WHY DO INSTITUTIONS MATTER?
External Pressures and Domestic Public (Regional and Environmental) Policy Transformation in Hungary and Poland

ECPR Joint Sessions of Workshops
Workshop 18 – Comparing Transformations: The Institutional Paradigm

Uppsala, 13th-18th April, 2004

(Draft – please do not quote)

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ABSTRACT

The paper focuses on the impact of Europeanization of public policy on the domestic institutional and policy-making structures of CEE countries (Hungary and Poland), which, in turn, affects the adaptation of the latter to the EU multi-level system of governance, with emphasis on regional and environmental policy areas. Its underlying assumption is that the presence of institutional and policy misfits between EU rules and regulations and domestic policy-making structures and, consequently, of high adaptational pressures is a necessary but not sufficient condition for domestic institutional and policy change and that the latter is crucially conditioned by the presence of specific institutional structures at the domestic level of governance that may facilitate or inhibit the adaptation process. In this respect, the paper draws on both the rational choice and sociological strands of the new institutionalist literature. Within this theoretical framework, the paper concentrates on both the formal and informal institutional structures, as crucial mediating mechanisms, and presents recent comparative public policy research outcomes on the key adaptational pressures facing the domestic policy-making structures of Hungary and Poland in regional and environmental policies, as well as, on the transformation of the domestic systems of governance engendered by the Europeanization process.

The paper draws on research outcomes of the ADAPT project financed by the EU Commission’s (DG Research) Fifth Framework Programme for R&D, 2nd Call for Proposals (SERD-2000-00152)
Contemporary studies on EU public policy-making and the relevant academic debate about governance in the EU are currently concentrated on the interactions between the Europeanization of public policy on the one hand and the domestic structures of the member states on the other. Institutions define how actors match the obligations of the role to the particular situation. The comprehensive account of the notion of “goodness of fit” provides for a thorough investigation of the role of institutions in facilitating or inhibiting the learning process. Moreover, this has become evident in almost any field of public policy, where it is widely accepted that there is no pan-European convergence paradigm, but rather domestic institutions, and, in particular crucial and sensitive aspects of the institutional structure, such as cooperative culture, matter for the adaptation and Europeanization processes (Jeffery, 2000; Paraskevopoulos, 1998, 2001,a,b; Keating and Hooghe, 1996; Boerzel, 2001). The notions of “goodness of fit”, policy learning/adaptation and policy change constitute intervening and dependent variables respectively within the research hypothesis of the paper.

Introduction: Europeanization and Domestic Policy Change

In the 1990s, Europeanization research focused on the effects of the diffusion of European policies on the political systems of the participating countries and the reactions of domestic structures to Europeanization (Boerzel 2001, Cowles, Caporaso & Risse 2001). Within this framework, Europeanization has been conceptualized as the “emergence and development at the European level of distinct structures of governance” (Risse, Cowles & Caporaso, 2001) to refer to the process of opening up the traditional state structures to the supranational level, and, consequently, to the adaptation of domestic policy-making structures to the multi-level system of governance of the EU.

Europeanization consists of a “process of (a) construction, (b) diffusion, and (c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, ‘ways of doing things’ and shared beliefs and norms which are first defined and consolidated in the EU policy process and then incorporated in the logic of domestic (national and sub-national) discourse, identities, political structures and public policies (Radaelli, 2003:309)”. Member states’ participation in the multi-level EU policy arena and the need to implement the complex EU acquis have resulted in numerous institutional innovations with a considerable impact upon well-established domestic policy-making processes and structures.
Within this context, and considering the existence of a variety of governance structures and policy styles among the member states, the “goodness of fit” concept between European and domestic arrangements has been recognized as an essential mechanism for the adaptation of the national norms, rules, regulations, procedures and practices to the Europeanization processes (Risse, Cowles & Caporaso, 2001:6). The degree of “fit” constitutes the “adaptational pressures” that determine the degree to which domestic institutions would have to change to comply with European norms and policies. Given the conceptualization of Europeanization as a system of continuous interactions between European rules, regulations, and collective understandings and domestic structures (Olsen 1995), the adaptational pressures exerted by Europeanization depends on the degree of compatibility between EU rules and domestic practices: the lower the fit, the higher the adaptational pressures will be for the domestic policy structures and institutions (Risse, Cowles & Caporaso, 2001:7).

