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III OBSERVATORY

«NEW TENDENCIES OF FEDERALISM IN EUROPE»

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New Trends in Hungary, Poland, and Romania to Decentralization?

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The wider region

CEE or **CEEC** are former communist countries in Europe after the collapse of the communist regimes in 1989 including the Baltic States and the successor states of Yugoslavia

18 states of which

11 are MS of the EU (EE, LV, LT, PL, *DE*, CZ, SK, HU, RO, BG, SI,)

1 is joining 2013 (HR)

Kosovo

Albania

Montenegro

Macedonia

Bosnia-Herzegovina is a federal republic by external force (*Dayton 1995*)

Serbia, (after the secession of Kosovo 2008) is composed of central (*-ised*) Serbia and the Autonomous Province Vojvodina (26% of population, 27% of territory)

Belarus, *Ukraine*, Moldova, and *Russia* are *out of area* (CIS)



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Three EU MS picked

differ significantly in their performance concerning
economy, governance, reform (transformation)

- Poland (HDI 39, BTI 6; BTI^P 8; BTI^E 6)
- Hungary (HDI 38, BTI 12; BTI^P 17; BTI^E 11)
- Romania (HDI 50, BTI 16; BTI^P 14; BTI^E 19)



Poland

Introduction of a new 3 level territorial organization, 1999

16 (49) Voivodeships (Województwa)

NUTS 2 level

379 Counties (Powiaty)

NUTS 4 level

2,479 Municipalities (Gminy)

NUTS 1: 6 Regions (Regiony)

NUTS 3: 66 Subregions (Podregiony)

Voivodeships of Poland





Voivodeships: bipolar structure

Voivode, appointed by the Prime Minister, acts as the head of central government institutions at regional level, manages central government property in the region, oversees the functioning of local government, coordination (public safety and environment protection) special powers in emergencies.

Sejmik, Sejmik (*little Sejm*) is elected every four years (with powiat and gmina). Bylaws on development strategies, (higher) education and budget. Elects the **marszałek** and executive (accountable to Sejmik).

Marszałek, (head of executive, zarząd województwa), drafts the budget, development strategies, implements the resolutions of the sejmik, manages the voivodeship's property, regional policy, including European Union funding.



Bipolar (dual) system

Potentially a strong regional system

- Labeled (so far) by struggle of power (Voidod/Marshall)
- Enforced by Party Politics, *Voivod as regional agent of national ruling party*
- Central Government (Ministries) play key role to balance power, avoid Antagonism

Fiscal decentralisation

The V. budget is made of

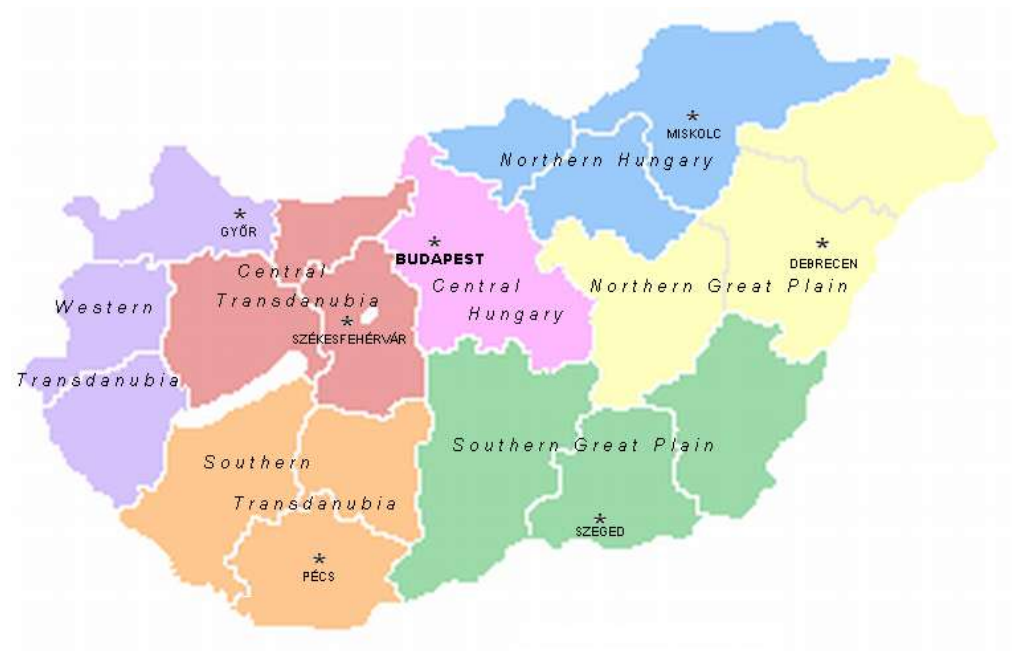
- own revenues, a share on income tax (1,5% individuals, 0,5% companies), penalties, fines, interest rates, etc.
- earmarked and general subsidies from central state



