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Case Study 9: Management of Structural Funds in Central and Eastern European countries

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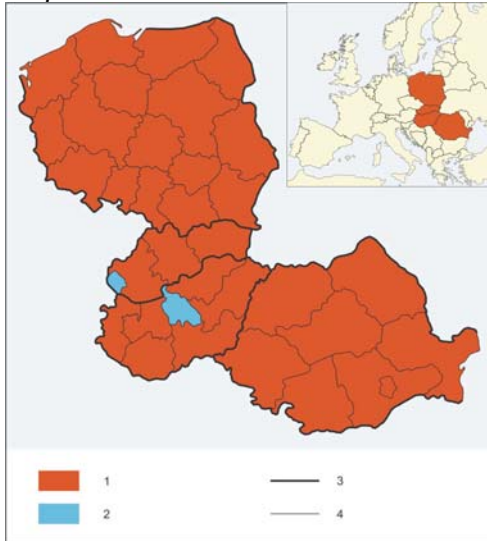
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1. Background and context of the case

The case study deals with the development of a management process for Structural Funds in Central and Eastern European (CEE) countries. From the research point of view, the relevant policy areas are European regional, cohesion policy and the process of strategic planning directed at the access to the Structural Funds money. We will analyse the context of these policy areas and territorial governance, and the impacts that they have on each other. Further, the process of public administration reforms implemented in four CEE countries (Poland, Slovakia, Romania and Hungary) will be explored. We have chosen these four countries as they represent special Eastern European answers to the institutional pressure of the Structural Funds. Three of them gained accession to the EU at the same time, which had a different SF managing structure at the time. Through its delays, Romania shows the same harmonization problems as the other CEE countries.

In light of the expected development objectives of Europe 2020, cohesion policy with its strategic and programming approach as well as its stable financing conditions over a seven-year period is perhaps best equipped to address the new global challenges at the local and regional levels. Clearly, cohesion policy is and will remain a central pillar for achieving the EU's sustainable development goals. This particularly concerns its historical task of promoting the further development of a single market through the strengthening of economic, social and territorial cohesion (Hübner, 2008).

Map 1: The research area of the case study



Key: 1) Cohesion Regions, 2) Competitiveness and Employment Regions; 3) National boundaries; 4) NUTS 2 boundaries

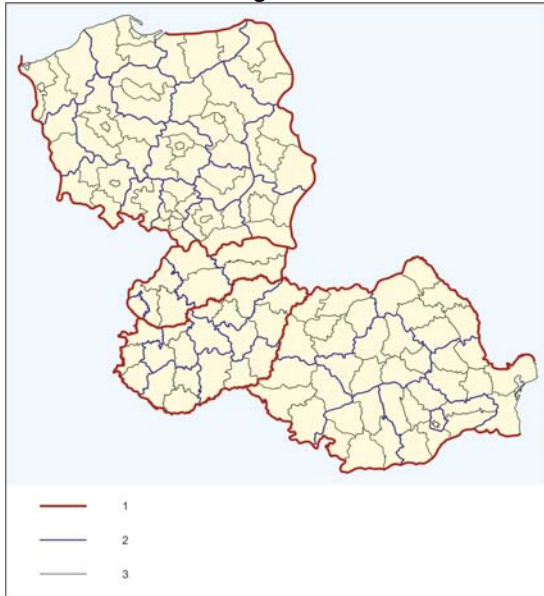
Designed by: Valéria Fonyódi.

Structural Funds (SF) have a significant impact on public administration, especially in Central and Eastern European (CEE) countries, where the absorption of the EU subsidies is one of the most important policy and political ambitions. However, the governance regime of Structural Funds is a considerable challenge, since traditional government structures and practices in CEE countries do not typically harmonise with the principles of decentralisation or regionalism, partnership, efficiency, transparency and strategic integrative planning. Therefore, CEE countries have tried to adapt to these

challenges in different ways. They do so institutionally by implementing internal structural reforms of public administration (learning) and/or by establishing separate, “unfamiliar” structures and institutions to better fit to the SF system (imitating). Further, there are functional changes in the functional, instrumental model and processes. The main question was: is it better to establish an internal institutional development process and as a part of it an integrated (into the national administration) and convenient (from the point of view the EU) institution. Or, is it better to build a new SF institution separated from the national governmental structure, where the SF institution fully fits with the European requirements. The investigated countries chose different solutions. The case study therefore deals with territorial public administration reforms of the selected countries and the SF management institution building process and its governance methods (multilevel, multi-actor).

