



**Political Sciences
Doctorate School**

THESIS COLLECTION

Schneider Gábor

**The analysis of competitiveness of Central European capital city regions –
How can be strengthened the competitiveness of Central Hungarian Region**

Ph.D. work

Consultant:

Ágh Attila, DSc
professor

Budapest, August 2009.

Political Sciences Doctorate School

THESIS COLLECTION

Schneider Gábor

**The analysis of competitiveness of Central European capital city regions –
How can be strengthened the competitiveness of Central Hungarian Region**

Ph.D. work

Consultant:

Ágh Attila, DSc
professor

© Schneider Gábor

Table of Contents

1. Background and relevance of the research.....	4
1.1 Background	4
1.2 Relevance of the topic	4
2. Conceptual framework	8
3. The results of my dissertation	13
3.1 The connection between regional characteristics and the operation of the region.....	13
3.2 Analysis of transregional co-operations and participation in international networks	16
3.3 The results of regional governance in the different capital city regions	18
4. Conclusions and recommendations	23
5. Main references	25
6. Own publications in the relevance of the topic	28

1. Background and relevance of the research

1.1 Background

My experiences from the IDEA Scientific Body and the “Hungarian Academy of Sciences – Prime Minister's Office – Strategic research Hungary 2015” formed the background of my research. Afterwards, numerous workshop discussions, conferences and other research have widened my intellectual horizon. As a scholarship holder of the Bosch Foundation, I have studied the forming of metropolitan regions between 2006 and 2007, gaining experience from the regions of multiple countries and participating in the European Metropolitan Region of Munich project. I am currently a member of a Hungarian Scientific Research Fund (OTKA) research team that studies the competitiveness of Hungarian regions, mostly from the aspect of multi-level governance. I am a founding member of the Local & Regional Monitoring Institute that studies a wide range of local and regional processes. Regions and development policy not only appear in my theoretical research, but in my practical work as well. I am responsible for the experted communication of regional development since July 2007, currently holding a position of civil servant at the Ministry for National Development and Economy. In the course of my work I have established regular co-operation with the prominent members of Hungarian regional development, which meant a great deal of practical help with methodology issues and analyses.

1.2 Relevance of the topic

Well before the onset of the present economic crisis, several Hungarian researchers warned that the closing up of the Central Hungarian Region¹ to the European and international “elite” has come to a halt, the region cannot become a pivotal player of Central Europe. (Ágh [2005]; Barta [2005] and Forman [2005] etc.). The region is poised for considerable development possibilities, but these remain elusive for the moment. The heartening plans and conceptions of past decades concerning the profile and specialization of the region have all faded away or remained on the drawing table. The results of my research were intended to be used to improve the long term competitiveness of the CHR with the analysis of existing results and opportunities.

I have analyzed the concept of regional competitiveness in a complex manner by comparing Central European capital city regions (the regions of Vienna, Central Hungary, Bratislava,

¹ The Central Hungarian Region is also referred to as Central Region or CHR.

Prague and the Mazovian voivodeship). My analysis – for the sake of comparability – is based on the NUTS2 system in all five regions.

In my dissertation I have used region and regional competitiveness as a basis to derive all concepts from. Thus I have demonstrated how differently the professional literature handles the concept of region, depending on whether the scope of the analysis is geographical (Hrbek and Weyand [1994]; Nemes-Nagy [2003]), based on functions (Szegevári [2003]), or aspects of administration and handling tasks (Beluszky – Györi [2004] és Enyedi [2003]), etc. In my analysis I have used the approach of Ilona Kovács Pálné – aiming at the role of the region in the public administration system – as a relevant point of view. (Pálné Kovács [2000]). Concerning regional competitiveness, I have emphasized that the concept – although basically derived from economic sciences – is soft (Vigvári [2006]), and should be studied within the systems of economy, society and politics for good results (Krugman [1994]; Varga [2004]). Its analysis is justified if carried out using time series with a dynamic, interdisciplinary approach. I have presented the approaches of Paul Krugman and Michael Porter, complemented by other well-known researchers such as Ádám Török or Imre Lengyel. And with the systematization of regions I have arrived at the central topic of my analysis: the competitiveness of metropolitan regions. For this I have used János Rechnitzer' publications on urban development and networks (Rechnitzer [2006] and [2007]). In order to tell the regions apart I have introduced the concepts of metropolitan region and functional urban area. While functional urban area was described as the connection between a metropolis and its agglomeration, a metropolitan region is a wider territorial unit with considerably larger population. Thereby a metropolitan region includes economic (growth) poles and catchment areas that are usually larger than the region itself.

The competitiveness of metropolitan regions has become increasingly complex, social, governance and development aspects have appeared beside economic issues along the lines of regional characteristics (Begg [1999]; Camagni [2009]). Therefore, I have used an interdisciplinary approach for the comparison of the most developed regions of Central Europe. I have developed a model that determines on a theoretical level how the regional governance model (created based on regional characteristics) works and how it connects to international regional networks. I have analyzed the competitiveness of regions from the aspects of territorial capital (geographical, economical and social characteristics) and social capital (e.g. the nature of governance structures and partnership), complemented by *endogenous and exogenous processes* such as the economic and social transformation of regions and the effects of globalization and Europeanization. The novelty of my dissertation is

that I have extended the analysis of regional competitiveness to include transregional issues as well. I have taken into consideration sub-national processes (Keating [1998] and [2003]) as well as transregional co-operations (Tavares [2004] and Telo [2002]). Thereby the formation of new economic regions could be observed as transregional processes have developed significantly in recent years. We pointed out the EGTC initiatives and functional macro region such as the Baltic Strategy. In Central Europe the forming European Danube Strategy could fulfill this role.

There is no uniform development tendency for contiguous Europe, there are macro- and mega-regions, zones and territories based on unique characteristics instead². At the same time we have experienced such general properties as decreasing regional inequalities, enforcing policentricity, aiming for sustainability and multi-level governance.