From the above discussion it becomes clear that, in spite of the Europeanization process playing a key role in the transformation of the domestic systems of governance, domestic institutions and particular features of the pre-existing national and local institutional infrastructure matter for adaptation (Paraskevopoulos, 2001; Risse, Cowles & Caporaso, 2001; Borzel, 2001; Knill, 1998). The significance of the pre-existing institutional infrastructure has been also demonstrated by the CEEC social, economic and political transitions (Offe, 1996; Goetz, 2001; Goetz, & Wollmann, 2001). It is the aim of this paper to explore the notion of institutional “goodness of fit” as a crucial intervening variable impacting upon policy and institutional change at the national and sub-national levels. The outcome of this exploration may contribute to better comprehending the transformation of governance structures in Poland and Hungary (with particular reference to regional and environmental policies).

The new institutionalist literature, within the context of the “goodness of fit” intervening variable, has identified two varying mediating logics of domestic institutional and policy change in response to Europeanization: the rational choice one and the sociological one (Boerzel & Risse, 2000). The rational choice one is based on the “logic of
consequentialism”, which acknowledges the significance domestically of the redistribution of resources and the differential empowerment of actors and identifies the presence of *multiple veto points* and existing *formal institutions* as important intervening parameters that affect domestic actors’ capacity to act and consequently policy and institutional change. According to this process, which has been conceptualized as “single loop learning” (Argyris & Schoen, 1978), actors acquire new information and change their strategies but they always pursue fixed interests. The sociological one is based on the “logic of appropriateness”, which identifies social learning as a crucial mechanism of domestic change and focuses on *networks* (epistemic communities, advocacy and/or issue-specific) and *informal institutions* (political, organizational cultures and social norms) as intervening mechanisms impacting upon actors’ preferences, resulting in the re-conceptualization of their interests / identities and subsequently facilitating learning and socialization (Risse, Cowles & Caporaso, 2001; Checkel, 2001).

Within this theoretical framework, the paper focuses on both formal and informal institutional structures, as crucial intervening mechanisms, and presents recent comparative public policy research outcomes on the key adaptational pressures facing the domestic policy-making structures of Hungary and Poland in regional and environmental policies, as well as, on the transformation of the domestic systems of governance engendered by the Europeanization process. The research is based on Social Network Analysis (SNA), involving density, centrality and structural equivalence measures, that reveal networks’ cohesion, power distribution, structure (hierarchical or horizontal) and measure their learning capacity, as well as, on social capital (social norms) measurements. The network analysis draws on semi-structured in-depth interviews with representatives of prominent organizations at the national and subnational levels of government, such as subnational governments, development agencies, chambers of commerce, universities, and other institutions having a say on planning and implementing EU programmes, while the social capital measurement is based on data from secondary literature and qualitative analysis of fieldwork research.
*The Europeanisation of regional policy: institution building and sub-national mobilisation*

Seeking to reduce the socio-economic disparities and promote social and economic cohesion Union-wide, the EU took upon itself the task “to complement the measures being implemented by the Member States and to direct their work towards harmonious European integration which will benefit the whole Union, and not simply the poor regions” (European Commission 1994). Gradually, from its modest beginnings, the European regional policy evolved into the most important market correcting (redistributive) policy implemented at the EU level (Graziano, 2002). Implicit in the Treaty of Rome, the European regional policy was made explicit only during the 1970s. According to Loughlin (1997), the development of an explicit common regional policy may be related to the 1973 enlargement with member states that included serious problematic regions.

In any case, it was only after the Single European Act and the acceleration of European integration in the late 1980s, and more recently with the steps towards the economic and monetary union, that European regional policy gained momentum and importance. It is indicative that in 1975 the Structural Funds accounted for no more than 5% of Community spending, while today spending has risen to about a third. The French and Greek induced Integrated Mediterranean Programmes (IMP) marked the first attempt in mid-1980s to give a new impetus to the European regional policy. Further steps were taken in 1988, 1992-3 and 1998-9 as a series of reforms considerably increased financial allocations and systematized regional policy making and implementation with the introduction of four principles (concentration, partnership, programming and additionality) that promoted the emergence of a multilevel pattern of governance.