While the European Union generally considers the structure and functioning of public administration as a national internal affair, it has established a fairly strong adaptation force through the rules of utilization of Structural Funds (Pálné Kovács, 2005). From the territorial governance perspective, it is an important question. Each Eastern European Member State (EU 12) is characterized by the institutional pressure of EU Structural Funds which push the administrative reforms simultaneously with the SF management building. The Structural Fund’s relative importance is particularly high in the CEE countries, where the SF has virtually replaced the domestic development policy which determines the national contributions, the national development resources, and therefore significantly exceeds the volume of national development resources regulated by non European Union rules. Therefore, the role of the SF is much more dominant in these cases than in the old Member States, and it has the instruments to promote a multi-level and participative mode of governance in the new Member States. That is why the Structural Funds were able to influence to such a high degree the administrative reforms in CEE countries. For example, a significant change in the Polish regional policy model was introduced when the comprehensive territorial reform came into force; there we can see a real learning process. On the other side, Slovakia, Hungary and Romania rather imitated the institutional reforms, as they built separate SF institutions, which have not yet been integrated into the public administration system. While in Poland, the public administration reform has created self-governing regions, the so-called voivodships at NUTS 2 level, Slovakia, Hungary and Romania have only built planning regions at NUTS 2 level transferring the administrative adjustment to these scales.

Map 2: *The investigated countries' public administration system and their relationship with the NUTS 2 regions*



Key: 1) country boundary, 2) boundary of NUTS 2 (planning or self-governing) regions; 3) boundary of NUTS 3 self-governing regions
Designed by: Valéria Fonyódi

This diverse set of regional institutions and frameworks demonstrates that the scope for implementing EU Cohesion policy varies greatly (Bachtler–McMaster, 2008). While the Polish NUTS 2 level forms a rational basis for regional Structural Funds programmes, in the other investigated countries, the NUTS 2 regions contain more than one self-governing unit.

The most relevant issue in the case study is how the countries deal with the regional development programs. This is important in their management within the system of SF, since they were offered the possibility of regional decentralization and the involvement and empowerment of territorial governmental actors. The appearance of the ROPs in national development plan made the accession of SF resources as a learning process in itself. Regional actors have also learned progressively about the management of resources.

The main approach of this study describes the changes and effects since EU accession, taking most examples from 2004, and the practice of Romania in 2007. In special cases, it extends to a wider time interval, as in the cases of preparation for the structural funds with the use of pre-accession funds, and the regional, public administrative reforms that took place earlier in some cases, simultaneously with the so called Europeanization pressure.

During the reference years (2004-2012), the partnership principle has become one of the key principles of EU support policy. It means multi-tier (sub-national, national, supranational) and multi-actor (local and regional authorities, private or civil organisations) participation in policy-making, planning, implementation, monitoring and evaluation (EP, 2008a). The system of multilevel governance, the degree of decentralisation and participation practice in decision-making and power, however,

varies between the analysed countries and also between regions within a country. The legacy of centralism, the lack of traditions in making partnerships, and the weakly institutionalized sub-national authorities in CEE countries prompt questions about the transferability of the partnership approach to the new member states, the main recipients of cohesion funding (Dąbrowski, 2011).

This study deals with four countries and makes comparative analysis of these countries, which increases the complexity of the case study. Due to limitations in extent and the comparative nature of the study, and also because of the author's deeper local knowledge and the availability of interviewees, the main investigated country is Hungary. It is presented in more detail through an in-depth analysis and with interviews, too. The study can be complicated due to the relatively rapid changes during the investigation period within the SF institutional system. This can be seen in terms of institutions and staff, including the sectoral ministerial restructuring caused by the government's change, the change of the managing authorities and the intermediate bodies, and the continuous fluctuation of these institutions' staff. However, these changes are poorly documented in the official documents, scientific publications and reports also published with delay. Therefore during the study we could mostly rely on the official and accessible strategic documents (eg. NSRF). Providing current and detailed information, the interviews can refine our view about the operation of the SF institutional system in the next stage of the research.

2. Dimensions of territorial governance

2.1 Integrating relevant policy sectors

Each Member State prepared a National Strategic Reference Framework (NSRF) agreed to by the Member States and the Commission. The NSRF set out the investment priorities for the 2007-2013 programming period's regional and sectoral programmes to be supported by the European Union. The *SF management institutions are responsible* for compliance with the objectives of the NSRF (), which should be consistent with the *EU's balanced development requirement*. That is why the *planning* section of the *NSRFs* and the *implementation* of the national programs are both important in the CEE countries.

There are two main strategies in the CEE countries' practices in connection with supporting the balanced development of the territory through *domestic regional development management* and implementation. In the first model, the special regional development "sectoral institution" (ministry) is responsible for regional development tasks. In the second, a supra-ministerial institution is responsible for inter-sectoral coordination for the horizontal enforcement of the territorial approach. In this case, the central administration of regional development is divided between two institutions. In the second model there is a top ministry which performs the management and planning of development policy as a whole, including the domestic regional and inter-sectoral development.

These models vary through time and from country to country. For example, in Hungary the first model was built between 2008 and 2010, but before and after that period, Hungary used the second (divided) solution, as the tasks of planning and implementation of regional development have become separated into two ministries. In Slovakia, a regional development ministry (the Ministry of Construction and Regional

Development) functioned from 1999 to 2010, but from 2010 onwards, the tasks of the ministry were divided (mostly) between two ministries and the Prime Minister's Office. The Polish practice can be classified as the second integrated type from 2005. In Romania, regional policy's central management is still looking for its place – during the reference years many ministries had the tasks of regional development.

