

THE EVOLUTION AND DEVELOPMENT OF THE LEGAL REGULATION OF REGIONAL DEVELOPMENT IN HUNGARY

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Introduction

The legal regulation of regional development passed through such significant changes, which can not any more ignored by the jurisprudence treating the new trends carefully and the by the administrative law either. This is supported also by the currently intensifying legislative activity. It is not merely a passing political fashion, since it is also in Hungary clear that by ignoring the territorial aspects and generally the category of space a durable balance and economic growth is impossible for the entire country. Previously the tools and institutional system of regional development was outside the field of interest of the jurisprudence and therefore their fundamental theories were elaborated not by the legal but by the regional science. At the same time it is also obvious that one of the most important tools of the implementation of regional development targets is the law itself. Therefore the previously external regional development principles and methods are becoming more and more internal for the jurisprudence. On the other hand, whether the results of the science will be integrated and with which distortions will be integrated in the legal norm, which is organising the legal relations of the addressees will be clear exactly in the course of the legal regulation process.

The regional development law is not yet an independent legal discipline, if we wish to place it within the system of jurisprudence, than – by the subject, object of the regulation and by the legal relationships evolving – we can consider it as part of the administrative law.

In the course of investigation of the positive statutory law a fairly high number of the elements of the regulation can be evaluated (such as the identification of the circumstances of life to be regulated, the circle of beneficiaries and obligates, decision-making competencies, the system of legal consequences, etc.). Admitting the necessity and importance of detailed analysis, the introduction of the legal material of regional development is only possible through the overview of some of the most

important aspects. Therefore the most important aspect of analysis will be the regional development philosophy transmitted by the legal regulations and also the question how far the modern scientific theories and results are represented in those legal regulations. Within this larger field we will study on the case of the void legal regulations how far the institutionalised tools system encouraged the regional development and how it impacted the development of the society. Regarding the currently effective legal regulations the question is to be answered, how far the legal orders match with the principles of the European Union and how they contribute to the development of the independence and autonomy of the territorial tiers which seems to be indispensable for the development of the regions.

The regulation of regional development in the period between 1971–1996

The government decrees of 1971

The first regional development legislation activity in Hungary appeared in 1971. According to the act on legislation (1987:XI Act) we can not talk about any acts since the concerning government acts had the forms of government decisions, which belong to the so called “other legal tools” of the state administration. Three significant government decisions were made in the observed period, the 1006/1971 (March 16) government decision on the principles of regional development, the 1007/1971 (March 16) government decision on the national settlement network development concept, and the 2006/1971 (March 17) government decision on the system of regional planning and regional plans.

According to the government decisions the most important actors of regional development and regional planning are the National Planning Office (NPB), The Ministry of Housing and Urban Development (MHUD) and the capital city and county councils. The control of the elaboration of the regional development plans was the competency of the National Planning Office. The NPB and the MHUD designated the planning-economic regions together and the main task of the MHUD was the elaboration of the draft plans for the planning-economic regions. The county councils prepared the county development plans based on the information and instructions by the National Planning Office.

The decisions divided the country from the planning aspect into economic regions and sub-regions. The number of economic regions was six and this division was almost identical with the current regional division. The sub-regions consisted of settlements performing urban or partial urban functions and the settlements in their gravitation zone.

The authors of the government decisions based their work on the theory of central places becoming more and more popular at that time. Therefore they categorised the settlements of the country by the categories of nationally prioritised centre, highly prioritised centre, prioritised centre, medium level centre, local centre, and other settlements. “The supply responsibility for the operation and maintenance of the technical infrastructure and service system was carried by the towns, county seats, and therefore these were also the beneficiaries of the resource division system” (Pálné Kovács 1999).

At this time the institutional system of regional development and the state household was completely overlapping. As the contemporary researchers stated: “The local economic activity and organisation is missing from among the preconditions of the regional growth. The hypothetical economic districts bear no economic functions and the organisations required by these” (Kulcsár 1972).

If we are about to summarise the impacts of the government decisions in 1971, we will find that the direct consequence of the hierarchical system and the overpushed urban development praxis established by the NPB in 1971 was the *strong polarisation of the settlements and the stagnation of the development level of the tiny villages*, and in many cases their alarming and irreversible decay. The targeted equalisation was implemented exclusively in the case of the higher settlement categories, however the regional and the urban–rural differences, inequalities remained unchanged producing more and more regional problems (Pálné Kovács 1999). In the planned economic mechanisms the separated state funds and the targeted investments too have necessarily financed the urban development. The targets of the industry-centred economic policy naturally afflicted the agrarian regions. The incomes of the population, the incentives of the social policy also reinforced in terms of targeted layers of the society the disadvantage of the tiny villages (Pálné Kovács 1999).

The 12/1980–1985 Parliament decision on the long term tasks of regional and settlement development

The 12/1980–1985 Parliament decision on the long term tasks of regional and settlement development realised the failures of the previous period however the declining economic circumstances did not provide for the opportunity of the correction of mistakes and they could not stop and eliminate the negative trends. The decision pays special attention to the development of the fragmented territories with a high number of tiny villages in the frontier, to the better utilisation of the local resources and to the improvement of the infrastructure. The decision concretely named within the latter area the problem of the healthy drinking water, the im-

provement of housing, the channelling and cleansing of wastewater and the improvement of telephone supply.

