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The adaptability of the Swedish models of new regionalism in Hungary

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Ph.D. Programme in Management and Business Administration

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Ph.D. dissertation

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Budapest, 2008

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I. Introduction

The dissertation aims to present the new regionalism theory as a new wave of regional theories and the implementation of this theory in Central and Eastern European Countries. During the analysis it focuses on regional pilot projects in Sweden, which are based on the new regionalism theory and have a more than 10 years historical background.

The main goal of the analysis is to adapt a theoretical administration model, for which the five pillars are Gren's main findings (1999), who theorized the new regionalism based on the previous works of Michael Keating.

In a methodological perspective personal experiences of interviews, study trips and questionnaires were used in addition to studying the literature to have a broad basis for analysis. In order to differentiate the various Central and Eastern European regions and to analyze the relationship between the country of origin and the level of development, the regional data of 10 CEE countries were examined by cluster analysis.

Against the actuality of the topic its implementation in the practice quite heavily depends on political decisions. But it is a challenge to implement those Swedish regional pilot project results which created the theoretical framework of this dissertation.

Focusing on the Swedish model could be reasoned by the fact that Sweden has a unitary state form similarly to the Central and Eastern European countries.

II. Theoretical background

II.1. The theoretical background of regionalism

II.1.1. The creation of the European regional policy and its relation to regionalism

A crucial element in the development of the theory of „Regions of Europe” was the European Regional Development Fund established by the European Community in 1975. The created fund established separate financial resources for the territorial cohesion accepted initially by the Rome Treaty. At the end of the 70s the economic recession did not create a favourable background for redistribution policies, but the carbon-dioxide based economy created many new territorial imbalances (such as the recession of the carbon-based territories of the Ruhrgebiet or in the UK). There were not crucial changes during the 80s in the regional funding scheme of Europe, but radical changes described the governance in the UK by Margaret Thatcher. The liberal government avoided the state intervention, and the policy was focused on the introduction of market mechanisms. It had a double effect on European regions. On one hand the destruction of the central planning system of the state and state aids was a goal, which resulted in the devaluation of regional policy in the UK. As an opposite direction a favourable trend was the introduction of modern management tools in the public administration. From this perspective the 80s could be seen as a major shift in development trends.

II.1.2. Regional trends before the 80s

The regional trends before the 80s were determined by the central planning systems of public administration implemented after the 2nd World War. Because of the dominance of the central planning, the regional planning and the connected financing mechanisms composed a part of the national redistribution policy. The mezo-level units of territorial governance (the regions) were not independent legal entities, but the territorial

administration units of the state. That has resulted the creation of regions representing the regionalism. The regionalism is a top-down approach, when the state offer services on a lower territorial level. It is connected to the definition of deconcentration, when the central tasks are executed on a lower territorial level, but the connected decision-making is done on the central level. As a result the regional policy before the 80s could be characterized by the regionalism-deconcentration couple, which aims to support the lagging regions through state redistribution. In this concept the local interests were merely present, as it was done in the UK, where ministerial officials were responsible for regional governance, or the Swedish example, where the territorial state offices were the responsible organs.

II.1.3. Thatcherism and the introduction of New Public Management in the UK

From the 80s crucial changes were done. The UK development policy was transformed into a business model and resulted a change in the state offices (Horváth 1998). As a result of UK implementation and the Australian and New Zealand followers, the New Public Management had a great impact not only on regional policy but on the whole public administration system. As a major feature of the New Public Management, it was oriented to minimalise the size of state offices in the financial budget and the number of staff in order to serve state savings. As a tool of it the institution of agency was created, which did not provided such safety for the former state-employees. Furthermore, by the introduction of performance management and programme based budgeting a more efficiency oriented model was a goal.

The movement of New Public Management made a radical change in the public sphere – although its results are questioned today. Focusing on the regional processes, especially in the pioneering UK, the regional institutions were transformed from state offices. The most crucial change was that the endogenous development concepts were emphasized, and therefore the regionalization was substituted by regionalism. The regionalism is different

from regionalization in that sense, that it is a bottom-up approach, which is focusing on the partnership of local actors, and resulting the establishment of regional institutions and the development of the region. The basic theory behind this is the subsidiarity principle, which became the part of the European regional policy as a result of the Delors packages. The subsidiarity principle is one of the most important principle integrating the European Union, codified by the Article 3.b of the Maastricht Treaty. It says that all the decisions should take place on the lowest level, where the optimal information, decision making responsibility and their effects could be visible and effective.

The subsidiarity principle also includes that the decision making and the connecting activities should be financed on that level. It needs the realization of decentralization, the activities connected to decision making and the financial resources should be located on that level. It does not mean the pure execution of tasks on different territorial levels as the deconcentration is about, but the unity of decision making, activities and financing.

As a result of New Public Management such agencies were created, which were based on another principle of the European Union: the partnership. Unifying the regional actors and resources could help the break-through from a redistribution system, where the only possible solution in the fight against territorial disparity was the state aid.

II.1.4. Factors influencing the creation of regional management

The financial resources of banks and private actors besides state resources needed different approaches from the non-official agencies. Contrary to the bureaucratic public administration systems modern management tools were implemented in order to have effective and transparent planning and financial processes.

At the beginning the theories of public management (Horváth 2005, Jenei 2005) were

focusing on the replacement of publicly ordered public services by market tools, but because of the problems caused by the one-sided approach at the beginning of the 90s there was a shift towards a less radical not only market oriented New Public Management concept. As a core of it, in some public services the privatization should be avoided, the transformation of public administration organizations into agencies or private companies is not considered as the most effective method.

As a result of the implementation of management methods from the 80s the definition of regional management has born besides regionalization. The regional management as a part of public management concepts was not focusing on privatization but on the market-based operation of public administration. Consequently such complex, programme-based, project-financed system has been created on the field of regional development, which could ensure the effective use of multi-origin resources. It has got mostly guarantee requirements, as the supranational organizations (European Union, European Investment Bank) or the profit oriented local actors (banks, enterprises) would not be willing to provide additional resources for local resources. As a result the regional management is not based on the market oriented public administration movement, but using its methods it was a resource oriented, for most of the stakeholders acceptable management organization.

II.2. The theoretical background of new regionalism

II.2.1. The establishment of new regionalism in the 90s

In the 90s the structure of the regional management has been broadened by new elements in the framework of new regionalism. It was realized by the mid 90s that global markets highly influence the local ones. Therefore, according to new regionalism parallel to accepting the supranational policies the regions should play a role not only on regional and national level but on global level as well. In addition, a para-diplomatic role is added in order to have a political support for their global economic role. It gives the chance for a region to exist almost independently from national systems, and to put its interest on a global level.

The European Union and indirectly the regional policy has never faced such complex challenges in the last three decades than today. The general economic recession, the economic disparities between the newly acceded countries and the old members, the legal, internal and international cooperation fields are all part of those processes which are to be solved by the Constitution and the current 2007-2013 financial perspective.

Neither in the EU treaty, nor in the debates on the new Europe and in the constitution the regionalization is not considered a mezolevel component of European governance. But indirectly in the cohesion policy part of financial perspective, in the composition of Article 2 of the Treaty serving the cohesion, as well as through the institutions dealing with regional issues (Director General Regional Policy and Committee of the Regions – COR) the regions and the regional policy has a crucial role in the European Union.

The European challenges are affected especially by the newly acceded Central and Eastern European countries. In the continuously enlarging European Union there has never been

such a gap between the new and old member states than in the case of the enlargement of 1st May 2004. In population and territory the EU grew by 40%, but the GDP growth was only some percent. This economic gap, similarly to other EU policies, challenges the regional policy, and there is need to re-think the current concepts.

The new European space not just in size, but in structure as well is before restructuring (Gorzalak 1996, Sokol 2001). The EU was enriched by a new periphery, which is quite different from previous peripheral zones of Mediterranean or Scandinavian countries. Many economic analysis presented this difference on the level of MSs, but it is especially valid on a regional level (Martin 2004, Sapir et al. 2003).

The growing territorial differences based on the neoclassical school could be balanced by the higher development growth of lagging areas. But this catching-up process in the case of Greece, Ireland, Portugal or Spain was partial and lasted for more than 2 decades. In the case of Central of Eastren Europe the higher difference could be balanced just on an even longer term for the best performing regions of this area.

The theory of Jánosy (1966) on the economic growth noticed that in case of restructuring economies, such as countries after the World War II, the catching up period could be rapid in mid-term, but after leaving a recession phase they will get back to their original growth trend. Today the CEE countries perform better with 1-2% than old Member States, but even not taking into account the theory of Jánosy, it still needs quite a long time to converge.

To conclude all these regional economic points, we can say that in a long term the economic peripheries will exists in the European Union. If we accept this, we can not believe for regional policies on territorial cohesion ideas. The above theories and regional convergence analysis shows that a so called „twin-peaks” process exists (Villaverde - Sanchez-Robles 2002). This theory says that, the convergence indicators of the developed and peripheral territories are not converging to each other, but to the peaks of each groups.

In a regional economy, like the European Union, we may consider the region in a multifocal system, in this case the regional policy should be multi-focal too. Basically the current system of regional policy which differentiates the regions under and above the 75% of the GDP/capita average of the EU, it accepts the existence of peripheries, but it does not accept that – as the Treaty says – these differences can not be eliminated. It is focusing on convergence, but it can not be reached because of many reasons:

1. Lisbon Agenda – on the competitiveness and regional growth, the EU aims to become the leading economic power of the world (the stimulation of growth or territorial balancing is an evident dilemma in economics)
2. It is not possible for the current and future EU budgets to get such level of redistribution which would strengthen the convergence.

The goal of my research therefore is to look for and create a new regionalization concept, which for the CEE countries, and especially for Hungary could provide a real regional development perspective and future vision.

II.2.2. The theory of new regionalism

To achieve the above mentioned goals the new regionalism could be a solution, which handles the national and supranational policies just as a framework of a bottom-up approach. Besides it accepts the globalization and to make the region competitive on a global scale. All this together, contrary to the politics based on Regions of Europe concept, makes it possible that a region could become such an entity by using its natural and social resources, which is able to present para-diplomatic lobby power on national, supranational and global level.

Jörgen Gren (1999) focused on the joint analysis of regional policy, regional public

administration and economy in his work. These became important elements of regionalism. Combining the specificities of these areas the new regionalism tries to determine the regional identity in a global context. This identity promoted the development of concept the definition of which is mostly debated in an abstract way. This process makes it possible that the static regionalism could become a dynamic science, and their actors could appear in their own dynamic way.

As a major task he wants to establish the new regionalism theory through the analysis of the factors influencing regionalism. In this way he argues for the place of regionalism in the integration theory. All this is based on the paradoxes of the old regionalism. In this the administrative units represent the extended arms of the central state as classical old regions are only responsible for executing state decisions and to control them later. In this way they could support the centralised government. From the perspective of public administration regionalism, the European regional policies assisted the same objectives in the 60s and 70s. The regions were accepted on the level of declaration, but in fact through the redistribution of national and European funds they became more dependants contrary to the originally proposed decentralization and subsidiarity. In conclusion based on Keating (who indirectly defined the new regionalism for the first time in his book *Regions in the European Community*, London, 1985) the old regionalism could be described by the following factors: the technical needs of the modern state; general supporting packages; cultural demands; demand for autonomy of historical nations.

The territorial public administration system was not any more efficient in the mirror of Keating's description. To be independent player in Europe was not possible under a strong national control. The declared regionalism was only a saying, and in an indirect way it was for strengthening the central governance. It did not give a floor to own regional voices because of the financial dependence. Their competences were empty, if the regional policy funds of the EU were allocated centrally, the European dream of regionalism was broken, and contradictive processes were strengthened.

Based on this paradox and past, Gren (1999) believes that the new regionalism could not be considered as an ethnic revolution of social movement against the state. It is rather a question of the logic of transferring decision making rights, which is rather a natural process, than a radical reform. Therefore the new regionalism is an answer to the environmental challenges, which entitle the regional level with a higher level of independence against the central state, as it reflects better the citizen's interests.

The establishment of the new regionalism could be described by 5 main features (Gren 1999): the globalization; regional management and lobby role; the supranational forces; the creation of regional identity; the creation of interregional and cross-border networks. As a result he explains the growth of regional lobby power, the need for autonomy, and furthermore, he is analyzing the para-diplomatic role of regions, which is over the boundaries of decentralization.

Based on Gren the concept of new regionalism could enrich the integration theory development. But he also mentioned, that in contrary to Keating's general definition, it is not so sure. Keating says that the regionalism became quite aggressive as a result of Single European Act and the common market, therefore the regions became the key players in the political dialogue and actions, where national, continental and global forces meet with local demands, and where the social systems need their adaptation.

And what is the main content of new regionalism? It follows the Regions of Europe concept, but it does not clearly describe how the decision making and legal issues are separated. The new regionalism wants to dedicate the decision making to the regions and the legal issues to national and supranational organs and as a result the regions would be in a priority position. But Gren knows that it is hard to reach that ideal situation, when the nation state loses its power owing to transferring it to regions and supranational bodies. As a conclusion he says that although the radical versions of the Regions of Europe are not

possible, but the further steps in the European integration can not be done without the regions' opinion, which could ensure their role in the further integrated Union.

II.3. Defining hypotheses

Based on the analysis of the literature, and my direct contacts and experiences the following hypotheses are outlined:

Hypothesis 1: In the new space of the European Union such polycentric system is created, in which the core areas and the peripheries are not converging to each other, but they rather converge to their own development trends.

In order to classify the homogenously handled Central and Eastern European Regions, and by this it could be reasoned that there are core-periphery tendencies even in this geographic area. This core-periphery relation, which is resulted in different development paths needs such regional theoretical administration model, which enables the regions of Central and Eastern Europe to create their own regional strategy based on their internal development.

Hypothesis 2: A regional administration concept should exist, according to which the major aim is not to converge regions, but to have a succesful regional development.

The basic idea of the hypothesis is that the regionalization can not be achieved in a core-periphery divided European space as a part of the traditional regional or cohesion policy, which aims to achieve the catching up of lagging regions. The regionalization should focus on the internal regional integration. The regional policy should be based on this, whether it is national or supranational. The regional interests should be built like mosaics into a common European integration process in a bottom up way.

Based on these hypotheses a preliminary theoretical administration model could be defined. In this model regional institutions are organizations, which are appropriate to take roles over the traditional territorial functions. In this context it is especially crucial to have an organization applying regional management methods, which can operate on regional, national, European and global scenes more-or-less independently of the central state. Based on the theoretical administration model such a regional administration system is created which is able to create its own strategy and identity.

III. Theoretical administrative model in practice – Regionalism in Sweden

The public administration of Sweden, based on a Unitarian state system, in accordance with the welfare state model, can be characterized by a high degree of independence of the self-governments and municipalities and the high-level services provided by the central administration and equally available for all citizens.

At the end of the 20th century the European integration as an increasing constraint and the recession apparent in radical growth of unemployment compelled the central and local administrative actors to give the state model and administration a careful consideration. The introduction of regionalisation as a new level between local and central administration was realized as the consequence of a controversial process opposed and supported by varied groups.

III.1. A historical survey of the regional processes in Sweden

III.1.1. Administrative traditions in Sweden

III.1.1.1. The vanished glory of the Middle Ages – The rise and fall of the provincial power

Sweden, being a Unitarian country, has a two-tier administrative structure. Today's processes of regionalisation cannot be investigated and thoroughly understood without the survey of the regional traditions.

In the Late Middle Ages the Swedish monarchy gradually strengthened. Then the provincial (*landskap* in Swedish, originally *land*) power was most important. The state was undeveloped, the power of the sovereign was not precisely defined. Even a capital adequate to meet the demands of the administration was non-existent. At the beginning of the 14th

century the Swedish legal system was also founded on the provincial law (Hammarlund 2004 p.147).

Historically the provincial system ensured Sweden to control the Baltic Sea. However, external influences forced the country to establish a central administration. By only this means could be assured to this small state the mobility of resources and the fast implementation of changes. As a result, a weak and fragmented provincial structure came into being which was controlled by the central government (Jerneck-Gidlund 2003 p.2).

From the 16th century the country was ruled by the centralized Unitarian Swedish state. The 25 historical provinces lost their administrative power, later evoked in the practice of conferring the honorary title prince/princess of a certain province to the children of the royal family. Nevertheless, the provinces fostered their cultural identity preserving a provincial self-consciousness. This surviving consciousness must be taken into serious consideration when redefining the provincial boundaries (Hammarlund 2004 p.147). Nonetheless, as Jerneck and Gidlund summarize the historical process: “the only relic of the superpower past apparently are the counties, weakened now both politically and administratively.” (Jerneck-Gidlund 2003 p.3)

III.1.1.2. The beginning of self-government and its reforms

The self-government of rural and urban territories was provided by law from personal and financial aspects since the 14th century but it was actually realized by the reforms of Charles XI who repartitioned the lands of the nobility thus decreasing their power (Kayfetz et al. 1993).

A full self-governing regulation came into force after the social and political changes of the 19th century. Then the parliament of the nobles was replaced by the two-chamber

parliament, the industrial revolution resulted in economic development and population also grew. The self-governmental reform of 1862 separated the ecclesiastical and the secular fields. Even then the powerful local governments of the counties (so called *landsting*) were established which could indirectly elect representatives to the first chamber of the parliament. The financial background was provided by their right to levy local taxes. This system subsisted until 1970 when a one-chamber parliament was established.

In spite of the fact that fragmented settlement structure was never characteristic as the result of the geographical and climatic conditions, the system included 2400 rural municipalities, 90 cities and 10 *köpings*, a third type of municipalities, with a status between a rural municipality and a city.

In the process of the development of modern Sweden, urbanization diminished the economic weight of the rural municipalities so they had to face up to insoluble social problems. The reform of the local authorities (*kommuner*) was realized by 1952. This set the minimum population limit to the local governments in 3,000. Therefore their number diminished from 2282 to 816, on the other hand their number grew from 1,500 to 4,500. At the same time the ecclesiastical municipal boundaries ceased.

After the World War II the growth of migration from the rural areas to the cities continued, consequently the economic necessity of the small local authorities was questioned while their duties and expenses were growing (Hammarlund 2004). Further 350 settlements did not reach the minimum population limit of 3,000; its reduction to 2,000 did not prove to be an efficient solution. As the result of a resolution voted by weak parliamentary majority, by January 1st 1972 an administrative reform had to be executed. In the course of this the minimum population limit to local authorities became 8,000 and local, temporary and city

governments were merged. As a result, 278 local municipalities were established (their maximum number in 282 were set).

According to the interpretation of Hammarland (2004), the association of the local authorities – with particular reference to the last reform, which unified the rural and urban regions – can be seen as a process of bottom-up regionalization.

The following chart summarizes the process of the concentration of the local authorities:

Table 1: Swedish municipalities 1862-2001				
Year	Rural	Temporary	City	Total
1862	2400	10	90	2500
1901	2384	20	92	2496
1941	2353	53	117	2523
1951	2281	84	133	2498
1952	816	88	133	1037
1964	777	96	133	1006
1969	625	91	132	848
1971	-	-	-	464
1974	-	-	-	278
1992	-	-	-	286
2001*	-	-	-	289

Source: Haggroth-Kronvall-Riberdahl-Rudebeck: Swedish Local Government p.14.
** Committee of the Regions: Regional and Local Government in the European Union p.219.*

Until the accession of Sweden to the EU, in the relation of the state and provincial levels a structure characterized by stable boundaries but altering operating levels could be found. In parallel with it the concentration of the settlements, their bottom-up regionalization and

continuous consolidation by municipal administration took place. In the past decades this integrative process, which concentrates merely on the tasks and broke with settlement traditions, secured the high-level welfare services.

In the 80's local governments opened up towards the public, especially in sparsely populated settlements where they had to cope with particular problems. The increased social participation resulted new organizational forms (civic boards, local development groups, provincial committees and cooperations). However these forms could be placed in the strict legal framework concerning organizational issues with great difficulties.

In order to find the proper organizational form a so called "Independent Municipality Experiment" was started in the 80's. Their practice, which was later taken over by other countries as well, based upon the fact that the government authorized the participating settlements to develop new organizational forms in the liaison with the central government and the local population. This resulted in a new local authorities act in early 90's, which authorized municipalities to shape up particular organizations and brought an end to the detailed central regulation. The experimental reform process concerning the control of local authorities served as a useful model for subsequent regional reform (Ström 2000), which is the specific subject of this study.

Finally the economic crises of the 90's and the accession of Sweden to the EU revealed the claim, on meso-level as well, to an administrative reform.

III.1.1.3. The present levels and regulations of the regional administration

In our days the act on local authorities, which came into force on January 1st 1992, uniformly regulates the operation of local and county authorities. The act regulates

everything, including the municipal boundaries or the operation of general assemblies and committees. It defines the respective functions for both local and county authorities. Applied as a general rule, local authorities can perform any tasks which are not covered by competence of the state or other local or county authorities.

Concerning the regional administrative system, Sweden adapts the one-tier model (E.B. 2001). The establishment of 24 administrative offices of the counties (*lan*) and the 23 self-governing units dates back to the reforms in 1862 (the deviation results from the fact that the self-governing tasks of Gotland county are performed by the local authority). After the accession of Sweden to the EU in 1995 the number of the counties decreased to 17 in consequence of the regional processes, at the same time 4 administrative regions (Skane, West Sweden, Kalmar, Gotland) appeared. Regional management is completed by 70 state branch offices.

- a. County (and regional) councils (*landsting*) play a major role in public health and education, besides perform other duties as well. Their principal source of income are the taxes and in a smaller part the state subsidies.
- b. The duty of the county administrative boards (*lansstyrelsen*) is regional planning, coordination, supervision of the municipalities and the coordination of different public authorities. Another important task is the management of the EU and state subsidies related to regional development, agricultural aids, natural and cultural heritage. The processes of regionalisation in Sweden tend to reform the administrative boards, acting as the extended hand of the state administration, from a controlling and executing role into a consulting and supporting organization, thus increasing the regional independence. In that spirit, the management of the issues of regional development are placed under the supervision of the elected boards (Baldersheim-Stahlberg 2002).

Local state boards participate in the administration of the housing, agricultural, educational and labour affairs.

Chart 1: The territorial levels of Sweden today			
State			
National	Parliament (Riksdag)	County councils	
	Government, government authorities		
Regional	Central administration		
	County administrative boards	General assembly Committees Office	Local self-governments
Local		Local bureaus	General assembly Committees Office
<i>Source: Local Government in Sweden – organisation, activities and finance. Regeringskansliet – Finansdepartementet. Interne source: http://www.sweden.gov.se/sb/d/2008/a/19727</i>			

As it is apparent in the unified structure of the local authorities act, the regulation does not rank local and county/regional self-governments, they can be distinguished only by the extent of their operational areas and task-sharing arising therefrom. County councils never had the right to supervise local self-governments. According to their task, county councils are responsible for health provision, while local governments for the general welfare services (Jerneck-Gidlund 2003).

The equality of the self-governing forms are further strengthened by the cooperation between the local and county authorities. The traditional cooperative form is the voluntary association of local authorities (kommunförbund) whose members convey their rights to make decision regarding cooperative issues to special federation assembly. Approximately 80 associations exist, which operate in the areas of waste water treatment, public transport, defense against catastrophes and education (Hammarlund 2004). Another widespread form is establishing common committees, as well as the grouping of local authorities into

networks. Within those they co-operate with the business sphere, universities and other higher educational institutions.

The most advanced form of cooperation is the regional cooperative corporation, which has a major role in the transformation of the local administration. The corporation formed in Kalmar County between 1998 and 2002 on an experimental basis rests on the cooperation of the local and county self-governments. It has the right to take over tasks from the state and is also responsible for the development cases within its operational area. Since January 1st 2003 every county has the right to set up such a corporation as the new form of cooperation.

III.1.2. Growth instead of redistribution – Regional politics on new foundations

III.1.2.1. The traditions and reorientation of the regional politics

Until the 60's there was no regional politics and development in Sweden. The processes starting at that time were the results of the beginning market competition. In the competition for the investments some areas got into more while others into less advantageous situations. The developing regional politics wished to overcome the negative competitive effects and to provide equal possibilities of life (employment, the equal level of public-utility services). So the politics of the 60's in the first place served the case of the social inclusion of the underdeveloped regions in North Sweden by the means of public credits and intervention (Östhol-Svensson 2002).