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

From 2004 to 2006 the Polish SF management system was an integrated one. The managing authorities were located at different OPs in different ministries, narrowing the circle with the Integrated Regional Operational Programme where the Ministry of Economy, Labour and Social Policy of Poland (which was the central body of SF management until 2005) was responsible for co-operation with the self-governments of 16 voivodships, in the form of Steering Committees created in accordance with the partnership principle, and voivodship offices were the intermediate bodies. After 2005, the Ministry of Regional Development had the overall responsibility for regional planning and the coordination of regional development initiatives between the national and sub-national levels. The ministry became the managing authority at all of the OPs.

In the period between 2004 and 2006 Slovakia and Hungary also had an integrated system for SF management. Usually, the sectoral ministries were the managing authorities, and they (and not the intermediate bodies) made decisions about support. The intermediate bodies varied by OPs and had different tasks and responsibilities.

For the new programming period (2007-2013), the Hungarian SF institutional system is more distinct. SF planning, implementation and management are now tasks of National Development Agency (NDA), which is subordinate to the National Development Ministry and is separate from the traditional public administration organizations. However, Hungary is rather a sample country of the *mixed* model, whose characteristics are the integration of the SF institution's programming and financing, and administrative separation. The NDA, in co-operation with the ministries concerned, is responsible for the planning and implementation of the entire NSRF as well as for performing managing authority functions with respect to all operational programmes, including regional ones.

From 2005, and of course during the new programming period, the Polish regional development top ministry is responsible for the domestic regional policy and the SF program implementation, too. The managing, intermediate, certifying and auditing bodies are integral parts of the national public administration system. The situation is similar in Slovakia and in Romania (where only the Auditing Authority is independent) (EP, 2008a). The practice of these three countries therefore can be classified as the *integrated* model.

The Slovakian SF system remained integrated after 2007, and except for the ministry responsible for the regional development, there have not been significant changes in it.

They made one competitiveness OP for Bratislava and an integrated ROP for the other side of the country.

In the new programming period, regional self-governments have become the managing authorities of the 16 new ROPs in Poland. These voivodeships are responsible for the domestic regional development tasks too, so at regional level it is also an integrated model.

2.2 Multi-level interplay

The extent of centralisation is the other aspect of territorial governance in this context. Here, we should analyse the centralised and the decentralised public administration bodies' roles in programming and implementation. In the *decentralised* model, the regional actors have an important role in the process of planning, programming and implementing ROPs. They make decisions about the allocation of the ROPs. In contrast, in the classical form of the *centralised* model, administration bodies of the central state are responsible for planning, implementing and managing the whole SF program, including the ROPs. Even though these central bodies can involve regional partners in the planning process, it still remains central, and the managing authorities are also centralised (Perger, 2009).

During the first programming period (2004-2006), the Polish SF management system was the most decentralised model among the CEE countries since Poland has a decentralised state administration system. The new three-level territorial structure with the large voivodeships was introduced in 1999. The regional level is an administrative level with the government's local representatives, but there are also elected self-governments of voivodeships, with their own budget and own competencies. This new regional self-governmental framework corresponded to the NUTS 2 level, which formed the basis for the preparation of the required institutional system of European Cohesion Policy in Poland. Territorial structural changes enabled the commencement of the management of regional development at the regional level from 2007 onwards. Essentially, due to the IROP (2004-2006), the regional institutional capacity was successfully built up at the voivodeships. Thus, during the new programming period, the SF management's decentralization could become deeper as the 16 ROPs and their management by the regional self-governments justify this (MRD 2011b). The Polish practice shows that development policy can be transferred from the state administration sector to the self government sector, which increased the policy's legitimacy and integration. From the point of view of territorial governance, the problem is that the public finances for regional development have remained centralised in Poland despite the so called regional contracts signed between the regional self-governments and the Ministry (Kramer-Kołodziejki, 2011).

As an evaluation study explains, the impact of European Cohesion policy on the Polish multi-level governance system goes well beyond financing. The system needs the further enhancement of co-operation across levels of government, municipalities and public and private actors. There are other challenges: the capacity-building at local-governmental level (competent and effective public officials), performance monitoring and policy impact assessment at the local and central levels (Kramer-Kołodziejki, 2011).

The Hungarian and Slovakian SF management were centralised in the period from 2004 to 2006. This resulted from the fact that they have centralised state administration systems and the EU's expectation of a single, transparent and centralized program

structure (Perger, 2009). The new Slovakian territorial governments (operating from 2004), had no role in the NSRF planning. By contrast the Hungarian RDCs, established by the regional development act and operating from 1999, had the time and ability to make the regional development strategies. Finally, due to pressure from the EU, Hungary made just one single ROP, which relied only partially on regional plans. Slovakia however, had no regional program at all, only sectoral OPs with regional elements. After 2007, the Hungarian model, with 7 separated ROPs but with a centralised managing authority (NDA), became even more centralised, although the RDAs are the intermediate bodies of the ROPs. However, the Slovakian practice is even more centralized. Except for the Bratislava OP, the regional self-governments (kraj) are not involved in the implementation of SF, they are only partner organisations. In the Bratislava OP, the city self-government is the intermediate body (Perger, 2009). The Slovakian state-owned RDA network has a role in the SF program implementation. However, after the 2012 elections, the institutional structure of SF could change again, as was done in 2010.

