

The Adaptation of Territorial Governance from Unitary State Perspective About the Framework of Functional Space Construction

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Abstract

During the past twenty years all over Europe the proliferation of networked governance forms can be experienced, which do not harmonise with statutory state spaces. Parallel with this, in the planning theory, there is a discussion about the modernisation of planning and the birth of new spatial categories. 'Soft spaces', make state boundaries fuzzy and allow the space construction for public-private networks. The precondition of this process has been the rescaling of the state territories and the decentralisation or devolution of state power to new, multi-scalar spatial entities. This also means that sub-national governments, city-regions have been mobilised and were given new fields of action for the assertion of their interests, while national governments have kept their control over them.

The paper will reveal the different characteristics of territorial governance efforts in CEE, especially in Hungary compared to highly developed countries. Significant hindrances in adaptation of governance structures can be recognised horizontally on the one hand, and weak vertical connections between the different political levels, owing to the rejection of decentralisation by the state, on the other hand. The analysis based on the institutional and regulatory environment proves the lack of desired authorisation of the local and subnational levels for network-building and taking part in the national planning scheme.

Keywords: soft spaces, spatial planning, networked governance, multi-level governance

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I. Exposition of the Issue

In the last quarter of the 20th century, new forms of governance have been rapidly spreading, which is a process typical

of the old member states in the first place. Territorial communities – involving non-governmental and business organisations – create new functional spatial units at different territorial levels, in fact, even at so-

called intermediate levels, which differ from the administrative territorial divisions of the respective states. Representatives of the three sectors, in some cases together with the higher education and academic sector, aim at the socio-economic development of the local area. More and more people believe that in certain public policy areas it has become necessary for the nation states to give up their decision-making monopolies and give space to the operation of different networks, because in the frameworks of the globalised world their assets are insufficient for the effective and successful implementation of state functions.

The process is inseparable from economic development as capital, labour, money and goods move in space, and get imbedded and externalised from territorial aspect. In this respect, the state institutions and their territoriality served as important infrastructure and as the geographical frameworks of territorial scales until the late 1970s, but a re-scaling has taken place since then. The institutional scenes of the capitalist economy are now dominantly supra- and sub-national organisations – think of the new sub-national spatial units like city-regions, institutions formalising cross-border cooperation etc. that appeared in the European countries

as an effect of decentralisation and regionalisation. This process does not change, however, the fact that ‘Only the state can take on the task of managing space on a grand scale’ – as emphasised by Lefebvre (LEFEBVRE, H. 1978 p. 298, cited by BRENNER, N. 1999).

Already in the 1990s academics argued that market-oriented economic policy must be based on functional subsidiarity and the cooperation of the public and private sector. The decentralisation of decision-making and the principle of subsidiarity must be implemented not only in the relationship between the state and the territorial units but also horizontally, among the sectors and among the actors of the public and private sector. According to the principle of cooperation, the relationship between the state and the economy and between the state and its citizens is in the focus now, as the state that activates non-governmental organisations and economic actors will involve them in a dialogue-oriented bottom-up approach in the public policy procedure (CAPPELLIN, R. 1997).

It evidently correlates with the recognition by the nation states: there is a correlation between their competitiveness and the governance capacity of the state, and bad governance jeopardises the operation of the

economy. In fact, in the new economics of competitiveness, the competitiveness of states themselves is a comprehensive notion.

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

The goal of the paper, in the light of the above, is to demonstrate a novel form of networked governance which leads to the birth of so-called functional or 'soft' spaces from the aspects of the space creation by the state, and territorial division. The object of the analysis is intentional and controlled rearrangement of power and territory, manifested in states providing space for the development and implementation of public policies in the framework of functional territorial units better satisfying the needs of the

economy. This means to some extent the abandonment of the characteristics of hierarchical states and the acceptance of the new governance structures that relativize administrative territorial division. However, because networked governance lacks formalised legitimacy, the relation of the state organs to the new governance structures must be created. This role can be taken on by multi-level governance integrating the operation of public policy networks into a system, and then connecting again competencies disintegrated during decentralisation and devolution, in order to reach effective governance. This paradigm typical of the 21st century is not only a feature of the operation of federalised nation states but also the structural and operational principle of the EU.

