamental%20Law%20of%20Hungary.pdf>

VII. Summary

Hungary has not been positioned highly as regards the quality of government. According to the *World Governance Index* in 2011, Hungary has been ranked from the 179 countries as the 35th one, in the *Europe2020 strategy* Hungary belongs to the last quarter of the 27 member states on the basis of quality of public administration, and according to the *European Governance Quality Index* possesses the 19th place (Charron et al, 2012). This weak performance can be explained naturally not only by the lack or contradictory process of decentralization. However it is certain that failures of decentralization experiments interrelate with the ignorance of knowledge needed for shaping of territorial governance system, with servile copy of patterns, with lack of careful design of reform processes. These deficiencies can be detected alongside the shaping of the whole governance system. The cultural, professional, personal, institutional conditions of governance based on evidences and knowledge cannot be established in a few days, especially when the political elite is more interested in power instruments, i.e. acquiring and holding to power than in professional performance and efficiency of governance. The issue of knowledge and power is very complex and depends on culture and political values both of elite and the society. It is likely that governance is professionally more grounded where the governance performance is evaluated systematically and in these governance systems the disciplines dealing with governance have more stable positions.

Finally, we may ask, is it possible to govern 'well' in a centralized country? The question cannot be answered by a simple yes or no. All countries in all eras have to find the optimum in territorial scale, form of institution and processes according to the concrete context besides the stability of political basic values (democracy and rule of law) of good governance (Bayer, 2007). The hectic, arbitrary establishment of organisational, structural and territorial order of government deteriorates the social trust and the performance of the state. The extreme centralization, the territorial blindness brings about not only democratic deficit, bad performance, but the superficial, ambivalent decentralization is not able to produce its expected advantages. Decentralization does not necessarily need structural changes, modification of boundaries. The efficient territorial governance is not the question of the scale, rather of skills of cooperation and adaptation between the actors and

levels, the question of networks, trust, continuous adjusting of capacity of territorial institutions.

The fast changes of directions in territorial reforms, the unstable representation of local interests and political values of decentralization are in strong connection with centralistic state traditions and with the unfinished and unorganic nature of systemic change. Even though new democracies are already beyond the period of transition but they have not arrived yet to the club of consolidated democracies (Henderson et al, 2012). We do not have to conclude that the only option is waiting for the moment when time is ripe, when we are already matured and developed enough for the good governance. Improvement of governance quality, decentralization is still our unexploited reserve for catching up. According to the principles of good governance the state is not good when it is omnipotent, but only when it enables local actors and civil autonomies to be potent. Before the total nationalization, in Hungary there was a good chance for this option as well.

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