In Hungary, as a result of the process of the elaboration of national development plans from the 2000's (which have regional dimensions, and there were multi-level discussions about the plans), or earlier from the birth of the regional development act, Hungarian regionalists had hoped that top-down regionalisation could occur. But RDCs and RDAs had a negligible role in the allocation process of the national development resources from the beginning (1996) to 2008. This negligible role originated from the limited amount of decentralised domestic regional development funds. Since 2012, when RDCs were abolished, the county governments remained the only spatial development and spatial planning actors, which have practice in the regional development strategy making process as a partner, but not a coordinator. The self governments have lost a lot of functions, which have been transferred to the county level state decentralised administration. Further, the RDAs, as SF institutional and regional development institutional actors, have also become centralised organs, as they were transferred from the RDC's control to the ministry responsible for regional development.

Romania has a very similar centralised SF institutional system to the former Hungarian one. The managing authority of the IROP has the task of the ministry responsible for regional policy. Regional actors contribute to the planning and implementing process of the NSRF, but they have no role in the implementation of other OPs; ministries and deconcentrated bodies are responsible for this. The RDCs in Romania have more local governmental than central state administrative members, but the territorial governments are weak actors in the public administration sector. The RDAs in turn are financed mostly from the state budget. So this model seems to be a centralised model (Perger, 2009).

2.3 Mobilising stakeholder participation

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

but also civil society at the local, regional, national and global levels (EP, 2008a; Oriniaková, 2008).

The partnership principle is a general requirement of the EU towards all of the institutional bodies of the SF management system during the whole implementation process. However, it was a great challenge, due to the CEE countries' traditional, bureaucratic state administration system and their limited experiences in the area of partnership, which needs a new form of management. There are two forms of involvement of stakeholders into the SF allocation process. First, they are members of Monitoring Committees, and they monitor the implementation of SF money. Second, they can comment on and create the sectoral and regional programs of NSRFs.

It was common that the biggest, umbrella organisations were able to exploit the opportunity of the SF consultation process. The involvement of smaller NGOs poses some technical problems when it comes to expanding the civil society partnerships in cohesion policy. Local or ad-hoc NGOs often lack the resources in terms of personnel and infrastructure to analyse and process documentation, and even to have a continuity of representation in the instances where they participate (different voluntary representatives attending meetings) (EP 2008a).

The SF institutions' relationships and networks can cause significant differences within a country in the area of successful partnership involvement. The poorly performing organizations of the SF managing institution during the planning section could lag behind. After this programming section, the good relationships could be transferred into the monitoring committees or ongoing involvement of interested local stakeholders during SF programme implementation. The provision of appropriate structures (forums, dialogue platforms etc.) manifests the strongest commitment and the most advanced forms of integration (EP 2008a).

In the period between 2004 and 2006, the monitoring committees, as the new coordination bodies of the Hungarian SF institution, became the foes of the sectoral ministries who had been excluded from the managing OPs. Neither side was prepared for partnership building. There were neither traditions nor national rules, and the civil sphere was not able to realize self- and bottom-up organizations. They had the pretext that the centre had selected the partners for itself so the more active and less "disciplined" civil organisations were rather excluded. The opportunity for partnership building resulted in a competitive situation at the civil sphere, where the civil organizations used this new situation to consolidate their position. The members of the SF institute system were looking for partners whose involvement would match the EU's requirements. From the point of view of SF institutions, partnership building was a compulsory extra task; they just wanted to imitate its performance (Perger 2009). The other aspect of partnership requirements was interest reconciliation with the NGO partners during the programming period. Hungary had real partnership making practice at regional level during the planning of ROPs and national programmes. The NSRF was surrounded by a broad public consultation, but it was more for publicity than for relying on the principle of partnership (Perger, 2009). The tools of the public information were websites, conciliation boards questionnaires, strategic background surveys and formal/informal, thematic and regional working groups (Molnárné Hegymegi, 2009).

Since 2007, Hungary and Romania have had national councils for regional development, which are partnership-based institutions for the drawing up and implementation of the objectives of regional development policy. The state has a strong position in this institution, which is chaired by the relevant regional development ministry. Different

representatives of the other sectoral ministries are members of the Council and in Romania (and in Hungary until 2012) regional development councils as well. The Hungarian Council's voting members are the presidents of national chambers of commerce, a representative of the National Economic and Social Council and three representatives of the national local governmental associations. In Hungary, the recently eliminated regional development councils had an important role during the planning process of the ROPs. Further, the regional strategies emerged as a result of widespread multi-actor consultation, and the councils themselves are multi-actor bodies. At the regional level, the process of public consultation on the ROPs was co-ordinated by the RDAs. This process varied from region to region, and operated through public forums, e-mail list, workshops or work-groups. However, the emphasis on a place-based approach was lacking during the preparation of the NSRF, so the regions with different characteristics accepted very similar programs without highlighted regional specialties. The Hungarian RDCs were weightless participants, as they do not have sufficient resources and legitimacy, so the regional strategies were integrated into the national plan on the basis of residual principle.