In the 70's the developmental politics was superseded by a redistribution oriented politics. In the spirit of the central places theory, the support of the smaller settlements, serving as a growth pole, were put in the focus. As the result of the recession in the late 70's labour

politics became determinant in regional politics as well. Since 1976 the cooperation of labour and regional politics takes place (Östhol-Svensson 2002). As the sign of the structural changes in several branches of industry (shipbuilding, mining, steel industry) dismissals and closures occurred. In those regions which were afflicted, the state provided job creation packages to handle the problem (Jensen-Leijon 2001).

In the 80's the public service expenses and the rapid growth of employment rate could compensate the regional recession, which the regional politics was not able to control (Östhol-Svensson 2002). Then became the support of the sparsely populated areas the chief object of the regional politics. This support was meant to compensate the disadvantages due to the great distances and the small number of population (Jensen-Leijon 2001).

However, another recession in the early 90's, which manifested itself in the growth of unemployment in the first place, shed light upon the deficiencies of the support-based central regional politics. Especially with the approach of the EU accession the independent, local source-based regional development solutions came to the fore. They built on the foundations of the human resources- and education based central regional politics strengthening in the 80's. As a result, the administrative offices played a key role in the elaboration of strategies and priorities in the course of the development of the counties and the shaping of their regional politics (Östhol-Svensson 2002).

Besides the importance of the regional universities and high-schools, the principles and the financing models of regional politics also changed. Having been redistribution-based it became growth-oriented. These two processes of regional politics urged the regional transformation of Sweden – though it does not follow the experimental models of Skane and West Sweden beginning in 1998, to be presented later in the study.

The state must establish regions so that the regional actors forming networks could utilize their regional resources in relation to growth. To conform to the new regional model and to

survive, the regions did their best to present a favourable image of themselves. All this brought attention to the regional competitive advantages. As a result, the state lost their power over economic policy (Jensen-Leijon 2001).

Taking into account all of these, the Swedish regional politics may be divided into the following periods from the 60's until today:

- 1965-1972: Politics of localization (industrialization and modernization of the peripheral areas) – Regional balance
- 1972-1976: Central places theory-based politics, regional planning – Regional balance
- 1976- 1985: Employment politics (regional relocating of workplaces, integration of local labour markets), integration regional and labour market policies – Regional balance
- 1985-1994: Development of human resources, extension of regional scope of authority – Regional balance
- From 1994: Accession to the EU, regional growth politics – Regional cohesion

Analysts of the above-mentioned processes (Foss et al. 2000) point out that regional politics having been a counterbalance against market forces transformed into a growth-oriented regional politics which wished to comply with market needs. The project-based support was replaced by the program-based state and EU aids serving the development of entire regions. The bottom-up, cooperation-based initiatives determines the issues of organization, program making and financing at the same time. The independent regional corporations, regional growth programs, taxes established by each region, investment privileges convey the regional politics controlled by the central government to the regional actors. The results are considered inestimable now. In which direction will such a contrasting approach turn regional politics, which had rested on the constant principles and financing methods? It is still a question.

Investigating the question of social sustainability, Westholm also has doubts about the change of direction in regional politics. 2000/2001/4 government draft regarding regional politics subordinates social cases to economic growth. Consequently, the realization can be successful only if the region grows and the trends of its labour market are positive. This conception seems to be acceptable in the southern, developed centres, but can result in incalculable effects in the northern areas with a ageing and decreasing population. In several regions these demographic problems do not encourage the growth-oriented regional politics, therefore it is possible that some counties/regions will lose in the process (Westholm 2003).

III.1.2.2. The system of developmental agreements

In the spirit of the change of approach in the regional politics, the state wished to involve the regional actors more intensely in the tasks of regional development and long-term planning including tourism, allocation of EU resources and the development of regional transport. In order to achieve it, as a condition for obtaining national funds, the regions/counties were obliged to prepare development programmes by the involvement of regional actors. The solution is similar to the well-known French planning contract practice (Baldersheim-Stahlberg 2002).

The regional growth agreements were initiated by the Social Democrat government in 1997, and in the following year it was also introduced. The Riksdag adopted the draft of the 1997/98/62 government decree in May 1998 with the title „Regional growth – for employment and welfare”.

The process is a two-step approach. At first the different sectoral representatives on regional/county level have to prepare a regional/county document with the title „Growth Agreement for sustainable economic growth”. In the trial regions the regional bodies, in the

counties the county administration coordinated this activity.

In second step this growth agreement should be the basis for negotiations between the state and the region/county in the whole area of the country. During 1998 and 1999 the regional and local actors (local governments, business, universities, colleges) were participated in all 21 regions/counties of Sweden in the preparation of the programme with a deadline of 15 February 2000. The new way of thinking implemented by the agreements made a crucial change in redistribution policy. The new policy was governed by the regional development with the participation of regional/county actors, which was financed by national and EU funds. The main motivation was that to transform the industrial policy towards a more regional and local oriented approach. Rooted in the regional/county partnership the participation of business stakeholders was the key of success. Besides the EU Structural Funds provided a model for the system, therefore the accession to the European Union was crucial in the process (Jerneck-Gidlund 2002).

The study of Östhol and Svensson (2002) analyzes as a part of a Scandinavian comparative study this regional partnership model through three case studies. The growth agreements of the northern Norrbotten, the southern Jönköping counties and Skåne as a trial region are analyzed. Their study reflects the controversies of the system focusing on the stakeholders, the relationship with the business entities and the leading organization.

- Stakeholders: The most important partners are shown in the next table:

Table 2: The stakeholders of growth agreements

The main stakeholders of partnership

1. Coordinating bodies:

- County Administration - Norrbotten, Jönköping
- Skåne regional government - Skåne

2. Stakeholders in all partnership:

- County Labour Office (LAN)
- Swedish Local Municipality Association (SALA)
- University
- Swedish Employee Organization (TCO)

Source: Östhol, Anders-Svensson, Bo: Swedsh Cases . Partnerships by State-Led Design p.43.

It is clear that the County Labour Offices have a crucial role in the partnership, but their resource allocation system is different from the allocation system of regional authorities as these resources are used without being in line with the regional strategy. The local governments file applications without resources, which shows another resources side problem. The role of universities differs a lot in the case studies. The Lund University of Skane is financed mostly through the private sector, but in the other two counties the universities are dependent on the regional funding, and therefore their role is quite limited.

- Relationship with the business entities: The relationship is different in the case studies. In Jönköping the small and medium sized enterprise cluster is economically strong, and they have a vital role in the partnership. But sometimes they are hindered by the strong regional and national actors.
- Leading organization: The trial region of Skane showed a higher dynamism, the partnership created by the growth agreements had a huge effect on the operation of the parallel created regional government. Contrary the leading role of traditional county organizations strengthened the top-down oriented state planning in Jönköping and Norrbotten instead of the more favourable bottom-up regional development model. The local actors (local governments, business entities) were neglected behind them.

Evaluating the regional growth agreements Hammarlund states that the results are very limited, to which he refers in short and poetic. One of the evaluation reports had the title „Much ado for nothing”. (Hammarlund 2004 p.147.)

Furthermore he stresses that the main goal of the growth agreements was the broader citizen participation, but it could have a result that the decisions are not done by public elected bodies, but behind closed doors. Although the reform aims a more opened and equal

way of decision making, but in practice it could have a controversial effect (Hammarlund 2004).

Foss et al. (2000) reminds that the growth agreements make the previously rich regions financed regional policy antidiscriminant. The 2001/2002/4 draft government decree adopted in 1992 stresses the regional differences in regional development, which could have a positive effect even for the whole nation state. In these reforms the principles of European regional policies had a vital role, although the creation of growth agreement system was officially introduced for the regionalization of industrial policy. But the socially hindered regions incorporated their programmes on social sustainability to balance the growth orientation of the development programmes (Westholm 2003).

III.1.3. Public administration Reform and regionalization in the 90s – Reasons and answers

III.1.3.1. The crisis of financing territorial public administration and its reform

Except for the period of 1960-65 after the WWII the municipality consumption was described by a continuous and stable growth. During the 70s the growth was more than 20 percent. But this growth came to an end by today. The growth finished in 1992, because of crisis of Swedish economy at the beginning of 90s, the production dropped, the unemployment was growing, the public sector had a critical debt. The state and the municipalities were obliged to be more effective. The municipality consumption declined by 0,8% in 1992, and their number of employees dropped by 8% between 1992-95 (50000 employees). The reason of the municipality deficit was the growing unemployment and the less tax income. As it is a municipality task to provide a sufficient living standard for the unemployed (especially through financial aid), their costs have risen and their incomes stagnated. At the end of the 90s Sweden was over the economic crisis and the 10% deficit

of the public sector became a 3% deficit. Although many problems were unsolved: high unemployment, social problems, and quality problems of public services, and the citizen's lack of trust towards democratic institutions (Montin 2000).

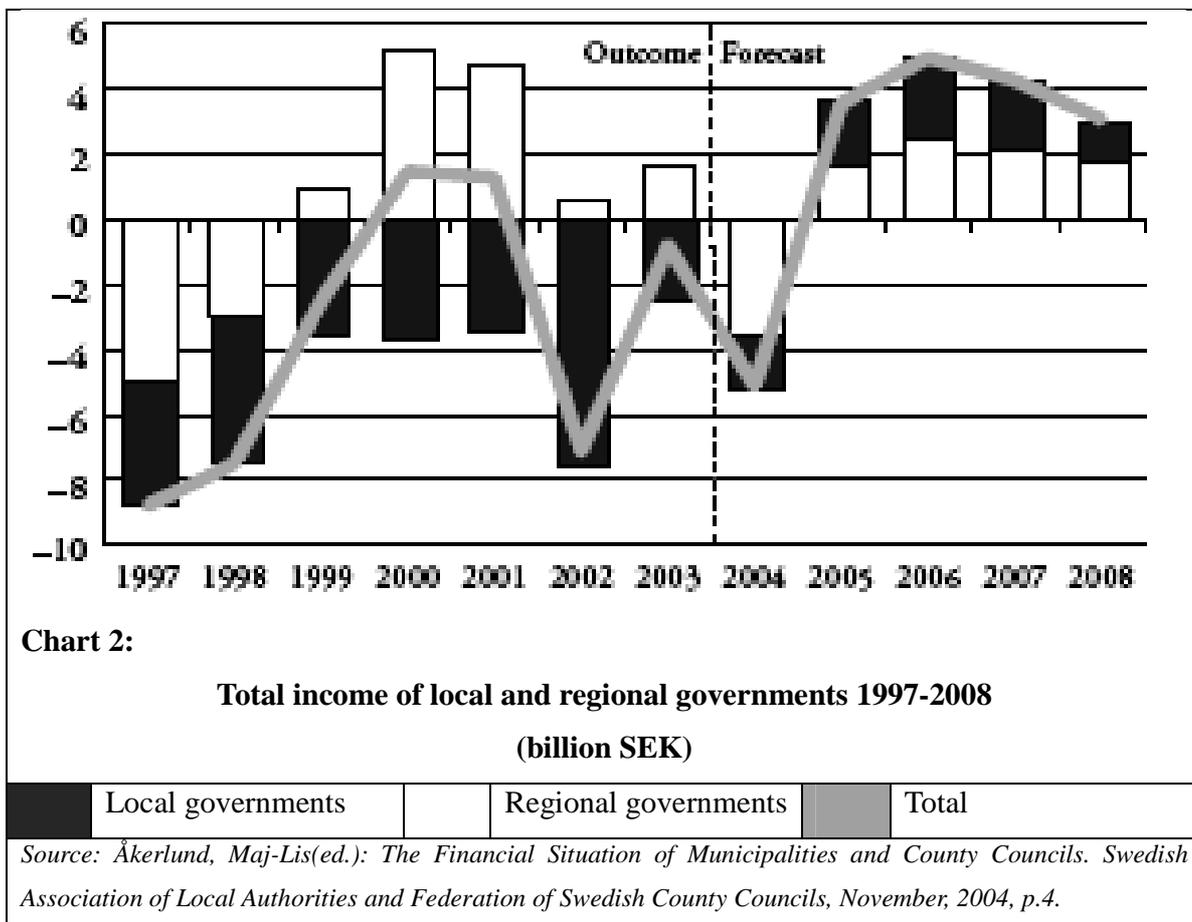
The economic recession resulted the reform of the financing system of municipalities. Instead of the direct social service provision of the state a block grant system was introduced in 1991, which made available the free use of nation state support. As a result the municipalities could independently decide on the size of tax and the price of public services. The local budget and economic plans were not obliged to be controlled. But during the 90s a moratorium was in force, which made a limit in taxation in local government taxation (Baldersheim-Stahlberg 2002).

The unified funding and costs of municipalities were defined during consultation between central and local government. During the redistribution the tax capacity and unit cost of services were the basis.

Further reforms were initiated in 1996. On one hand the state introduced a census based funding for local and county governments. It was substituted by the balance system, which included an income and cost balance system. The balancing systems of local and county governments were separated. The systems were not financed by the state, but by the local and county governments with higher than the average income (tax capacity) or lower than the average costs – which had better conditions.

The data in the analysis of the local and county government association show that severe service problems were encountered in the traditionally high quality public service sector. The signals of the crisis in the 90s (drop of production, growth of unemployment) were realized in some regions even sooner, the territorial imbalances were realized in the 60s. But the dynamism of economic growth could handle these questions through redistribution. The Swedish state just realized these even financial problems in the last decade, which has

resulted in the discussions on the more effective public administration and trial projects.



III.1.3.2. The challenge of the accession to the European Union and the statistical regionalization

The accession of Sweden to the European Union in 1995 put in focus the regionalization. Previously the funds for regional policy were fairly limited (about 230 million euros before the accession in 1994). Contrary, after the accession in the financial perspective for 2000-2006 Sweden was eligible for 5,5 billion euro in the framework of Structural Funds

(Hammarlund 2004). It has widened not only the financial opportunities of the regional policy, but also broadened the fight for the control of these funds.

To become eligible for Structural Funds a statistical regionalization was done in Sweden having a unitary public administration tradition. To fulfill the requirements of the Nomenclature Unites Territoriales Statistique (NUTS) territorial statistical system, 8 statistical regions (Riksomraden) were created, which made available the data collection on NUTS 2 level and the eligibility for Structural Funds (CoR 2001).

It is necessary to stress at this point that the regional pilots were not connected to the NUTS 2 level creation, not even in political retorics. There were no reasons for that because of any EU need or such. To jump a bit forward: not in any of the pilots, not even in the county merger method the new territories were not connected to the new NUTS 2 borders. Therefore in Sweden after the implementation of the pilots the NUTS 2 level is only for statistics purposes, the new pilots are part of the NUTS 3 level territorial structure (the only exception is Stockholm County, the agglomeration of the capital, which is NUTS 2 and NUTS 3 equivalent level – Bende-Szabó 2001).

But the accession to the European Union brought new demands to the surface, which are not connected exclusively to the new European Union funds and their allocation, but to the independent regional representation in the European Union.

The research of Ström (2000) was focusing on the effect of the European Union on the Swedish municipalities, but indirectly it has interesting notes on the larger geographical unit as well. Based on his results, there was a higher level of activity in the Southern more populated areas than in the northern regions. He reveals the root of it in the EU sceptic attitude of the north before the accession, and the traditionally more vivid economic relations of the south. Therefore in the southern regions the EU accession was a new step forward in internationalization. Besides the independent lobby interest through Brussels

offices of the counties, in this southern region 3 major regional cooperation were established (Malar Valley, West-Sweden and the association of the southern counties and municipalities, the SYDSAM). The functional, not administrative cooperations were important grounds of the later regionalization process, and as we will see the counties of this southern region were the most supportive and participative in this process.

III.1.3.3. The beginning of the public administration reform

The above described public administration structure by its democratic support and independence is a sandstone model. The narrow part in the middle is the county level, the upper part is the central government, and the lower is the local government. In short: the Swedish unitary state never left enough power for a real mezo level. The county administration office which was crucial in regional development, became Janus faced, moreover schizophrenic, because on one hand he had to protect the county interests and non the other hand it was a long-arm of state administration on county level (Jerneck-Gidlund 2003).

The government after the elections of 1991 was asking for system change, which would include the modernization of public sector (speeding up competition, broadening consumer choice, involvement of private sector in social services). This market based, New Public Management like reforms were based on the previous Social Democrat government, therefore getting back on power again in next elections the reform could be continued, having more emphasis on public decision making and citizen participation (Montin 2000).

As a part of the public reform at the beginning of the 90s real steps were done towards a territorial administration reform by the support of local and county level national associations. In 1991 the government established a committee for the study of public administration. They have visioned different alternatives in their report: strengthening the

state administration on county level; declining the role of counties through the development of municipality cooperation; elected regional governments.

Parallel to the most important external challenge for the regionalism, the EU accession, only statistical regionalization was achieved, the public administration reform was lagging behind. Regionalization was achieved through spatial development and public administration pilots, in which the EU practices were important over the statistical standards (subsidiarity principle, ensuring institutions for the absorption of Structural Funds). One part of them is state-led, in which the state provided a higher level of autonomy for the regional level. Other trials were initiated accidentally in a bottom-up way, without any state incentives. These regional pilots in the question of stability and change are not only minor changes in the Swedish policy, but crucial steps towards a radical change, which will have influence on the entire political system (Jerneck-Gidlund 2002).

Parallel to the EU accession a new committee was established in 1995 in order to create new model for the territorial administration. During that 3 options were presented: regional policy led by the county administration offices; establishment of new regional body with a certain level of autonomy; establishment of local government associations (Hammarlund 2004).

The aim behind was the erosion of the democratic deficit in the unitary state on the county level, which led in 1996 to the adoption of the 1996/97/36 draft government decree in the Riksdag. Based on this the Act 1996/1414 adopted the establishment of 4 pilot regions between 1 July 1997 and 31 December 2002 (in Kalmar, Gotland, Skåne and from 1999 in West Sweden).

III.2. Regional attempts of a conscious restructuring of the regional structure

According to the governmental plans No.36 in 1996/97 the realization of the regional endeavour were the result of the following causes (Hammarlund, 2004)

- 1) The economic growth was highly defined by the behaviour of the local and regional actors. One reason for this being that the globalization: enterprises were active not only on the national market. As a result of this the relations between enterprises and governmental actors were not realized on national, but on local and regional level. Recession and decreasing economic growth makes this trend even more powerful. This made the competition between the regions even more articulate, thus making the realization of a traditional, redistributive structural policy even harder.
- 2) Swedish EU membership and the regions of the latter: the structural EU policies target regions, making the involvement of local and regional actors necessary. The regulation highlights, that the establishment of the Regional Committees is an important step toward the regions and local governments having a bigger influence on EU policy. The Act also refers to the possibility of cooperation between European regions, which goes beyond the national borders. The government was conscious of the fact, that European functional regions do not entirely overlap the regions to be regulated.
- 3) Democratic development: in the last few years in the case of numerous tasks (e.g.: primary and high school education) the responsibilities and also the competency were delegated from the national to the local level. According to the regulation the decentralization process automatically gave citizens a better possibility to participate in the local decision making. The realizations of experimental programs (and their continuous valuation and analysis expectantly leading to further reforms) can be seen as a prolongation of the trend in the sense of higher civic involvement in regional decision making.

The plan gave free way to the following experimental programs, making the parallel observation evaluation of the regional solutions possible (Lansstyrelselna Förbundet)

- 1) In the Skane, region to which the local government of Malmö, Malmöhus and Kristianstad lan, as well as in the West Sweden Region of Göteborg and Bohus, Alvsborg and Skaraborg lan the regional governments were elected directly. This the so called regional government model – named in a study by Gábor Bende Szabó (2001) as supercounty. As its core, the respectively three county government's administration office ceased to exist, their role being taken over by a regional government and a regional administration office. Compared to the county model, the scale of the directed land and population changed, but the fundamental organizations, although among new borders, had the same tasks. Thus the regional government remained mainly service focused in definitive areas of the welfare state (education, healthcare, social services), but as a new element to the tasks of the county/regional administration the task of regional development appeared.
- 2) Another experiment with a different focus was realized in the Kalmar region. Here the regional government was formed indirectly from the local governments of the county and the county government itself. The governments elected the regional ones, making them responsible for regional development. This is the so called regional cooperation model (countyregion). (Bende-Szabó, 2001)
- 3) Gotland, an island in the Baltic Sea, has always had a special position in the Swedish territorial administration, here the local and county government having been the same. In the regionalization process it appeared as a special region, because of its special location its unique position were not questioned.

It is visible, that real, elected regions were created in the sense of both the direct and indirect administration as well, which got its identity through the elected representatives. Their appearance - in a county belonging economically to the most developed, and which is, as we have seen above, although only on the local level, able to realize far reaching governmental reforms – is to be respected. In the local administration no sustenance tension

– such as were to be seen in the case and in the time of the local governmental concentrations – appeared. Thus a must of reform could not be felt. The administrative reforms were intended to be realized only after having gained some experience, if task fulfilment could be managed on a more effective level in one of the regional experiences compared to the county system.

III.2.1. Skane

III.2.1.1. History of Skane

The Skane Region is located in the South of Sweden, has a population of 1.1 million on 11000 km². It incorporates 33 settlements, of which Malmö is the biggest with its 262 thousand inhabitants. Till 1658, the historical province of Skane belonged to Denmark. In 1719 it was divided into two counties, which existed until the launch of the experimental region program in 1999. Since then another election – taking place parallel to the county level elections every four years - was held. The elected body is –mistakenly – called regional parliament, which is misleading as the committee has no regulative rights. (Hammarlund, 2004)

The important aspect of Skane, linked to its historical past, is the cultural identity of the integrating counties. Dividing the historical province arbitrarily into two counties failed. The cultural identity, which is typical also to other regions, having its roots in the historical provinces, resulted during the regionalization process in the foundation of regional political parties. Though, the sometimes extreme regional orientation was further emphasized by these parties; it also contributed to the unification. The coalition of four rightist parties, the Welfare of Skane gained of the 149 regional committee seats 6 during the election of 1998. Although they lost these on the election of 2002, they secured their positions all over Skane in the local committees. With Gotland, Skane is often mentioned as one of the special Swedish regions, in which a strong regional identity does exist, where the spreading of regional or even separatist ideas is to be afraid of. (Vall, 2001)

III.2.1.2. Foreign patterns and challenges

The historical changes of the 80s and the 90s affected every society. The Baltic states becoming independent with the downfall of the Soviet rule had a huge effect on the neighbouring Skane. New business opportunities opened up for the Baltic trade having its roots in the Hansa traditions as well. These were to be exploited, analogous to the medieval economic relations, mainly by the seaside regions. The historical past and the reviving nationalism shed light to the shared culture. They began to look for their identity in the past.

Joining the EU and the idea of the Europe of Regions reached Skane as well, and the boosting competition among the regions posed a vivid threat. This demanded a higher level of flexibility and self-determination from Skane and the other Swedish regions as well. Competing with the Danish and the northern German regions also made the need for a regional representation more explicit.

III.2.1.3. The process of the creation of the region

Skane came to exist with the unification of two counties and the town of Malmö. The success of the process is due to the common identity based on shared regional ideas getting more and more articulated from the 90s on. The following process made the realization of the ideas of a united Skane possible (Fernandez, 1998):

- a) A coalition of five parties reaching an agreement of their regional ideas handed in a petition to the government in May 1992.

- b) The first governmental report was issued in November 1993, in which the unification of the two counties into a region, an improved competency and the creation of an indirectly elected regional committee was recommended.
- c) The final recommendation was accepted in February 1995. This did not differ greatly from the original one, except concerning the form of the decision making body. The new report recommended a directly elected body, which was opposed by the conservative members of the coalition.
- d) During the summer of 1996 the coalition learned, that the government, following the professional recommendation is planning to table a bill. The bill concerning the regional structure of Skane was carried surprisingly fast by the end of the same year.

The new decision making body was erected in two steps. Firstly, an indirectly elected regional cooperative body (regionförbundet) was created of the representatives of the counties and those of the local governments (according to the regional cooperation model of Kalmar). This body of 99 was replaced, after the regional elections in the beginning of 1999, by a regional committee (regionfullmaktige) the 149 members of which were elected directly.