In the fairly long period lasting from the realisation of the problems produced by the previous concept until the turn the resources were exhausted. The decision of the Parliament rather closed down the debate and pacified the public opinion, but it did not open up a new type of regional policy.

The 1996 Act on regional development and physical planning and the National Development Concept

The act on regional development and physical planning

Following the systemic change the legal regulation of regional development arrived at a milestone, which is also indicated by the enactment of the 1996. XXI. Act on regional development and physical planning. The level of the legal source itself – the level of the act – implies that the role of regional policy and regional development has significantly grown in comparison with other sectors.

The act has introduced ten territorial categories (region – within this category planning-statistical region, and development region-, privileged areas, urban areas, micro-regions, business zones, backward areas, eligible areas, restructuring areas, rural areas, innovation centres, backward frontiers). However the legislator did not combine this categories with concrete functions, the act mentioned some of them only in connection with the regional development targets and tasks, and some other are exclusively mentioned among the declaratory elements of the act and nowhere else. And the legislator did not attach a concrete organisational background to any of these spatial categories.

The actors of regional development are: Parliament, the government, the minister whose competency regional development belongs to and the National Development Councils. The task of the latter is – in opposite to the previous organisations with general competencies – is definitely bound with regional development. The council is equipped with preparatory, recommendation, reporting and coordinative competencies and rights in connection with the establishment of regional development policy.

To the most important tasks of the Parliament belong the definition of the principles of regional development support and decentralisation, and – within the Budgetary Act – the decision making upon the financial means aimed at regional development.

The role of the government seems to even more emphasise, since the government decides upon the proportion of the central and territorial resources aimed at regional development and also upon the supports required by the implementation

of the regional development programmes defined in the national regional development concept.

The competencies of the minister especially in comparison with the competencies of other sectoral ministers, do not seem to be fairly strong, since his most important activity is practically the elaboration of the national development concept. Besides that he only bears co-ordinating and participating or organising functions, opportunities considering the different development concepts and programmes and the utilisation of financial means connected with them.

The act institutionalised three forms in terms of the territorial tiers of regional development but – in 1996 – only one single attached organisational framework and territorial unit. This territorial unit was the county, and its institutional background the county development council, and – with only reporting and co-ordinating functions – the county councils. The development associations of the municipalities are below this tier, the organisation of which is poorly (as legal personalities) and their territorial delimitation is not at all defined by the act. These associations are operating in the micro-regional tier the territorial unity of which in the lack of legal regulation only depends on the free ambition of the municipalities. It is necessary to mention that – independent from this act – there is a micro-regional delimitation shaped alongside planning-statistical aspects but this rarely coincides with the borders of the development associations. Besides the act is based on this territorial delimitation.

Above the county tier is the regional tier, which could be set up – at the time of the amendment of the act – by the county councils on a voluntary basis. The act did not attach an institutional background to the regional tier and did not apply a territorial delimitation either.

During this period preliminarily the county development councils were equipped with significant regional development resources. The members of the regional development councils were:

- the president of the county council,
- the mayors of the towns with county rank within the territory of the county,
- the representative of the minister,
- the representatives the territorial economic chambers,
- one representatives by statistical districts of the municipal associations operating within the county.

The act on regional development and physical planning in this form was effective only for couple of years, its content and philosophy was soon basically amended.

The Parliamentary Decision on the Nation Development Concept

The 35/1998 Parliamentary Decision on the National Development Concept was passed in 1998. This decision may be considered as a modern document, which also meets the European requirements, too. The regional development concept established the vision of future, in which the regions with different social and economic preconditions would develop alongside different, special development paths with an intensive division of labour and in harmony with each other and not inferior to each other. The territorial inequalities were moderated and the number and circle of the socially and economically backward and disadvantaged regions afflicted by significant unemployment. The regions of the country became together with the frontiers of the neighbouring countries the main initiators of the European and cross-border co-operation and at the same time the regions will be the scenarios of the intensive co-operation of the counties in the development policy. The urban network is becoming more and more balanced, the public services of the urban institutions will be physically accessible from any settlement and the decentralised system of the intellectual and education centres will ensure the driving forces of the development.

One of the important targets of the conception is the solution of the Budapest-centred spatial structure, the means of which is the development of the centres, which are appropriate for growth.

The concept classifies the moderation of the territorial inequalities as one of the most important tasks. In the interest of the successful treatment of this problem it established separate spatial categories. These are the beneficiary regions of regional development:

- economically or socially backward regions,
- the industrially restructuring regions,
- rural and agrarian regions,
- regions effected by serious or long lasting unemployment.

In connection with the development of the tool system of regional development the decision considers the co-ordinated operation of the different separated state fund, earmarked provisions for development, other means of state and the monetary allowances would be desirable. (The principle of concentration.) If necessary the means operating in a decentralised decision-making circle and the regional resources shall be increased.