In Hungary, the professional groups and civil society in many cases were only involved in a formal way in the program's public consultation. This meant that some proposals were not or were only partially incorporated into the planning process. Efficient involvement of stakeholders contributed to the bottom-up planning, and the more accurate identification of needs (KPMG 2011). During the programming period the stakeholders characteristically were able to deliver their own opinions by web-expression. The NDA started its own portal with an internet platform for web-expressions in connection with 14 OPs (from the 15). 1350 NGOs reflected the OPs, most of them in connection with the social renewal and the transport infrastructure programs (Molnárné Hegymegi, 2009). This form of partner involvement limited the range of the involved stakeholders, and the situation was further complicated by the limited time for review. Furthermore the NDA sent letters or e-mails to 4000 partner organisations registered during the former conciliation process or found in the ministerial databases (Oriniaková, 2008).

The Slovakian NGOs, after the first programming period's negative experiences, were involved in the preparation of the NSRF only formally again. NGOs and other partners, including regional and local self-government bodies, could not participate effectively. Due to the overly short deadlines for commenting, documents were sent only few days prior to the meeting, the NGOs decided to boycott the whole consultation process of the NSRF (between 2005 and 2006). Such collective absence of NGO delegates from the work of committees had never happened in the EU before. As a result, none of the NGOs' suggestions were taken into consideration in the OPs. The situation changed after the parliamentary elections (Oriniaková, 2008).

The Polish NGOs took part in official conferences, which were regionally organized by the public administration. More than 1000 active NGOs participated in the process. However, the NGOs opinion is that the final document was only amended insignificantly, so during the preparation process the passivity of partner organisations increased (Oriniaková, 2008).

In each country, the Managing Authority is included among the members of the OP's Monitoring Committees. The ministers interested in the OP's implementation, the intermediate bodies of the OP concerned, the Regional Development Councils, or regional self-governments concerned (Poland), the local governments' associations, tripartite (labour market) reconciliation council (if it is available), NGOs (environmental

protection, equal opportunities, other) and other governmental organisations concerned are also involved. There are also some members with the right of consultation such as the representative of the European Commission, the Controlling Authority and the Certifying Authority, the EIB, the EIF, and the organisations responsible for the implementation of the European Agricultural Fund for Rural Development and of the European Fisheries Fund (EP 2008a-b, NSRFs). During the interview section, we would like to analyse the selection mechanism of Monitoring Committees. Our hypothesis is that in many cases, the central managing bodies have the main role in this process.

In Hungary, most NGOs' representatives in decision-making structures for SF management are the delegates of some civil platform which were elected in a transparent way by voting. There are, however, some cases when the president of a national umbrella organization takes part in the Monitoring Committee through invitation or the delegate wasn't elected directly but nominated by the NGOs and was then accepted by voting at the government's consultation council (Oriniaková, 2008).

In Poland, at the regional level, coordination is assured through the voivodeships and the Voivodeship Boards, with the assistance of the Monitoring Committees of the ROPs. Comments from the consultation process of the NSRF were then integrated into early draft strategic documents. There were a wide range of consultative meetings and workshops at the national, regional and local levels. The Ministry of Regional Development also organised several thematic conferences. Finally, there were a range of cross-sectoral events co-organised with the social partners (EP, 2008b).

Regional coordination committees have been established in the eight Romanian planning regions to assist the coordination between Operational Programmes at the regional level and the national sectoral OPs. The organisation of partnership relied on the framework created for the drawing up of the NSRF. An e-mail voting system from the lists of NGO representatives was used in different structures where the representation of NGOs was required. Many of the partners who participated in the consultations have already been selected to form the membership of OP Monitoring Committees, or their sub-groups, and will therefore be actively involved in the strategic decision-making process for the various OPs. This integration of partners is a relatively new phenomenon in Romanian governance, and will require capacity building (EP 2008b; Oriniaková, 2008).

2.4 Adapting to changing contexts

One of the largest challenges of adaptation was the so called Europeanization pressure, especially regionalisation. The invasive effect of the SF on national administrations of CEE countries is explained by the strong motivation to acquire development resources eligible for less developed regions. The CEE countries were preparing for accession in this period, strengthening the conviction that regions mattered. The main argument for the necessity of regionalisation stemmed from the regulation of SF, although the criteria of "good governance" formulated and controlled yearly by the European Commission, implied the indirect message to decentralise and develop the "regional administrative capacities" (Pálné Kovács, 2011). CEE countries have tried to adapt to tasks deriving from the Europeanization process. The motivation of accessing SF played the most significant role in this process, but there were no strict regulations for the establishment of administrative regions. The necessary elements of the SF-driven adaptation were the delimitation of the NUTS 2 regions; the establishment of regional consultative bodies based on the principles of partnership, and building up or designating the managing authorities of SF (Pálné Kovács, 2011). Poland was the "eminent student" among the

new member states, as the other countries used the freedom of adaptation falsely and simply imitated regionalisation.