The regional reform had numerous reasons, the most important of which were the chaos experienced at the regional level administration, felt mostly in the health care. The three health sector felt under three different supervising authorities. The 10 emergency hospitals operating on the approximately 10000 km² were, from an economical point of view, not sustainable, although the former county structure made their closing down impossible.

Infrastructure and communication were the other important factors. There was a growing need in Skane for the connection of networks, which due to the lack of cooperation between the county administrations were continuously put off.

According to Fernandez (1998) the function-problems were forced into the background

during the discourse focusing on the restructuring of the region, and had a role only in the process of the shaping of the institutions. The common identity based on the historical past unified the negotiation potential of the regional actors representing differing interests and institutions for the aim of the restoration of the historical borders. The functional problems – in the questions of which serious interest conflicts could be found among the actors - thus becoming of secondary importance had no effect on the success of the process. The resources and time invested by the individual actors played a significant role in the success of Skane. The region had an informational advantage against the state, which could do nothing against the demands for a regional institution-system of the unified and well prepared regional actors. Thus the dedication of the actors had an important role in the process.

The shared historical identity secured success after the erection of the regional body as well. Using the experiences gained in the Öresund region, the creation of the region gave a possibility to step up into the stage of the competing regions of Europe, and act not only as a member or cross-border cooperation. In this, an important role was played not only by the state giving a free way to the unification of the counties, but also –as is the case with all experimental regions – it presented the region with the needed resources. With decreasing the importance of the county administration, and widening the regional regulative power, Skane could gain independence from the state in such key areas, which in themselves made the development in line with the regional ideas possible.

III.2.1.4. Financial situation of the region

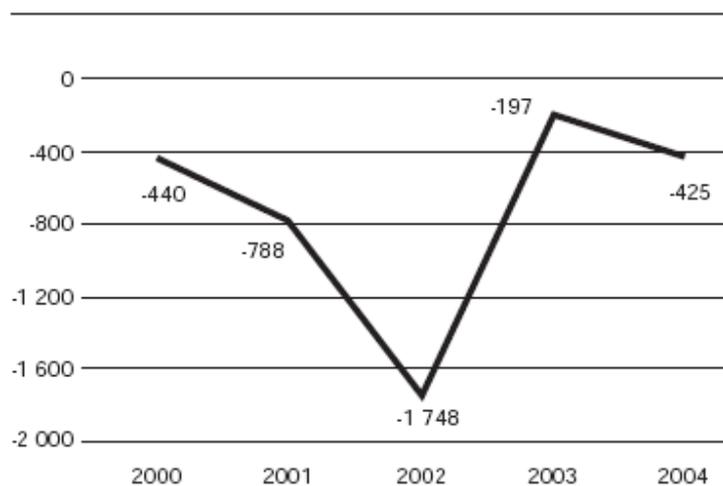
Concerning the question of affectivity, the better performing systems on the fields of health care and infrastructural services did meet the expectations, and resulted in savings for the region. Reforming the transport system solved the problems of connecting the whole region together. One drawback is though, that the rationalization of the health care resulted in a

decrease in the number of institutions, which respectively had a negative effect on the standard of services.

Taking into account the whole financial situation, it must be stated, that the financing of the region is unsolved yet, and it does not meet the obligatory balance criteria since 2000.

Even the financial report of 2002 (Skane 2002a) formulated serious critics concerning the (financial) management of the region. The increase of expenditure was above the regional average and the growing deficit indicated problems in the management and audit, as tax incomes were continuously growing. From the financial report of 2004 is clear, that the region is struggling with a continuous financial deficit.

Chart 3: Region Skane's budget balance 2000-2004 (million SEK)



Source: Skane region (2004): Annual budget report. p.36.

The amount of this deficit (425 million SEK) is even more surprising, because for the period of 2004, the aggregated budget deficit of the counties/regions were relatively small (45 million SEK). With breaking down the expenditures the deficit could be brought down by 2.2 billion SEK, in the meantime the deficit of Skane doubled. The region, which in the

five budgetary period since the introduction of the requirement of a balanced budget in 2000 has accumulated a deficit of 3.6 billion SEK, has less than 2 years to liquidate this, but the agreement made by the regional governments in 1998 did not demand the liquidation of this deficit for the period of 2001/2002. The agreement, which also regulates the distribution taxes between the local and regional governments, in reality did not make it for the regional governments possible, to keep its budget balanced, and as it is stated in the budgetary report of 2003, a balance would not be reachable after the transitory period of 2000-2002 either. By 2005 a balance, but by 2007 a surplus of 2% was planned. Within a period of 10 years even the liquidation of the accumulated deficit is seen possible. (Skane 2004)

This financial situation questions greatly how stable the region actually is. While of the 20 counties/regions 9 have a positive budget without a deficit, the one of the experimental frontier region, Skane, which put increased affectivity and a more economical operation on its flag, is accumulating a deficit above the average. The situation is even worsened by the fact that the level of expenditure is continuously over the tax incomes.

An interesting question is how much the realization of the regional transport, being one of the main reasons for the creation of the region, made the financial situation worse. The railway vehicles acquired in the framework of leasing constitutes 80% of the leasing amount of Skane, and of the entire credit amount (3.4 billion SEK) the leasing has a value of 442 million SEK. This also refers to the unsolved state of financing, although it is a fact, that regionally and the Denmark oriented passenger-circulation is showing a growing tendency that also indicates the success of the regional transport conception.

In his report, Harald Lindström emphasizes, that although expenditures fell back notably, the growing speed of them is still the double of the country average. Analyzing the different activities he notes, that all of them were realized effectively, the deficit, in the first place, is not the result of factors the region has influence on, but mainly of the government holding back funding through the year, of the tax bases growing slower than expected, and of the

low level of incomes from the balancing system.

The report raises two questions though. On one hand, these items can only explain 350 million SEK of the deficit of 425 million, and thus it can be questioned if the counted 500 million surpluses can be realized or not. On the other, if the growing effectiveness will result in the financial sense in savings, as the cost of the reform means a burden for the new regional organizations on a longer run (leasing costs). Thus it is a question how can the financial director count on incomes.

III.2.1.5. Structure of the region

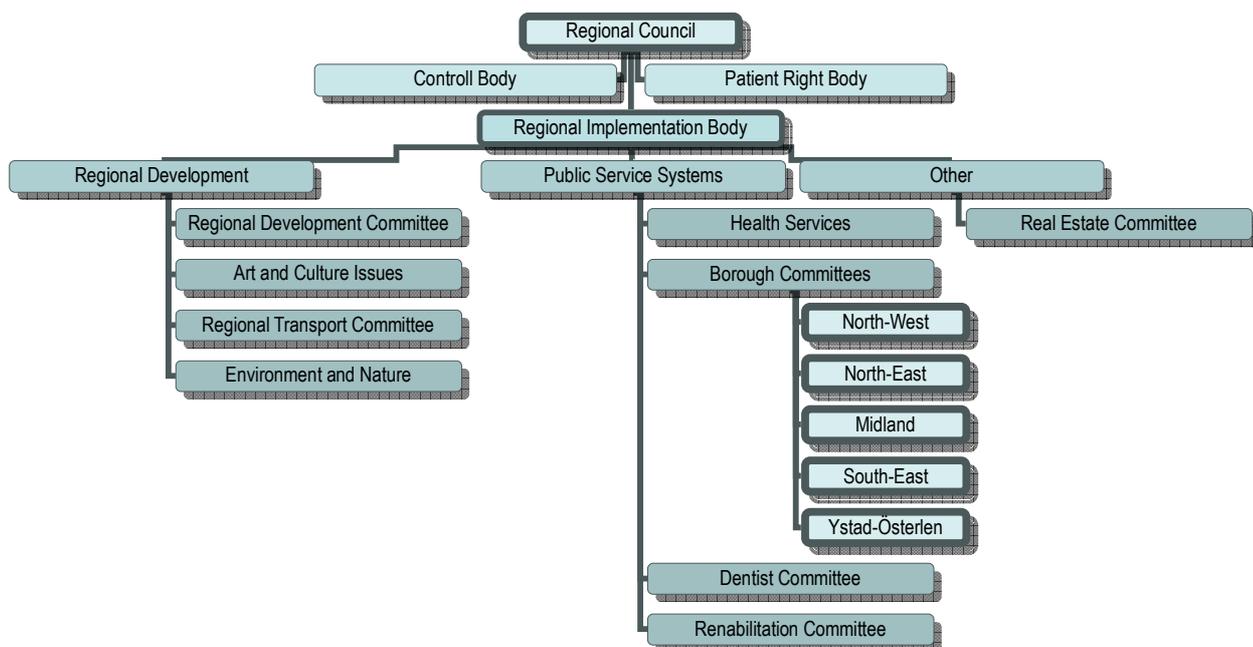
The Regional Council of the 149 elected members delegates the tasks of the continuous governing, leading and coordinating to the Regional Executive Body of 15, appointed by the Council. Preparing the decision making and execution the Regional Executive Body secures the unhindered operation of the region and the decision making process as well.

To the delegated tasks of the Regional Executive Body belongs:

- Supervising the work of the boards, preparing regulations and policies,
- Taking responsibility and supervising the enterprises of the Skane region
- Preparing budgetary recommendations and reports.
- Managing the overall health system
- Being responsible for the provisions in case of disasters.

Its work is greatly assisted by the specialized boards. The structure created following the elections in 2002 secures that the boards have a direct responsibility towards the Regional Committee. (Skane, 2002a). The structure of these is presented below.

Chart 4: The organogram of Skane Region



Source: Skane region (2002b): How Region Skane is Governed? p.3.

The system is completed with other forums, giving citizens a possibility to affect the decision making. In the framework of “Meeting the towns” program the leaders of the regional bodies visited all the 33 settlements during the years of 2000 and 2001, and also in 2003 and 2004, to discuss the most pressing problems of the towns, and the possibilities of development. Furthermore, numerous conferences are held to involve the regional actors into the work, and at the end of each year the event of Skane Development Days are organized, giving all the regional actors an opportunity to express their opinions, exchange experiences and forge co-operations (website of Skane region).

III.2.1.6. Tasks and competency of the region

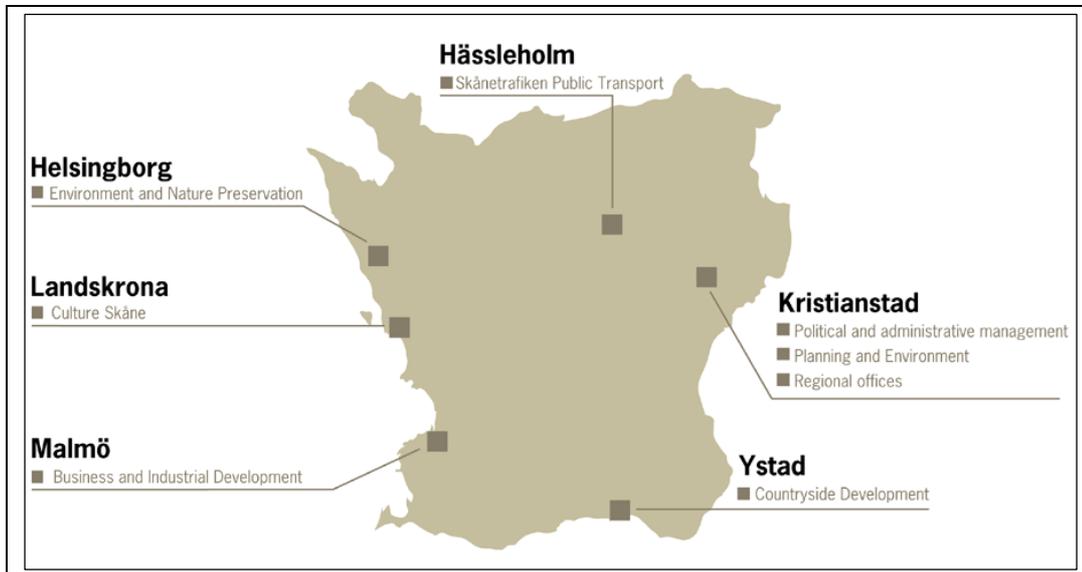
Skane, parallel to its creation took over the tasks of the counties constituting the region, and also task of regional development were delegated to it, formerly fulfilled by the county administration offices.

The primary task on the field of regional development is coordination. This also includes the commercial and industrial development, the questions of the environment, the inspiration of investments, town and infrastructure planning, services of public transport, culture and health and dental care.

Many of the local and regional actors were suspicious if the regionalization process will result in real decentralization. One of the biggest towns of Sweden, Malmö, raised the danger that the decentralization on the national level would lead on the regional level to the concentration of institutions and services in Malmö.

The above mentioned institutions fulfilling regional tasks were successfully installed in a de-concentrated way in Skane. Thus the administrative centre and the regional institution responsible for the environment and regional planning are located in Kristianstad, the regional centre of transport in Ystad. The commercial and industrial development was installed in Malmö taking into account its function. This resulted in a fairly distributed administrative system, which prevented the concentration in the region.

Chart 5: Region Skane's Development Units



Source: Skane region: The Regional Development responsibility.

Available on the internet: <http://www.skane.se/templates/Page.aspx?id=59758>

The territorial division of functions gives the region the opportunity for a balanced development, does not create inequalities of access between the citizens of different locations. An important element and also condition of a regional system based on the distribution of functions is that the ICT tools have an outstanding role in its undisturbed operation. Due to the virtual connections forming among the institutions location, as a physical field lost from its importance. The areal and functional division of tasks made knowledge networks necessary, thus making the regional institutional system operable on the one hand, on the other creating the base of future strategy-creation.

III.2.1.7. Summary

As the example of the Skane region shows, the balanced development of a region is possible not only with a centralized regional centre, the functions can be also distributed

among settlements located far from each other as well. Although this has a precondition of a sufficient communication among the institutions, and the creation of a regional know-how network, which can possibly link the physically distant institutional activities also. The spreading of ICT appliances makes it possible for the Hungarian regions as well, to have the regional institutions distributed. They can be divided among the counties and towns of sufficient accessibility taking part in the regional cooperation. In the example the identity and unified manner meant a predisposition for success, but the distribution of functions made the actual realization smoother. This could also help the discussion of the creation of the regions along also in Hungary. The distribution of functions and the de-concentration of tasks could be realized among the competing counties and county seats, resulting in a balance, which could have the development of the region in its flag.

To reach this aim communication channels and knowledge networks are to evolve, which could eliminate the now county based division of the regions. The technical conditions and the good examples of the successful regions are given; the realization depends on political decisions.

It must be noted though, that the financial questions especially be targeted during the restructuring process. A transformation can not be pictured without its cost to be covered; these can only be covered by the central government. The emergence of additional costs in the first years is hard to avert. The regional leaders of the Skane regions forecast the benefits of the upcoming years, but not the immediate success.

III.2.2. West Sweden

III.2.2.1. Socio-economical situation

The West Sweden Region (Västra Götaland), although a peripheral part of Sweden, can be seen as more European as the other Swedish regions due to its geographical and industrial/economical profile. The region consists of 49 local governments on 2400 km²,

with a population of 1.5 million, of which Göteborg is the biggest with 474000 inhabitants. It has a high industrial employment rate (approx. 40%). The region is also an important university centre and a transport intersection, as in is located at the meeting point of train-lines of Oslo-Copenhagen Scandic Link and of Stockholm-Göteborg Götaland. A third of the Swedish industrial capacity is concentrated here. (Volvo, Saab, SKF, Stora, Astra, Hassle-Gren, 1999)

III.2.2.2. The process of the creation of the region

Until the 90s, the region got developmental support through governmental aids, to realize the structural transformation of the industry and to become a knowledge based region. But especially after joining the EU and the emergence of globalization trends, and due to the multinational characteristic of the enterprises defining the regional economy, the region – until the introduction of experimental regions only seen as a functional one – is demanding political and administrative acknowledgement.

A final document of the regional reform recommendations born due to these factors summarizes the planning process as follows (Gren, 1999 p 60):

- The regional level should be further emphasized between the national and local ones,
- The county administrative offices' roles should be restricted to governmental representation,
- The creation of West Sweden and Skane region and of the regional identity in the place of the 300 years old counties, and a better representation in the competition of the EU regions.

The study of Leijon and Jensen (1996) focused on the behaviour of different economic and administrative actors of the West Sweden region through the process of planning the administrative regionalization. To sum it up, we could say that the state was aiming to

strengthen the local administrative level. The local and the county level bodies have seen internationalization, the development of trade and infrastructure as a precondition of competitive position in the EU, affectivity and sparing as the two most important factors to legitimate the necessity of regionalization.

According to the united opinion of the different actors, a renewal is necessary to cope with the emerging problems. The creation of a regional parliament seen as one of its tools was questioned from many directions though. The local bodies were afraid of loosing their significant power to the areal bodies getting stronger, while the counties did not agree on the necessity of cooperation to fight these problems. Apart from these, the transformation of the county identities to a regional identity, also incorporated into the above quoted recommendation of the Regional Administrative Board, posed the biggest problem.

Ilona Pálné Kovács also reached a similar conclusion in her study emphasizing the importance of regional identity. Today, under the term “national identity” is meant not only a naïve local bond, an individual use of space, parallel to the expansion of the national and international spaces a conscious reflex to the disappearance of areal bonds and the modernization process happening hand in hand with this. This is contrary to the regional policy of the EU, which tries to hinder transmigration and advertises the “It’s nice to live!” slogan. Creating a new identity without any historical background is a hard task for PR and marketing professionals.

III.2.2.3. Regional organisation

After a decade of commitment and a series of studies the region was finally created as a result of the European integration, the common market and globalization. In spite of this point of view not being accepted by all, the only new factor was the EU membership of Sweden, that led to the creation of the region after centuries of disagreement. (Gren 2002)

In the West Sweden region consisting of the town of Göteborg and Bohus, Alvsborg and Skaraborg lan, the regional government was elected indirectly. This is the regional

government or super-county model, its core being that in the place of the abolished three predecessor counties one regional government and a regional administration office were set up.

The borders of the region and the counties in question can not be seen as traditional either. Thus we speak of a region created a completely arbitrarily, the borders of which were formed by the county reforms in the 17th century.

Kungsbacka belonging to the neighbouring Halland region was to become part of this one as well, according to the original recommendations. In spite of Kungsbacka belonging functionally to the Göteborg agglomeration, the local vote to decide where it should belong to was not in favour of joining the region. Among those in oppositions was the county of Halland, which faced losing one of its most prosperous settlements, the population of which accounts for 23.8% of the total, and for 27.9% of its tax revenues. (Hammarlund 2004, p.151.)

The upmost decision making body of the region of 49 settlements is the Regional Committee. The 149 members re elected directly every four years. The Committee is responsible for operating the regional health care system, this constituting 90% of its budget. It has also an important role in securing the best possible conditions for commercial life, infrastructure, culture, tourism and environment protection.

During the preparatory work, the Regional Executive Board of 17 members has a decisive role. It is responsible of the realization of the decisions made by the Committee. Commission work has also an important role in the regional decision making. The Health Care and Doctoral Commission with the local health commissions are responsible for the hospital, primary and dental services. The Regional Development Commission realizes its work in a close cooperation with the Commission of Cultural Affairs and the Commission of Environment Protection.

III.2.2.4. Tasks and competency of the region

The most important task of the region is, as was the case with the county governments, to organize the health care services.

Another important task is the regional development taken over from the administration offices. To this belongs the organization of the infrastructure of commerce, transport and communication, and also the questions of international relations, culture, tourism, environment-protection, higher education and research.

A regional strategy of ten points summarizes the relationship of the tasks and priorities, which pictures the region as an international, environment-conscious, IT-oriented, cultural and touristic one.

III.2.2.5. Financial situation of the region

The committee has the right to issue taxes in order to be able to fulfil its tasks, which is an important difference in the realization of the regional experiments agreed on in 1997. The regional government model resulted in the abolition of the county governments, and in the transferring the right to issue taxes to the regional one. With this came responsibilities as well, as the tax incomes finance the bulk of the health care system. It is a significant advantage though, that the surplus can be used by a territorially bigger, economically and functionally more attractive region for its regional development. And above these, regional development tools and cultural revenues were also overtaken by the regional government that were handled by the county administration office beforehand. The regional administration office can not direct but only monitor the use of these resources as a representative of the state, but plays the role of a mediator in the process of the annual negotiation concerning them. One of the biggest defect of the regional cooperation model is

the lack of tax issuing rights (as the county government, having the right of taxing, became part of the cooperation), the result of which is that the operating costs of the regional cooperation model must be financed through the revenues paid in by the members.

The tax level of 10.25%, defined by the region of West Sweden (2003), is under the average. In spite of all these, according to the regional report of 2003 the budget of the region is balanced, and had been so for 3 years by then (having had a surplus of 115 million SEK in 2003.)

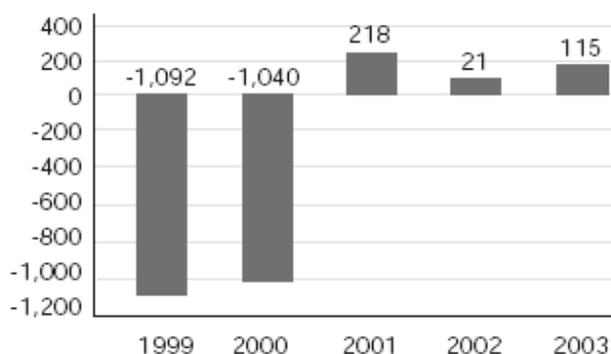


Chart 6: Budget balance of West Sweden region (1999-2003)

Source: Annual report of West-Sweden region of 2003. p.13.

The region has been able to keep its budget balanced, except the first two years following its creation, due to the expenditure auditing system – which is developed continuously – and by now is able to finance its investments from its own capital instead of credits from other sources. During the audit it was also stated that the liquidation of the accumulated deficits of 2000 were not totally fulfilled, which should be the case two years after the issuing of the balance regulations, that is by 2002. In spite of this, compared to the regional governmental model of the Skane region, the West Sweden region did really good. Despite the overall national economical problems, the experiment meets the expectations of growing budgetary effectiveness.

Also a sign of growth is the fact, that the credit amount was fought back to 921 million SEKs from the 3.7 billion of three years ago. To secure further development, Mats Friberg, financial director of the region, is urging the reconstruction of the health care system focusing on the dangers posed by the huge territorial expansion of the region, and on the cutting back of the drug expanses. He sees further rationalization possible in the development of the logistic system, and in lowering the working hours in the health care systems.

III.2.2.6. Evaluation of the West Sweden regional experiment

The unique characteristic of development program of the West Sweden region is that it sees it important to balance the three dimensions of sustainability (economic, social and environmental). Social sustainability will not be subordinated to economic growth, making problem solving possible on the same levels, in contrast to the Act on the Swedish Regional Policy, which focuses on economical growth. (see Chapter *III.1.2.1 The traditions and reorientation of the regional politics*) The realizations of the given factors are measured through 5 indicators respectively, which are analyzed collectively. The values of there show a positive trend, apart from the three indicators concerning social sustainability. While in other regions demographical processes are causing the biggest problems, the population in Western Sweden is growing. According to Westholm, the measurement method applied in Western Sweden is capable of taking every aspect into account, not only that of economic growth emphasized by the national regional policy. (Westholm 2003)

Jörgen Gren in his already quoted work (1999 p. 164-165) analyses with Catalonia and Rhone-Alps the West Sweden region as well, as a new example of the new regionalism. To sum it up, he sees the example of the region as a special and interesting case, in which the EU integration, globalization, common identity and supranational effects resulted in a situation, in which the state felt an urge to hand over part of its power not only to the local,

but also to the regional level. The West Sweden region – e.g. through its representative office in Brussels - expanded the traditional county lobbying activities above the governmental level to the supranational one as well, thus reaching the eligibility criteria for grants of the Objective 2 for the Fyrstad area consisting of 4 local governments. The region is aiming at forging network relationships with other European areas.

This indicates that the West Sweden experimental region reached its aim, such a reform was realized which also incorporates far reaching elements of the new regionalism, and even in a sense of financing makes the signs of a growing effectiveness visible. However, the lack of identity consciousness of the population seems to be the weak point of the experiment.

III.2.3. Kalmar

III.2.3.1. Socio-economical situation

Kalmar County situated in the south eastern part of Sweden, on the shore of Baltic Sea. It is one of the most lagging southern counties because of the hard accessibility by train and road. Its glass and wood industry is nationally recognized, it is besides Stockholm, the touristic centre of East Sweden by its favourable climate and popular beach area.