According to the decision we gradually have to shift to the programme financing, and in the case of the development supports the applications supported by development programmes shall enjoy priority (principle of programming).

The parliamentary decision can not be considered as a legal regulation and therefore it is a fairly low level norm, even if it describes a quite significant strategy of regional development. Unfortunately the legislation of the next period rather considered the level of the norm than its content in the course of passing the legal regulations considering regional development.

The modification of the Act on regional development in 1999

The 1999 Act on the modification of the Act on regional development and physical planning well indicates the significant changes in the regional development policy. The modification did not concerned the associations of local governments at all, and introduced moderate changes concerning the county development councils and fairly significant changes concerning the regional development councils.

The representatives of the industrial and trade chambers representing the actors of the economic life lost their representation in the council, the number of the micro-regional representatives was decreased, but a member became the representative of the deconcentrated organ of the Ministry for Agriculture and Rural Development, and the representative of the regional tourism committee, which is inferior to the Ministry of Economy.

The centralisation progressed even more obviously in the course of the regulation of the regional tier institution system. The modification of the act has changed the operation of the previously voluntary bottom up regional development councils and preliminarily its constitution. Similarly to the county tiers, The number of the micro-regional representatives decreased within the council, the economic chambers lost their representation, while representatives of the different ministries gave half of the members. The members of the regional development councils are:

- the presidents of the county development councils, operating in the venue of the council,
- the minister, the representative of the ministry of the interior, environment al protection, economy, transport and water management, social and family affairs, public health, education, youth and sports and finance,
- one representative by county of the concerned development associations of municipalities;
- the mayors of the towns with county rank within the venue of the council;
- the president of the territorially competent regional tourism committee.

This composition ensures in the practice the dominance and unlimited interest enforcement of the prevailing governing party (parties).

The modification took a strong stand in terms of the delimitation of the regions. The act itself did not undertake the delimitation of the regional borders instead it

relied on the regulations by the parliamentary decision on the National Development Concept, which divided the territory of the country into seven regions. In this conception each region – except for the Central Hungarian Region with the capital city as its centre – includes three counties.

The modification institutionalised a further territorial tier which is the territorial development council. The territorial development council was set up by the regional development councils and the county development councils for interregional and cross-county tasks and for the performance of certain prioritised development tasks.

The evaluation of the legal regulation

If we wish to give a comprehensive evaluation of the act and its modifications, we come to the conclusion that the act on regional development introduced new notions, categories within the Hungarian jurisdiction and also such sui generis institutions, the practical adaptation of which implies a number of their weaknesses. These deficiencies can be detected in the basic categories, the inconsistency of certain basic terms and principles, the lack of definition, regulation of the status of the organisations constructed by the act. These imply that the legislator did not really decide upon

- the real role and function of the act,
- the targets to be served by the different organisations,
- whether the longer term maintenance of these tiers is necessary or they rather serve actual political interests,
- whether the territorial tiers also concern the modernisation of public administration.

If economic development is the definitely declared preliminary target of the act, it is necessary to take a clear position in such conceptual issues which concern the methods of the performance.

Economic development can be implemented:

- with exclusive state efforts, top down,
- in a corporate, centralised system,
- in a decentralised system based on self-governance,
- in a self-governance system.

a) In the case of the first version the field of regional development would be integrated into the system of public administration as the executive power of the government policy, as one of the elements of the sectoral policies, in the framework of such an organisation, which can be any time eliminated, reor-

ganised or re-established in a different form. In this version the organisational form may be preliminarily deconcentrated organ and further – as we can currently find some examples – the non-profit company established on behalf of the ministries. The latter performs its work many cases in an agency form.

This system is definitely defenceless against the varying policy of the different governments changing each other, and therefore the establishment of legal guaranties ensuring the stable functioning of regional development for the longer term – such as regulation by the constitution – is not necessary.

- b) The legal autonomy or dependency of the current development council system reminding of partly corporate and partly deconcentrated organ, can not be compared with the legal status of other organs, since there is no other legally institutionalised organ or organisation of this type. The principles of operation do not offer more help for the better understanding, since the regulations concerning the legal status – autonomous, decentralised, centralised – are absent in the ac. Accordingly the prevailing government – similarly to the first version – is able to intervene in the life of the council. This version refines the first solution so far that besides the central actors certain representatives of local or territorial interests are adapted but the dependency from the prevailing political power stabilises itself.

The organisational form of the current system is the council set up in a *sui generis* way, which is in terms of its legal status and financing autonomy in the state if weightlessness.

- c) The relative independence, autonomy of the regional development institution system based on the principle of self-governance is unquestionable. In the case of this model we can raise the question, who shall be the members of the given organisation, and in the framework of which procedure the members should be admitted. Assuming a bottom up system, the majority of the members would be selected from the local and territorial representative by election or delegation.

If we accept this version it is necessary to lay down the constitutional basis of regional development – which can ensure its long-term stability. This may be implemented in a way that following the (2) paragraph of the constitution we would integrate the following regulation: The state guaranties the decentralised, territorial development of the economy based on self-governance, and encourages the modification of the territorial inequalities.