Both the system of objectives of regional policy and the requirements concerning the institutional system of the SF, as well as the national programming and planning prescriptions created for fund absorption have been frequently modified. Accordingly, national and regional practices of adjustment and plan elaboration procedures have been modified, and the success of adaptation is varying. In principle, nation states have enjoyed a greater liberty and have faced wider responsibilities post-2007. Poland exploited the opportunity of decentralisation, which the rest of the investigated countries have failed to achieve. The large cities involved in the Hungarian Pole Program have not lived up to the new requirements of urban development. When institutional changes in the system of public administration or regional policy occurred, as in the case of the four examined countries, this further decreased the chances of preserving and transmitting the organisational knowledge, network of relations and established networks. For instance, the Hungarian regional level, deprived of functions, will not be able to coordinate the joint preparations for the period starting from 2014. The method based on the collaboration of county municipalities replacing it is an utterly new practice that makes access to functioning methods and reliable partners difficult. County municipalities are not prepared for this task.

The biggest challenge and the most difficult task from the aspect of SF management is the empowerment of final beneficiaries and to assure them the time to learn the process. The constantly changing conditions, institutions, rules and staff practically render the slow knowledge accumulation for stakeholders involved in the project realisation impossible. Project generation and the elaboration of project proposals has been transferred to the private sector, since the institutional system of SF is lacking the necessary capacities. This may be one of the underlying reasons why the poorest are the least successful in the projects. Organisations with insufficient funds (enterprises, self-governments, civil stakeholders) cannot afford to exploit the services of external project proposal writing companies.

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

The global financial crisis proved a challenge for all CEE member countries which were manifest in central budget restrictions on one hand. This has delayed significant development priorities from social to territorial and often with economic aspects. The crisis has also blocked development projects and reduced funds amongst local/territorial

public administrative units (self-governments). The crisis has placed several potential project owners in a hopeless situation, regardless of whether they were actors financed from public or private funds. From the aspect of SF funds, it is important to note that the exhaustion of national development resources has considerably raised the importance of SF funds, thus the regulation (in certain cases the overregulation) of SF may further hinder the success of allocation. Overregulation excludes good ideas and potential projects, so that they do not even reach the phase of the preparation of proposals or fall out in the first round. The last aspect to be considered is that the financial crisis has raised the risk of successful project realisation in the case of several beneficiaries.

In Romania, the enormous challenge faced by the institutional system of SF is the absorption of the EU support framework funds until the end of the present programming period (2013). The over-bureaucratized Romanian public administration evidently tries to slow down the processes and the huge amount of organisational changes in institutions, ministries and SF management do not strengthen the functioning of the SF institutional system either. All of this gradually prevents the SF institutional system from meeting the requirements of partnership and coordination. Without a doubt, the absorption of SF funds requires gradual institutional learning from the institutional system of each country, thus the institutional changes may oppose its success. On the other hand, the financial pressure Romania is facing may drive the country to commit the same mistake that all of the countries gaining membership in 2004 have done during the first programming period, namely that the success and degree of allocation had become a priority instead of the effectiveness and efficiency of fund utilisation.

The impact of the challenges on certain actors and stakeholders and the entire institutional system will be explored by the interviews.

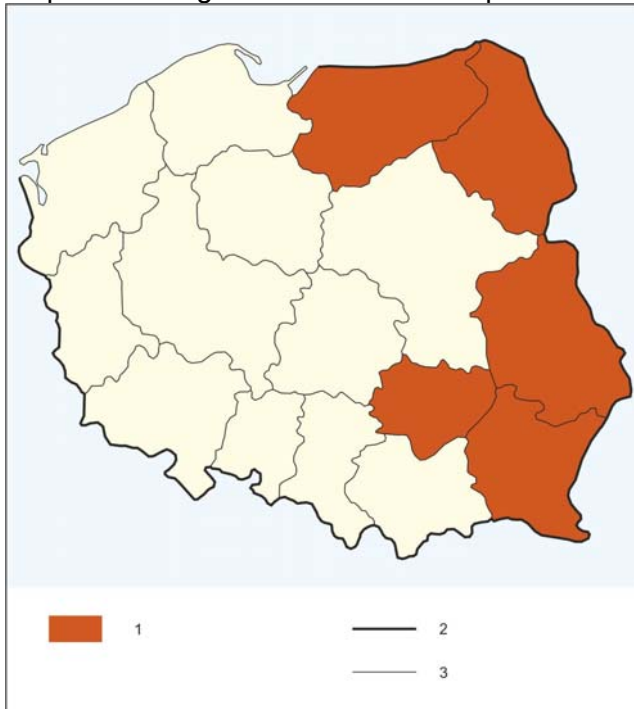
2.5 Territorial specificities and characteristics and territorial governance

The *Regional Operational Programs* and special programs with territorial aspects within the NSRFs reflect the place-based approach of European regional and cohesion policy. It is common in the CEE countries for separate regional operational programs to be introduced in several steps. Since 2004, Hungary and Poland have had an integrated ROP, while Slovakia had no regional operational program. From 2007, Slovakia and Romania chose to develop integrated regional operational programmes, although the Bratislava region is not a cohesion region, so it has its own (competitiveness) regional programme. On the other hand, Hungary and Poland have separate regional operational programmes. In Poland a decentralised SF institution was created, while in Hungary, the managing authority of the ROPs has remained the National Development Agency (a centralised institution). Further, the Polish self-governing regions have a role in the implementation of the otherwise centralised Human Resource Development OP as intermediate bodies (besides others). But, it should also be mentioned, that the territorial scale of the Hungarian ROPs, namely the planning regions, lack traditions, regional identity and the regional-scale participants, so this form of place-based development can not be as successful as the Polish solution.