I have considered presenting the regional tendencies within the EU to be pivotal. We are on the verge of a paradigm-shift that may fundamentally change development policy and its probably most well-known part: the cohesion and regional policy of the Union. The NUTS2 system is increasingly incapable of standing up to the challenges facing the regional level. I have conducted the analysis of the regional processes based on the research work of Attila Ágh in the frame of the Lisbon Strategy (Ágh [2009a]; [2009b] and [2009c]). Thereby I have demonstrated that the development of regional cohesion processes is determined by the Lisbon Strategy. Concurrently, I have experienced the continued strengthening of new governance methods and multi-level governance. In this I have strongly relied on the works of Tamás Kaiser, who, in a novel approach, analyzed multi-level governance within the system of regional and cohesion policy. (Kaiser [2007]; [2009a] and [2009b]). I have also demonstrated in connection with the Lisbon Strategy that the competitiveness strategies evolving in the EU are mostly favorable for the most developed regions, a fact that also determines the development of capital city regions in Central Europe. Within the analysis of the processes in the EU I have covered the effects of the economic crisis that also pointed out the different vulnerability of regions (European Commission [2008b]). It turns out that the global economic crisis had an especially severe impact on the regions of Southern Europe and the new member states. A considerable recession occurred in regions with industrial production, but also services-oriented regions in multiple sectors, such as the financial sector

² These co-operations can also be detected on a geographical and economical basis. The description of mega- and macro-regions by Attila Ágh symbolizes transregional cooperation well. The concept of zone is meant to show the intensive regional cooperation between regions which are absent in the case of transregional areas. Here we can see ad hoc functional connections, resulting in a much more loose regional specialization between participants.

(European Commission, 2009a). Based on the guidelines of the OECD and the European Commission, regions that come out of the recession most successfully rely on advanced technology-oriented developments based on local characteristics.

The regions are in serious competition to preserve and to improve their standing with citizens, the business sector, international investors and visiting tourists. These goals are connected to the attractiveness of a region as well as growth potential and modernization initiatives. To this end, regions must provide high economic growth and employment level, while also creating a livable environment, a lasting equilibrium and sustainability. Growth is coupled with sustainability and requires considerable changes in economic, social and administrative structures. Here we can emphasize aspects such as the challenges of knowledge and information society or the complexity of network co-operations. A further aspect these days is efficient crisis management and preserving jobs. The examples above also demonstrate the complexity of regional competitiveness and the comprehensive problems and challenges facing the regions.

I have examined the effectiveness of regional governance in the analysis of the development policy institution system. Adaptation to the changed circumstances can be seen in governance models as well. We have witnessed horizontal structures come into prominence and the continuous reinforcement of sub-national government levels. The governance structures of the regions have unique properties that contain both horizontal and vertical players. Thereby the interest groups of the private and civilian sphere have appeared beside conventional regional players.

The somewhat romantic and idealistic “Europe of the Regions” concept has been superseded by co-operations based on functional and territorial characteristics. This phenomenon was defined by Iлона Kovács Pálné as follows: “while in the nineties regionalism was the challenge facing both economic development and the EU cohesion policy, the need for regional development based on urban networks and growth poles came up more and more frequently after the millennium in policy forums” (Tér és Társadalom [2008] p. 1). This appeared in several ways in my research: firstly, in the co-operation between metropolis and its agglomeration, in other words the functional urban area, secondly, in the form of the region and its wider economic catchment area, the metropolitan region. And thirdly, in inter- and transregional co-operations in connection with European Territorial Co-operations. The shortcoming of *too few comprehensive and strategic co-operations* is characteristic to the entire Central European area. The intensity of the co-operation between the capital city regions in the area is low, the international programs fostering co-operation are absent.

Although cross-border, trans- and interregional co-operations have started with the help of EU projects promoting regional co-operation, and infrastructural networks between Central European capitals have developed considerably in recent years, but – compared to other European regions – there are still few (functional) co-operation programs.

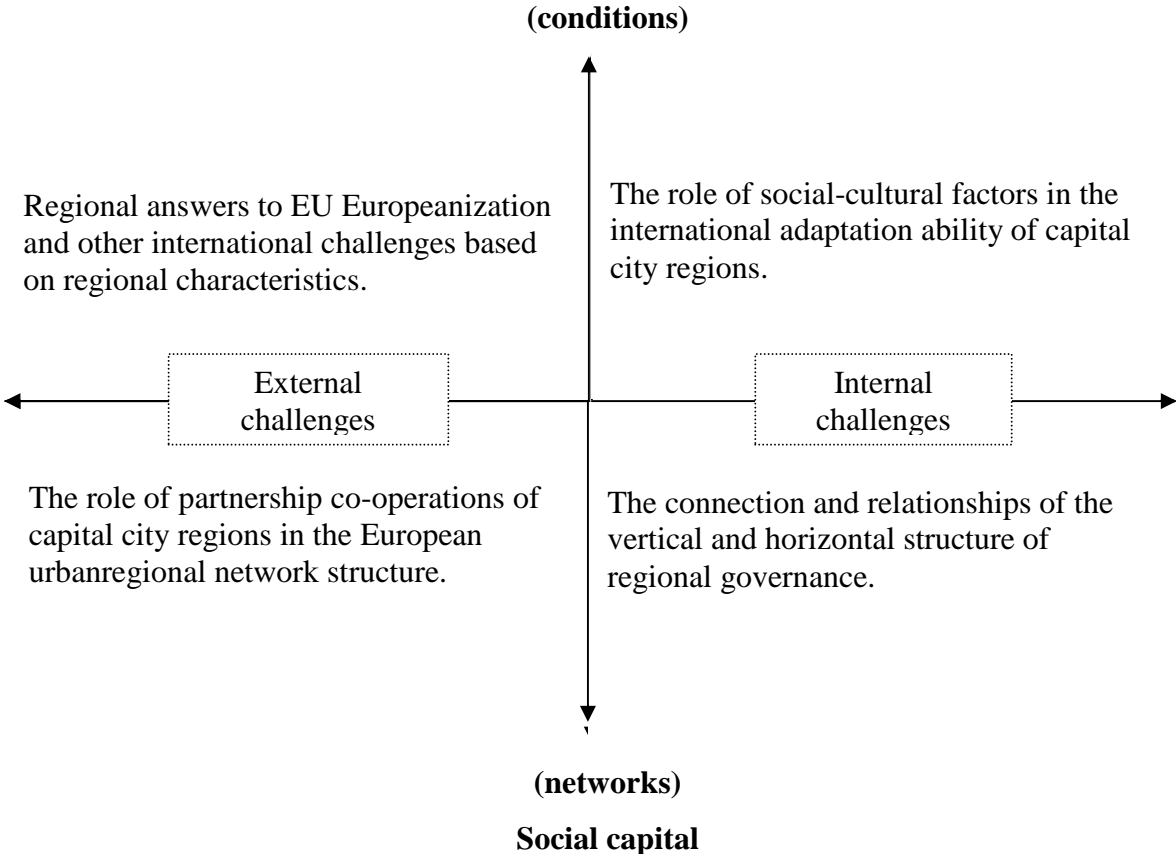
2. Conceptual framework

I have developed a theoretical method for determining the competitiveness of Central European capital city regions (Figure 1), which analyzes:

- the connection between international character and regional characteristics,
- the operation of the regional institution system as well as the nature of the partnership, focusing on development policy, and
- participation in European urban network structures along transregional co-operations.