The recent enlargement has created considerable pressures for EU regional policy given not only the low GDP per capita in the new Member States but also the limited experience of these countries in regional structures and development processes and institutions. According to the 3rd Cohesion Report, the effect of enlargement is to add less than 5% to EU GDP but almost 20% to the Union’s population resulting in an average EU-25 GDP per capita, which will be 12% less than the EU-15 average. Furthermore, the
regional policy-making and administrative environment in the new Member States is not sufficiently developed meaning that weakest regions will most probably be unable to become active partners and successfully use the structural funds. “This risks exacerbating regional differences in CEE countries and, left unchecked, undermining support for EU membership in the weakest regions (Bailey & De Propris 2002).” Limited or non-existent regional institutional infrastructure has already impeded some of the poor regions in the EU-15 in their attempt to access and absorb the funds allocated to them.

With reference to the impact of the Europeanisation of regional policy on the domestic structures, institutions and policy-making processes of the Member States, there is an overall agreement that Europeanisation has created considerable (stronger or weaker) adaptational pressures for well-established national and sub-national structures. These pressures have been stronger in countries such as Portugal and Greece where there was a considerable institutional and policy misfit between domestic and European practices and structures. In any case, EU-wide the Europeanisation of regional policy has played “a decisive role in the administrative restructuring process within the member states and in enhancing the institutional capacity of the subnational systems of governance, by shaping the public/private relations and promoting networking at the regional and local levels (Paraskevopoulos & Rees, 2002).” Its impact on the endogenous local development capacity has been perceived as twofold: direct, by providing increased resources, and indirect, by shaping intra-regional interactions and thus promoting the creation of intra, inter and trans-regional networks that support the local development initiatives (ibid.)

Indicatively, one could argue that the programming principle has led to significant administrative re-structuring while the partnership principle has considerably increased the participation of sub-national authorities, social and economic actors, civil society and NGOs in the policy-making and implementation processes. Having said that, one should stress the lack of convergence among the adaptational outcome. For example, a recent European Commission funded report (Kelleher et al, 1999) highlighted continuing differences in the way the partnership principle is implemented and put forward some possible explanations for existing variations by reference to domestic conditions such as the past partnership experience, the national institutional culture or the type of learning mechanisms for the transfer of experience etc. (ibid.).
Experiencing numerous transition-caused problems, the CEEC became increasingly aware of widening regional disparities and the need to provide assistance to problem regions (Bachtler & al. 1999). All the countries departed along a regional policy formulation road highly driven by the EU and the CEEC’s accession aspiration. Initially, the PHARE programme financed various regional development initiatives. At a later stage, the opening of negotiations, the introduction of the ISPA and SAPARD pre-accession instruments and the re-orientation of PHARE towards support for institutional arrangements (to manage EU structural support) further accelerated policy-making and institution-building.

Extending the Europeanisation discussion to the field of regional policy in the CEEC, there is no doubt that there has been a significant amount of ‘misfit’ between European policies and national traditions (Dieringer & Lindtrom 2002), which placed considerable adaptational pressures to the CEEC. Exiting from a highly centralized planning system that allowed a very restricted role to sub-national authorities the CEEC are today faced with a) limited emergence of substantive regional policies, b) weak regional development institutions, and c) unresolved issues of territorial administration (Hallet 1997). These considerably misfit with the EU requirements for effective and efficient planning and implementation of the Structural Funds and create considerable challenges for both the CEEC poorest and institutionally weakest regions and the EU-25 social and economic cohesion.

As already mentioned, what is clear from relevant analysis is that not ignoring the impact of Europeanisation in the transformation of the national systems of governance, domestic institutions and pre-existing institutional infrastructure matter for adaptation (Paraskevopoulos 2001). The European Commission has repeatedly recognized the regional institutional weaknesses of the CEEC, even of countries such as Hungary and Poland, which are consider ‘frontrunners’ in the adaptation process. However, pre-accession funding has mostly focused on the national level “leading in some cases to over-institutionalization and overlapping responsibilities, with little achieved at the regional level (Bailey & De Propris 2002).” Both the EU and the new Member States must be well aware of those institutional misfits and should focus their attention on redressing them no matter how slow or painful the process might be.
Despite humble beginnings EU environmental policy has developed as an area in its own right as opposed to a mere appendix to economic integration. It is underpinned by a substantive body of legislation though the pace of formulating new policy slackened somewhat in the 1990s in an attempt towards consolidation through Framework directives and efforts to address the problems associated with the implementation deficit. Distinct policy approaches towards the extension and diversification of the range of policy instruments employed towards more market based and cooperative instruments are apparent in the last decade and associated with this strategy is the emergence of institutional innovations (horizontal coordination, dialogue forums, shared responsibility) at the European level. At the core of this latter strategy lies the reorientation in the model of governance towards network style and participatory forms of policy formulation (Lenschow, 1999; Knill and Lenschow, 2000) with the participation and consultation of relevant public and private actors in the policy formulation process. However, systemic accounts and institutions, at the European, national and sub-national levels, matter since they influence policy outcomes