Besides the separate ROPs in Poland, a *specialised programme for the less developed five regions exists*. The Operational Programme Development of Eastern Poland is financed by the ERDF. The difficult situation of the eastern regions is long standing and is considered as one of the most important problems of Polish regional policy. For this reason, five regions (Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie and Warmińsko-Mazurskie) have received special support. The management of this OP is

centralised in a manner similar to the Hungarian system and contrary to the Polish ROPs. The outreach of the Eastern Poland OP covers the areas of intervention of other programmes but it differs in that its scope is restricted to selected areas which, because of the scale of activities and the expected long-term results, may have a special impact on the development processes. This programme is an additional element of support under the Structural Funds which will enhance the actions of other programmes on the territory of Eastern Poland (Polish NSRF).

Map 3: The target area of the Development of Eastern Poland OP



Designed by: Valéria Fonyódi.

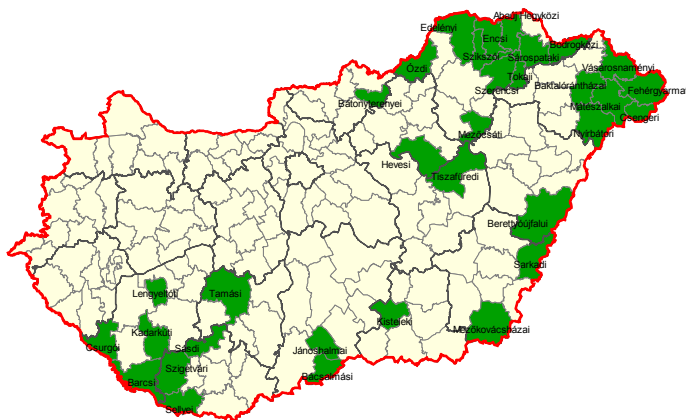
As a place-based example, the Hungarian *Pole Program* is a comprehensive economic development program funded by Structural Fund sources with strong focus on the 8 pole cities in Hungary (Budapest, Miskolc, Debrecen, Szeged, Pécs, Székesfehérvár, Veszprém, Győr) and cluster development. Objectives of the Pole Program will be reached through the improvement of the business environment and cluster development. The actors of the programme are municipalities, universities and R&D institutes, companies, civil organizations and Chambers of Commerce. In Slovakia, underdeveloped regions will receive higher financial support from the Funds. In order to maximise the impact of the limited funding, the agreed approach is that some spending areas, such as regional infrastructure, health infrastructure, R&D, universities, and support – mainly through innovation – for the competitiveness of enterprises and services, will be concentrated in 'growth poles'. In the NSRF the Slovakian settlements are divided into three categories with reference to the future allocation of structural funds' subsidies and in line with the approach of territorial concentration: innovative growth poles (82), cohesion growth poles (891) and non-growth poles villages (1918).

The urban dimension and urban development play a key role in the implementation of the investigated NSRFs. In Slovakia, the concept of *integrated urban development* will be implemented through the Regional and the Bratislava Programme. In Romania for the

7 regional and the other 13 growth poles the elaboration of Integrated Urban Development Strategies (IUDS) was compulsory, while for other urban centres, that was only the case if they wanted to apply for funds sustainable urban development actions. In Hungary, cities have to develop IUDS as an obligatory requirement to gain funds for urban rehabilitation projects from the ROPs. The IUDS has to cover the whole city area and has to include sector development policies and the local development policies in an integrated way. This integrated approach contributes to the demonstration of a place-based planning approach, the combination of various policy approaches and the matching of the aims of inhabitants, local governments, business and NGO actors.

Based on economic, social and infrastructure indicators, the Hungarian Government defined the 33 *most disadvantaged micro-regions* (LHH) and decided to launch a specific, fairly complex scheme to develop them. A financial envelope, including monies from various operational programmes of the NSRF was set for each micro region in the new programming period of 2007-2013. During the planning, they were assisted by dedicated consultants who were to guide applicants to define development objectives on the basis of local stakeholders' agreement. The involvement of local governments, institutions, Roma organisations, NGOs and enterprises was considered as a high priority and a very important tool to produce more coordinated plans, carry out more coherent developments and strengthen local cooperation. Despite the previously mentioned most disadvantaged micro regions with complex programme needs, the micro regions of Hungary were grouped into three defined categories based on a complex set of indicators of economic development, infrastructure standards and demographic parameters: most disadvantaged micro-regions (14), disadvantaged micro-regions (46), and micro-regions with regional backwardness (14). These defined micro-regions mostly got extra scoring in the evaluation systems of the calls of the OPs.

