

Pál Becker

## Perspective, vision and planning

All those who reached mental adulthood before the regime change, and graduated from the university of economic sciences often still receive the word 'planning' with slight aversion. They learnt so much about three and five-year plans for the national economy, (not) meeting them, or about glorious over-fulfilment dedicated to one of the party congresses, that macro or mezzo-level planning may evoke unpleasant memories in them.

I share the opinion of *Gusztáv Báger* concerning the fact that – probably also stemming from the foresaid reasons – *planning and strategic planning have not been assigned their due roles* in Hungary. Although “*navigare necesse est*”, it is necessary to navigate and plan at the level of the national economy, the latter precisely because, contrary to Pompeius, we do not accept the second part of the saying, whereby “*vivere non est necesse*”, i.e. it is not necessary to live.

Why is it necessary to plan, in the first place? There are a large number of scientific reasons for doing so, with its importance enumerated in paragraphs on end. Now, however, a short working definition will suffice for us: *without planning, optimal application of the resources in the national economy is not ensured*. However good the planning, shortcomings, faults, insuf-

ficiently efficient or inefficient investments may come up, but in the absence of planning, wasteful utilisation of resources is almost certain. It is true for both the public and the competitive sectors.

In the public sector – I believe – this statement requires no justification; it is clear that expedient development helps avoiding situations like recent anomalies when one year the headcount of the Tax Authority was centrally required to be reduced by hundreds, and in the next year to be increased by thousands, including reorganisations. Setting a clear direction is also indispensable to the competitive sector. In such a case, it attempts to adapt to the priorities determined by the economic policy, align its profile to it, and expand its activity in this area. For an economy that is centrally pushed and pulled all the time and faced with continuously changing priorities such adaption is impossible.

The State Audit Office published its report on auditing the operations of the system of government tools for developing the economy<sup>1</sup> in 2008, which represents graphic support to my statement. It reveals that *a total of HUF 4600 billion was spent on development between 2004 and 2006*, which represented approximately 15 percent of the annual general government expenses.



What we managed to achieve with this huge amount was that *Hungary got downgraded eight positions in 2007 in the world competitiveness ranking compared to 2000*, according to the 2007 edition of the IMD World Competitiveness Yearbook. During the same period, it also slipped three positions back among the 27 EU member states, despite the fact that Hungary provided the third highest subsidy in proportion to the GDP after Malta and Lithuania among the member states, according to the EU Commission's report for 2006. As presented in the report of the World Economic Forum in September 2007, Hungary moved from the 35th position of 2006 to the 41st in 2007 in terms of competitiveness.

The global picture is then rather dark, but it is inevitable. Without clear objectives and plans built on unambiguous goals, no success can be achieved. The synergy effect of isolated developments is practically zero, these are superfluous or even harmful at times. It is clear to everyone that the point of billions spent on developing a centre for tourism is lost if further billions are spent on building a power plant or a waste disposal plant, etc. in the neighbourhood. The same goes for unsustainable investments implemented using “free” EU funds, where the operating costs bankrupt the company or local government in question.

*What is a good planning system for the national economy like?* It is like a matryoshka doll. The various level strategies and plans need to fit in one another as the growing-sized dolls nest in ever larger ones. This is how harmony is ensured between subordinated and superordinated plans. What does that mean in practice?

First, *a future vision for Hungary must be constructed, and the major target situations laid down*. It must be followed by creating a complex strategy, which incorporates partial strategies, and is further broken down to plans. The correct selection of the hierarchy of ends and means must be kept in mind all throughout.

On determining a future vision, the surrounding political and economic environment cannot be ignored. Probably the most critical element of this is the European Union, as its rules are also applicable to Hungary, and it carries out a major reallocation of resources in the medium term, of which we are beneficiaries. On these grounds, the EU development plans must be considered at all times, but basically, it is the requirements of the Hungarian economy and society that must be focused on.

This may help avoiding the pitfalls that quite a few Hungarian local governments, non-governmental organisations and, less frequently, companies fell into. On focusing on EU funds, they assessed what was open for application instead of what was needed. Often such developments that do not meet true needs will prove to be the most expensive in the medium term already, but what can be stated at no risk is that their contribution to achieving the target situation is far from optimal. Therefore, *utilisation of EU and own funds must always be planned to match the Hungarian possibilities and needs, instead of considering the possibilities offered by the EU as the starting point*.