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Hungary

New law on self-administration to come 2013 ending a 20 year *political deadlock* and a *dysfunctional system*



3 pillars of the new regulation

- New allocation of tasks and competences between home-rule and central state
- New fiscal system
- New structure, re-invention of counties (járás)

New allocation of tasks and competences

- Limitation of tasks to the actual community level
- A number of tasks have been taken over by the central state (emergency, education above Kindergarten etc.)
- Counties (megye) lose all competences for services, reduced to a planning unit

New structure

- 19 counties (megye)
- 168 (2013) *new* districts (járás) will be the main level of services
- 3.154 municipalities (90% below 5000 inhab.).
Municipalities below 2000 inhab have to merge
- Newly constructed *Government offices* (*kormányhivatal*) with control competences over municipalities
- New incompatibility rules, mayors must not be head of counties or national MPs.



Fiscal system

OLD

- Fragmented small municipalities
- Overloaded with competences
- Shaky uncertain finances from the centre.

high (foreign) debt among municipalities (€ 3,5 bn)

New

- Reduced tasks
- Guaranteed national subsidies
- Limited taxation rights



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Viitoarea reorganizare teritoriala a Romaniei



Regions and Judete in Romania

http://www.celendo.ro/HartiJudete/EuroZoneleRomaniei_Celendo.jpg

Romania

Since 1991 RO has

- 2.856 Municipalities (*comune*)
- 320 Cities (*orașe*)

- 42 Counties (*judete*)



Level 1 and 2 have different, conflicting election modi resulting in a deadlock

Judete

Prefect

Nominated by government

Supervision and control

Head of the decentral
governmental services

*Political agent of the
government*

*Politicised relations and
blockade*

Council and President

Elected, four years term

*Unclear overlapping
(exclusive, delegated and
joined) competences 1st and
2nd level*

Control of transfer payments
to 2nd level

*Politicised relations and
blockade*



(Planning-) Regions

Since 2004 in a top-down approach 8 *planning* and *development* **regions** have been installed with a legal position.

Regional development **agency** and regional development **council**

advising level 1 & 2 embedded in a national development council.

RDC is key player in distributing regional funds

Regions do not match with historical regions

Often dysfunctional

New Tendencies to Decentralization?

- **Poland**

Central state with approaches to enforce self-administrative level hand down competences (higher education), transfer of competences from voivod to marshall

- **Hungary**

New constitution and new law (self-administration) re-nationalisation of competences weaken rural areas; Potentially more cost efficient

- **Romania**

Central state with an externally driven democratisation and „regionalisation“. Reforms have blocked by shaky political system and widespread corruption

Touchstone EU regional funding

- *Poland*

Contracted ratio 53% payment ratio 16% ²⁰¹⁰ (81% ^{Nov.2012})

- *Hungary*

Contracted ratio 51% payment ratio 16% ²⁰¹⁰ (2012 ?)

- *Romania*

Contracted ratio 45% payment ratio 7% ²⁰¹⁰ (7.4% ^{June.2012})

RO has retrieved € 1.4 bn or 7.4% of EU funding available

Operational EU programs on transport, regional development, competitiveness and environment blocked Human Resources reduced by 25%

Decentralisation driven by EU Policy / National Policies

- Poland

Sub-national
Structural reform
1999

- A) Preparation of EU Accession
- B) Governance and development improvement

- Hungary

Sub-national Structural
reform 2013

- A) Re-Centralisation
- B) Governance and Development improvement

- Romania

Sub-national Structural
reform 1998/2003/04

- A) Preparation of EU Accession
- B) Insufficient national backing (*formal regionalisation*)