In the past it had important military role. Its strategic role was crucial in the middle ages when it was names as the key for the power in Sweden (“Kalmar Nyckel”), the power on its castle meant the power on the inner parts of the Swedish Kingdom. It was a historical date when the Kalmar Union was agreed in its castle, which unified the Swedish and Danish power.

Today its port and economy has lost its importance. Their strategic programmes aim the revitalization of the glorious past, but in modern directions. Considering the new economy Kalmar determines its future as design, tourism, ICT and R+D centre, based on its

resources (e.g. glass industry - design, beach – tourism, education-research – Kalmar University) and the patriotism of its citizens.

III.2.3.2. The process of the creation of the region

To achieve the above goals a proper institutional structure was necessary to create programmes and operate them continuously. The final form of it was accepted by the Swedish Parliament, Riksdag as a result of the strong county lobby and in the framework of the 1997 pilot programme Kalmar was included. Contrary to that the other two pilots were directed towards the creation of Sweden's two most important economic regions, whereas Kalmar is an average Swedish county.

The Kalmar Region is the pilot of the so-called regional cooperation model. It means that without the change of the county borders, a bottom-up regional institution was created. The name of it is Kalmar Regionförbundet (Kalmar Regional Council).

Based on the official wording (Kalmar 1997): *“The Regional Council is a coordination body in the local and county government cooperation, which is really similar to the traditional local government associations. Its aim is to provide more efficiency, improve the use of resources, and to provide a higher and broader participation in the county development.”*

“The fast transformation of the welfare system, the new map of Europe, the European Union membership of Sweden, a the high level of unemployment and the boosting development of ICT are those elements which makes it necessary to search for new models to solve problems facing the modern society.” (Kalmar 1997)

This opening sentence of the brochure of Kalmar Regional Council concludes all those

driving forces, which led to the Kalmar pilot. This is added by the principles, that the decisions should be done on the possible lowest level of administration using the local and regional knowledge, and through that implement the decentralization and subsidiarity principles of EU regional policy.

Kalmar County transformed to the new model on the 1 July 1997 based on the above principles following the 1996/97/36. Government decree. The other trials starting in similar period (1997: Skane, 1999: West Sweden) were based on county merger, and directed towards the creation of regional government bodies and real regions, the Kalmar lobby was successful with a more different model.

There were two reasons for establishment:

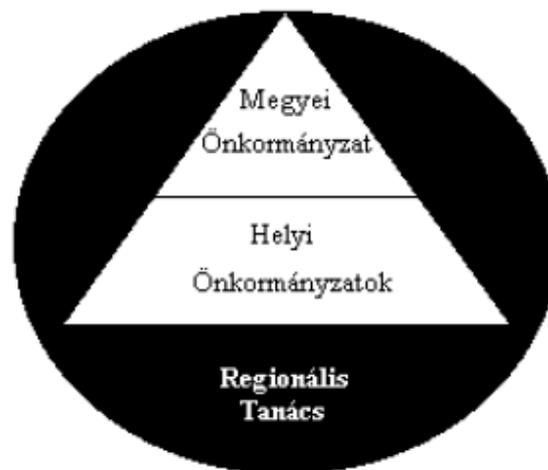
- To transfer and put in focus the spatial planning tasks previously allocated to the county administration bodies.
- The strategic planning of spatial development requires the establishment of an organization which does not need the hierarchical organization of public service companies, but a more team oriented flexible organization.

As a result of all this a new territorial body was established besides the county government and county administration body. The question arise whether this structure do not create losses in efficiency. The answer arises from the above definition, which compare the Regional Council to the local government associations. It shows that in reality not a new public body was created but much more a coordinative body between local and county governments which take over its main responsibilities from the county administration bodies as a part of regionalization (see later in details). This function is legitimized by the government decree, therefore theoretically a third county body is established, but this decree gives identity through the indirectly elected members of the Regional Council.

III.2.3.3. Regional organization

Having on its flag the coordination, the regional council established the following relations between the old and new bodies shown on the next chart.

Chart 7: The relationship between the stakeholders in Kalmar model



Source: Author

The original, 1997 model created a 3 level organization: Assembly as a decision making body with 45 members (30 local and 15 county government members); Implementation Committee with 13 members (with 7 substitutes to ensure continuous operation); Working Committee with 7 members, which is responsible for operative tasks.

Especially the experiences of the first 5 years resulted the change of organization. From 2002 on it became a 2 level organization, the Assembly was closed, therefore the number of the members of the Implementation Committee became larger (33 members, 22 local and 11 county government members) and broader in its functions. The main reason behind this change was the inefficiency of the Assembly sittings, which became formal because of its 6-8 meetings yearly. On the other hand the broader functions of the Implementation

Committee resulted that the number of meetings jumped from 6 to 9 yearly to make its operation more effective.

In this organization the Implementation Committee became the indirectly elected assembly, which competence was the adoption of the drafts prepared by the Implementation Committee, and it became the decision making body of the Regional Council. The Implementation Committee is responsible for operative tasks, to prepare documents for the Council and to implement its decisions. The distance between the different territorial levels was absorbed; an even more efficient structure was created.

It is important to note the elections of Regional Implementation Council members because of its minority rules. It ensures, to have at least one representative for each municipality and also for each political party. An example is the election of 2002, when there would not be a representative directly by municipality representatives for the Miljöpartiet (Green Party) but for an even broader regional partnership the winning parties, the Sozialdemokratarna (Social Democratic Party) and the Moderata (Conservative Party) provided representation for the third party as well. Although it was a legal obligation, the parties gave this favour automatically for the Miljöpartiet.

This political structure determined by the government decree is connected to a so-called regional partnership structure. Its task is to be in relation with the traditional territorial organizations, organizing workshops and conferences. Besides it incorporates the Trade and Industry Council, which is the informal forum between the directors of the Regional Council's Implementation Committee and the regionally important business entities following the principle of „open door to business”. The aim of the roundtable discussions is to strengthen the regional sectoral cooperation, in the case of Kalmar especially in the strategic sectors of glass and wood.

III.2.3.4. Tasks and competency of the region

The Act 1997 on pilot regions determined as a major task for the Regional Council the preparation of the county long term development programme. For the time of the pilot programme other tasks were allocated from the following county government and state authorities:

- County administration body: decision and payment of development funds, decision and payment of rural development funds, development and management of projects, support of SMEs, managing EU funds, planning of county transport funds.
- National Council of Cultural Issues: allocation of state aids to cultural institutions.
- County government: financial support of county trade and industry, financing county cultural events, operation of secondary schools, coordination of county environmental issues, development and management of international projects.
- From local governments and from their Associations the coordination of regional activities, ensuring international relations, county tourism, development of competences and knowledge on the field of the communication, the marketing and external control, the environmental protection, the culture, the labour issues, a the trade, the industry and the traffic systems.

III.2.3.5. Financial situation of the region

During the pilots of 1997 the financial resources were transferred with the allocated tasks to the new regional organizations. In the case of Kalmar it meant that they received all coronas to perform their tasks from the county administration bodies the spatial development funds and natural and cultural heritage protection EU and national funds (except agricultural funds).

In the county merger case of Skane and West Sweden a new regional body was established.

This body controlled the tax income of the former organizations, although their share in total income decreased a bit because of the spatial development funds taken over from county administration bodies.

The problem arose that in Kalmar only the spatial development funds were allocated to the Regional Council, the control over tax income was used by the county government to provide health and education services. Therefore the Regional Council could not cover its operation costs. In order to have a real work, the Regional Council should be financed by the tax income of its members. We can handle it as an extra cost for the price of the local democratic solution (Bende-Szabó 2001).

III.2.4. The future of regional pilot regions

Autumn 2002 Parliamentary and local government elections were hold, and the first period of the pilots were closed, which had a continuation after the elections, but an opportunity for the first ever evaluation of the institutions created 4 years before.

In the case of regional election model the distance between leaders of the region and the citizens became higher, and resulted in a democratic deficit. The regional elections were not enough for identity creation. The main reason for that was the county like service oriented approach where similar service provision problems raised in the health care. It could not be solved even by a multipolar regional administration instead of a centralized regional administration.

In the case of the regional cooperation model although the operation costs were not covered, the system has only advantages. The spatial development coordination by regional actors, the regional strategy building process, the diverse cooperation forms, the different development funds are all such elements which make the kalmar-like regional cooperation

model outstanding in a changing European economic environment.

The originally for the period of 1 July 1997 to 31 December 2002 planned 5 and half year pilots were shortened in practice, because Skane and West Sweden new regional councils could not start to operate until January 1999. The Parliament Committee for the evaluation of the pilot regions stated in its report that the 2 years until the end of 2000 were not enough long. Therefore their evaluation asked for a 4 year of prolongation and the involvement of new counties in the pilot process.

By the presentation of the 2001/2002/7 draft government decree the evaluations showed that the opinions are diverse, and although for temporary but the supporters of the regional cooperation model supporters had a majority. The proposed and for the new pilots suggested model was the Kalmar model, the regional cooperation model. Although in Skane and West Sweden the new regional councils were continued in the same way. As a result the decision on the final regional administrative structure of Sweden was postponed again.

Based on Hammarlund (2004) this hesitation is not surprising, as the results of the evaluation were unsatisfactory and the opinions were very different. Every body and organization evaluating the process was defending its own interest, and therefore besides the supporters of the 2 current models, the opinions supporting the traditional system were articulated.

- The county administration bodies were fighting for the current situation. Their opinion is that the regional and structural policies should reflect a national approach. The economic growth is a national question, not regional. Based on their opinion the regional development could be better managed by professionals than politicians.
- The county governments support the regional council system as the county governments were unnamed all the time; during elections the local and government

level was in the focus, the lowest participation is on the county elections. Above all the county governments are responsible for health care, in which to hold a proper balance between supply and demand is hard to reach. But the regional councils having responsibility for economic growth and regional development (having direct representation in Brussels) seems to be more attractive solution than the traditional one.

- The local governments have a fear that the regional councils become super governments, which could hinder their local government autonomy. They support regional cooperation model, through which the local governments get a higher influence on regional decisions.

If not the regional cooperation model would have been suggested then the county administration bodies and the local governments could have hindered the creation of any regional structure.

As a result of the government decision the regional pilot of Skane and West Sweden could continue in the future, but in any new counties only the regional cooperation model could be introduced. Therefore from the 1 January 2003 all counties have the right to establish this new body as a new form of cooperation, which should be primary based on the Kalmar model. This opportunity was used and today 15 counties use any way of regional pilot in Sweden.

The most negative factor is not the affectivity of the model, but the negotiation with the government on the new Regional Council's financial resources and the timing.

1. The most crucial debate was on the free use of the spatial development funds. In the traditional setting the county administrative boards are managing the regional development, agriculture, natural and cultural heritage protection European Union and national funds. But in the original plans the regional development funds totally but at least in 50% would not be allocated to the regional councils. It would have harmed one of the success factors of the model, the financial independence, and as a

result their role would have been limited to strategic planning. Finally the negotiations resulted as it is in the Kalmar model

2. Another factor was the timing. Sweden because of its relative development in the EU from 2007 on lost its eligibility for funding in the southern regions. Therefore the current regional development funds decrease radically, although it was one of the main tasks of regional councils. Even in the most prepared counties the EU funds can only finance the regional council until the end of 2006 which became a crucial problem. During such a short period it is not viable to create a flexible organization based on the opinion of some professionals, which organization would be able to allocate other type of EU funding for the operation of the regional council. Without such new funds the existence of their body could not be reasoned against the county governments having the financial resources for education and health care and the county administration bodies having the agricultural funds. In Kalmar they try to use there 5 years of extra experience to modify their resource structure. But in the case of new counties it is a question whether they could be successful in creating funds for operation.

As a result of the legal possibility and the financial negotiations 7 further counties joined the regional pilots (Uppsala, Sörmland, Östsm, Blekinge, Halland, Varmland, and Dalarna – www.skl.se).

Similar to Kalmar county the regional development and transport function was transferred to the new cooperation bodies. Their task was strategic planning, managing of regional development funds, and coordination of regional cultural institutions and the development of tourism. These main tasks had a different importance in each county depending on their strategic documents. The preparation of growth agreements, the planning and coordination tasks were allocated also to these bodies. Therefore in the counties following the regional cooperation model there is no need to create a special cooperation body for the needs of the Swedish regional policy.

In organizational terms the new pilot regions created indirectly elected assemblies based on the county government elections. The preparation and implementation of the decision making was the task of the connecting operative body. The organization of other committees, groups are flexible to the changing strategic priorities, which have a diverse picture similar to the previously described other forms of local government cooperation bodies.

The government appointed a Parliamentary Committee on the tasks of the public sector (*Ansvarskommittén – AK*). The task of the Committee was that to show those social reforms, which changed the relationship between the national, local and regional authorities.

One of the activities of them was the initiative of the Swedish Local and County Government Association (SKL), which was led by one of the former directors of West Sweden, Jan-Åke Björklund, who participates in today's regional evaluation activities (Stegmann McCallion 2008).

In a study of 2005 they pointed out that the regional development undoubtedly part of the regional level, which should be controlled by the regions with full autonomy (de Souza-Holmström 2008).

Naturally not only on national, but on local level as well individual opinions arose on the regionalization process, of which the most important was on Halland region's independence.

It was highlighted, that there is no statistical correlation between regional size and the size of growth; therefore a smaller region like Halland can be successful without that to merge with a larger region (de Souza-Holmström 2008).

The Parliamentary Committee of AK presented its final report on 28 February 2007 with the title „Sustainable social organization with development power”. The report highlights that there is a need for a regional level, which enables cross-sectoral activities. This level has an important social power, this organizational change reach the people, and has an important role in health and development issues.

The Parliamentary Committee of AK suggested the creation of 6 to 9 regions, which should have a full responsibility for health and development. A main element was that the region should be large and strong enough to ensure its own development and welfare. Besides this it has suggested that the other national body and organization should fit to this territorial level to ensure their cooperation. In order to achieve it is important to define the role of local and central level, and stresses that the central government should govern the state by more general principles.

The Committee targeted for the 21 counties to close discussions until 2010 on the regional structure and the latest in 2014 regional elections should be hold.

This report was sent to all interested parties for public opinion, which was closed in September 2007 (see table with replies). From the 220 answers the questions on regions were supported in 96-99%, but an official analysis was not prepared yet¹. The responsible for the parallel local government consultations was Jan-Åke Björklund. His task is to consulate with the local and regional governments, which want to participate in the regional process.

The Björklund Report of May 2008 (Regeringskansliet 2008) was based on that government opinion, that a bottom up approach should be used for the regional reform, the central

¹ The results could be found on the following website:
<http://www.regeringen.se/content/1/c6/09/24/93/074b2599.xls>

government do not want to intervene in its structure. The report summarizing all these opinions determined the possible regional transformation directions of May 2008.

The result of this consultation process was the following (Regeringskansliet 2008):

1. Until 2011 region will be established with changing borders (dark green on the map of Annex 1)

1.1. North Sweden (Norra Sverige) - Norrbotten, Västerbotten and Västernorrland counties without Sundsvall and Ånge municipalities.

1.2. Mid Sweden (Mittsverige) - Jämtland county with Sundsvall and Ånge municipalities.

1.3. Svealand - Dalarna, Gävleborg, Uppsala, Örebro counties (possible some parts of Värmland and Västmanland counties)

1.4. West Sweden (Västra Götaland) – today in operation, possibility of the merger with Värmland county.

1.5. Halland – from county to independent region.

1.6. Skane/South Sweden (Skåne/Sydsverige) – today in operation, it is planned that Kronoberg and Blekinge joins in 2015.

1.7. Gotland

2. Regions without changing borders

2.1. Värmland

2.2. Västmanland

2.3. Södermanland

2.4. Östergötland

2.5. Jönköping

2.6. Kalmar

3. Region to hold on status quo

3.1. Stockholm

Today it is not clear if the regions fighting for independence will be merged into the regional structure contrary to the many times stressed bottom up regionalization process of Sweden, or they can hold on their independence.

It is clear that the most important message of the negotiations is that if a region did not discuss its possible regional role, then it is possible that it become part of a not so favourable territorial unit, and in this way the future interest representation could be in danger.

III.3. The implementation of new regionalism theory in practice in Sweden

The national taxation system of Sweden, the county (lan) system ensured such a financial background for the creation of regional institutions, which was unique in the unitary states. It fostered the **decrease of the national power**, which resulted in a favourable position in a global market for the Swedish regions. The well- developed institution of independent local and territorial taxation, including the territorial balancing system (as a traditional element of central government redistribution), ensured a favourable financial situation for the counties.

During the regional pilots, it was necessary to legally transfer the taxation from county to regional level, in order to have the same financial condition for their operation.

Although the regional cooperation model of Kalmar had the critical point, that the financial resources of the county government were not transferred to the regional institution, its role was limited to strategic issues. Therefore it is necessary to have a continuous consultation with the county government, in order to ensure the necessary resources for regional development.

The launch of the regional pilots was a result of the **supranational structural policies**. It was necessary to concentrate the county administration in order to adapt the EU Structural Funds, although it was done only on the level of development institutions. For a long time there were not any further developments except the statistical regionalization process. But it was a kick off of the process, which resulted in regional pilots and for the need to provide other tasks on this level.

The single Swedish regions invested a lot to have an effective role in European decision-making. As a result the regions were focusing on their **para-diplomatic activities**, including the establishment of their Brussels representation offices, but other lobby organization had their offices in Brussels.

It is especially important to note that some of the Swedish regions were using the joint representation model, and established a Swedish House in Brussels. Further joint representation offices of more counties/regions were also established, like the representation of Skane and other South Sweden counties, the SYDSAM.

It is strange and paradox that in this representation offices not those Swedish regions were the forerunners which were the main beneficiaries of the Structural Funds. In North Sweden the growth agreement system was used and this new institutional element was enough to ensure the financial resources without a radical change of the institutional setting.

In the southern areas it was more crucial to have European level economic relations, and to have access to the European markets. The main target in Skane was the development of transport links, in West Sweden the effective regional image and optimal economic size (population, area), which they handled as the key for the effective European presence. It has led to their regionalization need, and the development of their regional role.

Which was an important and connected to the historical past is the common cultural **identity** of the merging counties. The separation of the historical region to counties was not successful. The historical roots of the region for which cultural identity was the same resulted in some counties the emergence of regional political parties. The regional orientation of their politics although became sometimes radical assisted a lot the merger of the counties. The common historical identity was the key success factor even after the erection of the regional body (Fernandez 2001).

This was lagging in the case of West Sweden, which hindered a lot the economic advantageous rationalization of institutions, especially in the health care.

The positive, promotional marketing festivals, the search for cultural values, could create a community even in areas without common historical identity, but as a result of a slow process (Ekman 1999). Therefore the opinion of A. Gergely (2001) could be questioned, which define the identity region based on common cultural past. Although he is right, that this type of promotion-based identity region can not replace the historical identity, but even if it is slower, but necessary for creating regional identity.

In Skane region it is evident **the influence of cross-border cooperation**. The Swedish-Danish cross-border area of Öresund region had a major role in the creation of the independent Skane region.

The physical infrastructure development between Copenhagen and Malmö through the building of Öresund bridge had a crucial role in the process. This is an investment, which has opened new ways in the cross-border area of the two countries through the accelerated economic development, the joint transport network and labour market.

Using the regional experience gained in Öresund region the creation of Skane region made it possible to present itself among Europe's competitive regions not only as a cross-border region but as an independent Swedish region. It was also important that the state provided the competence on the field of regional development and the connecting financial resources in this regional pilot besides making it possible to merge the counties.

III.4. Experiences on the theoretical administration model

The Swedish model and its experiences arose many questions. Contrary to the evidences, that the regional cooperation model is the most acceptable regional pilot (see the regional pilots after 2002 following the Kalmar-model), today's processes are focusing more on the regional mergers providing framework for health care regions.

One of the most important economic factors of this is the saving resulted by the regional merger of the territorial level directed health care systems in Skane and West Sweden.

Another factor is the focus on competitiveness, which support also this model.

The theoretical administration model is defined as follows based on the Swedish model: „such a region, which has an elected board, have a large geographical spread, optimal in size for regional service infrastructures, has a fiscal autonomy through having regional tax income and prepared for allocating EU funds.”

IV. An overview of regionalism in Central and Eastern Europe – Focus on Hungary

IV.1. Regionalism in Central and Eastern Europe

During the socialist era the central government of regional policy did not make it possible to represent regional interest, and therefore European like regions could not be established, and even those territorial units were functioning as implementation bodies of the central power. Retaining the power did not make it possible to create a mezo-level.

But after the transformation the situation has changed: some sort of regionalization process has been launched in the post-communist countries in the neighbourhood of the developed Europe, which has common features besides the differences. But the regional structuring in the Western part of the continent effectively influenced the regional and interregional approaches in Central and Eastern Europe (Kovács 2003).

It is an important difference that the internal or endogen catalysts do not exist or they are limited in Central and Eastern Europe. Generally, the bottom up approach supporting regionalism was missing because of the lack of continuous development. Therefore it is a feature of the regional building process in Central and Eastern Europe at the end of the twentieth century is that after the transformation the regional building was a top-down oriented process with many debates and conflicts.

After Süli-Zakar (2003b) in the new local government structures of Central and Eastern Europe the mezo-level had a marginal role. Whereas in Western Europe the subsidiarity principle has been the most important, in this area the local area was proportionally more focused and the role of mezo-level is rather limited.

But these countries has realized that the relationship of local and mezo-level should be restructured to fulfil EU requirements, and the territorial levels should be based on the NUTS classification of the European Union not only for the hope of EU funds, but for the realisation of their own regional policy priorities.

The process resulted in many different directions. At first we have to differentiate between regional development management and public administration regions. Furthermore it is an important question that the created system is a transformed one from the old, or it is a new structure. Based on that the countries of the European Union could be grouped as follows:

Chart 8: Ways of regionalization in Central and Eastern Europe

	Development region	Public administration region
Transformation	Hungary (7 regions from 19 counties – leaving the public administration role on county level), Romania	Poland: voivodship system (reduced from 49 to 16 regions)
New	Slovakia (5 regions, 8 krajs/counties created parallel)	Czech Republic

Source: Author based on Horváth (2000), Kovács (2003, p.147)

A special group of countries should be differentiated. Many countries did not regionalize because of its size in Central and Eastern Europe. In Slovenia, although the territorial units exist as a part of central public administration, but the system is dominated by the local governments and the regionalization on NUTS 2 level did not happen. Although the Baltic States are not part of the area in geographical term, but they have similar pathways and concepts; and they coordinate their activities without regional structures on NUTS 2 level.

It is expected that in these countries the territorial level will be used for central public administration purposes. Therefore in these countries the way of territorial interest representation will be managed through the municipalities or their associations (see the Brussels representation of Lithuanian Association of Local Governments on behalf of Lithuania).

As Horváth (1998) comes to the conclusion in Central and Eastern Europe finding a compromise during the regionalization process is rather hard, which consensus should be reached in political and in professional life.

This process has ended in some countries (see Poland, Czech Republic), but in many countries, especially in those, where development regions were created (Hungary, Slovakia), or where these development regions are not fully competent (Romania), new decisions should be taken by political and professional actors.

IV.2. Groups of the regions of Central and Eastern Europe based on their economic development

The aim of the analysis is to group the regions by the main indicators of economic development. The goal of the analysis is to show that these regions are not on the same development path, not having the same problems, and not looking for the same coordination methods, but they can be clustered with different features (see the map of Annex 2 based on the area's economic development indicators). This colourful picture of Central and Eastern Europe is not known in Western Europe, the analysis try to highlight this feature.

IV.2.1. Source of the data

The indicators used in this paper are originated from the Third Report on Economic and Social Cohesion of the European Union published in February 2004 (European Commission 2004). The Report analyzes the major trends based on the data collected by Eurostat on a regional basis. All regions of the EU are listed and the main indicators of GDP, employment, unemployment and education could be found.

This dataset was used in my SPSS data analysis. I have selected the 10 countries of Central and Eastern European (Slovenia, Czech Republic, Slovakia, Poland, Hungary, Latvia, Lithuania, Estonia, Bulgaria, and Romania). The region used in the following analysis and dataset is equivalent to the EUROSTAT territorial statistical system's (NUTS) second level, which is the level of EU Structural Fund allocation.