Further – in the interest of avoiding the state of weightlessness – it is necessary to create the constitutional fundamentals of the resource division. This means concretely the identification of the proportion of development resources between the given actors, such as the government, the territorial

tiers, the local tier. (this of course does not mean that we set certain ratios – i.e. 40%-30%-30% – for ever, but as a general provision we could lay down that the government is not allowed to decide upon more than 50% of the available development resources.)

In the course of the selection of the organisational forms we will either have to choose from among the available self-governmental organisations or we have to apply a *sui generis* regulation. The available organisational forms are public bodies, (non-profit) economic organisations and foundations. The regulations concerning these organisations do not really stand close to each other and therefore we will have to adapt the first to the latter or we have to apply the *sui generis* regulation.

- d) The integration of regional development into the system of local governments is necessary in the case if such a reform of the local-government and public administration system is carried out which is in a professionally founded connection with the territorial tiers. Currently there are no such impact reports available, which would justify or disprove the necessity of the establishment of the regional tier public administration.

The researchers called attention to possibility of the institutional collision of regional development and public administration already in 1972. According to them: “The disadvantage of the public administrative territorial units is – from the aspect of regional planning – that they are relatively rigid and unable to follow the rapid changes within the territorial division of labour. This phenomenon is connected with the partial public authority character of the public administrative activities organised by territorial units, with their institutional background and with other factors too. A contradiction may evolve between the spatial division of public administration and the territorial division of the productive forces and this may hinder – preliminarily within the territorial units – the understanding of the trends of regional development” (*Kulcsár* 1972. p. 78.) .

According to certain opinions the indispensable precondition of economic development is that it should operate in self-governmental system. It is a fact that the fundamental rights of the local governments are guaranteed by the constitution and therefore the introduction of the regional tier of self-governance would mean an important guaranty for the implementation of the regional development function. Those who agree this, mix the target with the tool. The target is not the establishment of the self-government, but the development of economy. One of its tools may unquestionably be the regional self-governance. But the political and financial autonomy can not only be ensured in the self-governmental form or better said it can not be ensured in every case in the self-governmental form either. It is enough to think about

those self-governments – and unfortunately they are in majority – which have no endogenous development resources, and therefore their development depends on the good will of central or in the better case territorial decision makers.

The legal regulation of the distribution of the regional development resources

The Act on regional development created the most important frameworks, which can ensure by the power of law the possibility of the implementation of targets formulated by the act and the National Development Concept.

The seriousness of the regional development policy of the prevailing government, the performed or performable results can be the most objectively measured by regulations on the monetary resources in lower regulations.

These legal regulations also imply which type of targets the prevailing government prioritises and also what action space it is willing to leave for the territorial actors. Therefore it seems to be reasonable to study certain legal regulations more comprehensively.

The following five legal regulations are the most important in terms of the resource division concerning regional development:

- *24/2001 Parliamentary Decision on the principles of regional development incentives and decentralisation and the system of preconditions of the classification of the beneficiary regions.*
- *32/1998 Government Decree on the detailed rules of the utilisation of development targeted incentives serving the territorial equalisation,*
- *89/2001 Government Decree on the detailed rules of the utilisation of earmarked provisions for regional development;*
- *90/2001 Government Decree on the division of the earmarked provisions for regional development and the development incentives serving the territorial equalisation for the year 2001. between the counties,*
- *104/2001 Government Decree on the general rules of the utilisation of the earmarked provision for rural development.*

24/2001 Parliamentary Decision on the principles of regional development incentives and decentralisation and the system of preconditions of the classification of the beneficiary regions

The most important document is 24/2001 Parliamentary Decision on the principles of regional development incentives and decentralisation and the system of preconditions of the classification of the beneficiary regions, which comprehensively regulates the system of principles in terms of division of resources, decentralisation and incentives. The first part of the regulation names the elements, principles, the harmonised and co-ordinated utilisation of which can ensure the implementation of the higher level regulations (such as the 1996 Act on regional development and physical planning, etc.) and the further tasks described in the decree.

The above mentioned principles are as follows:

- the harmonised functioning of the financial means and incentives, and the transparency of the utilisation;
- the priority of the programme-financing in the course of decision making;
- the extra support for the most backward regions and (in the interest of the latter target) the differentiation between the counties;
- division of functions between the incentive system: the most important fields of the supports serving the territorial equalisation are the communal and infrastructure development, while the so called earmarked provision for regional development is to support preliminarily the economic development and the creation of further work places.

The legal regulation knows two – in terms of targets – basically different forms of support. On of these forms – the earmarked provision for regional development – describes economic development as its target, while the other support system – serving the territorial equalisation – is to establish the basic conditions of economy and at the same time the equalisation of the chances between the settlements.

The legal regulation formulated the detailed regulations connected with the basic targets according to the different demands of the two different incentive systems.

The principles of the decentralisation of the earmarked provisions for regional development

The definition of the principles in the case of the earmarked provision for regional development was carried out as follows:

One of the fundament of the decentralisation is the implementation of programmes of national importance concerning more counties, the resource of which

is partially the central budget and partially the finances of the county development councils.