The structure of the paper is as follows: chapter two is a summary of the *raison d'être* of the category called functional or 'soft spaces', of their main features; the second chapter three is about the major conceptual features of territorial governance and connect that to multi-level governance as the analytical framework in management of spatial spaces; while chapter four is an analysis of the public administration system and the system of local

governments in effect in Hungary, enumerating from institutional and regulatory aspect the conditions for the application of the concept of territorial governance and functional spaces. During the processing of this issue the paper is mostly built on literature references and secondary data.

II. Expression of Non-state Centred Spatial View in the Modernisation of Planning

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

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

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

Getting over the world economic crisis that started in 2008, the state found its role, as opposed to the former welfare functions and its efforts to harness

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

Informal (spatial) planning strategies can give quick answers to challenges, as opposed to the plans made in a painstaking, long planning procedure regulated within the frameworks of the hierarchical state. This planning methodology is called soft spatial planning by András Faludi (FALUDI A. 2010). The governance networks affect the operation of the state, the use of integrated attitude, and make the

state do a more active planning, as their members are interested in the decrease of the transaction costs. These networked groups can also be considered as driving forces of integrated and joint sectoral policy making, as they are suitable of overcoming bureaucratic slowness during the implementation of policies (FALUDI A. 2010).

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

- ⊕ promotes the elaboration of longer term strategic future visions;
- ⊕ creates integration among the plans and activities of sectors;
- ⊕ follows the view of sustainable development;
- ⊕ creates the link between the business, the non-governmental and the public sector, promoting their dedication to joint developments (ALLMENDINGER, P. – HAUGHTON, G. 2010).

Spatial planning acts as a political tool, the normative character of which is problematic, as it is not primarily embedded into the mechanism of representative democracy. Secondarily, however, within the frameworks of multi-level governance, it can recreate the legitimacy of planning in a way that goes beyond the political sector. Parallel to the legally binding state planning procedure, it creates a communication space in which interests pro and contra development are articulated; also, due to its capacity of conflict management it leads to decision-making on the basis of consensus.

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

III. The Significance of Multi-level Governance (MLG) in the Management of Functional (Soft) Spaces

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

In addition in the concept of those who believe in constructivist spatial theory, space is a relational dimension, not an absolute pre-existing one, it is made up from

relationships among societal phenomena, i.e. it is a societal product (FARAGÓ L. 2013). Thus, governance implemented with the participation of different actors conceptualises functional spaces outside political-administrative borders and the internal territorial division of nation states (WALSH, C. et al. 2012 p. 5.): for the state government the adequate division of space is statutory state spaces with permanent borders and covering space without overlaps. The state, however, is motivated in a rapidly changing environment to reconsider its spatial structure and the division of decision-making centres. A suitable tool for this is the application of soft spaces that are usually born out of the cooperation of territorial actors. However, even in this relationship – as generally – the normative state and law are the static elements, and economic flows are the dynamic one. In order to integrate the two, it is typical to create new functional spaces, these, however, are made up by the basic spatial units of public law, following a different logic. The explanation for this is the fact that public stakeholders are necessary participants in networks, while the state must be the maker of the rules.

The spatial units of governance were multiplied, as there is nothing in the way of overlaps by the soft

spaces. Consequently, the scale of the appearance, and the level of non-statutory spaces may be (ALLMENDINGER, P. et al. eds. 2015) macro-regional, sub-national, city or city-region, and also local and supra-local level. This correlates with the fact that while in the 1990s a development model based on territories appeared first, a decade later another spatial formation, city-region was in the focus, as a basic engine of the global economy (SCOTT, A. 2001).