In environmental policy national traditions have been challenged by EU initiatives and the environmental regulatory systems changed in ways that would have been far less likely but for EU membership (Jordan, 1998). Europeanization has traditionally been interpreted as a process by which new member states, either contribute to the formulation or advancement of the environmental policy towards their own national priorities (higher standards in environmental protection) through the intergovernmental bargaining, or adopt the already more advanced European regulations into their domestic policies. Member states can be further classified into “forerunners” (pioneers) and “latecomers” (Andersen and Liefferink, 1997). The environmental forerunners seek to maximise the freedom for developing and implementing their own national policies and perceive EU policies as a means to help achieve these domestic policy goals and reduce pollution flows from abroad. The original ‘green troika’ was composed of Denmark, Germany and
The Netherlands, but during the IGC on the Amsterdam Treaty environmental issues received a strong push from the new ‘green’ member states of Austria, Sweden and Finland. In contrast, the states of Ireland, Greece, Portugal and Spain belong to a group that tends to pursue the requirements of a directive at a level representing the lowest common denominator which will minimally affect national policy. The effect of enlargement provides a major challenge for further development in this policy area and for the CEE states, including Hungary and Poland that will have to adhere to strict European standards and shape their institutional structures.

The success of EU environmental policy is contingent on the implementation and enforcement of environmental principles and legislation. As noted, there has been a shift in orientation in terms of the strategies employed but change remains crucially conditioned by the presence of specific institutional structures at the domestic level of governance that may facilitate or inhibit the adaptation process. Hence, institutional adjustments can hardly be understood in terms of ‘effective adaptations’ to changes in the institutional environment (March and Olsen 1996) and as a general rule institutional adaptation remains incremental or path dependent without challenging well established core patterns of existing arrangements. As soon as the gap between existing arrangements and external requirements becomes too big (“misfit”), it is anticipated that implementation within the existing institutional framework will yield ineffective results. As a result new components will not be effectively integrated into the existing structures but rather neglected or ‘added on’ to the periphery of the framework leaving the core of existing provisions unchanged (Knill and Lenschow, 2000). Borzel’s (2000) analysis of implementation problems and variance in compliance among the different EU member states (‘push and pull model’) also illustrates the significance of institutions and their

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1 Obstacles to the implementation of environmental policy in CEE countries are foremost scarce public financial resources, low public awareness and concern (given more immediate policy concerns such as unemployment, social and health issues), inadequate environmental monitoring systems, poorly designed policies and institutional frameworks, the absence of adequate systems of information management and control as well as a lack of clarity in the allocation of environmental responsibilities between the different branches of national government, agencies, regional and local authorities (Caddy, 1997).

2 Borzel’s (2000) argument that implementation problems and the variance in compliance among the different EU member states is the result of an interplay between both domestic and European factors and she develops a model to illustrate this. The ‘push-and-pull model’ is based on two major propositions. First, compliance problems only arise if the implementation of European policies imposes considerable costs on the public administrations of the member states. Hence, the less a policy ‘fits’ the legal and administrative structure of a member state, the higher the adaptation pressure in the implementation process. It may be argued that this has been the case with Ireland’s adaptation to EU waste management policies. Second, pressure from ‘below’ – where domestic actors may
adaptive capacity. The model also indicates that domestic mobilisation of domestic actors such as political parties, the media, business and industry can contribute to effective implementation as acknowledged in the principle of ‘shared responsibility’ contained in the EU’s Fifth Environmental Action Programme. This principle also recognizes the contribution of informal institutions such as public advocacy groups and citizen’s associations in its emphasis on increasing the participation of a wide range of societal actors. In relation to CEE states the desire to join the EU, and therefore the necessity to implement the environmental acquis, has required the transformation of poorly fitting domestic structures and an engagement in institution building in the post-1989 era. Prior to this environmental legislation tended to be ignored and the failings of the state apparatus ensured that implementation was weak. An active civil society that could have potentially mobilized for higher environmental standards did not exist given the non-participatory democratic political culture. Hence, CEE states (including both Poland and Hungary) firmly belong to the “latecomers” group of countries for which environment policy has been formulated by the EU standards.