IV.2.2. Presentation of the data

I concentrated on three indicators in this point: (1) employment ratio of agriculture in total employment - EMPAGRIC, (2) total unemployment ratio and - UNEM (3) ratio of low level educated inhabitants - EDUCLOW.

These indicators are crucial in my further analysis as I try to create a model to involve not just the level of GDP when we are talking about undeveloped or peripheral regions, but other indicators as well.

Using the Descriptive and Explore functions of SPSS, the means of all three analyzed data are about that the values are over the general trends of the EU. The mean of the employment in agriculture is 15,432%. The unemployment ratio is 13.807%; the mean of low educated inhabitants is 21.653%. The values of variances are quite high in all cases and another indicator of the differences between the regions of the CEECs if we check the

minimum and maximum values (e.g. at agricultural employment: the minimum is 0.5%, the maximum 51.3%). This wide variety among the regions can validate the existence of groups of developing and peripheral regions just by the describing data.

The table of the Extreme Values shows that at the case of EMPAGRIC the three highest extreme values are over 44%. These three outlier data were indicated just at this variable that means from the perspective of this variable the dataset can not be considered homogenous.

IV.2.3. Cluster analysis

Although I presented in the introduction a prediction for the different groups of regions in Central Europe, instead of doing the cluster analysis just for two clusters (developed and peripheral regions) by K mean method, I chose to do for first time a hierarchical cluster analysis (using Between groups) just to understand the sub-groups of the two main groups of regions.

Since the variables were measured on the same scale (ratios: GDPEU25, EMPAGRIC, UNEM, EDUCLOW), there was no reason to standardize the values. The result of this analysis seemed really useful.

As we can see especially from the dendogram (which shows the linkages on a 25 scale), there are many subgroups of the regions. On the first level of clusters we can see many groups. If we check the case numbers, we can understand a really important thing, what was cited from Dall'erba in the introduction. All the subgroups are almost created by the regions of one country. It is quite clear in some indicated subgroups. The cases 41-47 of Romania are just supplemented by some other regions and create an own subgroup (just Bucharest's region is missing).

The case 1, 2, 3, 5, 6 are regions of Bulgaria and separated from other regions (except Case 38). The Czech regions Case 8-13 are part of one subgroup as well, just as another nice result of the subgroup of the Hungarian less-developed regions (case 19-22).

These examples show that there is a hard correlation between the level of development and country where the region is located. This linkage was explored by Dall'èrba using regional productivity data as well, and it seems so that the static economic and social indicators are having this special feature as well if we handle them in Central and Eastern Europe. (Later we will check by Crosstab the relationship between country of origin and cluster membership results to validate this statement.)

If we analyze further the results we can see that the number of clusters can be really different depending on the level of dendrogram scale. On the first level we can realize 8, on the next stage 4, on more aggregated level 3 or 2 clusters. In the next step our task is to determine which could be the relevant number of clusters in our analysis of peripherality.

But before doing this I have to notice one important thing. We can realize an outlier group of regions in the dendrogram. Prague and Bratislava, the regions of the Czech and Slovak capitals are very special cases and give important methodological warning for us. Using statistical data of geographical units, the delimitation is always a crucial question. Creating the NUTS 2 level regions, there is no legal rule what could be considered as a NUTS 2 level regions neither in population nor in geographical area. Therefore creating these regions is more a subjective process. In some countries the capital city creates a region on its own (high population density, high population, small geographic area, low unemployment, low employment in agriculture high in services) or the capital become the part of the surrounding wider geographical area (averaged statistical indicators, not so extreme values). Therefore we have to handle the case of Praha and Bratislava out of the clusters not as an extreme case, but rather as an extreme case of delimitating regions.

Handling the issue of peripherality a two-cluster classification could be useful, but because of some extreme cases such a two clustered solution would be nothing else than one cluster of the capitals, another for the rest. Therefore I prefer to do a K-mean cluster analysis for four clusters.

The K-mean cluster analysis for 4 clusters gave us a result a bit different than it could be predicted from the hierarchical cluster analysis. One cluster became a one-member cluster of Praha (see reasons of extremity), and the number of cases in each cases are quite different, they are not distributed equally in each clusters. The ANOVA table shows that the significance values are quite low; therefore the clusters are really different featured.

Cluster 1 (1 case): Praha – extreme values, especially in GDP value – „**Globally important capital region**”

Cluster 2 (5 cases): Slovenia and a Czech region, and above them 3 capital regions (Warsaw, Bratislava, Budapest) – basically high GDP values, low unemployment, low agricultural employment low level of low educated inhabitants – „**Europe-wide important capital regions**”

Cluster 3 (11 cases): Romanian regions and regions of East-Poland with high unemployment rate, low level of GDP, low level of education, high agricultural employment rate – „**Dead East**” (the classical phrase of Gorzelak, summarizing all the negative features of this cluster)

Cluster 4 (36 cases): These are those regions which can not be considered as developed regions, but at least they have got a potential to be in the near future. The indicators are near the average and they are present in all countries of Central and Eastern Europe – „**Classic Central-European Regions**”

This is the result of the cluster analysis. We can see that the clusters have got their own specific features and give more details on the classification of the regions than a simple 2-cluster analysis. Three of the four clusters are clusters of extreme cases, in a further analysis these should be excluded and the sub-clusters of Cluster 4 could be determined.

IV.2.4. Crosstab analysis

In my analysis I tested if the country of origin and the cluster membership is in connection or not. In this way my hypothesis was that the variables are independent. As the Chi-square test's result is less than 5% we can reject the hypothesis, so the variables are moving together.

The Cramer indicator was also determined. The value of 0.542 shows that there is a hard relationship (maximum is 1) and still significant (0.01).

By this analysis we could validate that the cluster membership and the country of origin are dependent variables, and the country of origin determine the cluster membership.

IV.2.5. The main conclusions of the statistical analysis

The most important element of the statistical analysis was the cluster analysis. The determined 4 clusters and their variety in Central and Eastern Europe is a response to those who are reflecting on the area as a homogenous block. But as the analysis shows the both the developing and peripheral regions are present.

This analysis support the hypothesis, which says that there are peripheral and developing regions in Central and Eastern Europe and during their future development single solutions should be used. The theoretical framework of the new regionalism gives opportunity for that, and new development pathways could be offered for the currently peripheral regions

of Central and Eastern Europe.

It is important to note that the crosstab analysis showed a high correlation between the cluster membership and the country of origin. This correlation is in connection with the centralized public administration system, which redistribution policy results parallel regional development paths inside the country.

A more independent regional institutional system and the connecting financial resources could make it possible to personalize the development paths, although it gives the question whether it could have a negative effect on the territorial differences.

IV.3. The practical implementation of new regionalism theory in Hungary

IV.3.1. The public administration traditions of Hungary

We can not talk on many stable state elements of Hungary during its 1000 years of history (Tóth 2001). One of the traditional elements is the county system, of which the basis was the royal county system of St Stephen. Although the territorial, economic and political changes just after the Trianon peace process, the Law of 1929/30 made a radical public administration reform, till that time only reforms with violence and the take over of municipality traditions happened on this field.

The Trianon reform was an obligatory reform, the previously 65 royal counties were decreased to 25, and the number of towns with legislative power has decreased from 25 to 8. The microregional system became the second level of territorial administration until the enforcement of the Law Decree 1983/26. Since then the villages were transferred under the control of 19 villages with municipality rights and 120 municipalities as a result of socialist council reform (not territorial reform), and later through the Law Decree 1987/21 empowered the county councils to have the control over the villages by county council

decrees.

The current legislative system is based on the modification of the Constitution of 2nd August 1990 and on the Law 1990/55. It has introduced the local governments (current number is 3127), the 19 county governments and the capital city, and the 7 regional republican trustees, which were replaced after 1994 by 19 county administration bodies. The modification in parallel with the Law 1996/21 created the county development councils to the county governments as the decentralised implementation body of the central state tasks.

During the reconstruction of the organization the creation of regional development councils and the continuous regionalization of the deconcentrated state administration led to the undervaluation of the county level. It was strengthened by the process when the microregional level was transformed again.

IV.3.2. Regionalization and accession in Hungary

Between 1990 and 1994 the institution of regional republican trustees created conflicts, which was the first regional public administration organization with general competences. The so-called deconcentrated bodies of the state administration were a traditional part of the public administration, but the need for regional governments was only emerged by the regional republican trustees (Hajdú 2001).

Hungary is unitary state traditionally. There were ideas on the reorganization of territorial administration, which were thinking usually on one level systems based on economic efficiency. The current structure could be restructured in 3 different ways holding on the current county borders. It is important, because we have to now the size of the units not only their level (Hajdú 2001):

- Micro regional: merger of regions by 2 or large regional structure, which would result a 10 unit system
- Mezo regional: having the size of the current statistical regions with 5-7 units, the possible way of regionalization
- Macro regional: 3 or 4 units with a Lander type approach from which the Transdanubia, Central, Eastern regions would be visible, but because of the large territorial differences between East and West the social acceptance would be low

The EU's NUTS requirements resulted heavy debates. The territorial statistics is the cornerstone of the statistical system of the European Union, which common system is managed by the Statistical Office of the European Union (EUROSTAT), the Nomenclature Unites des Territoriales Statistiques (NUTS), which is the basis for the collection compilation and use of territorial statistics data.

The European Parliament and the Council adopted 1059/2009 (EC) directive on the establishment of common system of territorial statistics (NUTS) adopted on 26 May 2003. The directive adopts and fixes the NUTS classification, but it determines a strict regulation and process for any modifications.

The member states have to declare in the first half of every year for the Commission all the reforms of territorial unit sin the previous year, if they have an effect on the NUTS classification.

The NUTS system modification could be adopted in every three year or longer, in the second half of the year. The public administration units of a member state could be modified if on the respective NUTS level the modification decrease the standard deviation of the average. In case of a proper modification of public administration structure the adoption of the NUTS classification modification could be adopted in less than 3 years

(Szegevári 2005).

To decide how to group the territorial units to the different NUTS levels, the European Union has bounded the member states by the population size of the territorial units, The NUTS 3 level is from 150 to 800 thousand inhabitants, the NUTS 2 level is from 800 thousand to 3 million inhabitants, the NUTS 1 level is from 3 to 7 million inhabitants as a regional planning and statistical unit.

NUTS 1 level

At the beginning the NUTS 1 level was the whole area of Hungary, but it had to be modified because according to the 1059/2003 EC directive there is an upper limit of 7 million for NUTS 1 level. The official letter sent with a deadline of 5 June 2003 to the EUROSTAT suggested the creation of 3 NUTS 1 units in Hungary (Szegevári 2005). The 3 adopted units are the following: Transdanubia, Central-Hungary, and North Hungary and Great Plain.

NUTS 2 level

Based on the spatial development Law 1996/21 the County Development Councils and 2 other type of regions were created (planning and statistical regions and functional development regions – see Balaton and Budapest – Tóth 2001). The Parliament Decree 1998/35 on the adoption of National Spatial Development Concept finally determined 7 planning and statistical regions for a temporary period, which was ensured by the modification of the spatial development law (Law 1999/92). This was the last missing element of the five level NUTS system of Hungary which has ensured the formal requirements for the EU. The planning and statistical regions are the spatial development units of the EU regional policy, for which the first pillar of community policies are valid.

NUTS 3 level

Adjusting to the public administration units this is the level of the counties, where 20 units

were defined: 19 counties and the capital city of Budapest.

The local level (previously NUTS 4 and NUTS 5 levels)

The previous directive before the current one 1059/2003 EC, had a 5 level system, which is determined still in the Hungarian system as Local Administrative Units (LAU 1 and 2 levels) for the local governments and microregions, although the number of microregions because of the Law 2004/107 is changing from year to year, as a result of the modification on 18 June 2007 currently 174 statistical microregions are operating on NUTS 4 level. On NUTS 5 level the number of local governments could be modified based on the regulations of the Constitution.

Although we have to say that for the whole of the public administration, that the coordination between the different institutions is missing (Walter 2001), but their territorial organization is adjusting towards the regional structures. The administration bodies with their control function were transferred to the regional level, similar to the institution of the regional republican trustees. There is a continuous transformation on the level of deconcentrated public administration bodies; as a result there is a clear delimitation together with the regional organizations (see regional development councils and regional deconcentrated public administration bodies).

IV.3.3. The competence share of the Hungarian territorial administration

On the level of territorial administration based on the previous parts, the following organizations are part of the administration:

- County government,
- Administration bodies,
- County and regional development council
- Other deconcentrated administration bodies

The competences of county governments are rather hard to define, as the complex legal background of governments (Law 1990/55) there were now differences between local and county governments. The competences of local governments were defined; the county governments had a subsidiary role. The defined local competences:

1. local development
2. local planning
3. protection of built and cultural heritage
4. property management
5. water and rain management
6. drainage
7. healthy water provision
8. primary school
9. health and social care
10. public lights
11. maintenance of local roads and public cemeteries
12. local fire protection and public security
13. legal protection of national and ethnic minorities

Based on the Chapter 8 the county government is responsible to have those competences which could not be obliged to be operated by the local governments (especially microregional, county level or majority of county oriented public services – Hajdú 2001). It is clear that the majority of competences are local, and a clear delimitation of competences did not happened.

The local government structure was a result of political debates. The political analysis of Attila Ágh (1999) says that after the transformation the new coalition and pact of the conservative (MDF) and liberal (SZDSZ) parties of Hungary in 29 April 1990 abolished the territorial administration: the SZDSZ received for its liberal thoughts the high level

autonomy 3200 local governments „as independent republics and the phantomised counties without power, and the MDF ensured the political control and the permanent intervention through the regional republican trustees” (Ágh 1999).

All this hindered that the number of municipalities could have been decreased by state interventions and they would be able to provide broad public services and operate effectively.

And the county as Iván Illés (2001) notes has lost its arm, when the professional competences of the counties were transferred to the deconcentrated administration bodies by the MDF decision. The SZDSZ cut its leg eliminating the county control over local governments. The young democrats (FIDESZ) cut its head, when the municipalities with county rights were excluded from the counties, but possibly it was just a part of a pathologic process, because the Government of Németh in 1989 denied the taxation rights from the counties.

The unclear delimitation between the county governments and local governments was repeated by the establishment of development councils by the 1996 legal orders. The 2 level system was criticized even by the EU not because of its competences but the formal structure during the accession debates before 2004, as the competences of the development councils was defined and implemented properly (Ficzere-Forgács 1999):

- foster the spatial development and planning initiatives of the territorial and local communities, adjust them to the national priorities,
- planning, decision and management of development concepts, programmes and plans,
- international cooperation (joining to EU regional policy, coordinated development of cross border areas).

Before having a step forward, we have to have some political analysis, as both of the

leading political parties of today (socialists – MSZP, young democrats – FIDESZ-MPP) had a change in their mind on regionalization of county governments and development councils, which created a different situation in any period (Illés 2001):

- MSZP: Although the former socialist government refused the taxation rights of the counties, but after the successful county government elections they had a county supporting policy between 1990 and 1998. Losing their position in 1998, they started to support the necessity of regional governments.
- FIDESZ-MPP: At the beginning they had non-political territorial approaches, they refused the counties, and they were thinking on territorial units having larger cities in their centre and hoping in their spatial development power (similar to the Swedish local kommun reforms, which was based on competences) But when all could happen in 1998, having the leading positions they defended the counties and rejected its public administration reorganization plans.

The regional republican trustee system resulted in structure of 8 units in 1990, which was questioned and in its configuration rejected (Hajdú 2001). These were replaced by the administration bodies during the 1994 legal reform (Walter 2001). This provided the following competences:

1. opinion on the competence of a public administration body
2. initiation to adjust service hours with other bodies
3. coordination of information systems of public administration bodies
4. coordination of territorial public administration bodies
5. control and supervision of local governments, territorial public administration bodies and development councils

Although it is questioned how to control the regional organizations, during that debate the need for the regional administration bodies was aroused, but adjusting to the statistical regions, not overlapping with the institution of the former regional republican trustees.

In Hungary the long term public administration reform plan of 1996 tried to solve the not unified territorial structure of deconcentrated administration bodies. Besides it has determined two alternatives for their unity: either to have one territorial office for deconcentrated bodies, or to put them under the control and coordination of regional administration bodies. Finally the second version was implemented through the broader coordination competence of them.

The Hungarian democratic past is characterized by ad hoc and controversial political decisions, and a continuous effort to adopt EU regulations, although it was successful only formally.

IV.3.4. The decrease of state power as a result of globalization

Today Hungary is in an early stage of regional evolution. It would be necessary to provide competences for that modern agency system, which has many unused resources. It is necessary that the central government delegates of the decision making level (regional development council) should be replaced by not necessarily by regional elections but at least real regional delegations and decision making.

Besides the decision making the own financial resources of the regional development councils should be created. Depending on central government decisions and national and EU funds allocated and managed through the region, it could not act really independent.

It is necessary, similar to local governments to have their own resources such as regional taxes such as the local taxes. It could be complemented by their own assets, which could be the basis of a similar financing system through development loans and bonds.

Until the financial assets and decision making bodies are not established the region will be

the tool of the national regional development policy, not an independent actor. The strategy is planned by the region, but the management tasks are operated by a limited independence. To fulfil the requirements of the new regionalism theory, not only strategies, but real regional action plans should exist.

IV.3.4.1. The economic role of local taxes

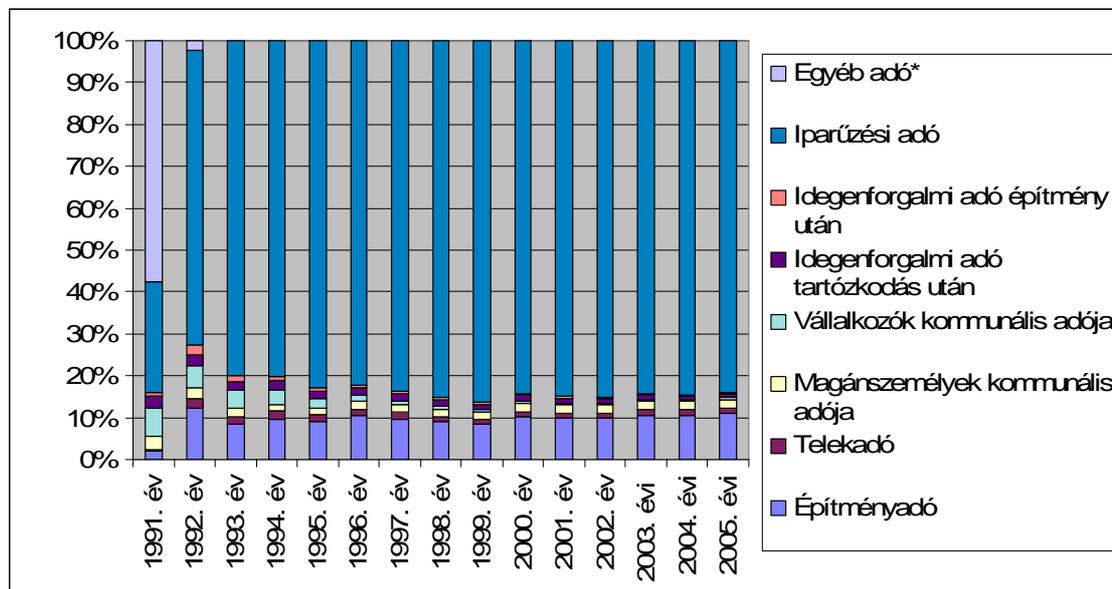
Many authors give special attention in local financing. Vígvári (2003) notes that in international experiences a higher tax income of local governments could affect positively the tax moral. Today 25-30% of the total income is from local taxation in the European Union. The same ratio in Hungary is only 9%, which results the dependence of local government level from the central government.

In 1991 as a result of the Law 1990/100 the local taxes were introduced². Much type of taxes was introduced of which the highest ratio is provided by the local industrial tax (Chart 9).

²

More details on the topic: Balogh (2007)

Chart 9: Share of local taxes of total local tax income (1991-2005)



Source: Author based on the statistical data of the Ministry of Finance (www.pm.gov.hu)
 (Translation of tax types: Other taxes, Industrial tax, Tourism tax on properties, Tourism tax on touristic spent nights, Communal tax of enterprises, Communal tax of citizens, Land tax, and Property tax)

It is important to highlight that the local tax income depends on the economic potential of enterprises of the municipality. It results critical territorial differences. The sum of tax on local and county level shows that the local tax income concentrates on Budapest and Pest County.

IV.3.4.2. The reform of local taxation

Today the local taxation system has a crucial role in local development. The local taxes are the basis for that to ensure the own resources for the European Union and national funds. Those local governments, which have not got enough tax income, have to take loans or issue bonds in order to implement local development projects.

If the local tax system will be formulated in a similar way in the future, then it is expected

that most of the European Union funds will be absorbed by municipalities with higher economic potential and tax income.

The following solutions are possible to tackle the problems of small local governments' local taxation:

1. The central government should provide the own financing for the smaller local governments.
2. The transfer of local taxation to microregional level would result a less deconcentrated local tax system, in order to have a more balanced tax income. Therefore not only the major municipalities of microregions could have the advantages of the local taxes, but all of the partner municipalities in the microregion. In order to reach it a political consensus should be reached.

IV.3.4.3. Further reform opportunities in local taxation – Towards regional taxation

The most important problem of local taxation that huge imbalance between the local governments, and the tax income usually depends on that whether an enterprise is located on concerned municipality area or not. Of course, an active local economic development policy can influence this process.

One possible solution is the presented microregional taxation system. But many other development issues are not only connected to local governments, but even larger areas. In order to develop regional infrastructures (e.g. roads, railways, drainage and water networks) it is necessary to ensure financial resources even on regional level.

In the current Hungarian taxation system the territorial level has got taxation rights neither on regional, nor on county level. The NUTS 2 and 3 levels of counties and regions are almost fully dependent on the central government financial decisions, whether the regional

infrastructure developments could be financed or not.

There are two possible solutions for this problem:

1. Creation of a cooperation network on regional level: The NUTS 2 and 3 level region and county try to establish such cooperation with the interested local governments to realize developments in the interest of more local governments (similar to the Swedish regional cooperation model). Based on that approach the waste management system of Bodrogköz and Szabolcs-Szatmár-Bereg county of 222 municipalities is financed by the Cohesion Fund. The project is launched, but building the partnership was almost 3 years, because the own financing part should have been provided by each of the local governments, because the initiator of the project, the county government could not provide the total sum of own financing for the project.
2. Introduction of regional taxation on county or regional level: Based on own financial resources (tax income) the region/county could become active actor of regional development from the current initiator role. Through that it could be able to launch regional development projects, and their independence from central government would be abolished.

IV.3.4.4. Concluding notes on territorial taxation

The Hungarian taxation system is a multi-taxation system. Against this wide variety of tools there are major imbalances in the local taxation system.

There is a need for reforms, in order to have a more fair system, which is most likely to be achieved through a micro-regional local taxation system.

It is also necessary to introduce a new territorial level in the territorial taxation system: the regional taxation. In order to ensure own financial resources for large scale infrastructure investments the region/county should have its own tax system.

One of the most crucial questions is that, what could be the subject of regional tax. The central and local taxes have still today a high proportion on income. Therefore one part of central or local taxes should be transferred to regional level to have the same level of taxation of citizens and enterprises.

To achieve it, a political compromise would be needed, which could lead to the transformation of current constitutional and taxation regulations.

IV.3.5. The region as European actor and lobbyist

Today there were radical changes in territorial institutional system, because of the adjustment pressure. The situation aroused from the European Union funds, the issue of regional development moved from NUTS 3 level of counties to NUTS 2 level of regions. Parallel the regionalization of territorial administration bodies was launched in order to adjust to the created regional level.

Each of the regions similar to the Swedish regions want to play an active role on European level, they participate in international cooperation networks and lobby organisations, and work on the creation of their Brussels representation. In this part of the dissertation I would like to highlight the activities of regional representations, in which I will explain the experiences of other Central and Eastern European countries.

IV.3.5.1. The beginnings of the regional representation offices, the establishment of Central and Eastern European regional offices in Brussels

The presence of representations of sub-national authorities dates from the mid-1980s, starting with the opening of the Birmingham office in 1984. The first arrivals were mainly

regional and local authorities from Germany and the United Kingdom. In the case of the United Kingdom, local authorities, cities or counties with few competencies and means, came to Brussels looking for financial resources (Jeffery, 1996).