Further two principles are the differentiated utilisation between the counties, the volume of which shall be defined preliminarily based on the development level and the population of the concerned counties and the region, and the population of the advantaged areas. 35% of the earmarked provision for regional development must be decentralised to the regional and 30% to the county tier. The amount of the decentralised allocations must be stipulated differentiated by regions and counties and in reverse proportion to the development indicator.

In the course of the distribution of the amounts delegated to the decision-making competency of the regional development councils the following indicators must be taken into consideration:

- the GDP per capita, indicating the development of the region, up to 50% of the available allocation,
- the population of the selected micro-regions, up to 20% of the available allocation,
- the population of the region, up to 30% of the allocation.

In the course of the distribution of the amounts delegated to the decision making competency of the county development councils the following indicators must be considered in terms of the earmarked provision for regional development:

- the population of the county, up to 20% of the allocation,
- the GDP per capita, up to 30% of the available amount, and
- the number of population of the beneficiary areas up to 50% of the available funds.

The principles of the utilisation of the earmarked provisions for regional development

Within the earmarked provisions for regional development the different territorial tiers have defined different rules for utilisation:

In the regional tier:

- establishment of innovation centres assisting businesses and industrial and agro-parks,
- productive infrastructure investments serving the improvement of the energy-, transportation-, water- and wastewater system of regional importance, connected with economic development encouraging businesses,
- developments implemented in business zones,
- developments implemented in the institutions of higher education and research serving the evolution of the knowledge based society,

- significant developments establishing at least 50 workplaces,
- the implementation of the regional development programme.

In the county tier:

- investments, creating new workplaces, developments, investments assisting the market-, product- and technology transfer in an environment-friendly way contributing to the maintenance of the employment rates,
- establishment of industrial zones and incubator houses,
- territorial development programmes, programmes contributing to the development and organisation of the local society, elaboration of feasibility studies assisting economic development,
- productive infrastructure investments connected with economic development and encouraging businesses but not supported by the regional development council, especially developments serving the establishment of fishing lakes, telecommunication, the placement and treatment of regional waste,
- developments ensuring human resources – including education, industrial training, the reintegration of unemployed and the maintenance of public health,
- rural tourism developments,
- the implementation of the county development programmes.
- and the programmes for the gypsies launched by the decision of the county development council.

A specific part of the earmarked provisions was not decentralised and therefore it serves for the central government as a central fund for the following targets. It ensures financial support for:

- development programmes also supported by the European Union,
- prioritised regional development programmes and crisis treatment tasks set in government decisions,
- central development programmes announced in co-financing with other central resources,
- programmes serving the implementation of the regional development strategy set by the minister responsible for regional development,
- investments with the involvement of working capital.

The second large incentive system, which is aimed at the territorial equalisation, differentiates between the subsidies for the counties in the course of defining the principles of decentralisation in the following way: it considers the indicator GDP per capita up to 30% of the available funds and the number of inhabitants in the region up to 70% of the fund. The targeted areas of the subsidies are the following:

- the establishment of the productive infrastructure in the settlements or in parts of settlements,
- the maintenance, improvement of the existing infrastructure networks, including the construction of agricultural access roads,
- construction, maintenance of surface draining systems and the rehabilitation of dead channels,
- preparation of industrial areas,
- human resource development receiving targeted supports,
- developments by local governments connected with tourism, environment and nature protection, and social employment,
- investments of municipal institutions, which are connected with the basic tasks of the municipality,
- for the preparation of physical plans,
- investments receiving targeted subsidies.

In the source of the utilisation of the subsidies preliminarily those targets should be supported which are implemented with territorial concentration.

Criterion of the classification of beneficiary territories

Among the last rules the act regulates the criterion of the definition of assisted regions.

The legislator adapts four possible region types:

- *Socially and economically backward regions* (the complex indicator which is defined by a special system of indicators, is less than 75% of the national average;
- *The regions of industrial restructuring* (the proportion of the industrial employees in 1990 was over 150% of the national average and the decrease of the employees within the industry in the period between 1990–1999, and the unemployment rate was over the national average);
- *Rural development areas* (less than 50% of the population is living in settlements with a density higher than 120 persons/ km², at the census in 1990 the proportion of the agricultural employees was over the national average, the personal income tax base is below the national average, and the unemployment was over the national average).

The category of the areas afflicted with durable unemployment was included in the previous regulations. The European Union does not use the category of areas afflicted with durable unemployment, since the durable unemployment is the consequence of backwardness, industrial or agricultural restructuring and therefore

these type of territories are connected with durable unemployment. In the course of the classification in 1998 from among 88 assisted regions only 2 belonged exclusively to the category of the regions afflicted with durable unemployment.

Different indicators help the definition of the assisted areas, which applied with the formulas included in the appendix of the act give the values of the certain regions.

The parliamentary decision – in harmony with the function of the decision form – set the trend to be followed as a kind of guiding in the level of principle to be followed, which may be in the better case accepted, followed and enforced in the practice by the executive power.