My model is unique in that it approaches the most important dimensions determining competitiveness – economic, political-institutional and cultural-social aspects – from the concepts of territorial and social capital, and also internal and external factors, giving a unified conceptual background to my analysis.

Figure 1: The conceptual matrix of the dissertation



I have used concept pairs with opposite meanings that influence one another. Regional characteristics, or, as they are collectively known, territorial capital, primarily includes geographical location, infrastructural characteristics, the business environment existing in the region, R&D potential or ability and the effectiveness of different regional aspects of handling tasks. Social capital, on the other hand, mainly symbolizes the nature of co-operation between network structures, the new type of regional governance structures. In this approach, geographical distance can be “bridged”. Endogenous and exogenous processes influencing regional operation is a similarly opposite concept pair, previously referred to as “internal” and “external” challenges. I have established four dimensions in my matrix, defining a hypothesis for each one. Thus, the hypotheses of my dissertation analyze regional competitiveness regarding the five Central European capital city regions based on the aspects of regional characteristics, social capital, external and internal challenges.

(I.) The connection between regional characteristics and the operation of the region

Hypothesis 1: *Globalization and Europeanization challenges coming from the EU intensify regional specialization in Central European capital city regions.*

Hypothesis 2: *A more multicultural Central European capital city region that is characterized by more open social traditions, lingual and cultural diversity and an increasing rate of foreign employees has an increased regional attractiveness. The relevance of international organizations is also pivotal.*

(II.) The effects of regional governance and network structures on regional competitiveness

Hypothesis 3: *A Central European capital city region with a more intensive inter- and transregional network structure can integrate into the system of the European metropolitan regions more successfully.*

Hypothesis 4: *The regional governance structure and forming more unified regional interests can be more effectively developed with more intensive network co-operations and partnerships.*

I have summarized the deterministic properties of regions with *regional characteristics* and *regional capital*. Such properties are geographical location, spatial structure, infrastructural development or the nature of human resources and the R&D potential of regions (Baldersheim – Swianiewicz [2003]). Using the empirical studies ESPON and METREX, and the theories

of Roberto Camagni and Iain Begg I have demonstrated how the particular character of regions determines regional development and development possibilities, influencing regional competitiveness (ESPON 2013 [2007]; Camagni [2009] etc.). Using the materials of Michael Krätke and John Friedmann I have described the relationship between local characteristics and the specialization of regions. I have demonstrated how metropolitan regions are characterized by special functions. By the classification of metropolitan regions I have pointed out that the more such special functions a region possesses, the more powerful economic and political hub it becomes. Using the typology established by Imre Lengyel and János Rechnitzer the idea prevailed that a so-called “knowledge-creating” regional structure governed by innovation can be found in capital city regions with the most developed economical and social characteristics (Lengyel – Rechnitzer [2000]; Lengyel [2003]).

I have analyzed the effectiveness and intensity of vertical and horizontal structures of regional governance regarding the capital city regions from the aspect of social capital. The multi-level structure of the regional institutional system, the analysis of regional governance structures, the subsidiarity and corresponding horizontal partnerships have come to the forefront of my social capital analysis. Using the governance system analysis of Rod Rhodes I have pointed out that vertical governance structures (government) have become overly complicated and cumbersome, and have caused an informational asymmetry (Rhodes [1997]). Multi-level governance structures, on the other hand, made it possible to increase the ability to enforce interests and horizontal partnerships (Scharpf [2000]). Urban regime theories appearing in the last two decades, such as the multi-level governance models of Liesbet Hooghe and Gary Marks have created a good basis for this. I have also used the so-called metropolitan governance theory of METREX. I have analyzed how the stipulations of Jon Pierre and Guy Peters concerning accountability, democratic legitimation and efficiency appear in the development policy institution system of European capital city regions. In order to be able to classify capital city regions based on their operation I have adopted the theoretical classification of Torbjörn Larsson (Larsson et al [1999] and Pálné Kovács [2008a]) and used it to compare development policy institutional structures. I have encountered the problem of having a different selected regional level (the county) and development policy level (the region) regarding the Hungarian, Slovakian and Czech regional governance systems. In this special matter I have used the research of Ilona Kovács Pálné, approaching the Hungarian public administration system from a county-region perspective. (Pálné Kovács [2005] and [2008b]).

Naturally, I have used the so-called “community development” theories³ in my model to describe the social system and the intensity and extent of civilian relationships in capital city regions. For a theoretical basis I have reviewed works such as the research of Robert Putnam and Robert Inglehart that provided the foundation for the concept of social capital, presenting the relationships between regional development and the civicness (Putnam [1993]; Inglehart [1997]). In this case the intensity of cross-sectoral co-operation was also an important factor, demonstrating how the players in society, economy participate in tasks determining the development of capital city regions (van Berg [2006]).

My research also covered the international character of capital city regions, using the work of Richard Florida as a theoretical basis (Florida [2002] and [2005]), searching for the connections between a creative region and the changed social and cultural adaptation ability. I have also used the research of Manuel Castells regarding the nature of international flows (Castells [1996]). I have emphasized the unique properties of regional characteristics and regional specialization from the aspect of network co-operations as well, with materials from Peter Hall, John Friedmann, Paul Taylor, Saskia Sassen and Doreen Massey.

On the vertical axis of my theoretical matrix I have analyzed effects impacting the operation of regions, differentiating between *internal* and *external* challenges. *External challenges* were considered as national and international economic processes and the demands of international organizations. In my dissertation I have discussed the concept of Europeanization, the result of EU membership, from the aspects of the Lisbon Strategy, regional processes and the territorial cohesion. Europeanization has had a considerable effect on community policies, and thus on regional policy, and contributed to the appearance of multi-level governance structures. *Internal challenges* were considered as impulses and changes resulting from the special social, economical and political structure of capital city regions. The operation of the institutional system of regions and their regional and international adaptation capabilities were at the center of my analysis.

During the course of my research I have opted to rely on the most wide-range experiences possible. For the analysis of regional characteristics I have used EUROSTAT, ESPON and METREX research data, also evaluating regional processes using the cohesion and progress

³ Community development theories constitute the other side of intensive economic policy aiming at the reinforcement of the civilian sphere, the local and regional levels, giving a sort of basis for developments. The expression covers multiculturalism, creative society and other concepts.

reports of the European Commission and the OECD. Based on this data I have created analyses with dynamic time series about regional capital trends.

Apart from creating a theoretical basis, I have conducted a broad range of empirical studies in all five capital city regions to support the analysis of social capital. I have initiated establishing widespread connections in all five capital city regions, contacting the representatives of the Ministry responsible for the development policy, an employee working in the capital city region, a representative of the agglomeration institution, and an internationally recognized researcher.