German regions, on the other hand, started to open representations in Brussels in response to the growing impact of European rules on their domestic powers. An informal collective representation of the German Länder in Brussels, the Beobachter der Länder bei der EU, has been present in Brussels since 1957, and was officialised in 1988 (Börzel, 2002, p. 61). However, individual Länder started setting up offices in Brussels in the second half of the 1980s. These offices were officially recognised by the German Federal Government in 1992.

Regional policy became an EU prerogative with the Single European Act adopted in 1987, while the SEA also broadened the EU's authority over policy areas that belonged to local and/or regional jurisdiction in some Member States, e.g., environment, social policy, R&D and industry. In addition, the reforms and expansion of the Structural Funds (Delors II report in 1988) attracted a number of regions (Catalonia, Basque Country, Brittany, Wales) to Brussels to influence the distribution of these funds.

The Maastricht Treaty (1992) reinforced the regional dimension of European integration by introducing the principle of subsidiarity, providing for further increases in structural spending and the creation of the Cohesion Fund to support the most disadvantaged regions, and creating the Committee of the Regions (founded in 1994). It also opened up the possibility for regional ministers to represent the Member State in the Council of Ministers; therefore many regional offices were opened in Brussels, especially between 1992 and 1994 (Huysseune & Jans, 2005).

Representations remain scarce for Luxemburg and some strongly centralized Member States, i.e., Portugal (no offices), Ireland and Greece, only. Local authorities are rarely directly present: only a small number of capitals and major cities have their own

representation, although during the research of regional offices the authors urge to pay more attention to the research of local organisations. Organizations such as Eurocities, however, provide collective representation of cities in Brussels, while some offices also host or incorporate agencies from lower-level authorities.

The attraction of the EU extends to sub-national authorities of the new Member States. Particularly in relation to the accession of ten new Member States in 2004, a large number of representations from local and regional authorities of the new Member States were set up in 2002 and 2003. The influx of these new representations is remarkable since in most of these countries the formation of a regional level of governance dates from after the communist era and regional authorities are still consolidating. Their presence nevertheless has been increasing steadily. Representations from Poland have been joined by those from Slovakia, the Czech Republic, and Hungary in particular. In some cases (Latvia, Estonia, Cyprus, Romania, and Hungary) most regions and/or municipalities are as yet represented through a collective body only. In some cases, setting up such a representation is clearly an experiment (Huyseune & Jans, 2008).

The first representations from new Member States (or other states) have a pioneering role that may lead to the opening of offices of other regions or local authorities not yet represented. Some experiments may fail: some representations present in 2004 (the Romanian province of Teleorman, the Georgian Autonomous Republic of Adjara) do not exist anymore. Recent years have overall nevertheless witnessed the consolidation of the presences of offices from new Member States and the establishment of representations from candidate Member States (Croatia) or from countries involved in the EU Neighbourhood Policy (Ukraine), while representations from Norwegian local and regional authorities and a collective representation of the Swiss cantons have a consolidated presence.

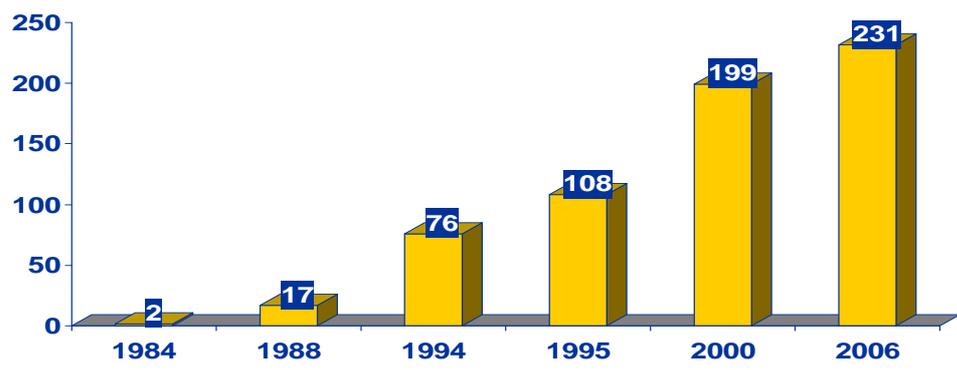
It is to be noted that the prevailing model is public: in 2004 only 13.8% of the respondents were emanations of public-private partnerships; all the other offices were exclusively public initiatives (Huyseune & Jans, 2005).

As the host of the institutions of the European Union, the government of the Brussels-Capital Region founded the Brussels-Europe Liaison Office (BELO) in 1991. Its official aims are “the promotion of the image of Brussels as capital of Europe and seat of key European institutions while at the same time informing residents of the important role played by Europe in the well-being and prosperity of the Region.” (Brussels-Europe Liaison Office, 2007a). Its mission includes resolving practical and administrative problems encountered by individuals and organizations settling in Brussels for activities related to the European (or other international) institutions.

To conclude this part of the paper some statistics could underline the steadily growing trend on the field of regional offices:

- 1984 – first comers (Germany, UK)
 - 1988 – 15 representations
 - 1993 – 54 representations (first scientific analysis)
 - 1999 – 165 representations

Chart 10: Number of regional representation offices in Brussels



Source: Author

The last data on the regional representations shows a stable level. In 2007 226 offices were accredited by the Brussels European Liaison Office, which regional representation is

running a non-obligatory registration system. The types of offices are the following:

- 165 regions
- 17 local or subregional authorities
- 26 networks of local and regional authorities
- 18 other entities (mainly representations of regional private-sector entities)

IV.3.5.2. The main functions of regional representation offices

There are more motivation tools for establishing a Brussels representation office, but each regions reason their presence in Brussels based on their public administration traditions and competences (Huysseune & Jans, 2008):

1. financial resources (British regions): this at the beginning most important activity was put behind, mostly the regional administrations were taking over this responsibility especially by structural funds – except in the case of interregional or/and networking funds, which need the constant relations with the EU offices
2. the partner search and the creation of networks is still an important task
3. growing role of regional institutions in the EU institutions (subsidiarity, Committee of the Regions, Council of Ministers)
4. EU policies with a territorial influence
5. spill-over effect: some of the successful regional representation offices had a positive effect on other regions (especially in new member states)
6. the growth of the regional image, the close connection with international organizations and press is part of the regional design, marketing and branding

The main functions of offices were analyzed by some authors. Marks et al. (2002) was not only focused on the functions, but they examined the correlation between them and the human and financial resources. As a result of their survey four activity areas are

distinguished:

- information management,
- liaison between local and regional authorities and the EU,
- networking,
- influencing of EU policy.

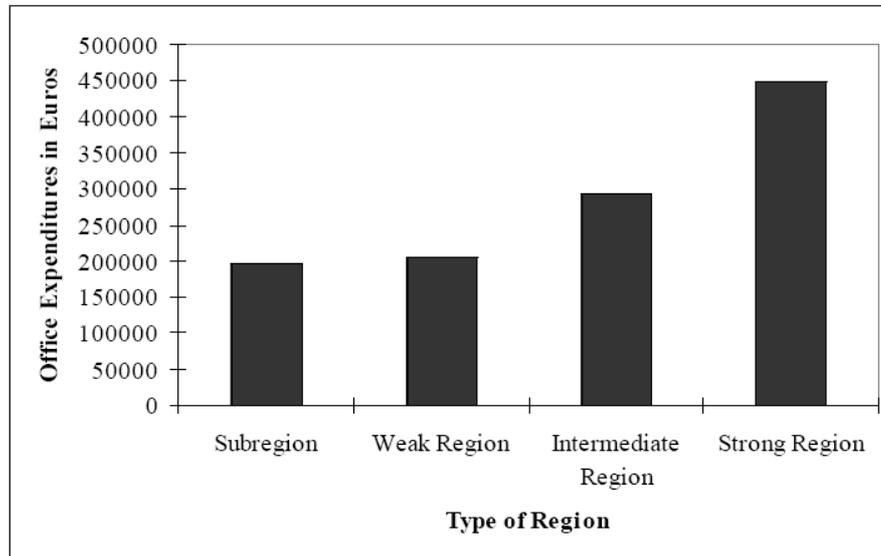
The identified activities of the regional offices were further analyzed by Marks et al. (2002). Examining the correlation between the personal and financial resources of the regional offices, many interesting relationships have been revealed. For example, there is a negative relationship between influencing policy and other activities. Those representations which are interested in the growth of their political influence tend to not focus on funding and networking activities.

Based especially on this result, some hypotheses were designed which were later successfully proved:

Hypothesis 1: The larger representations with more financing have a better option for influencing EU policies.

There are huge differences in financing, office space and number of employees. In the lowest quarter, the offices are smaller than 80 m² and their budget is less than 150.000 €. Opposite to them, the offices in the highest quarter are having at least 273 m² of office space and their budget is larger than 337.000 €.

Chart 11: Office expenditures of regions by the type of region



Source: Marks et al. 2002

Hypothesis 2: Those regions which are active players in domestic political life would like to influence, not only react on EU policies.

The Graph 1 proves that those regions which are more powerful in their domestic policies have a better financed representation office. On a 1-12 scale grouped countries, the regions on level 1 have a budget of 200.000 € annually, and the regions on level 7 or higher (namely Germany, Belgium, Austria, Spain) are spending 447.000 € per year.

IV.3.5.3. European institutions representing regional interest

There are two institutions representing regional interests in the EU institutional setting: the Committee of the Regions and the Permanent Representation of the Member States.

The Committee of the Regions (COR) offers regional entities their own institutional framework within the European Union, but regional offices are often sceptical about the impact that the COR, as a consultative body, has on policies. Although it is supposed to be

the natural spokesperson of local and regional interests within the Union, they consider the COR to be an interlocutor of limited importance that does not warrant a lot of attention when they seek to influence policies. The COR is often seen as a vehicle through which the represented regions can capture the attention of European Commissioners or the Council Presidency rather than an institution with a decisive impact on EU policy outcomes.

The pivotal role of the national Permanent Representations (PERMREP/PR) in EU policy-making has pushed many offices to establish closer ties with their respective national Permanent Representations. Whereas they were first perceived as competitors by the permanent representations, this is less true today, and more or less systematic forms of exchange of information, co-ordination, and/or policy planning have developed in the last few years. As co-ordination with the Permanent Representation often takes place collectively, the creation of regional office networks is encouraged. The creation and consolidation of these agreements between regional representations and their Permanent Representation demonstrates the offices' desire to enhance their influence where it matters, namely, at the Council bargaining table.

In the case of Hungary the current legislation of the European Coordination Inter-ministerial Committee (Európai Koordinációs Tárcaközi Bizottság - EKTB), the Government Decree 1007/2004. (II.12.) on the participation of the European Union decision making process and the connecting government coordination can not make it possible for the regional institutions, and their Brussels representation offices to join the work of expert groups.

Although in order to achieve the above mentioned goal and to establish a better coordination, it would be important to create better connections between the EKTB's relevant Expert Groups, but especially with Expert Group No.4. being responsible for regional policy, and co-ordination of Structural Funds. It could ensure the continuous information flow and the creation of common national opinion which would reflect the real regional interests.

IV.3.5.4. Regional representation offices of Hungary in Brussels – Representation of Hungarian Regions in Brussels

In 1999 the Ministry of Agriculture and Rural Development, being responsible for spatial development at that time and the 7 regions of Hungary contracted on the establishment of the Representation of Hungarian Regions in Brussels (MRBK). The representation was directed by the former EU ambassador of Hungary, Hans Beck. The initiative was innovative in that sense that Hungary was the first one from the Central and Eastern European Countries, which established the presence of regions in Brussels.

Moreover the approach was innovative in that sense that it was not usual to have a national house and shared infrastructure for the regional representations. Later this was the example for the Slovak and Czech Regional House, which today as a result of continuous development is in front of the Hungarian pioneer, MRBK.

In April 2004 the Hungarian Spatial and Regional Development Office (MTRFH) took over the control on MRBK. The MTRFH renewed the MRBK. The MRBK became an office of the MTRFH, which represented all the 7 regions of Hungary in Brussels (VÁTI 2004)

In 2005 after the reconstruction of MTRFH the National Spatial Development Office (OTH) became the responsible governmental organization of MRBK.

On the way to the independent regional representation offices the managing directors of the regional development agencies of Hungary hold their meeting in Brussels on the 9th December 2005. The meeting was focusing on the future of MRBK from 2006. The proposed changes affected the structure of MRBK, and besides the new extended structure gave the possibility for the Hungarian regional development agencies to have a direct representation in Brussels through 1 regional representative.

The planned restructuring was finally realized in May 2006. The new agreement between

the regions and the OTH resulted a horizontal structure between the regional and OTH representatives. From this time the MRBK was not any more an indirect central government representation of the regions, but the regions could directly represent their interest in line with their regional strategy.

„Based on the Consultation Council of Spatial Planning Regions (TERET) 3/2006. (II.14.) decision the OTH and the RDA agree, that they establish a joint representation on the Representation of Hungarian Regions In Brussels in a renewed structure, where to the RDA delegate one person, and a stagaire in a later detailed way.”

After the restructuring the MRBK was passed on from the former-OTH to the Ministry of Local Governments and Spatial Development by 1st August 2006.

The governmental restructuring during spring 2008 affected the MRBK, the fifth organization took over the control on the representation during its not even 10-year past. From July 2008 the MRBK became an organ of the Ministry of National Development and Economy.

IV.3.5.6. Regional representation offices of Hungary in Brussels – The direct representation offices of the regions

As a result of the renewed agreement in May 2006 new, independent regional representation offices were established in cooperation with the MRBK.

The importance of it was explained by András Vissi (2007) in one of his conference speeches, putting into highlight the euroregions as a similar tool of internationalization of regions (although the current paper do not deal with the issue of euroregions): *„Two unique, self-governing tool of building autonomous region is the euroregion and the representation office in Brussels. The totally regional, self-governmental tools politically and financially are on a weak basis, but they give a unique alternative towards the more*

independent, elected regional governments.” This tool-set is that in Hungary today which could be a basis for the paradiplomatic role quoted before from Gren (1999).

Establishment, historical background

As a result of the agreement with the OTH in July 2006 the Észak-Alföld, in August, the Dél-Alföld, in September the South-Transdanubia Region launched its office at the MRBK. Besides it the West-Pannonia Region of Hungary is present in Brussels. As a result of the failed agreement with the OTH, they have launched their office on 6th July 2005 at the representation office of Steiermark.

The paper do not deal with the local representations in detail, but Marks et al. (2002) points out that even the local level could be effective in interest representation in Brussels. But today only Budapest is running a local government representation office in Brussels from Hungary. Even the major local government organizations are not represented in Brussels, although some members of the county-legality municipalities organization is represented indirectly through the regional representations as a shareholder of RDA or financing organization of regional representation (e.g. West-Pannonia Region).

Today 4 regions has representation office in Brussels, besides them the closed office of Dél-Alföld region was present in Brussels.

<i>Region</i>	<i>Establishment of the representation</i>
Dél-Alföld	August 2006 (closed: December 2007)
South-Transdanubia	September 2006 (preparation from July 2006)
Észak-Alföld	July 2006
North-Hungary	May 2008
West-Pannonia	6 th July 2005
<i>Source: Author</i>	

Central-Transdanubia and Central-Hungary regions did not establish their representation office in Brussels, therefore from the beginning of 2006 (end of indirect representation of all 7 Hungarian regions by MRBK) they do not present their interests in Brussels.

Organisational structure

The West-Pannonia Region chooses a special way of the establishment of the representation office. The office was launched in a building together with Kujawsko-Pomorskie region in the neighbourhood of Steiermark region, with Croatian regional and Bulgarian local representations. As a pioneer, West Pannonia is the first one of the Hungarian regions to have an out-of-MRBK representation office, although it is in cooperation with the MRBK.

The Regional Development Council of Észak-Alföld Region established its regional representation by 1st July 2006. The back office activities of the representation are provided by the RDA.

The representative of the Dél-Alföld Region, as an employee of the RDA, has been delegated from 1st August 2006 to represent the Dél-Alföld Region's interest in the framework of MRBK.

The Regional Development Council of Észak-Alföld Region established its regional representation by Decision 64/2006 (V. 31.). The representation was established on the MRBK, as non-independent regional representation in Belgium.

The representation was established officially by 1st July 2006, but the office has been activated from 1st September 2006. The permanent representation was closed by the end of 2007; from 1st January 2008 the representation office is working one week in a month basis.

The representation office of North-Hungary Region has been established in May 2008. The delegation of the regional representative was done on the experiences of other regions in

Brussels at the MRBK.

Activities

The Hungarian regional representations are characterized by multi-activity features. To describe it a comparison table has been created to see the differences in the field of activities (the North-Hungary Region had not got detailed activity list at the time of data collection).

Table 4: Comparison of the activities of regional representation offices of Hungary

	<i>Dél-Alföld</i>	<i>South-Transdanubia</i>	<i>Észak-Alföld</i>	<i>North-Hungary</i>	<i>West Pannonia</i>
Regional policy	X	X	X	n.a.	
Food safety	X			n.a.	
Energy, renewable energies	X		X	n.a.	X
Environment	X			n.a.	
Tourism	X			n.a.	
R+D+I	X	X	X	n.a.	X
Logistics and transport	X	X	X	n.a.	X
IT, audiovisual sector and media	X			n.a.	
Enlargement	X	X		n.a.	
Economic development, SMEs	X		X	n.a.	X
Culture and education		X		n.a.	
Pécs 2010 European Capital of Culture		X		n.a.	

Source: Author

Each region tries to put in parallel their activities to their own regional development strategy, projects and Regional OP priorities. The one-person offices are needed to be more focused in activities, or the human capacities should be developed in order to be effective.

Especially the Dél-Alföld regional representation took responsibility for unrealistically too many activities. But the most short-living representation office was not closed because of the many activities, but because of the lack of financial incentives from the central government.

Budgetary issues

The budget of the **West Pannonia** regional representation is financed by 3 counties, 5 county-legal municipalities and the RDA. The members share the costs equally.

The Representation of **Észak-Alföld** Region is financed by the Regional Council, the RDA and the Regional Innovation Agency – focusing on the possibilities of project financing.

The only closed regional representation had left Brussels because of the financial conditions. The **Dél-Alföld** Region financed its activity in Brussels through the support of the central government, but when it was not available, closed its office.

The **South Transdanubia** Region is running its office from 1st January 2008 but not in a permanent way. Staying one week in a month in Brussels the goal is to save financial resources and to ensure in a way a partial presence in Brussels.

The **North-Hungary** Region, as the youngest representation in Brussels finances its activities on its own resources.

IV.3.5.7. The importance of regional representations in the process of regionalization

The activities of regional representations in Brussels, present a specific profile that partly distinguishes them from classic interest groups and lobbies. The activities of regional

representations in Brussels are broader and not focused solely on direct lobbying and interest representation. Whatever the initial motives were to come to Brussels, today the offices have converged on a similar set of goals and activities. They have become much more uniform in that they all combine a broad range of activities and all seek to inform, network, lobby, liaise and market for their regions.

The diversified range of functions that regional offices fulfil is one of the reasons why they are likely to be permanent fixtures in Brussels. Their presence is not dependent on the availability of EU funds or the COR's political influence. The varied tasks that they perform make them relevant and useful to their home regions even if certain policy changes or the end of funding opportunities force the regional offices to reorient their activities.

But offices representing associations of local governments also aim for influence. The study was not focusing on local level, but there are further research opportunities on local interest representations in Brussels.

Experiences on representation offices of Hungary are almost ten-year. Although a small development could have been experienced by the establishment of North-Hungary representation this year, the regional authorities seem so that the advantages of a representation office are not realized, and they handle more like a costly trend of the EU.

But the representation offices are more about:

- bring to the level of personal contacts the official EU relations;
- make visible the region and its actors;
- are an investment in the future (funding, relations, policy influencing);
- way to decentralization.

IV.3.6. The influence of supranational structural policies

Similar to other Central and Eastern European countries the reason to create regions was

that, to fulfil the requirements of the structural policy of the European Union through the building of a regional level for the absorption of European Union funds.

In the institution building the county level development agencies had a crucial role. These development agencies provided the basic model for the creation of regional development agencies.

These development organizations together with the financial state control institutions became suitable for the allocation of structural funds.

Which occurred as a problem in the further development of the regional administration is that the institutions is able to manage the funds, but today it is a political question whether the regional elected level will be created or not.

It could be experienced today not only in Hungary but in Slovakia and Czech Republic, that the NUTS 2 level organizations as Intermediary Bodies for regional operational programmes could be „frozen” in fund management. The long term, contracted funds are the basis of institutional income, therefore in the institutional strategy the connecting tasks (planning, international activities), could be hindered because of the lack of long-term financing and project basis of these activities. In the lack of these activities, the regions could loose their independent strategy creation ability, their international relations. The danger of that is reflected in the number of employees, which organizations handle these tasks strategic they hold on the number of employees, but others focusing of ROP funds are putting in the back them.

The dissertation is not focusing on the detailed explanation of the regions’ role in fund management, and its financial relations. But the ROP funds are outstanding in the regional financing system, but also there is a danger that these organisations become more closed towards other activities.

An important topic of the financing problem, how the future of the financing of each region will emerge; whether financial issues and especially taxation will be decentralized as a subsidiary resource for the regional allocation system of ROP.

In the lack of that the territorial structure will be only a state-led, implementation body through the fund management of ROPs (see the definition of old regionalism of Keating). It is a question, whether the region will be able to transform to a real regional entity, and fulfil the conditions of new regionalism.

IV.3.7. Growth of regional consciousness

The knowledge on the regional consciousness of each territorial level is important to implement regional reforms. In order to test the attitudes on regional consciousness as a first step a questionnaire analysis was conducted in North Hungary region in February 2008. The aim of the analysis was that to give answer whether the citizens of a medium sized city to which territorial level bound their identity.

The basis of the analysis was not etnoregionalist; the identity connected to geographical units was not tested (although there are many intentions for that). The main idea was that to reveal the connection of identity in Hungary to the territorial units based on European Union NUTS classification. Therefore, the following questions were included into the analysis:

„What do you usually say when you asked where did you come from? Put into order whether you are connected more to your district, city, county or region. Please mark with 1 the most important, mark with 4 the less!”

Historical city districts – Old-Edelény, Borsod, Finke, Császta	
City – Edelény	
County – Borsod-Abaúj-Zemplén	
Region – North-Hungary	

The questionnaires were asked in different districts of Edelény city on the 25-26 February 2008. The city with a population of 10771, which has important industrial past, but today it is one of the depressed regions of North Hungary with a high level of unemployment and economic transformation need.

200 of the inhabitants were asked which a 2% sample with the following data is:

Table 5: The sample of the regional identity research in Edelény			
	Male	Female	Total
Age of 19-34	32	28	60
Age of 35-49	25	24	49
Over the age of 50	40	51	91
Total	97	103	200
<i>Source: Author</i>			

During the filling of the questionnaires it was an important element to fill questionnaires in the once independent historical districts of the city to test the existence of previously independent cities' identity.

Table 6: The number of questionnaires by city districts in the regional identity research in Edelény	
District	Number of questionnaires
Old-Edelény	100
Borsod	49
Finke	49
Császta	2
<i>Source: Author</i>	

Analysing the results of the questionnaire the following average rank values were resulted, which show that the city level has the highest value, which is followed by the county average of 2,192.

Table 7: The average rank values of the regional identity research in Edelény	
Historical city districts – Old-Edelény, Borsod, Finke, Császta	3,143
City – Edelény	1,308
County – Borsod-Abaúj-Zemplén	2,192
Region – North-Hungary	3,242
<i>Source: Author</i>	

If we examine how many marked with the first mark, then the identity connected to the city level is more predominant (147 out of 200 marked for the first the city).

Table 8: Territorial identity level with first rank in Edelény	
Historical city districts – Old-Edelény, Borsod, Finke, Császta	9
City – Edelény	147
County – Borsod-Abaúj-Zemplén	38
Region – North-Hungary	6
<i>Source: Author</i>	

The less important identity level is the regional one. The question arises, how the new regionalism could be implemented if their cultural basis does not exist. Therefore as during the identity creation of West Sweden, the positive, promotion-based identity creation should be fostered, this can help to increase the regional consciousness of inhabitants. It is not focusing on the cultural roots, but it is transferring the regional strategy towards the regional inhabitants in order to build the regional community.