The intention of the government and regional development policy can be detected in the following government decrees

89/2001 Government Decree on the detailed rules of utilisation of earmarked provisions for regional development

The decree – similarly to the legislation of the previous years – in the course of the definition of the designation of the earmarked provisions adapted some of the principles of the parliamentary decree mentioned above. Such principle is co-operation in restructuring and the co-operation based on territorial integration, the preparation for receiving the Structural Funds of the EU or the assistance for involving the international financial resources into regional development programmes or the moderation of the inequalities.

The legal regulation following the practice of the parliamentary decree divides the earmarked provision into three parts. It defines a decentralised amount, which is distributed by the county and regional development councils in an application system, and second, it defines a part targeted at the central tasks of regional development upon the utilisation of which the minister of agriculture and rural development decides.

The targets of the county application system are completely identical with the principles of the earmarked provision for regional development defined in the parliamentary decree.

This government decree introduced a new institution, the monitoring committee. These committees are to control and monitor the programmes to be implemented by the regional development councils. Their task is to study the efficiency, quality of the programmes, as well as to investigate the adequate character of the physical or financial indicators used for the evaluation of the programmes and the evaluation of the results, etc.

This decree insures for the regional development councils for the first time a significant amount of central resources, which may be adequate for the implementa-

tion of certain regional development programmes. However the delegation of the resources is not without conditions it does not seem to be the least consistent with the regional policy of the European Union.

The legal regulation regulates the way of utilisation of central resources for those regions, which do not participate in any regional tier Phare programmes. The most important elements of the legal regulation are the Preliminary Regional Development Programme (PRDP), the task description, the Permission Documents for task financing, and the Committee of Professionals.

The PRDP is prepared by the regional development councils under the consideration of the content of the Preliminary National Development Plan for a three year period (the volume of the available resources is known for two years, and seems to be secure for the year 2001). The content of the PRDPs is set, human resource development, small and medium size business development, employment, rehabilitation and regional development sub-programmes and measures may be included in them. For the approval of the PRDPs by the councils the agreement by the Ministry of Agriculture and Rural Development, Ministry of Education, Ministry of Social Welfare and Families and the steering body of the Labour Market Fund is necessary. These ministries set the conditions of the implementation of the programme by regional development councils in separate agreements.

The task descriptions are prepared by the Ministry of Agriculture and Rural development – in agreement with the other ministries – and it hands it in to the Treasury.

The regional development councils prepare for every sub-programme the Permission for Financing Documents and they send it to the Ministry of Agriculture and Rural Development. The Ministry of Agriculture and Rural Development in agreement with the other ministries hands in the actual Permission for Financing Documents to the Treasury.

The task of the Committee of Experts is to evaluate the applications, which were prepared by the regional development councils in the agreements and in the Task Descriptions and also in the Permission for Financing Documents.

The members of the Expert Committee are appointed based on the recommendation by the county councils and the self-government of the capital city by the regional development councils and the ministries.

The Expert Committee's:

- chairman is the person appointed by the minister,
- meetings are assembled by the chairman, with written invitation, 8 days prior to the meeting, with the attachment of the applications which are appropriate for evaluation,
- it makes its decision with simple majority based on the criterion set by the county development council,

- minutes of the meeting have to be prepared about the meetings which must be sent to the regional development council with the order set.

The regional development council may depart from the recommendation of the Committee of Experts only with 3/4 majority. The regional development council is obliged to explain the different decisions. The explanation must be real, based on facts and accessible by the publicity.

Based on the introduced government decree the regional development councils are now appropriate for the implementation of the sectoral plans and targets functioning based on special priorities set by the government as quasi deconcentrated organs of the ministries. The arguments of the statements are as follows:

- the representatives of the branches are in definite majority within the Expert Committees,
- a separate agreement must be signed with the different sectors,
- the approval by the ministries is necessary for the approval of the PRDPs,
- the Taskdescriptions are prepared by the Ministry of Agriculture and Rural Development with the agreement of the other ministries,
- the permissions are to be handed in to the Treasury, and their adaptation requires the agreement by the ministries.

It is also interesting that the government decree does not consider the terms of the 8§ of the 1996 XXI act, according to which the National Development Council is an important actor of the sectoral and not the governmental reconciliation about regional development tasks.

The decision-making freedom of the regional development councils on the utilisation of earmarked provisions for rural development is fairly limited, which generally limits their decision-making opportunities, since the resources available by this provision give the major part of their budget.

It may also be worthy to consider just for the sake of comparison the central regulation of the resource division decision making by the regional development councils.

According to the 104/1998 (V. 22.) government decree on the content and order of evaluation of the feasibility study connected with filing of a claim by the local governments concerning the earmarked and targeted provisions the standard member of the experts committee of the county development councils participating in the evaluation are the following: the representative of the territorially competent county development councils by the location of the investment (in the capital city the Assembly of the Capital City), the Chamber of Architects, the National Service of Public Health, the county pedagogical servicing organisation, the Environment Protection Directorate and the representative of the County Office of Agriculture. The chairman and the standard members of the expertise committee are invited by

the president of the county development council and the invited members are invited by the chairman of the expertise committee.