3. The results of my dissertation

3.1 The connection between regional characteristics and the operation of the region

- Starting from the pole concept of Jacques Boudeville through the growth pole concept of ESPON I have presented the development process of metropolitan regions. Using the works of György Enyedi I have pointed out that a functional division of labor with specialization is prevalent in metropolitan regions, the extent of which in Central Europe is determined mainly by the population and size of the region.
- I have come to the conclusion that regional specialization has evolved as a result of global processes and regional characteristics. It is based on properties such as the large share of the info-communication industry and other technologies with high added value relying on a high concentration of economic and knowledge capital. The importance of creative and innovative industries is considerable, informational and transport accessibility is exceptional. Further special functions have evolved such as the decision centers of international organizations and companies.
- Central Europe is closing the gap to the European average with a continuous development of its most developed regions - capital city regions – that drive this process. Meanwhile, development inequalities have become more and more severe within countries being the worst in Slovakia based on an OECD survey⁴.
- Capital city regions are in a mono-centric position in Central Europe. My general statement was that the spatial structure is asymmetrical and the settlement level is strongly fragmented. I have pointed out that a disproportionate concentration occurred in capital city regions concerning population and economic potential. Central European capital city regions are far more dominant in the economy of their countries than their size or population would imply. The statements of Krätke and Friedmann prevailed: special functions, creative industries and high added value production has concentrated in capital city regions. I have made the tendency perceptible that the share of the services sector continuously increased, while the importance of industrial production was gradually diminished in the regions under survey.

⁴ In Austria, the difference between the Vienna region and the most underdeveloped region is 1.57%. In Hungary, the difference between the CHR and the most underdeveloped region is 2.57%. In the Czech Republic, the difference between the Prague region and the most underdeveloped region is 2.68%. In Poland, the difference between the Mazovian voivodeship and the most underdeveloped region is 2.32%. In Slovakia, the difference between the Bratislava region and the most underdeveloped region is 3.43% (OECD [2009]).

- The main differences in comparing the specialization of regions were population and economic potential. The Vienna region was cited as a normative example of this, having made a considerable effort toward promoting regional co-operations while having a leading role in economic, political, and social endeavors. Its main rival, the Prague region, has overtaken the Austrian capital city region in several aspects already. As opposed to the Vienna region, regional co-operations evolve in an ad hoc way instead of a structured form, there is no conscious and long term co-operation strategy between the Czech capital and its catchment area, which could result in a decrease in competitiveness on the long term.
- The presence of regional specialization has also been detected in the Central Hungarian Region. The extreme dominance of the capital and the asymmetric nature of the spatial structure and economic development of the region is an issue yet to be overcome. I have emphasized that knowledge-intensive functions are still concentrated in the center of the region. Here I have encountered a contradiction whereby although the catchment area has been strongly closing the gap in recent years, the integrated development and co-ordination role still seems to be missing.
- The greatest contrast can be observed in the Mazovian voivodeship. A region of 5 million, though unified in terms of public administration, is characterized by considerable inequalities. Here I have experienced to the greatest extent the differences between urban and rural areas.
- The Bratislava region has undergone spectacular economic development in recent years. This region was catching up the most rapidly, as shown by statistical data. Still, the extent of regional specialization based on political and economic leader roles was found to be the smallest. ESPON and METREX classifications show the same results.
- Based on the time series analysis of economic development data, the order of regions is as follows: Vienna region, Prague region, Bratislava region, Central Hungarian region, Mazovian voivodeship. My assumption that there are considerable differences in our NUTS2 level data, which is insufficient for analyzing regional competitiveness, has been proven. The differences were caused by different population sizes, ranging from 600 000 to 5.1 million. Including the natural catchment areas of the Vienna, Bratislava and Prague regions in the analysis results in much smaller differences between capital city regions.

- All Central European capitals have a lot to improve in the field of cross-sectoral connections required for regional specialization. Even in the Vienna region, cited as a normative example, the inclusion of economic and scientific partners into development is below the desired level. I have experienced this in the absence or less than complete inclusion of players in the decision-making process. My empirical studies have shown that regarding cross-sectoral connections, the CHR and the Mazovian voivodeship are more advanced than the Prague and the Bratislava region. This was signified by institutionalized partnership connections, the inclusion of the civilian sphere in the preparation phase of decision-making. Cluster co-operations have also been established for years, showing the increased economic and civilian participation.
- Regarding the regional characteristics of accessibility, the Central Hungarian Region has the largest number of Trans-European Transport network nodes from the Central European capital city regions. This is a potential to increase competitiveness that the logistical cluster established in the region is eager to exploit. The developed state of the infrastructural network is another favorable condition. In this regard, the CHR is second only to the Vienna region. Interregional transport – suburban transport co-operations – need improvement in all capital city regions except Vienna region.
- Regarding the multiculturalism, openness and international nature of Central European capital city regions I have pointed out that these qualities are more prevalent in Western Europe, and are limited to the capitals, they do not appear on the regional level. The only region with useful regional level data was the metropolitan region surrounding Vienna, the so called Eastern region. The Vienna region has a leading role in Central Europe, with approx. 20% foreigners in the population, 13% in the Eastern region. Based on the 6th Progress Report of the European Commission, the share of foreigners among employees in the region exceeded 30%, earning a third place in Europe after the London and Brussels capital city regions (European Commission [2009]). Based on the EU report, this number is nearly identical in the CHR and the Prague region (5.28 – 7.45%), while in the Bratislava region and the Mazovian voivodeship it is under 2%.
- Regarding regional attractiveness, the Vienna and Prague regions received the highest rating, followed by the CHR and the Mazovian voivodeship.

- I have collected the international institutions and companies that have their headquarters or regional decision-making centers in the given region. The largest number of international institution headquarters were found in the Vienna region, resulting from its high attractiveness and other advantages. It houses the three UN organizations, UNIDO (United Nations Industrial Development Organization), IAEA (International Atomic Energy Agency), UNODC (United Nations Office on Drugs and Crime), OPEC (Organization of the Petroleum Exporting Countries), and OSCE (Organization for Security and Co-operation in Europe). Multiple high-profile NGOs and Think Tanks can be found in the Austrian capital city region, having the highest rate of regional centers of international organizations in Central Europe. The latter is also high in the Prague region, but the situation with international organizations is not so good. The Central Hungarian Region is in a better position than the Czech capital city region regarding international organizations: the International Danube Commission, the European and Central Asian offices of FAO (Food and Agriculture Organization) and EIT (European Institute of Innovation and Technology) have their headquarters here. As for international companies, mostly controlling, services and consulting centers are present. The Mazovian voivodeship has a lesser role in this regard, being the home of only one major international institution, FRONTEX (the border security organization of the EU). The Bratislava region is in a marginal position regarding international organizations, companies here mostly represent the automotive industry cluster.