IV.3.8. The influence of cross-border cooperation

Important results were achieved in territorial development in the cross border and interregional cooperation. One of outstanding result is that the creation of the development regions of Romania were based on those cross border cooperation programmes of the Eastern border regions, when these regions transferred their institution building experience, which resulted a more effective Western Romanian institutions than in Eastern Romania. The aim of the chapter is to present the traditional (euroregion) and developing (European Grouping of Territorial Cooperation – EGTC) institutional tools of transnational cooperation. These organisations can overwrite the European territorial structure in parallel with the theory of multi-level governance (MLG), which can ensure the development model based on the new regionalism theory.

IV.3.8.1. The creation and evaluation of euroregions in Central and Eastern Europe

In Western Europe the institutionalized cross-border cooperation is called „euroregion”. The term was used for the first time in the german-dutch border (EUREGIO, 1965). The „euroregion” term is used more frequently in Polish and German areas. The origin is not clear, but especially after the monetary reform of the European Union it is quite

embarrassing (Süli-Zakar 2003a). Although the name of the Carpathian Euroregion, introduced in the article later is, is not correct, but official.

Today the number of euroregions is higher than 60 besides the other type of cross-border cooperation organizations, which covers almost the whole border area of Europe (Czimre 2003).

The euroregions in pragmatic sense the traditional and most effective type of cross-border cooperation organizations, which cover the area of two or more countries, and cooperate by contract in order to develop their cross-border activities (Baranyi 2004). The euroregion term is a geographically determined area, where mutual interregional, cross-border, economic, social, cultural cooperation are established between one or two countries' local and regional governments (Éger 2000).

Perkmann (1998) created groups of cooperation forms by the number of participating regions and their geographic position:

Table 9: The forms of interregional and cross-border cooperation

<i>Geographic feature</i>	<i>Small</i>	<i>Large</i>
<i>Connecting</i>	Cross-border regions (e.g. EUREGIO)	Working groups (e.g. Alpok-Adria Working Group)
<i>Not-connecting</i>	Interregional cooperation (e.g. Europe Four Engines)	High level organizations (e.g. AEBR)

Source: based on Perkmann (1998)

Based on this, Baranyi (2004) determines two types of euroregion models: large regional and small regional models. The first is the large-scale cooperation of NUTS 2 and 3 regions. Opposite to that the small region model (agglomeration model) is based more on microregions and cross-town relations. The territorial relation is handled as the key of success. The first trials in the post-socialist Central and Eastern European countries

especially supported the large region model (Carpathian Euroregion, Duna-Körös-Maros-Tisza Regional Cooperation). But the role of political and symbolic motives were more important, therefore their sustainability was more problematic than on the Western borders (e.g. Alps-Adriatic Working Group established in 1978 - Süli-Zakar 2003c). Besides it the peripherality of the participating regions of CEECs should be also crucial (Süli-Zakar 2003a).

Opposite to this opinion Illés (2002) group the type of cooperation by their mission, who define the cooperation not as cross-border but transnational (similar to that the debate in the European Parliament on the European Grouping of Territorial Cooperation (EGTC), when the cross-border term was replaced by territorial). In the large scale cooperation organizations the European goals are more important, than in small cooperation euroregions the specific problems of border areas are more in the focus. He supports that the management of large euroregions is more problematic, but their mission is different, and they could become more visible on European level for decision makers. Although he stress that through the case of Danube Region that there exists especially high difference between German and Moldavian regions (40 times) or out of the 149 bridges on the Danube 119 is between Austria and Germany. (Illés 2002, p.303-307.)

Based on the experiences the euroregions established later on the Eastern borders were mainly small euroregions focusing on territorial relations. These are the following:

- Kosice-Miskolc Euroregion
- Interregio (Hungary - Szabolcs-Szatmár-Bereg; Romania – Satu Mare; Ukraine – Zakarpatska)
- Hajdú-Bihar – Bihor Euroregion (between NUTS 3 regions)
- Bihar-Bihor Euroregion (between border municipalities)

As one of the indicators of success, these euroregions are not planning to establish EGTC opposite to the Hungarian-Slovakian Ister-Granum Euroregion, which form of territorial organization could be the governance level of cross-border issues.

In the next part two of the euroregions are analysed of the Eastern border regions: the Carpathian Euroregion and the Duna-Körös-Tisza-Maros Euroregion, as a result of Central and Eastern European territorial cooperation in the light of new regionalism theory. Although their success is rather questioned today, but their example is important to show, why the much smaller, for the citizens closer, on citizen problem solution oriented 2 or rather 3 border euroregions will be successful adopting the theory of multi-level governance (MLG).

Carpathian Euroregion

The Carpathian Euroregion, established on the 14th February 1993 was established on bilateral cross-border relations. The political and economic revolution at the beginning of 90s could make it available to implement the institutional cross-border experiences.

The founders were from Hungary Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg, Heves, Hajdú-Bihar counties, Miskolc, Nyíregyháza, Eger and Debrecen municipalities, from Poland Krosno and Przemysl voivodships, from Slovakia the members of Carpathian Union, from Ukraine Zakarpatska oblaszty. Later as an important partner country, Romania joined through Satu Mare and Maramures counties, which made the Carpathian Euroregion Europe's first exclusively CEE euroregion (Süli-Zakar – Turnock 1999). This euroregion has also the longest internal border and largest territory covered (16 million inhabitants, 166.000 km² - Baranyi 2004).

In the development of the Carpathian Euroregion the effective international relation was a crucial factor (Süli-Zakar 2003a). Experts were delegated to the Association of European

Border Regions (AEBR), the work was financed at the beginning by the New York based IEWS institute, it has shared experiences with the Euregio Maas-Rij (EMR), and today the Hungarian Delegate in the EGTC expert group is delegated by the Carpathian Euroregion.

Although today the organization has a low activity after the successful touristic, cultural and education cooperation initiatives. In the lack of its own budget the euroregion can not fulfil its competences; the organization can not develop in line with its strategy. The Western examples of Alps-Adria Working Group or the EMR (Novotny 1998) shows that they have an independent institutional background, which secure the continuous operation based on the membership fee paid by the member regions (Germany – Aachen, Belgium – Liege, Limburg, Netherlands – South-Limburg - Süli-Zakar 2003a).

The Carpathian Euroregion was continuously hindered by the conflicts on national level of the members (see the lack of Romanian counties by establishment, Slovakia under Meciar in 90s). Besides the many borders between the territories of the euroregion the area was separated. Schengen abolished some of the borders, but some of the internal Schengen borders hindered the further development of the euroregion.

Despite all of this, the Carpathian Euroregion was a pioneer, which is the symbol of the multiculturalism and union of the Central and Eastern European Countries. Through the euroregion many Western experiences were transferred and implemented in this peripheral region of Europe. It was later the basis of new euroregions focusing on smaller areas with closer cooperation (see Ung-Tisza-Túr EGTC initiative, town-twinning relations, cross-border duty-free zones and industrial parks – e.g. Záhony). It makes possible the higher level service provision, the activation of cross-border cooperation.

Duna-Kőrös-Maros-Tisza Euroregion

The Duna-Kőrös-Maros-Tisza Regional Cooperation (DKMT) was established in Szeged on 21st November 1997. At the beginning the Hungarian-Romanian-Yugoslavian large-scale border zone was under pressure by the instable Yugoslavian situation. But the founders tried to overlap this difficulty, and its mission was focusing on local cooperation initiatives instead of political goals (Éger 2000). Therefore similar political conflicts such as of Carpathian Euroregion were avoided and in spite of its large scale (77243 km², 6 million inhabitants) it could be presented as an integrated are. Although the conflicts during the decision making process were put on surface (Baranyi 2004).

Velkey (2008) stress the importance of another problem. Parallel to the development of the euroregions crucial regional reforms were implemented in the participating Central and Eastern European countries. It has resulted that some of the competences were transformed from one territorial level to another, and therefore the previously strong role of some members are abolished in cooperation (e.g. from NUTS 3 to NUTS 2 level). There were examples in the operation of the DKMT, especially on the Hungarian side, therefore today only 2 of the 4 founding counties are participating in the cooperation (Csongrád and Bács-Kiskun county).

Jász-Nagykun-Szolnok County's exit was a result of the territorial restructuring. The county became the part of Észak-Alföld Region and therefore the North-East border relations became more strategic instead of the South-West border relations. Opposite to that the exit of Békés County as it became the part of Dél-Alföld Region bordering Romania and Yugoslavia was only a short term political decision in order to get closer to Hajdú-Bihar county of Észak-Alföld Region and its Romanian partner Bihar County. The short term political decisions are not in favour of euroregional cooperation. The political elements could be a danger factors just a sin the case of Carpathian Euroregion.

The reasons of the low activity of DKTM Euroregion could characterize all Central and Eastern European euroregions (Velkey 2008):

- Lack of involvement of civil organizations in cooperation
- Low level of connections with residents and SMEs than it would be necessary
- Too huge organization, too high territory (e.g. Carpathian Euroregion)
- Different competences, functions, reforms of cooperating organizations, which are dependent on central governments
- Competition of municipalities for development resources and territorial roles in the unstructured CEEC municipality hierarchy (in the DKTM 4 airports are developed parallel)

The DKTM see the solution just as other organizations in Western Europe for the success of euroregions: integrated development of suburban areas including cross-border areas; labour attractiveness and SME networks; investments. These are those economic factors which led to the development of cross-border areas even they are bilateral contacts, euregions or EGTC. The most crucial element is to improve accessibility in these areas which can abolish the peripherality of these border municipalities, counties, regions.

In order to strengthen the common voice of euroregions in the CEEs, the Consultative Council of the Euroregions of the Visegrad Countries was established on 6th May 2004 (Kaiser 2006). According to the foundation document, the main task of the participating 16 Euroregions is to develop a network-based but institutionalized forum, bringing about a peak association on behalf of V4 regions and municipalities. The Vág-Danube-Ipoly Euroregion has initiated this Council and took the secretariat. Among the 16 members only 5 are members of the AEBR. To fill this gap this Council could act as a regional pressure group, making the Euroregion phenomena into a generally accepted institutional form.

IV.3.8.2. The introduction of the European Grouping of Territorial Cooperation

It is a major development in the institution building of the European territorial cooperation the European Grouping of Territorial Cooperation (EGTC) after the adoption of the

European Parliament and Council 1082/2006/EC Directive of 5 July 2006.

As a result of the process a legal framework has been established, which make it possible the creation of a legal entity, which is not only an organization for implementing projects, but also an opportunity to take part in allocation funds. This was strengthened by the European Parliament and Council 1080/2006/EC Directive of 5 July 2006 on European Regional Development Fund and the elimination of 1783/1999/EC Directive:

„Article 18 – The European Grouping of Territorial Cooperation: Member States participating in an operational programme under the European territorial cooperation objective may make use of the European grouping of territorial cooperation under Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC) with a view to making that grouping responsible for managing the operational programme by conferring on it the responsibilities of the managing authority and of the joint technical secretariat. In this context, each Member State shall continue to assume financial responsibility.”

The adoption of the Directive was not easy, as the Treaty do not provide clear basis for the adoption of such a directive. Finally the European Community had a single initiative based on the Treaty of the European Community Article 159 Paragraph 3 in order to reach the goal of territorial cohesion of Article 158, established the European Grouping of Territorial Cooperation.

The regulation of EGTC was influenced by other initiatives and directives. In the 1950s local initiatives were launched, and in the 1970s a broad need emerged for cross border cooperation. In 1971 the Association of European Border Regions (AEBR) was established, which its first conference in 1972 had hosted by the Council of Europe, which organisation was working actively on the establishment of the legal background. The legal basis includes 4 basic sources:

1) Bilateral state agreements on neighbourhood issues – There are more examples which had many experiences for the need to have a common European regulation in order to develop further the territorial cooperation. The German-Dutch agreement on cross border cooperation (Isselburg-Anholt Treaty of 1991, adopted in 1993) or the BENELUX Treaty of 1989 are two examples for that. It gave the opportunity to the local governments in Belgium, the Netherlands and Luxemburg to manage the cross border cooperation through new legal framework. There were two legal construct: establishment of a public body based on the Dutch inter-municipality coordination rules or public administration contract without legal entity. (INTERACT 2008a)

2) The law of the Council of Europe – The Madrid Outline Convention (1980) and its connecting protocols (1995, 1998) – The Madrid Outline Convention (European Outline Convention on Transfrontier Cooperation between Territorial Communities or Authorities) was opened for the member states of the Council of Europe on 21 May 1980. This was the first convention on European territorial cooperation, although it was limited on cross border cooperation. Two modifications were adopted later (November 1995 and May 1998). The second protocol of 1998 broadened the concept for inter-territorial cooperation, not limited to neighbourhood requirement. The third protocol currently under preparation could be competitor especially on the level of national legislation of the similar EGTC Directive (see the detailed study of Hegedűs - 2008a; 2008b).

3) Bilateral or multilateral framework of members – The Mainz Treaty of 1996 is an outstanding example of general cross border cooperation agreements. This is an agreement without member states between regions and lands of Germany and Belgium with the participation of North-Rhein Westphalie (Germany), Rheinland-Pfalz (Germany), the German Speaking Belgian Community and Wallonie (Belgium).

4) Elements and sources of community legislation on cross border cooperation

(INTERREG) – The INTERREG programme as a community initiative was focusing on ensuring financial resources. Becoming single priority in the programming period of 2007-13 its importance became higher, and a governmental tool was necessary. Therefore the success of the INTERREG was the practical basis of EGTC. The EGTC regulation reflects the 3 pillars (territorial orientation) of INTERREG programme, therefore its establishment is possible even in interregional cooperation without common borders.

A special business pre-organization of EGTC: the European Economic Interest Grouping (EEIG)

The Commission made a proposal in 1973 to provide opportunity for the creation of European Economic Interest Grouping (EEIG) based on the Community Law. The original proposal of the Commission was oriented to create European Cooperation Grouping³. This proposal was based on the following: "to bring about this single market and to increase its unity a legal framework which facilitates the adaptation of their activities to the economic conditions of the Community should be created for natural persons, companies, firms and other legal bodies in particular; ... to that end it is necessary that those natural persons, companies, firms and other legal bodies should be able to cooperate effectively across frontiers;" (Council Regulation (EEC) No 2137/85 of 25 July 1985 on the European Economic Interest Grouping (EEIG), OJ L 199, 31.7.1985, p. 1.)

Although the EEIG is purely economic and not the most proper tool for cross border cooperation, many successful pilot projects were completed.

- La Thuile - La Rosière "Sud Mont-Blanc" EEIG – joint management of ski territories,
- Bayonne-San Sebastian Eurocity EEIG – cross border agency,
- Euroregion EEIG – for the cooperation of the regions of Brussels, Flandria, Kent, Wallonie and Nord-Pas de Calais,
- TRIURBIR EEIG – cooperation of the cities of Castelo Branco (Portugal), Caceres

³ COM(1973) 2046 final of 21 December 1973

and Plasencia (Spain)

The main features of EGTC

The main features of an EGTC are its members, activities and the applied legislation because of its European regulation. The definition of EGTC is based on them.

A) Definition features (based on CoR 2007)

- It is necessary to have a cross border feature and the participation at least 2 member states – it should be clarified based on the study of Hegedűs (2007), that during the adoption in the European Parliament the most important modification was in the title, when instead of the Council proposal European Grouping of Cross-border Cooperation the „cross-border” was replaced by „territorial” to adjust to INTERREG programme’s A, B and C components in order to have a legal construct which could be used for cross border, transnational and interregional cooperation .
- The EGTC is a legal entity under the Community Law, which could be implemented in the national private or public law
- It has the broadest legal possibilities after the national law
- The EGTC should be regulated by agreement or statute
- The EGTC has one registered location
- In order to express its will the EGTC should have two bodies – assembly and director, but besides any other bodies could be established
- It should have an annual budget

B) Membership

The possible members of an EGTC could be grouped into 3 categories:

- 1) EU member states;
- 2) Local and regional organization – their participation is based on national legislation;
- 3) Other members, bodies, which are mostly run by public funds and the associations

of the previously listed organizations.

C) Activities

The EGTC is usually managing the following activities:

- Managing the Structural Funds;
- Establishment of strategic cooperation;
- If possible operation of cooperation project.

The above activities of EGTC are connected to the European Territorial Cooperation as the Priority 3 of structural policy. But it could be also suitable for the implementation of other community policies and also for territorial cooperation activities without EU funds.

Further it could be a tool towards the new European government, connecting to the multi-level governance principle it could be a governance tool for more countries adjusting to the priorities of White Paper on European Governance (COM (2001) 428 final of 25 July 2001, OJ C 287).

(D) Applicable law

The national law has an important role in the creation of EGTC in contrary to the community legislation. The implementation in national legislation could result different results in the member states, which could result a sort of competition between the countries involved in cooperation. On the legal problems of the European directive and national legislation Hegedűs (2007) has a detailed study. In Hungary as a result of a probably too fast implementation the national legislation was adopted by the Law 2007/99 taking into force from 1 August 2007.

Although this process is not so rapid in the EU. Today (October 2008) only 13 member states adopted the legislation although the deadline was 1 August 2007 (adopted by Bulgaria, Denmark, Estonia, France, Greece, Hungary, Lithuania, Portugal, Romania, Slovenia, Slovakia, Spain, UK – CoR 2008, Interact 2008b). Therefore the Expert Group of

the Committee of the Regions (CoR) is more strongly asking the Commission to oblige the Member States to fulfil their legal obligations, except the federal states of Austria, Belgium and Germany, where the length of the process is natural. Through that they would like to ensure the opportunity to establish an EGTC as many process of the establishment of the EGTC is hindered by the slow implementation in any of the countries involved.

Therefore there is not any registered EGTC in the EU, although theoretically it would be possible since 1 August 2007. The lack of national legislations could provide a special glory for the cross border area of Hungary and Slovakia, where the registration of Ister-Granum EGTC is in process. Although it is registered only as a second application after the EGTC Kortrijk-Lille, but the lack of the Belgian legislation could result the sooner registration of Ister-Granum EGTC.

V. Conclusion

The dissertation aimed which are the possibilities to adapt the new regionalism in practice on the basis of regional administration model, the Swedish experiences.

As an important element it was focusing on the heterogeneity of Central and Eastern Europe which need separate development paths of regions. As a major condition the elimination of the dependence from central government would be necessary jointly with the tasks and financial resources.

Furthermore it is necessary for the regions to have an identity which distinguish them on the stage of European regions.

This analysis, building on that knowledge base, which was accumulated in Sweden during the regional pilot projects, also shows an administration model selection method, although that is not the main goal of the dissertation. The main basis of the regional pilots is the highest respect of local interests. Although the final solution, which has been reached after almost 10 years, will need the support of state will and power, but this political decision will be done on such a defensible experience, which could make successful the whole Swedish regionalization process.

Through the analysis of political decisions it was aimed to present the political decision process of reforms although the new regionalism is more about regional management, economic efficiency, and competitiveness. Until this political compromise could not be reached any of the forerunning regional administration model could not have a chance to put into practice.

The hypotheses were validated. Based on the Hypothesis 1: „In the new space of the European Union such polycentric system is created, in which the core areas and the peripheries are not converging to each other, but rather they converge to their own

development trends.” Two main results of the statistical data analysis should be highlighted. The cluster analysis revealed that there are such clusters in the regions of the 10 Central and Eastern European countries which are on a different development path. The „Globally important capital”, the „European capital”, the „Dead East” and the „Classical CEEC region” are well characterized regional groups in Central and Eastern Europe. It validates our hypothesis, that the many times homogenously handled Central and Eastern Europe has more levels of development.

The Crosstab analysis shows perfectly that the central government has a crucial role in the development of a region. It would be necessary to strengthen the independence of the regional institutions from the central government and to use the endogenous resources of regions instead of the national redistribution policies.

Based on the Hypothesis 2 of the dissertation: „A regional administration model should exist, which major aim is not to converge regions, but to have a successful regional development.” The regional administration model is based on the regional processes of the Swedish unitary state, in the theory of new regionalism. During that such features were examined in Sweden and in the country of applicability of Hungary, which has determined the theory of new regionalism. The global and supranational effects, the lobby power, the regional identity, the cross border cooperation are such features which determine the effective use of endogenous resources.

The analysis of the Swedish regional pilot projects was about the implementation of new regionalism factors and on the restructuring of the national distribution policy to an endogenous regional development. It is a good example for all the countries of Central and Eastern European countries how to move from regionalization to regionalism. Similar to the example giving country of Sweden all of them try to open up the redistribution oriented policy as a result of supranational effects. This openness is characterized by para-diplomacy and cross-border activities. The regions of open borders are facing new challenges and new institutional capacities are necessary. The redistribution oriented institutional capacity

should be complemented by a staff with diplomatic, investment and management skills, who could be able to direct regional institutions with a higher level of autonomy.

Based on the experiences of Swedish model and the principles of new regionalism, the theoretical administration model was defined as follows: „such a region, which has an elected board, have a large geographical spread, optimal in size for regional service infrastructures, has a fiscal autonomy through having regional tax income and prepared for allocating EU funds.”

Hungary is a good example of Central and Eastern Europe, which are the lagging and successful elements in this process and which determine the adaptability of this regional administration model.

Analyzing the adaptability the lack of independence of financial resources is a crucial problem of the structure. Without the creation of taxation basis it is hard to imagine building a region on the principles of new regionalism. The financial dependence is a feature of national regional administration; it does not allow the identity creation, the para-diplomatic activities, and the independent **global role**.

The institutional capacities for **supranational policies** are created. This developed structure is more a threat than an advantage for a more developed regional institution, based on new regionalism paradigm. It is not possible to be satisfied with the current regional setting able to allocate structural funds, but it is important to follow on the route of regional institution building.

The establishment of European **lobby power** is improving. The further development of institutional capacity and the use in all the Hungarian regions could be a vital element in regional interest representation towards the central government and the European institutions. Through representation offices in Brussels it is necessary to use Western European experiences. Furthermore it is vital to have coordination between regions, central government and Committee of the Regions members to have a synergy between regional

interest representation organs.

It is hard to find historical basis for **identity creation**. Therefore it is necessary to have such identity creating events and marketing campaigns involving social actors, which could strengthen the regional consciousness. For that it is necessary to implement such management methods, which could help the acceptance of the merely 10 years old regional level by modern PR, marketing and brand-image tools.

In case of **cross-border activities** it should be accepted that the inside and outside borders of the EU are opened, and the services should be available. To reach that it is necessary to have strong cross-border institutions, and for supporting project initiatives the legal institutions of multi-level governance should be established. Based on the experiences of euroregions the legal institutions of European Grouping of Territorial Cooperation should be established, in order to serve local needs. In this respect the border regions should take a high responsibility to facilitate the creation of such EGTC institutions. Using their management experience they can assist in the proper creation of these new instruments taking in consideration spatial structure of the participating countries.

That regional administrative model, which was defined on the experiences of the Swedish model, is not used in Central and Eastern Europe and in Hungary. Further steps are needed to have the basis for an endogenous regional development. Many useful experiences were gathered in the last years, and especially in the adaptation process of supranational policies the regional structure had real success. But it should be avoided not to put light for other factors in the shadow of the successful structural funding institution building.

Without a clear financial perspective, international role and identity of regions we can not really talk about a regional level. The implementation of the planning and statistical regions and the regional agencies responsible for structural fund allocation does not give automatically the acceptance of regional level in the society. It has other conditions, and as a major basis an elected regional level is necessary as the pilot projects presented in Sweden. In this way the citizens could more easily approve the new regional level.