Map 4: The LHH micro-regions of Hungary



Source: Hungarian National Development Agency

The special aspects of the territorial dimension of territorial cohesion are the *Macro-regional strategies*, which are prime test cases of what territorial cohesion means in practical terms. In particular, the cross-sectoral integrated approach spans the whole process of the strategy development. From the point of view of the investigation, the Danube Region Strategy is important. The place-based approach is visible in the

formulation of the Strategy, which is both integrated (covers several policy areas making the links between them) and focused (concentrates on the main issues which concern the entire macro-region). Its content had to be discussed with the countries concerned, the relevant stakeholders within the region (including regions, municipalities, international organisations, financial institutions, the socio-economic partners and civil society) and the relevant EU services and institutions (Katsarova, 2010). Poland is member of the Baltic Sea Macro-regional Area, which has its own macro-regional strategy too.

Other “macro-scale” initiatives are partly implemented by the *Territorial Co-operation Objective*, which are cross-border, transnational or interregional programs for the development of a certain area. The European Grouping for Territorial Cooperation is a legal entity and as such, will enable regional and local authorities and other public bodies from different member states, to set up cooperation groupings with a legal personality and govern the development programme. This form could be the gate to the place-based development of the transnational functional areas, which are not necessarily limited by administrative boundaries.

3. Features of “good” territorial governance

The investigated countries, with the exception of Poland, have responded to the challenges coming from the EU and globalisation with centralisation and imitation attempts (SF institutional system functioning in parallel with the public administrative system). Moreover, Hungary has coupled its efforts with recentralisation. The management of regional policy apparently seeks its place in the national sectoral policy sphere. Poland is the only country where regional policy is stronger. In the rest of the countries, its weight decreased and it lost or was unable to obtain the role of integration and inter-sectoral coordination.

In dealing with the lack or insufficient degree of intersectoral cooperation, the Polish solution may represent an advancement in this field. In Poland, regional policy is placed on top of sectoral policies, granting it a coordinating role, which has been realised on the level of national strategic documents (MRD 2011a-b). On top of this, the ministry for regional development is the designated coordinator of national development policy whilst assuring the management of the SF institutional system (MRD 2010).

Some evaluation analyses have already been made about the functioning of the SF allocation mechanisms. These evaluation reports forecast the governance problems of the SF institutional system. A general finding of the national SF evaluation identifies that the fault of particular national rules for SF is that *the implementation of complex* (multi-sectoral and/or concerning more than one OP) *development programs* is usually impossible, or at least, can be realised with serious difficulties, which opposes the place-based approach.

SF management institutions have maintained the compulsory relations with stakeholders, yet the evaluation reports clearly show that their actual involvement and empowerment is lacking. The building of partnerships is harder in non participatory type countries such as CEE countries. Territorial stakeholders are absent from the centralised system of SF management, the planning phase constitutes an exception, where multi-actor planning or the social debate (via internet) of the plans is more or less realised, this

is mainly the function of the strength of state organisation and the territorial level, therefore a bottom-up and place-based approach should further be encouraged.

The Europeanisation pressure may support or hinder the domestication and functioning of territorial governance. Besides the encouragement of a multilevel and multi-actor approach, the EU has incorporated requirements in the SF system of regulation which have increased centralisation.

The centralised SF managing system may increase the efficiency of co-ordination of the implementation of OPs and improve transparency, but from the point of view of territorial governance this solution provides fewer opportunities for regional actors.

Centralisation processes, because of the lacking conditions of a place-based approach and multilevel, multi-actor governance, may be disadvantageous from the aspect of territorial governance.

The financial scope of action is one of the most significant elements among the conditions of territorial governance. Authorisation in itself is not sufficient to guarantee the effective scope of action, financial autonomy is also required. The global financial crisis proved that the considerable amount of external funds (EU support) and the conditions they implied (e.g. pressure towards integration or centralisation) opposed the functioning of territorial governance. Although the in-depth analysis section of the case study did not explore the financial terms of territorial governance, we would like to further investigate this question. Furthermore, we would like to mention that the first, short version of the case study concentrated mostly on the institutions and actors, but during the next section the processes and the instruments will be at the focus as well.

4. Identification of stakeholders

Because of the case study's transnational and comparative approach we will focus our stakeholder interviews to Hungary. On the one hand, this guarantees one country's detailed and deep analysis and exploration of the exact relationships in connection with the Hungarian stakeholders. On the other hand we have good connections in the Hungarian SF institutional and partnership system, and the geographical distance may hinder the interviews in other countries due to the short time available. So we are planning a dozen in-depth interviews with relevant stakeholders, most of them selected from the Hungarian participants. We would like to make interviews with the representatives of the ministry responsible for regional development (employee), the Hungarian Development Agency (ROP Managing Authority), one of the Hungarian Regional Development Agencies (head of agency), the ROP Monitoring Committee (an NGO member), the new Hungarian National Planning Office (employee), one of the county councils responsible for the regional planning (president) and one of the settlement self-governments (mayor), one of the self-governmental associations (president). A potential interviewee could be one employee of the Slovakian Regional Development Agency and a representative of a Slovakian NGO.

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