The concentration in regional centers is also evident for international organizations and companies.

3.2 Analysis of transregional co-operations and participation in international networks

- In my analysis of regional development tendencies of the EU I have shown that new (network) governance models have evolved in different transregional co-operation forms, such as EGTC (European Grouping for Territorial Co-operation), euroregion initiatives and functional macro-region. This resulted in new governance models differing from the classical NUTS2 system for which I could use the Typ2 multi-level governance model by Liesbet Hooghe and Gary Marks (Hooghe – Marks [2002]). The

CENTROPE initiative⁵, established in co-operation by the Vienna and Bratislava regions, proved that such governance institutions evolve alongside classical regional systems that operate in a task-oriented, flexible way with many players, the inclusion of the private, public and scientific spheres and overlapping jurisdictions. All this occurred voluntarily, in a network form, at the initiative of regional players.

- My analysis has also shown that there are no more transregional co-operations – that involve regions - in Central-European capital city regions. In the exemplary CENTROPE initiative, the Vienna region created a transregional economic region and sought to create policentricity by exercising total control over project financing and decision-making. Increasing the intensity of sectoral connections and the inclusion of entrepreneurs, research institutes and universities has still not been accomplished (Giffinger – Hamedinger [2008]). The initiative in its present form can be considered a comprehensive economic development concept, this does not yet make a homogenous, well-operating economic region, however.
- There are no such polished and important cross-border co-operations in the other capital city regions. This is largely because there are no regional poles of this type in the vicinity.
- Concerning the international roles of the individual capital city regions I have found that the Vienna, Prague and Mazovian regions were much more active than the CHR or Bratislava. The representations in Brussels were engaged in increasing the attractiveness of the region, establishing network co-operations, gathering information and the preparation of transregional programs. The Czech, Polish and Austrian regions had their individual representation. The Bratislava region had a smaller Brussels presence: a common office with the other Slovakian regions. The Central Hungarian Region did not maintain a regional representation office in Brussels. Issues involving the region were handled by the foreign representation of Budapest and the Representation of the Hungarian Regions in Brussels.
- I have also investigated about 20 international co-operations and networks with the participation of the capital city regions. However, I have not produced any results confirming that capital city regions can integrate into the network of international metropolitan regions with more success this way. The presence of the regional level in

⁵ A transregional and cross-border cooperation with the participation of Vienna, Lower Austria and Burgenland States, the Bratislava region, Győr-Moson Sopron and Vas counties and two Czech regions (South-Bohemia and South Moravia).

international co-operations is almost negligible. I have found that network-like co-operations are the most common, with the participation of regional centers (capitals) or other micro-regions (agglomerations, capital districts, etc.) instead of the capital city regions themselves. I have again found that the Vienna region assumes a leading role in international co-operations among Central European capital city regions, while the Bratislava region is in a disadvantaged situation, a fact that can be mitigated by the CENTROPE co-operation. Concerning the Czech, Polish and Hungarian capital city regions I have mostly found international co-operations related to the capital cities, regional level initiatives are scarce. The international activity of the three capitals is about the same.

3.3 The results of regional governance in the different capital city regions

- My analysis of the public administration and development policy structures of different countries led to results corresponding to the theoretical classification of Torbjörn Larsson. I have divided the analyzed development policy systems into three groups:

Federal: the Austrian model.

Regional unitarian: the Polish model.

Decentralized unitarian: the Czech, Slovakian and Hungarian models.

I found the most uniformed governance systems in Austria and Poland. The federal structure of government and the related wide financial autonomy form the base of the Austrian model. States (Länder) enjoyed a great maneuvering room in network co-operations; this is where I considered the vertical and horizontal character of multi-level governance to be the most complete.

The development of the vertical system of multi-level governance was found to be strong in the Polish model, working efficiently in the development policy system on the levels of local municipality – district – voivodeship. The principle of subsidiarity prevailed in carrying out tasks as well as decision-making. This could definitely lead to the strengthening of horizontal partnership connections. The strong civilian side operating in the Mazovian voivodeship could provide a good base for this.

- The Czech and Slovakian models aimed at establishing a (county) regional municipality level with a limited ability to enforce political interests from the very beginning. The tasks of county municipalities were systematically increased, even though they are not considered real sub-national political actors due to their size. The institutional structure of development policy was created separately, along central government control. Actual institutional operation on the NUTS2 level did not evolve. The expansion of partnership connections appeared continuously in the development structure (ranging from consultation to co-operation) as a result of Europeanization process. Prague region, because of its special status – the capital is a NUTS2 region and part of the second objective of the regional policy – had additional privileges among Czech regions. The allocation of development funds was carried out as a Managing Authority by the region entirely, in co-operation with the Ministry of Finance and with the Ministry of Development. This provided privileges to the Czech Capital City region, but the institutional operation of development policy was concentrated in the hands of the government here as well.
- Hungarian development was different from the Czech and Slovakian case and started down the road towards regional decentralization after 2002. The ideas contained elected self-governing regions with a public administration and development policy role. This reform process has stalled, while the jurisdiction of elected regional municipalities (counties) – especially in regional development issues – has been continuously reduced. Counties currently have an institutional provider role with a regional governance jurisdiction similar to the Czech and Slovakian model. Concurrently, an institutional structure serving development policy goals has evolved on the regional level in the Hungarian system, tied to the central government. It has shown the most successful institutional operation regarding the utilization of EU funds. The weakness of Hungarian regionalization lies in the absence of political accountability and the consequent state dominance.

However the centrally controlled Hungarian, Slovakian and Czech development policy models have shown a considerably more substantial allocation of EU funds than the Mazovian voivodeship, which has an elected regional municipality. This is mostly due to institutional operation reasons.

Table 1 illustrates the differences between the three models, based on the different functions in the process of regional policy.

Table 1: The roles of different capital city regions in regional policy management – regarding the regional operative program

	Vienna region	Mazovian voivodeship	Central Hungarian Region	Bratislava region	Prague region
Planning/ preparations	State creates development plan	Voivodeship (Marshall's Office) creates development plan	Region creates development plan	Ministry creates development plan, county municipality gives opinion	Development plan created by the capital and the Ministry
Execution	State only	Voivodeship (Marshall's Office) only	Acts as an intermediate body	Mostly centrally, intermediate body in 1 priority	Managing Authority, in co-operation with the Financial and Development Ministries
Payment	State	Centrally (Voivode's Office)	Centrally	Centrally	Centrally
Review/ monitoring	State and federal task	Centrally (Voivode's Office)	Centrally, with the participation of the region	Centrally	Centrally

- All capital city regions were involved in the preparation of their regional development program. This primarily meant a consultation role for the Bratislava region. Prague region and the CHR prepared its development materials which were subsequently finalized by the central government. The Vienna region and the Mazovian voivodeship created these materials independently.