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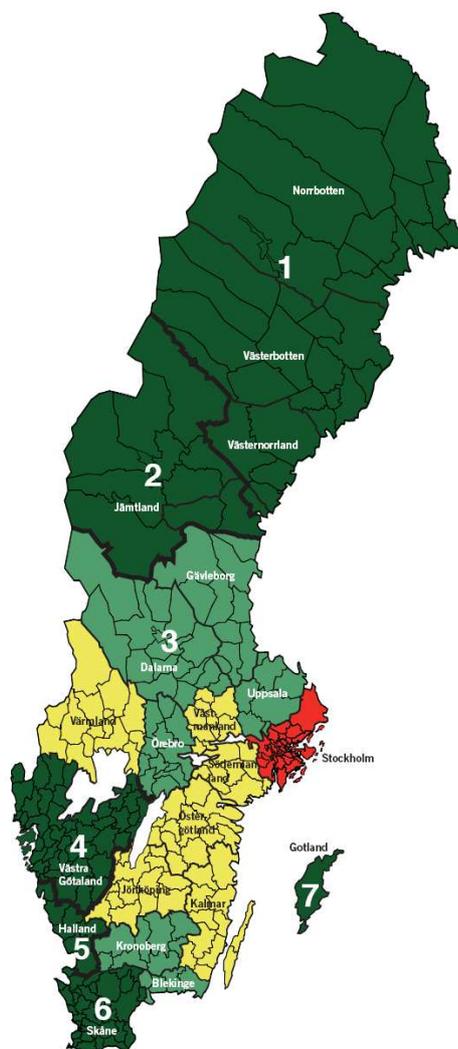
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18. Balogh Zoltán: Analyzing territorial tax regulation and practice in Hungary in regional development perspective. State, Economy and Society Conference. Krakow, 25-27th May 2008.
19. Balogh Zoltán: Globalization as a Factor of New Regionalism. International Conference. Uzghorod, 23rd November 2007. – Published: Scientific Herald (2008)
20. Balogh Zoltán: Adaptation of „twin peaks model” for Central and Eastern European New Member States. Shaping EU Regional Policies: Economic, Social and Political Pressures, Regional Studies Association International Conference, Leuven, 8-9th June 2006.
21. Balogh Zoltán: Spatial structures of organizations in the IT age. 2nd International Conference on Economics and Management of Networks (EMNET), Corvinus University of Budapest, Budapest, 15-17th September 2005.
22. Balogh Zoltán: New Regionalism Factors Influencing Municipal Network Organizations. Local Authority Planning in Change, Ultuna-Uppsala, 18-20th August 2005.
23. Balogh Zoltán: The Role of Microregions in the Reforms of Municipality System in Hungary. The Challenges of Localism. Regional Studies Association Annual Conference, London, 29th November 2004. – Published: Balogh Zoltán (2004): The Role of Microregions in the Reforms of Municipality System in Hungary. In: The Challenges of Localism. Conference Proceedings of the Regional Studies Association Annual Conference November 2004. Regional Studies Association, 2004. pp. 38-41. ISBN 1 897721 26 9
24. Balogh Zoltán: The EU Compatibility and the Practice of the Hungarian Statistical System. 24th Biennial Conference on Regional and Urban Statistics

- (SCORUS), Minnesota Population Center, University of Minnesota, Minneapolis, 19-21th May 2004.
25. Balogh Zoltán: Implementation of New Regionalism in the CEECs. The Transformation of Regional Institutions before EU Accession. The 2nd International Symposium Economics and Management of Transformation, Timisoara, 7-8th May 2004.
 26. Balogh Zoltán: New Regionalism in the Peripheral regions of the CEECs. Europe at the Margins: EU Regional Policy, Peripherality and Rurality, Regional Studies Association International Conference, Angers, 15-16th April 2004.
 27. Balogh Zoltán: Implementation of New Regionalism in the CEECs. The Eighth International Research Symposium on Public Management (IRSPM), Budapest University of Economic Sciences and Public Administration, 31th March-2nd April 2004.
 28. Balogh Zoltán: Regions of a New Europe. The Enlargement and the Political and Economic Future of the European Union, Instituto de Estudios Europeos, Madrid, 24-26th March 2004.
 29. Balogh Zoltán: The New Regionalism in the Central and Eastern European Countries. Regional Productivity Forum Seminar, Regional Studies Association, London, 15th January 2004.

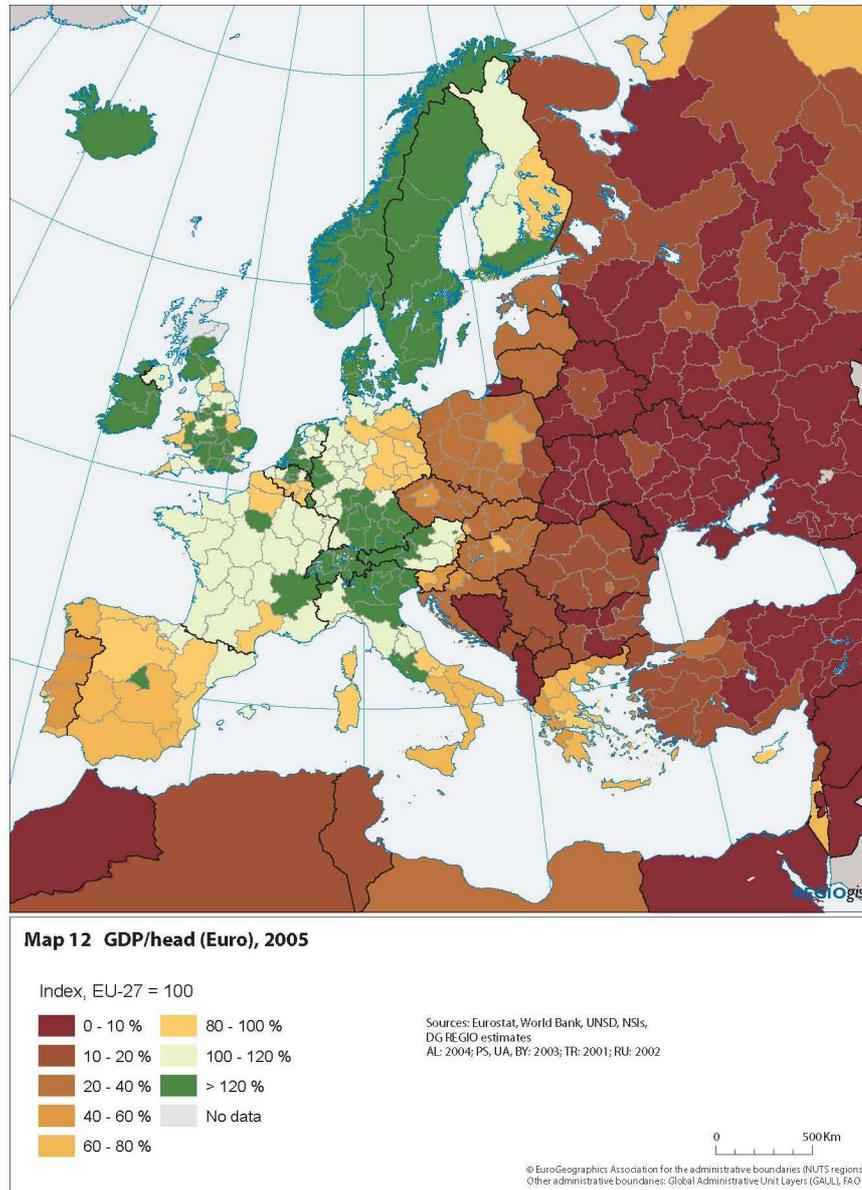
Annexes

Annex 1: Territorial delimitation of Sweden based on the Björklund report



Source: Regeringskansliet (2008 p.15)

Annex 2: Development level of Central and Eastern Europe in Europe



Source: EC (2008): Green Paper on Territorial Cohesion Turning territorial diversity into strength. Working document, Annex, p.22.

Annex 3: Data of statistical analysis

No.	Name of the region	Country	Population (2001)		GDP		Employment (2002)					
			Population (thousand)	Population density (head/km ²)	GDP growth (1995-2001)	GDP of EU25 average (2001)	Agriculture (%)	Industry (%)	Service sector (%)	Employment ratio (%)	Female employment ratio (%)	Male employment ratio (%)
	<i>Regionev</i>	<i>Ország</i>	<i>lakosság</i>	<i>Laksur</i>	<i>gdpnov</i>	<i>gdpeu25</i>	<i>empagric</i>	<i>empindus</i>	<i>empservi</i>	<i>emptotal</i>	<i>empfem</i>	<i>empmale</i>
1	Severozapadjen	Bulgaria	535	50,5	-0,2	26	12,5	34,6	52,9	43,7	42,2	45,1
2	Severen Tsentralen	Bulgaria	1201	67	0,2	24,6	10	37,2	52,9	49,3	46,5	52,1
3	Severoiztochen	Bulgaria	1309	65,5	0	24,9	15,1	27,6	57,3	47,7	43,3	52,2
4	Yugozapaden	Bulgaria	2097	103,4	1	39,9	3,3	31,4	65,2	56,4	53,9	58,9
5	Yuzhen Tsentralen	Bulgaria	1975	71,8	-1,7	23,8	12,3	35	52,7	49,9	47,5	52,4
6	Yugoiztochen	Bulgaria	796	54,4	0	24,3	11,4	31,6	57	47,4	42	52,9
7	Praha	Czech Republic	1164	2348,1	4,4	148,7	0,5	21,3	78,2	72	65,8	78,5
8	Støední Èechy	Czech Republic	1124	102	3	54,9	5,1	38,9	56	68,6	58,1	79
9	Jihozápad	Czech Republic	1175	66,7	0,9	60,5	8,1	41,6	50,3	68	59,5	76,5
10	Severozápad	Czech Republic	1124	129,9	-1,2	52,6	3,6	41,4	55	62,4	53,8	70,9
11	Severovýchod	Czech Republic	1486	119,5	1	55,7	5	46,3	48,8	67	57,9	76,1
12	Jihovýchod	Czech Republic	1645	117,6	1,3	58,6	7,5	40,2	52,3	64,7	56,2	73,1
13	Støední Morava	Czech Republic	1233	135,5	0,4	52,8	5	46,3	48,6	63,2	54,8	71,7
14	Moravskoslezsko	Czech Republic	1268	228,4	-0,7	55,5	2,8	43,9	53,3	59,2	51,2	67,1
15	Eesti	Estonia	1367	30,2	5,2	42,3	7	31,3	61,7	62	57,9	66,5
16	Közép-Magyarország	Hungary	2830	409,1	5,2	89,2	1,8	26,3	71,9	61,3	54,6	68,8
17	Közép-Dunántúl	Hungary	1121	99,5	4,6	52,7	5,7	44,6	49,6	60,6	54	67,3
18	Nyugat-Dunántúl	Hungary	1003	89,7	4,3	58,8	5,5	42	52,5	64,1	56,5	71,5
19	Dél-Dunántúl	Hungary	996	70,3	2,6	42,5	9,8	33,8	56,3	51,9	46,1	58
20	Észak-Magyarország	Hungary	1300	96,8	2,3	37	4,3	39,9	55,8	50,1	44,3	56,1
21	Észak-Alföld	Hungary	1561	87,9	3	37,5	7,5	33,8	58,8	49,5	42,8	56,2
22	Dél-Alföld	Hungary	1377	75,2	1,6	40,5	14,2	33	52,8	54,7	47,5	62,1

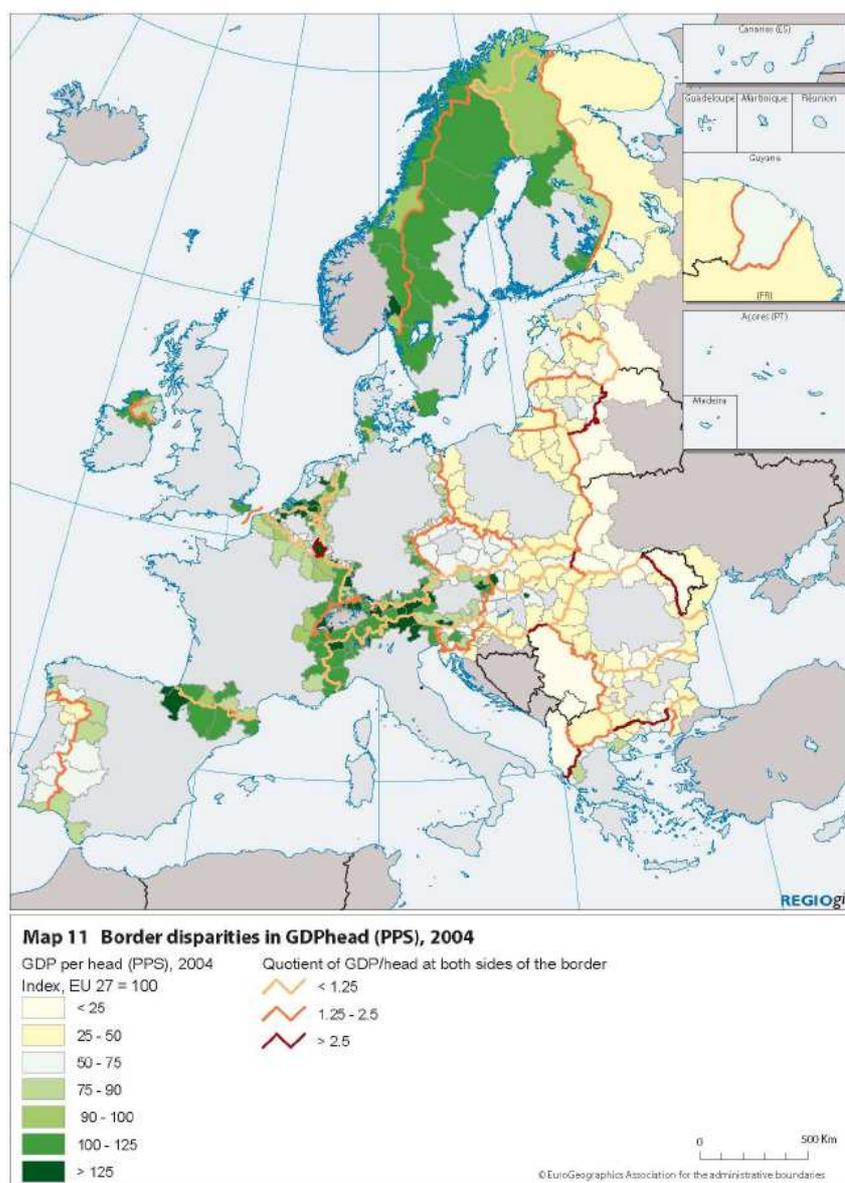
23	Lietuva	Lithuania	3481	53,3	5,1	40,8	17,9	27,5	54,6	59,9	57,2	62,7
24	Latvija	Latvia	2355	36,5	5,7	36,6	15,3	25,8	58,9	60,4	56,8	64,3
25	Dolnoslaskie	Poland	2971	148,9	5,8	45,6	9,5	32,4	58,2	47,6	43,9	51,4
26	Kujawsko-Pomorskie	Poland	2100	116,9	4,7	40,6	19,1	29,4	51,4	50,6	45	56,3
27	Lubelskie	Poland	2230	88,8	4,5	31,4	39,4	18,1	42,5	56,1	51,6	60,7
28	Lubuskie	Poland	1024	73,2	4,7	39,9	10,2	31,3	58,5	45,9	41,4	50,5
29	Lódzkie	Poland	2638	144,8	5,8	40,5	19,8	30,6	49,7	52,8	47,8	58,1
30	Malopolskie	Poland	3238	213,8	6,2	38,8	23,7	27	49,3	54,6	50,2	59,3
31	Mazowieckie	Poland	5075	142,6	10,4	69,9	20,4	21,6	58	57,1	52,9	61,4
32	Opolskie	Poland	1083	115,1	2,7	36,4	18,5	32,9	48,7	50,3	44,3	56,5
33	Podkarpackie	Poland	2130	118,8	5,1	32	30,8	28,2	41,1	53,2	47,9	58,3
34	Podlaskie	Poland	1221	60,5	6,3	34	36,5	18,6	45	54,8	50	59,6
35	Pomorskie	Poland	2202	120,4	6,5	44,6	9,5	31,1	59,4	50,2	42,9	57,9
36	Slaskie	Poland	4840	393,7	3,9	49	4,1	39,5	56,4	46,9	40,1	54
37	Świętokrzyskie	Poland	1321	113,2	5,5	34,3	31	24,9	44,2	50,3	45,6	55
38	Warmińsko-Mazurskie	Poland	1469	60,7	4,8	32,5	17,9	28,1	54	46	40,9	51
39	Wielkopolskie	Poland	3363	112,8	7,8	47,6	20,3	32,7	47	52,9	46	59,9
40	Zachodniopomorskie	Poland	1735	75,8	5,8	44,5	8,3	29,6	62,2	45,8	41,2	50,7
41	Nord-Est	Romania	3836	104,1	-1,8	18,9	51,3	23,6	25,1	59,1	55,3	62,9
42	Sud-Est	Romania	2935	82,1	-2	23,4	38,1	26,1	35,9	54,7	46,3	63,4
43	Sud	Romania	3463	100,5	-2,3	22,6	44,3	28	27,7	57,9	51	65
44	Sud-Vest	Romania	2397	82	-1,6	23,7	51,3	23,2	25,5	61,3	56,4	66,2
45	Vest	Romania	2032	63,4	-0,4	29	27,9	34,7	37,4	57,5	50,5	64,8
46	Nord-Vest	Romania	2839	83,1	-1,2	23,7	34,2	32,3	33,5	57,8	53,2	62,4
47	Centru	Romania	2640	77,4	-2	25,8	26,1	41,1	32,8	55,8	50,5	61,2
48	București	Romania	2269	1245,7	7,4	57,3	2,7	35	62,4	56,9	51	63,4
49	Slovenija	Slovenia	1992	98,3	5,1	74,4	9,2	38,7	52,1	63,4	58,6	68,2
50	Bratislavský	Slovakia	602	293	5,7	111,7	2,3	23,1	74,7	67,2	62,7	72,1
51	Západné Slovensko	Slovakia	1878	125,3	3,4	44,9	7,3	42,4	50,3	57,2	51,6	62,9
52	Stredné Slovensko	Slovakia	1360	83,7	3,2	40,5	6,5	40,7	52,8	55,4	50	60,8
53	Východné Slovensko	Slovakia	1564	99,3	3,5	37,3	6,5	39,4	54,1	53,2	47,4	59,2

No.	Name of the region	Country	Unemployment rate (2002)				Education (2002)		
			Unemployment rate	Long-term unemployment rate	Female unemployment rate	Youth unemployment rate	Primary	Secondary	Higher
	<i>Regionev</i>	<i>Orszag</i>	<i>unem</i>	<i>Unemlong</i>	<i>unemfem</i>	<i>Unemyoun</i>	<i>educlow</i>	<i>educmed</i>	<i>educhigh</i>
1	Severozapadjen	<i>Bulgaria</i>	26,9	77,8	25,3	53,6	29,3	54,2	16,5
2	Severen Tsentralen	<i>Bulgaria</i>	18,1	62,1	16,9	36,5	25,7	53,4	20,8
3	Severoiztochen	<i>Bulgaria</i>	22,3	63,2	22,6	40	37,6	45,1	17,3
4	Yugozapaden	<i>Bulgaria</i>	13,3	65,2	12,4	28,3	18	52,5	29,5
5	Yuzhen Tsentralen	<i>Bulgaria</i>	17,2	67,1	15,7	38,5	32,7	49,5	17,8
6	Yugoiztochen	<i>Bulgaria</i>	22,3	65,8	23	44,8	33,3	49,5	17,2
7	Praha	<i>Czech Republic</i>	3,6	28,1	4,5	9,4	4,4	68,4	27,1
8	Støední Èechy	<i>Czech Republic</i>	5	45,1	7,4	8,5	13,7	77,8	8,5
9	Jihozápad	<i>Czech Republic</i>	4,9	44,1	5,9	8,9	12,1	77,1	10,7
10	Severozápad	<i>Czech Republic</i>	11,4	58,5	13,3	26,2	17,5	75,3	7,2
11	Severovýchod	<i>Czech Republic</i>	5,4	43,3	7,1	13	11,9	78,7	9,3
12	Jihovýchod	<i>Czech Republic</i>	6,8	47,1	7,9	17	11,1	76	12,9
13	Støední Morava	<i>Czech Republic</i>	8,8	51,1	10,8	21,4	13,1	77,4	9,5
14	Moravskoslezsko	<i>Czech Republic</i>	13,4	58,8	16,3	29,1	13,5	76,8	9,7
15	Eesti	<i>Estonia</i>	10,3	52,4	9,7	17,6	12,4	57,1	30,5
16	Közép-Magyarország	<i>Hungary</i>	4	51,1	3,9	8,8	20,7	57,8	21,5
17	Közép-Dunántúl	<i>Hungary</i>	5	39,6	4,7	10,3	28,9	59,2	12
18	Nyugat-Dunántúl	<i>Hungary</i>	4,1	38,6	4,2	8,8	26,9	60,8	12,2
19	Dél-Dunántúl	<i>Hungary</i>	7,9	44,9	7,1	15,9	32,7	56,5	10,8
20	Észak-Magyarország	<i>Hungary</i>	8,9	45,9	7,6	19,4	32,4	56,3	11,3
21	Észak-Alföld	<i>Hungary</i>	7,9	42,2	7	14,9	34,3	54,2	11,5
22	Dél-Alföld	<i>Hungary</i>	6,3	35,5	6,5	13,9	32,4	57	10,5
23	Lietuva	<i>Lithuania</i>	13,7	53,5	12,9	23	15,1	40,1	44,8

24	Latvija	Latvia	12,1	45,3	11	20,8	17,8	63	19,3
25	Dolnoslaskie	Poland	26,1	52,7	25,6	50,2	17,8	69,6	12,6
26	Kujawsko-Pomorskie	Poland	21,5	53,3	22	43,2	19,8	69,8	10,4
27	Lubelskie	Poland	16,6	46,7	16,5	37,8	22,4	63,9	13,8
28	Lubuskie	Poland	26,3	47,7	26,7	50,1	16,7	72,7	10,5
29	Lódzkie	Poland	20,3	62,5	21,4	42,1	23	64	13
30	Malopolskie	Poland	16,2	58,6	16,5	37,5	16,8	69,2	14
31	Mazowieckie	Poland	17	56	17,5	36,9	18,2	65,2	16,6
32	Opolskie	Poland	19,7	53	21	45,3	19	69,3	11,7
33	Podkarpackie	Poland	18,2	67,5	19,2	45,7	20	68,8	11,1
34	Podlaskie	Poland	16,8	58	17,1	37,9	23,9	62,4	13,6
35	Pomorskie	Poland	21,5	39,5	23,7	45,1	19,4	67,5	13,1
36	Slaskie	Poland	20,1	62,3	23,2	42	15	74,4	10,6
37	Świętokrzyskie	Poland	18,8	53,9	19,4	48,7	20,2	67,1	12,6
38	Warmińsko-Mazurskie	Poland	25,9	59,2	27,7	52,2	25,9	63,2	10,9
39	Wielkopolskie	Poland	18,2	45,3	20,2	38	17,9	71,5	10,6
40	Zachodniopomorskie	Poland	26	52,7	26,3	54,6	20,7	68	11,3
41	Nord-Est	Romania	7,8	50,8	7,1	19,6	32,8	60,2	7
42	Sud-Est	Romania	10,6	52,8	11,2	26,7	32,2	58,5	9,3
43	Sud	Romania	9,8	53,4	9,1	29,8	31,1	61,8	7,1
44	Sud-Vest	Romania	6,7	55,6	6,2	22,4	27,5	64	8,5
45	Vest	Romania	7,2	51,5	6,8	18,6	28,7	60,8	10,5
46	Nord-Vest	Romania	7,6	55,2	6,6	19,4	31,7	58,9	9,4
47	Centru	Romania	8,4	53,7	7	22,8	26,5	65,6	7,9
48	Bucuresti	Romania	8,8	61,3	7,3	26,1	16,9	60,9	22,1
49	Slovenija	Slovenia	6,3	55,6	6,8	16,5	23	61,8	15,3
50	Bratislavský	Slovakia	8,7	53,3	9,2	18,4	9,1	66,6	24,3
51	Západné Slovensko	Slovakia	17,5	69,8	18,1	35,5	15,5	76	8,5
52	Stredné Slovensko	Slovakia	21,4	61,9	21,3	40,6	15,2	75,2	9,7
53	Východné Slovensko	Slovakia	22,2	65,7	21,7	44,4	13,2	77,6	9,2

Source: European Union Third Economic and Social Cohesion Report (February 2004)

Annex 4: Cross border regions and their border disparities



Source: EC (2008): *Green Paper on Territorial Cohesion Turning territorial diversity into strength. Working document, Annex, p.21.*