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

Around the new millennium, in the discourse on cohesion

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

In Jessop's opinion 'the capacity of governance is a function of the effective cooperation of powers mutually dependant, within and beyond the state'. In this sense governance is a procedure implementing horizontal coordination among sectoral policies, territorial levels and public and non-public actors,

built on flexible partnership and voluntary participation (JESSOP, B. 2003, cited by KAISER T. 2014 p. 85.). This is the starting point of multi-level governance that is an analytical framework for the understanding of European integration, and can be interpreted in the context of European public policy making, emphasising coordination and partnership both horizontally and vertically. The EU operates as a multi-level system, in which competencies are located to different levels, but the different levels must join a common will formulating procedure whose method is determined by the supra-national and the national level (JACHTENFUCHS, M. – KOHLER-KOCH, B. 2004).

IV. Adaptation of Territorial Governance in Western and East-Central Europe

We can observe the strengthening of the governance structures of sub-national levels in highly developed member states of the EU. The primary objective of this is economic development, with the assistance of cooperation across administrative borders. This resulted first in the creation of regions as competitive sub-national territorial units, followed

by decentralisation favouring city-regions (city-regionalism), which is a still ongoing process. In addition, in recent years we can witness again the increase in the size of the local municipalities. A sort of upscaling is going on in several states.

The positive side of decentralisation and devolution concomitant with this is the birth of coordination in the targeted territorial units among public policy sectors formerly disintegrated, like e.g. planning, housing, employment, business development, transportation etc. This is well illustrated by a process going on in England, which gave bigger autonomy to cities and the municipalities co-operating with them in their hinterland, also to counties, as it is a state intention to broaden their functions and the policy fields in their competencies. In England the state made so-called multi-area agreements with the city-regions, by which it authorised them to operate in a cross-administrative boundary way in the areas that can be taken as the economic footprint of the cities. The ‘redistribution’ (rescaling) of state power shows towards devolution, which can be interpreted as a complex organic development involving several tiers. By this, a new scale of state governance was born in England (HARRISON, J. 2012).

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

It is especially in the V4 (Visegrád 4) member countries where an adaptation constraint and catch-up effect towards the Western city governance methods has existed for a long time. Breakthrough, however, is blocked by several factors, the most important being the rigid municipal and administrative boundaries in the East-Central European area. To the opposite, in Poland it is a positive phenomenon that the foundation of metropolitan associations, led by agglomeration councils, is now

possible; the central government is still reluctant to carry out a real decentralisation in favour of big city-regions, to authorise them for sovereign actions. Consequently, these councils as delegated organs cannot be empowered with spatial planning competencies yet (MIKULA, L. – KACZMAREK, T. 2016 pp. 41–42.), i.e. they are not able to carry out strong governance.

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

in the implementation of public policies and in the provision of public services (OSBORNE, S. P. ed. 2010).

IV.1. Main characteristics of institutional environment in the unitary state – The Case of Hungary

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

administration, accompanied by weak economic performance.

Since 2011 the Hungarian state reshuffled the tasks among the different levels of government, with normative tools. During this, as opposed to the decentralisation tendencies of Europe during the last three decades, the sub-national level has practically been emptied. It is a worrying fact that county self-governments, i.e. the representative organs of the sub-national level are not given any future scenario in the government's strategy about the Public Administration and Public Service Development approved in 2015.¹⁰

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

governments, formerly managed by the local government offices of the villages and towns.

All institutions of the previous reforms in the self-governmental sector, especially the district-level public services reform underway, were overruled by one single act, the new Act on Local Governments¹¹. The implementation of an administrative system favouring centralised public administration was started, i.e. the significance of the municipalities sector, which had represented decentralisation in the relatively balanced dual administrative model, lessened. We can also add that the essence of the organisational restructuring included the 'nationalisation' of approximately 400 municipal tasks and competencies. The standardisation may be justified in state authority affairs, but in the field of public services it led to the withdrawal of the local capacities and the decrease of local autonomy (HEGEDŰS J. – PÉTERI G. 2015). One thing that explains this is that the removal of the level of decision-making from the stakeholders and the tasks to be accomplished resulted in a very significant deficit of information.

In the system of PA, the sub-national level (county level) appears

¹⁰ Government Decree No 1052/2015. (16th February) Public Administration and Public Services Development Strategy 2014–2020.