There are more differences when it comes to execution and payment. The Vienna region and the Mazovian voivodeship are individually responsible for the execution of regional development programs. The other capital city regions have central implementation. The Prague region is in a special situation in this regard. As a Managing Authority, it is responsible for execution together with the central administration. However, this role of Prague region is limited into 2 single programs with not significant financial resource.

- Regarding payment and monitoring I have found that payment is only present on the elected regional level in the Vienna region. The central government participates in the monitoring in this case.
- There are different types of horizontal co-operations in the capital city regions. The Slovakian and Czech regions only established partnership connections for a few thematic programs. These co-operations were still in early stages, without any interregional connections, which hinders the expansion of the economic connections of the two regions.

I have found much stronger partnership connections in the other three regions. Interregional institutions were also created in the co-operation of Vienna and Lower Austria. In the CHR, the Civilian Consultation Forum, working alongside the Council, has been actively participating in the professional preparation in several fields. A separate civilian connection office operates in the Mazovian voivodeship with the task to create social dialogue and to include civilians and professional interest groups in the decision-making process. Development aspects are determined through institutional channels, increasing social acceptance.

- In the Vienna region, there are co-operations based on voluntary, network regulation tools alongside classical regional governance institutional structures. These were overlapping, flexible and simple horizontal structures with changing jurisdictions. Organizations operating in this form were decision support and coordination institutions that developed the mutual policies and recommendations on the regional level based on the interests of local stakeholders. They achieved the expression of regional interests with long term co-operations and a mutual affinity for collaboration.
- From the interregional side, I have experienced the appearance of economical and regional development governance models developed by functional areas and metropolitan regions. The appearance and institutionalization of (increasingly) unified regional interests was only found to be valid in the Vienna region. In the other capital city regions, the intensive evolution of network co-operations was hindered by the conflicts of interest between regional and local stakeholders and the low level of co-operation culture. For example, with the exception of the Vienna region, regional borders and the question of separation or unification are still controversial. The beneficial effects of the so called locomotive function of capital city regions seemed obvious to all, however cohesion and progress reports showed that capital city regions

could not cope with this role. Determining the kind of region to be established around the capital created a serious economical, social and political dilemma. The utilization of EU funds and the co-operation between the capital and the surrounding public administration level has generated substantial conflicts of interest everywhere. This issue could not be resolved in either of the capital city regions, considerably hindering the co-operation between local and regional players.

4. Conclusions and recommendations

Regarding the Central Hungarian Region I have come to the conclusions that:

- The gap between the Hungarian capital city region and its Austrian and Czech counterparts is on the increase.
- The Central Hungarian Region underwent the most intensive international specialization among Hungarian regions. Further development was hindered by the lack of harmonization regarding regional synergies, integrated planning has not evolved. I have also found that the main barrier of regional initiatives is the economic and political dominance and superiority of the capital, hindering the harmonization of co-operations.
- The civilian sphere, which is not part of the decision-making process, shows active participation even in the existing – centrally controlled – institutional structure. They take part in the work of the councils providing consultation and external expertise⁶. Cross-sectoral co-operation and the inclusion of economic and scientific players in horizontal co-operations is an issue yet to be overcome.
- Both the attractiveness and the multiculturalism of the Hungarian capital city region is below that of its Austrian and Czech counterparts. Budapest and the Central Hungarian region are stagnating as tourism and investment headquarters while the other capital city regions show improvement.
- The Central Hungarian Region is in an unfavorable situation compared to the Prague and Vienna regions when it comes to networking and network co-operations as well, and must therefore focus on different types of collaboration.

Our **recommendations** have determined 3 perspectives concerning the New Hungary Development Plan and the Central Hungary Operational Programme.

1. Institutional reform is needed. The vertical and horizontal side of the multi-level governance should strengthen in order to improve the effective governance. Key topic is to involve civilian sphere to the decision-making process. I believe the horizontal reinforcement of the institutional system and the deepening of co-operation culture between regional players in the CHR is necessary. I have formulated concrete recommendations for the harmonization of the tasks assigned to the two development

⁶ I have studied the operation of the Central Hungary Regional Development Council and the Budapest Agglomeration Development Council.

councils in the region (the Central Hungary Regional Development Council and the Budapest Suburban Development Council) and for the reinforcement of their horizontal connections.

2. CHR should better utilize transnational capacity of international organizations and institutions. For instance I consider high opportunity of the HQ role of the European Institute of Innovation and Technology. Furthermore, Managing Authority of the transregional South - East – European Programme opens new functions and roles to Hungarian capital region. Special networks (scientific, research etc.) will be formed, which strengthen the multiculturalism of CHR. In practice this would mean the increasing role of knowledge-based society and multicultural functions which have a positive influence for further international firms to settle down in the region.
3. The active participation and leading role in the European Danube Strategy is a unique opportunity for the Central Hungarian Region. A new, functional macro-region could form along the lines of the strategy as it takes shape, – similar to the Baltic Sea strategy – which could receive EU funding from 2014. The process has been embraced by the European Commission as a strategic plan, and Hungary has been playing an active role in the preparations since the beginning. As a dynamic scenario, I see the solution in the form of a functional macro-region that is capable of handling new network co-operations resulting from multi-level governance, integrates sectoral policies and development policy roles. This would be an effective solution to mitigate the strong mono-centricity of the Central Hungarian region and to increase regional specialization. It would also intensify the co-operation between the regions along the Danube, leading to an increased importance of the international role of the CHR in transport and logistics.