These two, however, are not in sharp contrast with each other. I agree with the proposal set forth in the study whereby *domestic plans and planning need to be better harmonised with the decision-making cycle of the EU*. The EU programming periods, however, only formulate goals in general terms, and allocate budget lines to those. Within those, each member state is practically free to decide what projects they wish to implement using the available budget. In my opinion, *the EU practice should dominate in terms of technicalities* (we have relatively small influence on EU planning cycles, key objectives, etc., this is why it is worth adapting to them), *but in terms of content, the Hungarian needs and plans should prevail in any case*.

The tasks aimed at reviewing the planning process include elimination of systemic errors.

It is an important objective, although in the event of implementing the recommended principles, I assume that this item will automatically be fulfilled. If the other three principles (the principle of synchronising domestic and EU planning; developing a planning system for the national economy; the role of an open and transparent planning system and non-governmental sector) are fulfilled in a reassuring way, the system errors will have been eliminated in parallel with them.

I *recommend* for consideration, however, *laying down a new principle that emphasizes perspective in thinking*. It should not be permitted to develop short or medium-term plans under pressure from the EU, or at the request of the IMF, or in line with an internal fiscal concept without a firm link to reality or a direct link to the accepted future vision and the related plans. I intentionally use the word “perspective”, because, to my experience, “strategy” as a notion has been devalued. When even the professional literature references 1 to 2-year strategies, it is either education that needs to go back to square one, or there is a need to introduce a new notion.

In order to construct strategies and plans in line with the future vision, it is indispensable to concentrate the planning process. Actual results can be expected only when the direct scopes of responsibility and competence are clear in all cases. However, I would not consider establishing an independent institute or institution as an optimal solution. A significant overlap between ministries and the institution would result, competence-related problems would be a permanent issue, and unnecessary surplus capacity may be built. (For long years following the regime change, dissonance – now diminishing – between the employees of the Ministry of Finance and the former National Planning Bureau was observable.)

In theory, various solutions are available. Due to the weight of the issue, I believe it is

necessary to set up the central coordination somewhere in the close vicinity of the current prime minister. It would lend due weight and rank to the coordinating institution, on the one hand, and would provide (theoretical) guarantee that the objectives of the whole society are preferred to the interests of the ministry or the sector. The emphasis, however, is on professional coordination instead of implementation or political control over the direct planning task. The development council, for instance, as known from the past, headed by the prime minister and consisting of ministers is not least a suitable organisation. Because of its composition, it is inadequate to carry out day-to-day work, is insufficiently productive and is also unsuited for political control, as it must be handled by the entire government due to the complexity of the issue.

It would also be a task assigned to coordination working alongside the prime minister to organise coordination with the civil society. Eliciting opinions from the non-governmental organisations and incorporating them in the strategy and in the plans are a question of political culture. Which is either in place or it is not. In my opinion, it is unnecessary to impose legal obligations and to set up various mechanisms because these – unless politics require cooperation with the civil society – can be easily circumvented at any time. Our current legal system also contains similar mandatory requirements, but the constitutional court procedures initiated because of violation of these have been stranded so far in each case. It was because the constitutional court – recognising violation of the legal requirement to coordinate – has annulled a law on these grounds only on a single occasion, which, in a certain sense, has subsequently approved this practice.

Minor corrections are worth performing in the legislation related to data of public interest, in order to promote non-governmental organisations' access to the necessary information in

the broadest possible circle and in all cases. It is a commonplace but it is still valid: information is power. If government organisations are clearly required to disclose data, it provides a great opportunity to the civil society. Fortunately, the judicial practice offers increasing support in this issue. In the past years, most attempts at concealing information have failed due to final court judgements, and an increasing quantity of data have been disclosed to the public.

In possession of data, it is “only” a question of steady work to force politicians to the negotiating table even if they lack the willingness to do so. If all data are public, it is much easier for the civil society to enforce coordination with the government, precisely utilising the strength of publicity.

With the current technical facilities, I believe that the *current governments cannot “resist” a well-organised civil society for long*. Because if they do, what happened in Reykjavík may happen anywhere, namely, that the “Best

Party” delegates the most MPs, supported by the will of the voters who are unsatisfied with the political elite. Their key election message was: “We do not keep any of our election promises!”

I have similar thoughts about the legislation on modernising planning. It is true also here that in the case of the current government being in parliamentary majority (that is, holding an authority to create and amend law), setting up a fair planning process is a question of political intention instead of a legal requirement. In my opinion, *technical legislation can help achieve the necessary goal*. Such a law would contain a theoretical framework, timeframe, process, and persons responsible for planning, etc. This should lay down the importance of social dialogue, and a theoretical declaration stating that plans can solely be produced following broad consultation, preferably a consensus. It is up to the current politics to fill it with content.

#### NOTE

<sup>1</sup> Summary of the audit on the operation of government tools for economic development (0802)