¹¹ Act No. CLXXXIX of 2011 on Local Governments in Hungary

exclusively as the competency area of the government offices, as in the organisation of public services the county self-governments were assigned no tasks in the new Act on Local Governments. Irrespective of this, they are addressees of territorial development, rural development and spatial planning. The central actor in regional development is formally the sub-national level, the county self-governments that were assigned with the coordination of the development objectives of municipalities and the economic and non-governmental sector.

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

IV.2. The regulatory framework and practice in relation to the adaptation of territorial governance

Hungary has been long criticised for the lack of reconciliation of public policy

priorities and resource allocation (OECD 2015). This continuously mentioned problem can also be interpreted as follows: the planning documents are formally accepted but their contents are partly implemented.

The practice of the use of the development resources funded by the EU has receded from the strategic goals launched in the Partnership Agreement made with the European Commission; 23 towns with county rank and their hinterlands are now separate from each other. So the other group eligible for spatially decentralised development resources are all other settlements in the territory of the counties – other than the towns with county rank, which will have their shares from the resources allocated to the county self-governments.

Apart from the distribution of the EU's funds, in practice, inter-municipal associations between Hungarian cities and their hinterland cover a small number of cooperation with a narrow content, mostly designed for the common provision of some human public services (maintenance of kindergarten, providing basic medical services, child protection etc.). It is worrying in the light of the situation described above that in the inter-communal cooperation, joint planning activity is not pursued all,

and neither is interest representation towards other state organs or maybe other sectors. Frequently, there is no comprehensive institutionalised cooperation between the local governments of the urban core and its hinterland (SOMLYÓDYNÉ PFEIL, E. 2017). If we look at the state and within that the organisational system of public administration, we can see that the quantitative expansion of the state sector and the hierarchical transformation of governance structures have been typical since 2012, which is definitely against any networking effort (HORVÁTH M. T. 2015).

In Hungary task and the decisions were removed from the local communities, and not on the basis of the subsidiarity principle, as it was not the sub-national level that was given the tasks as auxiliary ones. In the placement of public administrative task, decentralisation was replaced by functional decentralisation, i.e. deconcentration. In several public policy areas of strategic importance (health service, public education and training, waste management) the tasks were delegated to state organs. In addition, it is only large-scale state institutions that are allowed to carry out investments creating communal infrastructure and human infrastructure (construction of hospitals, schools, gyms and

swimming pools). The reform of public administration, resulting in the withdrawal of competencies, thus also affected the organisational core of the municipalities. The reaction of the municipalities to this was necessarily the elimination of a large number of existing institutional cooperation (SOMLYÓDYNÉ PFEIL, E. 2017).

That means after a colourful institutionalisation of cooperation the legislator provides only one type of institutions responsible for inter-municipal cooperation in urban and rural areas, the association with legal entity, with a joint decision-making organ. The act on local governments in effect broke the organic development path in cooperation with the standardisation in the regulation.

The fragmentation of local and sub-national level also exists from several aspects: spatial planning, and territorial and economic development. In the first year of the current planning cycle, in 2014 all towns with county rank prepared their new Urban Development Strategy and the document making its foundation, the urban development concept. In relation to this, the Hungarian Government transplanted the framework regulation of partnership negotiations into the national legal regulation, and prescribed as an

obligation for this the approval of the partnership plan¹². Researches on the effectiveness and impacts of the norm, however, failed to indicate any improvement compared to the previous practice, as regards the quality of the inclusion of socio-economic partners. On the participation scale applied by the authors, the partnership realised during the planning procedures of the towns with county rank were classified as the category of symbolic participation (tokenism) (BAJMÓCY Z. et al. 2016). Researches identified three forms of participation, which do not include the interpretation of planning as governance¹³.

In Hungary the state did not create permanent planning capacities for spatial planning tasks. At national level, the Planning

Institute of National Economy, founded in 2011 for the enactment of the Partnership Agreement, only existed until 2015. At the level of the regions, the regional development agencies that had functioned well before 2012 were dissolved, and only a small part of their capacities was integrated into the offices of the county self-governments. At the level of municipalities, setting up the plans is a service purchased from the market by a broad circle of local governments.