5. Main references

- Ágh, Attila [2005]:** Budapest, mint európai regionális főváros. In: Budapest a Közép-magyarországi régióban: A közös versenyképesség perspektívái. IDEA Budapest Kiadvány pp. 5-15
- Ágh, Attila [2008]:** Fejlesztéspolitika és többszintű kormányzás. Fejlesztés és Finanszírozás, 2008, 4. szám, pp. 35-44
- Ágh, Attila [2009c]:** A Lisszaboni Stratégia jövője: „Házi feladatok” a magyar uniós elnökség számára. Kézirat
- Ágh, Attila [2009b]:** Post-Lisbon Strategy for 2011-2020: A New Vision for the EU as the Budapest Strategy. Kézirat
- Ágh, Attila [2009a]:** Europeanization and Democratization in ECE: Towards the multilevel and multiactor governance NISPA Conference, Budva.
Available: http://www.nispa.sk/portal/files/conferences/speeches/200905201222270.Agh_Multilevel-Budva%20extended_L.doc. Download 2009.04.30
- Baldersheim, Harald – Swianiewicz, Pawel [2003]:** The Institutional Performance of Polish Regions in an Enlarged EU. in: Keating – Hughes (eds.): The Regional Challenge in Central and Eastern Europe, 2003
- Barta, Györgyi [2005]:** Nemzetközi funkciók. Munkamegosztás a hét nagyvárosi régió között Magyarországon. Falu, Város, Régió 2005/3-4. pp 35-43.
- Begg, Iain [1999]:** Cities and Competitiveness in Urban Studies, Vol. 36, Nos 5-6, pp. 795-810
- Beluszky Pál – Győri Róbert [2004]:** Fel is út, le is út... Városaink településhierarchiában elfoglalt pozícióinak változásai a 20. században. Tér és Társadalom 1. pp. 1–41.
- Berg van, Leo [2006]:** Empowering metropolitan regions. EURICUR Available: <http://www.euricur.nl/default.asp?id=795&page=&keuze=publications&publication>, Download: 2007. 03. 10.
- Camagni, Roberto [2009]:** Territorial capital and regional development. In. Capello - Nijkamp (eds.): Handbook of Regional Growth and Development Theories. PP. 118-132, Northampton
- Castells, Manuel [1996]:** The Rise of the Network Society. The Information Age: economy, society and culture. Blackwell Publishers, Oxford.
- Enyedi, György [2003]:** Városi világ – városfejlődés a globalizáció korában. Pécs, Pécsi Tudományegyetem, Közgazdaság-tudományi Kar, Regionális Politika és Gazdaságtan Doktori Iskola, 2003. pp. 1-25, (Habilitációs Előadások, 4.)
- European Commission [2007b]:** Integrált iránymutatások a növekedés és munkahelyteremtésre 2008-2010. COM(2007) 803.
- European Commission [2007a]:** Negyedik Kohéziós jelentés. Európai Bizottság, 2007. Available: http://ec.europa.eu/.../reports/cohesion4/index_en.htm, Download: 2007.11.10.
- European Commission [2008b]:** Régiók 2020-ban. Értékelés az EU régiói előtt álló jövőbeli kihívásokról. Available: http://ec.europa.eu/regional_policy/sources/docoffic/working/regions2020/pdf/regions2020_en.pdf. Download: 2009.03.30.
- European Commission [2008a]:** Zöld könyv a Területi Kohézióról. Előnyt kovácsolni a területi sokféleségből. Available: http://www.nfgm.gov.hu/feladataink/terfejl/hirek/teruleti_kohez.html. Download: 2008.11.10.
- European Commission [2009]:** Hatodik helyzetjelentés a gazdasági és társadalmi kohézióról. COM 2009 (295). Available: http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/interim6/com_2009_295_hu.pdf. Download: 2009.05.22.
- Florida, Richard [2002]:** The Rise of the Creative Class The Perseus Book Group, New York
- Florida, Richard [2005]:** Cities and the Creative Class
in: Cities and the Creative Class, Routledge, New York-London, pp. 27-49.
- Forman, Balázs [2005]:** Hol találjuk Budapestet? Világvárost építünk? Available: <http://www.formanbalazs.hu/index.php?gcPage=public/cikkek/mutatCikk&fnId=39>, Download: 2008. január 6.
- Friedmann, John [1986]:** The world city hypothesis. Development and Change 17, pp. 69–83.

- Giffinger, Rudolf – Hamedinger, Alexander [2008]:** Metropolitan Competitiveness reconsidered: the role of Territorial Capital and Metropolitan Governance. Case study, available: 48th European Congress of the European Regional Science Association International: Culture, Cohesion and Competitiveness, Liverpool, 2008
- Hall, Peter [1996]:** Cities of Tomorrow. Blackwell 1996
- Hooghe, Liesbet – Marks, Gary [2002]:** Types of Multi-Level Governance. University of North Carolina, 2002.
- Hrbek, Rudolf - Weyand, Sabine [1994]:** Das Europa der Regionen. Fakten, Probleme, Perspektiven. München pp. 88 -121
- Inglehart, Robert [1997]:** Modernization and Postmodernization. Cultural, Economic And Political Change In 43 Societies. Princeton University Press
- Kaiser, Tamás (szerk.) [2007]:** Hálózatok és labirintusok. MTA Szociológiai Kutatóintézet, 2007
- Kaiser, Tamás [2009b]:** A többszintű kormányzás új formái az Európai Unióban. Előadás, „A magyar régiók versenyképessége az Európai Unióban” című OTKA konferencia, 2009.05.21., Available: http://www.bkf.hu/index.php?lap=erdeklodoknek&mnuid=4_642, Download: 2009.07.10.
- Kaiser, Tamás [2009a]:** Territorial cohesion and the new friends of cohesion policy: implications for the SBB-team Presidency. In. Ágh – Kis-Varga (eds): The global crisis and the EU responses: The perspectives of the SBH team presidency. Budapest Together for Europe Research Centre 2009. pp 205- 231
- Keating, Michael [1998]:** The New Regionalism in Western Europe. Edward Elgar Publisher
- Keating, Michael [2003]:** Territorial Restructuring and European Integration. in: Michael Keating and James Hughes (eds): The Regional Challenge in Central and Eastern Europe. pp. 13-24.
- Krätke, Stefan [1995]:** Stadt, Raum, Ökonomie. Birkhäuser Verlag, Basel
- Krugman, Paul [1994]:** Competitiveness: a Dangerous Obsession. Foreign Affairs, vol 73. No 2. 1994 március-április
- Larsson, Torbjörn – Nomden, Koen – Franck, Petiteville (eds) [1999]:** The intermediate Level of Government in European States. Complexity versus Democracy? EIPA, Maastricht
- Lengyel, Imre – Rechnitzer, János [2000]:** A városok versenyképességéről. In. Horváth – Rechnitzer (szerk.) Magyarország területi helyzete és folyamatai az ezredfordulón. MTA RKK, Pécs, pp. 130 -152.
- Lengyel, Imre [2003]:** Verseny és területi fejlődés. Térségek versenyképessége Magyarországon. JATE Press, Szeged, 2003, pp. 3-433
- Nemes-Nagy, József [2003]:** A regionális tudomány dualitása és paradigmái – hazai tükröben. Tér és Társadalom, 1., pp. 1-17
- OECD [2009]:** Investing for Growth: Building Innovative Regions. Available: <http://www.oecd.org/dataoecd/60/38/42531915.pdf>. Download: 2009.05.20.
- Pálné Kovács, Ilona [2000]:** A régió. A közigazgatási régiók esélyei hazánkban. pp. 1-12
- Pálné Kovács, Ilona [2005]:** A magyar közigazgatási reformkoncepció és a területfejlesztés intézményrendszerének összehangolása. In: A közigazgatási reformkoncepció hatása a regionális fejlesztés szervezésére
- Pálné Kovács, Ilona (2008c):** A hatalommegosztás és az önkormányzati szektor alkotmányos szabályozása az Európai Unió tagországaiban. Comitatus, pp. 3 -27.
- Pálné Kovács, Ilona [2008b]:** Régiókkal és nélkülük – a regionális reform mozgásteret 2002-2006 között. In: Kádár Krisztián (szerk): IDEA és Valóság. Az IDEA korszerűsítési program négy éve. Közigazgatásfejlesztési Társaság, Budapest, pp. 53-77
- Pálné Kovács, Ilona [2008a]:** Helyi kormányzás Magyarországon. Dialóg Campus Kiadó, Budapest – Pécs
- Pálné Kovács, Ilona [2009]:** Regionális fejlesztéspolitikai régiók nélkül? Előadás, „A magyar régiók versenyképessége az Európai Unióban” című OTKA konferencia, 2009.05.21. Available: http://www.bkf.hu/index.php?lap=erdeklodoknek&mnuid=4_642, Download: 2009.07.10.
- Peters, Guy B. – Pierre, Jon [2004]:** Multi-level governance and democracy: A Faustian Bargain? In. Bache, Ian – Flinders, Matthew (eds.) 2004: Multi-Level Governance, Oxford University Press