The representative of the concerned local government is to be invited to the meeting of the expertise committee, and the author of the feasibility study as well as the expert of the concerned territory and the representative of other, social and civil organisations may be invited to the meeting.

Only the permanent members bear the right of voting. The committee decides upon the selection of the most advantageous version with simple majority, in the case of equal votes the vote of the chairman decides.

The decision on the targeted provisions is not the competency of the county development council, but the composition of the preparatory committee is fairly interesting.

Among others the targeted decentralised decisions belong to the competency of the county development councils. The decision-making procedure itself is not regulated by the legal regulation comprehensively, it only declares that the minister for interior releases – reconciled with the Ministry of Agriculture and Rural Development – directives for the functioning of the application system of the subsidy. This is included in the 7001/1998 (BK. 9) directive of the Ministry of Interior on the operation of the application system of the targeted decentralised subsidies. According to the directive the consideration of the following legal regulations is suggested in the course of the establishment of the order of applications:

- the 1992 LXXXIX Act on the earmarked and targeted provisions for local governments,
- the 1992 XXXVIII Act on public finances (especially as regards the content of accumulation expenses),
- the 1991 XVIII Act on the order of accountancy (with special regard to the content of investments and renovation costs),
- the 1997 CXLVI Act on the 1998 budget of the Republic of Hungary.

The essential feature of the regulation concerning the decision-making mechanisms of the county development councils is the respect of the independence of the council besides the fact the aspects formulated in the recommendation may significantly contribute to unified and professionally acceptable decisions.

The above listed legal regulations concern basically the decision-making procedure and its preparation. However we should not forget about the regulation on the implementation the most important of which is the 1995 XL Act on public procurement.

The 32/1998 Government Decree on the detailed rules of the utilisation of development targeted incentives serving the territorial equalisation

According to the decree the subsidies for local governments are ensured by the county development councils.

As regards the assisted targets the decree entirely adapted the targeted areas of the subsidies aimed at the territorial equalisation included in the parliamentary decree.

The general conditions of the subsidy are the following:

- applications may be handed in by settlements described in the 91/2002 (VI. 15.) government decree,
- investments concerning more settlements can only be supported, if at least one of the is among the eligible areas,
- the subsidy is not to be refunded.

The decree elaborates the eligible costs and the detailed rules of application.

The 90/2001 Government Decree on the division of the earmarked provisions for regional development and the development incentives serving the territorial equalisation for the year 2001. between the counties

The decree follows the differentiation methodology of the parliamentary decree, as it declares the principles of the division of the available funds at those regional development counties which were not participating in the PHARE 2000 programme.

- 20%, which 1 Billion and 103,8 Million HUF should be distributed based on the population of the assisted areas the criterion of which is set in a separate regulation,
- 30% which is 1 Billion and 655,7 Million HUF by the population of the region,
- 50% which is 2 Billion 758,5 Million HUF based on the GDP per capita (*Table 1*).

From among the decentralised financial means available to the certain county development councils:

- 20% or 1.2 billion HUF is distributed by the population of the county,
- 30% or 1.53 billion HUF by the GDP per capita,
- 50% or 2.55 billion HUF by the population of eligible areas (*Table 2–3*).

Table 1

Subsidies provided from the earmarked provision for regional development for the regional development counties, 2001

	Million HUF	
Region	Funds from the EPfRD	PHARE resources provided for regions participating in PHARE Programmes
Southern Great Plain		1,344.7
Southern Transdanubia	1,268.9	
Northern Great Plain		1,567.6
Northern Hungary		1,490.0
Central Transdanubia	1,091.9	
Central Hungary	1,991.3	
Western Transdanubia	853.0	
Lake Balaton Development Council	313.9	
Total	5,519.0	5,819.5

Table 2

Subsidies provided from the earmarked provision for regional development for the county development counties, 2001

County	Million HUF
Bács-Kiskun	401.8
Baranya	251.0
Békés	286.1
Borsod-Abaúj-Zemplén	556.8
Csongrád	238.9
Fejér	133.1
Győr-Moson-Sopron	132.1
Hajdú-Bihar	377.4
Heves	208.1
Jász-Nagykun-Szolnok	318.0
Komárom-Esztergom	125.2
Nógrád	208.7
Pest	444.9
Somogy	221.4
Szabolcs-Szatmár-Bereg	523.7
Tolna	191.9
Vas	99.4
Veszprém	252.2
Zala	129.3
Total	5,100.0

Table 3

Subsidies provided form the targeted provisions serving the territorial equalisation for the county development councils, 2001