The symptoms of inefficiency can be seen in practice in Hungary, often in the implementation of investments other than those specified in the development strategies, and in the fact that the allocation of development resources follow other purposes. There is no recognition that the significant part of actual development actions could be implemented by the actors involved, by which they could increase the resources and competitiveness of the area. The weak participation of the economic and non-governmental sector also determines the outcome of planning; the goals will be less suitable for economic development and the improvement of the living conditions of the inhabitants. Accordingly, networked governance can be rarely seen in the practice of planning, we may

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

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

occasionally encounter efforts like this in a few larger Hungarian towns (e.g. Miskolc or Győr), but isolated from their hinterlands¹⁴.

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

and NGO sector participate in the activity of the council as permanent invitees¹⁵.

The territorial (regional) development councils cannot have real development functions, however, as they have no economic sovereignty. They work out the development concept and land-use plan of their respective functional regions without the decision-making competence, because they must be approved by the Hungarian Government. Summarising the characteristics of the institutions we can conclude that they have limited chances to apply the networked governance model.

It is worrying that, in comparison with the period before 2012, very few cooperation for regional and economic development have survived in the urban areas of Hungary with the participation of the municipalities. On the other hand, there is a strikingly high number of cross-border cooperation with economic and tourism development intentions, with the participation of municipalities. At a first glance it is very spectacular that Hungary is the leading country in the EU with the number of EGTC-s registered in Hungary. The operation of the

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

15 Act XXI of 1996 on Regional Development and Spatial Planning Par. 15–16.

EGTC-s, however, is less effective, which clearly correlates to the weakening of the power positions of the municipality sector. An explanation for this is that they cannot reach even in their cross-border cooperation beyond their competencies given by the state by the internal law, which is a limitation. In several fields of public policy the approval of the nation state is necessary for turning nationalised tasks into objects of cross-border cooperation. As the circle of public services that make part of state sovereignty is expanded, competencies of the stakeholders concerned is much narrower now, they are unable to use all advantages lying in the EGTC-s. Central state must be involved in several fields of public policy.

The examination of the 13 European territorial groupings (EGTC) operating in the Hungarian–Slovakian border area and registered in Hungary brought similar results. Authors classified groupings into four categories, the majority of them were in the category ‘grant hunter’, but the category of so-called ‘entrepreneurs’ was also present, the essence of which is that EGTC-s offer project management services for their members and most of their incomes are from the market.

Not surprisingly, no grouping was classified into the categories ‘grant intermediaries’ and ‘public service providers’ (TÖRZSÖK E. – MAJOROS A. 2015).

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

In Hungary a change of governance and a turn in the style of government occurred in 2012. As a summary *from the side of the actors* we can interpret the existing situation as follows: the state does not promote either the cooperation of the actors of public law or the multi-actor cooperation. Finally, *from an institutional aspect* we can see that as an effect of the dominance of the hierarchy the state directly nationalised the institutions of territorial development, i.e. filled them up with actors of public law, exclusively, or relocated competencies from decentralised

institutions to administrative state agents.

V. Conclusion

Bottom-up initiatives alone are usually not sufficient for economic development or the proportionate distribution of public services. The inclusion of certain state institutions from higher level is also necessary for the achievement of economic effects. It means the amalgamation of facilitation, enforcement and negotiation in order to involve all actors. Experiences suggest that an adequate package of public policy tools is necessary for the solution of problems. Without this, cooperation will only be effective in the sheer ‘weaving ties’ of partners (GORE, T. 2018 p. 158.).

It is less typical of the Hungarian state to appear in new territorial organisations, as it does not intend to decentralise its competencies to newly created territorial and functional units (functional regions, city-regions, EGTC-s, CLLD-s etc.). Consequently, its territorial units and the companies operating in them are less able to acquire place-

specific economic advantages in order to attract capital than their European counterparts are – despite the fact that this would give them a competitive edge in the global economy. On the other hand, it is not enough to formally create governance functions: the capacities and skills of the actors should also be developed.

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

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