- Peters, Guy B. - Pierre, Jon [2006]:** Governance accountability and democratic legitimacy. in.: Benz, Arthur – Papadopoulos, Ioannis: Governance and Democracy. Comparing National, European and International Experiences. Londres, Routledge, 2006, chapter 2
- Putnam, Robert [1993]:** Making Democracy Work. Princeton University
- Porter, Michael E. [1990]:** The Competitive Advantage of Nations. The Free Press, New York
- Porter, Michael, E [1998]:** On Competition. The Free Press, New York.
- Rechnitzer, János [2006]:** A gazdaság térbeli sűrűsödési pontjai. In: Vértes, András – Viszt Erzsébet (szerk.): Tanulmányok Magyarország versenyképességéről. Stratégiai kutatások – Magyarország 2015. Új Mandátum Könyvkiadó, Budapest pp. 231 -254.
- Rechnitzer, János [2007]:** Az európai regionális politika és városfejlődés [Magyar Tudomány, 2007/06](#) pp. 692-708
- Rhodes, Rod A.W. [1997]:** The new governance. Governing without government. In: Political Studies 44(1997), pp. 652-667
- Sassen, Saskia [1991]:** The Global City. Princeton University Press
- Sassen, Saskia [1993]:** Cities in the World Economy. Sage, London
- Scharpf, Fritz [2000]:** Notes Toward a Theory of Multilevel Governing in Europe. Max-Planck-Institut Discussion Papers No. 5, November 2000
- Szegvári, Péter [2003]:** Közigazgatás és a helyi önkormányzatok: intézményrendszer, trendek, elképzelések. In: IDEA Kiadvány 2003
- Tavares, Rodrigo [2004]:** Contribution of macro-regions to the construction of peace: A framework for analysis. Journal of International Relations and Development. Vol 7. pp. 24-47
- Taylor, Peter [2002]:** Is there a Europe of cities? World cities and the limitations of geographical scale analysis. In: McMaster - Shepherd (eds.) Scale and Geographic Inquiry. Blackwell, Oxford
- Telo, Mario [2002]:** Governance and Government in the European Union: The open method of coordination. In: Maria Rodridues (ed.): The New Knowledge Economy in Europe
- Tér és Társadalom [(2008):** Városi kormányzás. XXII. évf. 2008/1.
- Török, Ádám [2003]:** A versenyképesség elméleti és mérési kérdései. Előadás. 2003.03.05. Veszprém.
- Varga, Attila [2004]:** Oponensi vélemény Lengyel Imre „A régiók versenyképessége és gazdasági fejlődése Magyarországon” című akadémia doktori értekezéshez. Tér és Társadalom, pp 179-187.
- Vigvári, András [2006]:** [A magyar gazdaság versenyképességét szolgáló közszektorhoz vezető út egy lehetséges forgatókönyve.](#) In: Vissza az alapokhoz! Tanulmányok a közpénzügyi rendszer reformjáról. Új mandátum Kiadó. 229-247. oldal In: Vissza az alapokhoz! Tanulmányok a közpénzügyi rendszer reformjáról. Új mandátum Kiadó. 229-247. oldal

6. Own publications in the relevance of the topic

- Schneider, Gábor [2005]:** Az Európai fővárosi térségek versenye. In.: **Ágh Attila szerk. (2005):** Budapest a Közép-magyarországi Régióban. A közös versenyképesség perspektívái. : IDEA Budapest Munkacsoport 2005. június. pp. 73-117
- Schneider, Gábor [2006]:** Key factors of regional competitiveness. Regional capacity-building and the intensity of social cohesion. New Challenges for Hungary. In.: **Ágh Attila – Szemere Veronika szerk. (2006):** New Member States in the Enlarged Europe: The Hungarian Perspectives. Táncsics Alapítvány - Euro Contact 2006. pp. 88-102
- Schneider, Gábor [2007]:** Az európai fővárosi és metropoliszrégiók versenyképessége. Kitörési pontok a Budapesti térség számára. In.: **Kaiser, Tamás – Ágh, Attila – Kis-Varga, Judit eds. (2007):** A régiók Magyarországa II. kötet. Hálózatok és labirintusok. Stratégiai Kutatások - Magyarország 2015. 11-es kötet. MTA-MEH 2007. június. pp. 107 - 141
- Schneider, Gábor [2008]:** Regionális érdekérvényesítés az Európai Unióban. A horizontális kormányzási struktúrák megerősödése. In. **Nász, Adrienn – Szuper, József eds. (2008):** Kormányzás és érdekek az Európai Unióban. Generáció 2020 Közhasznú Egyesület, Budapest. pp.121-144.
- Dieringer, Jürgen – Schneider, Gábor [2009]:** Die Malaise der ungarischen Territorialreform. In. Europäisches Zentrum für Föderalismus-Forschung Tübingen: Jahrbuch des Föderalismus 2009. Föderalismus, Subsidiarität und Regionen in Europa. Baden – Baden, 2009. pp 326 - 338.
- Schneider Gábor [2009]:** Átalakulóban a fejlesztéspolitika rendszere az Európai Unióban – újabb kormányzási szereplők és struktúrák megjelenése. **Európai Tükör.** (in appearance)