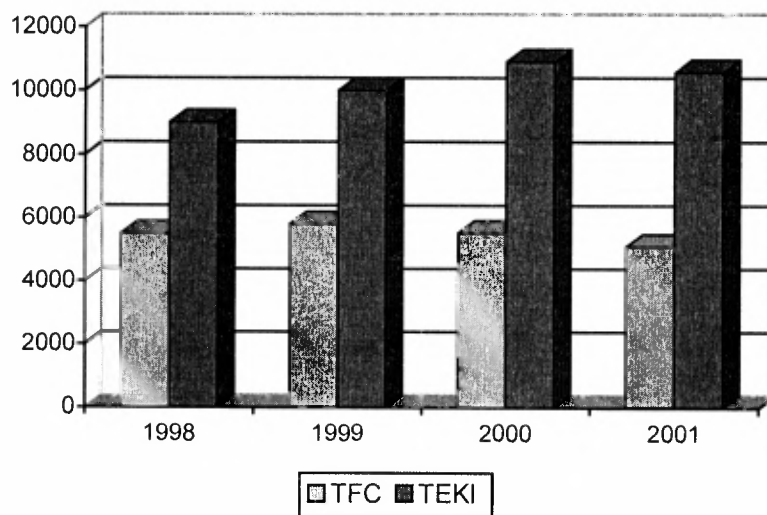
County	Million HUF
Bács-Kiskun	885.4
Baranya	520.9
Békés	621.1
Borsod-Abaúj-Zemplén	1,227.4
Csongrád	483.2
Fejér	194.5
Győr-Moson-Sopron	191.0
Hajdú-Bihar	812.6
Heves	434.4
Jász-Nagykun-Szolnok	705.4
Komárom-Esztergom	205.9
Nógrád	486.5
Pest	764.7
Somogy	466.7
Szabolcs-Szatmár-Bereg	1,207.3
Tolna	433.2
Vas	165.0
Veszprém	539.8
Zala	228.0
Total	10,573.0

The nominal value of the subsidies aimed at the territorial equalisation has been growing until the year 2000 (as regards its real value it was stagnating), but in the year 2001 it has been decreasing in every aspect. The nominal value of the earmarked provision for regional development has been minimally growing in the year 1999 but by the year 2001 it fall below the its value in the year 1998 (*Figure 1*).

The government allocated in the year 2001 HUF 27 billion for decentralised developments, which is only a fragment of the amount of the centralised sectoral investments.

Figure 1

*The volume of the earmarked provisions for equalisation in the county tier, 1998–2001,
Million HUF*



*The 104/2001 Government Decree on the general rules of the utilisation of the
earmarked provision for rural development.*

Besides the governmental targets and subsidies formulated in accordance with the act on regional development in the year 2002 a new form of support has been introduced, which is called rural development subsidy. The minister's decree includes both (sectoral) tasks connected with the modernisation and the development elements. The development of the human infrastructure or the availability of the alternative employment are not such tasks, the implementation of which could be carried out by one single sector, especially if the workplaces are available in the agriculture. These are – besides the extremely important agricultural restructuring targets – regional development problems, which require comprehensive and complex treatment.

Professionally is hard to explain linking of regional development targets and means with the agricultural restructuring programme in the draft.

According to the explanation of the regulation with regard to the special tasks of rural development and especially the changed composition of resources the topic of

rural development had to be excluded from the legal regulations on regional development and therefore it required a separate regulation.

The eligible fields within the subsidy system are as follows:

- Village development and renewal, the protection of the natural elements, assisting the self-organisation of local civil communities,
- alternative income resources (developments encouraging restructuring, development of rural and agrarian tourism, identification and creation of rural workplaces – including work opportunities for women),
- development of rural infrastructure (the development of the monitoring system, the establishment of so called tele-houses, infrastructure investments required by the economic activities which are able to generate incomes).

The application is eligible in the case of developments, which will be implemented within the territory of such the settlements, the density of which was 1 January 2000 at least 120 capita/ km² or less, or the number of permanent population is 10,000 or less. The comprehensive tender targets are as follows:

- subsidising complex economic development programmes with an ecological basis,
- development of rural and agrarian tourism,
- encouraging traditional manufacturing,
- locally characteristic, landscape-specific agricultural activities and the food processing industries,
- local utilisation, processing and marketing of materials which are not food staff,
- development of rural infrastructure.

The decree also regulates:

- the general conditions of support (such as the category of assisted areas)
- the form of support
- and in the appendix the maximum amount of support.

Summary

The legislative activity defining the directions, approaches of regional policy and the importance of the category of space in the period between 1971 and 1996 has shown and intensity in 10–15 years cycles, as a result of which the legislators tried to treat the territorial problems of Hungary usually in lower level legislation.

Due to the nearby accession to the European Union the role of territorial–regional policy is becoming more important which is unfortunately not motivated by

the treatment and modification of territorial inequalities, but rather by the hopes on advantages deriving from accessing of the operational system of the Union and especially the monetary transfers. Due to these processes the legislative activities have become more vital – since in comparison with the previous 10–15 currently every 2–3 a new more significant regulation is passed in connection with regional development – but this trend did/does not mean the enforcement of professional aspects, of the standpoint of scientists.

The Hungarian legislation will first be able to establish a long-term operating regional development institution and procedure system, when it will be able to get free from the often changing actual political interests of the different governmental courses. The preference of professional arguments may serve a stable basis for the decision of such important issues, as the volume and implementation of centralisation and decentralisation, self-governance, or the bottom up building. The enforcement of these, – often economic – issues may become the central task of legislation on regional development.

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