*Europeanization and domestic institutional change in CEE countries – public policy transformation in Hungary and Poland*

Amongst the CEE group of countries about to assume membership of the EU, both Hungary and Poland are considered the most advanced in terms managing the transition process and building durable democratic institutions. Both countries are considered as unitary and centralised states, characterized – especially Hungary - by the orientation of their economic structure towards agriculture and high levels of unregistered economic activity. Hungary and Poland are both encountering significant adaptational pressures in all sectors of public policy which are related to the fact that the challenges of Europeanization have coincided with the transition from authoritarianism and the modernization process. The process of integration with the EU has indeed been a major driving force (from the first contracts established at the turn of the 1990s via the
association by virtue of the Europe Agreements) behind institutional changes and building administrative capacity to participate in the EU system of multi-level governance.

As noted, in comparison to other CEECs, Hungary and Poland are both considered as “frontrunners” mainly in administrative adaptation at both the national (central government) and subnational levels of government (Goetz and Wollmann, 2001). Hungary was the first CEE state to introduce civil service law in 1992 (Istvan, 1999) and while the civil service system of Poland remained more complicated than in other post-communist countries in the first decade of transition, it was the only state with a defined civil service system under the previous regime (Torres-Bartyzel and Kacprowicz, 1999). However, the case of Poland is considered to have followed Hungary in the process of administrative reform at the central state level, demonstrating similar patterns of “enclaves” of professional and expertise excellence within the state bureaucracy, confined in the sectors most dealing with the EU (Goetz and Wollmann, 2001). The more advanced adaptation of Hungary has been interpreted as the result of a general reluctance, in relative terms, to adopt the so-called “Latin”, (namely the Southern European), paradigm in the transition from authoritarianism. “Latinization” is widely considered as dominant model for some at least of the CEECs during this period of intense pressures towards modernization and Poland illustrates stronger evidence of alignment with this paradigm (as opposed to Hungary) with regard to the existence of clientelist practices and corruption (Goetz, 2001). In terms of the strength of civil society, Hungary and Poland both demonstrate the well-known characteristics from countries of Southern Europe regarding a contradictory pattern of relatively strong civil society accompanied by distrust in political institutions (Mishler, W. and R. Rose, 1995, 2001).

**Challenges of learning and adaptation in Regional Policy**

The research outcomes for the ADAPT project in the CEEC regional policy case studies are based on fieldwork undertaken in South Transdanubia (Hungary) and the Lodz Voivodship (Poland) during 2002/2003. South Transdanubia is considered a less developed region with serious demographic, economic and environmental problems and
the Lodz Voivodship is considered as a purely representative, in terms of strengths and weaknesses, medium region of Poland. In Hungary the outcomes indicate some evidence of institution building, though weak, at the central level given in particular the collapse of the pre-existing institutional infrastructure. There has been extensive institution building at the regional and local levels. Since 1990, a series of reforms decentralizing the state administration, re-establishing the autonomy of local governments and delegating to them broad responsibilities in delivering public services were introduced. They also implemented a legal and regulatory framework to enable private participation in local infrastructure and services and tightened budget constraints. Additionally, the intermediary tier of government has been reinforced by establishing Regional Development Councils and by attempts to promote municipal associations. This progress reinforces Hungary’s role as a forerunner among the CEECs as the relatively good level of institutional infrastructure is attributed to its earlier commencement of the reform process. In Poland institution building is evident at both the national and sub-national levels with particular emphasis on the administrative and territorial restructurings at the regional and local levels of government. Institutional reforms are linked to the collapse of the pre-existing structures and the extensive administrative restructuring is strongly influenced by considerations/expediencies related to the need for compliance with the EU. Institution building remains the crucial challenge ahead with regard to the adaptation process.

- Europeanisation of policy making and domestic levels of governance: evolution of policy misfits and adpatational pressures

Regional policy implementation in Hungary and Poland is characterised by the trend towards adapting to EU structural policy acquis by using as a vehicle the pre-accession instruments (Phare, ISPA and SAPARD) and the gradual adoption of the principles of concentration, programming, partnership and additionality. The objective of the first reforms of the administrative systems after 1989 were to re-establish the self government structures and gradually decentralise the policy making process with attempts to adopt a Western like policy making style in regional development. Regional policy constitutes an area of high adaptational pressure for the CEECs given that the issues of centre
periphery relations, decentralisation and regional development - along perhaps with the emergence of “privileged”/Europeanised elites on the level of core executive – lie at the core of the impact of conditionality (Goetz and Wollmann, 2001).

Overall, it is widely accepted that the EU demands for a strong institutional capacity at the regional level have been used in the case of Hungary for justification of a statist conception of regional administration, especially in the preparation of the National Development Plan and the Regional Operational Programmes (ROPs) at the expense of the partnership model (Palne-Kovacs et al, 2003). Additionally another challenge has been the number of communes (3092) that negatively affects the coherence of regional programming. In sum, coordination and partnership problems at both the national and sub-national levels of government may be viewed as the key areas of adaptational pressure in regional policy.

Pressures are even more intense in Poland on account of the size of the country. This has become evident from the coordination problems that arose with regard to the management of pre-accession aid, given the quite problematic territorial administrative structures, involving 49 territorial units (voivodships) and almost 2300 municipalities. A problem of absorption capacity also exists whereby stronger provinces are more apt to utilise the new support instruments both from national and EU assistance sources. In the negotiation of Chapter 21 Poland did not face severe difficulties, given that the necessary adjustments of the legal framework was already well advanced, especially through the reforms adopted in 2000-2001 (Czernielewska et al, 2003). The Polish case is similar to other CEECs, in that it demonstrates the discrepancies between legal adjustments and institutional adaptation. While Poland shares the same areas of adaptational pressure as Hungary, namely coordination and partnership problems, the issues related to the “institutionalisation” of the reforms and subsequently to the institutional capacity at both the national and sub-national levels of government are viewed as imposing more intense adaptational pressures than in the Hungarian case.

Given that Europeanization is associated with democratisation and modernisation, it
should therefore be viewed as a primarily independent variable, affecting the institution building and learning processes at both the national and sub-national levels of government. Consequently, in regional policy, Europeanisation has led to substantial administrative restructuring, involving devolution, network creation and institution building at the national and more importantly at the sub-national level of government in both countries.

- **Goodness of fit of domestic governance structures**

(a) Policy making processes

In Hungary, a series of reforms have been introduced since 1990 aimed at decentralizing the state administration, re-establishing the autonomy of local governments and delegating to them broad responsibilities in delivering local public services were introduced. These reforms, and in particular the reform of local government, were characterised by the strengthening of the role of locality (municipalities, local communities) at the expense of counties, which is the traditional unit of the system of local governance. The formal policy-making structures for regional policy, however, were established in the period 1996-1999 by the Act on Regional Development and Physical Planning 1996 and its amendment (1999). The main policy-making relevant feature introduced by the Act is the creation of a three-tier system of Regional Development Councils at the county, regional and national levels of government, in parallel with the public administration structures, and with the right of local municipal associations to participate in the county councils. The primary objective of this policy-making framework has been to facilitate consultation, dialogue and eventually participation in policy formulation of all interest groups and stakeholders, especially at the meso-level (county and region) of government. However, the predominant role of central state actors (ministries) in the councils, especially after the 1999 amendment of the Act, and the weakness of the local institutional infrastructure in general have resulted in an ever increasing role of political parties in the policy process with the possibility for
raising party-dominated clientelism as the main characteristic of regional policy-making process (Palne-Kovacs, I., et.al., 2003).

With regard to policy-making structures in Poland, Phare, SAPARD and ISPA programmes functioned as initiators of the democratic programming approach to development, the preliminary steps to which have been the formulation of the National Development Plan and the National Development Programme (2000-2006). They have also contributed to the processes of learning and institution building within the policy-making structures. This is achieved mainly through the provisions for the implementation of the partnership principle in the preparation of the operational and regional (voivodship) programmes under the Phare assistance, which involves consultation in the policy-making process, institutionalised in the form of steering and monitoring committees. These committees constitute fora for dialogue and communication among all actors involved in the policy process.

(b) Administrative structures

In Hungary, the main administrative innovation in terms of regional policy has been the establishment, in 1999, of the seven administrative regions/Regional Development Councils (NUTS 2), as the main locus for coordination of the activities of de-concentrated government departments. The regions, which are overseen by Commissioners, have constituted the second meso-level of governance – the first being the 19 Councils at the county level (NUTS 3). However, while regions are mostly artificial entities facilitating the reconciliation between local interests and central state tasks, the articulation of local interests takes place at the county level, County Development Councils. Overall, both the regional and county Councils are loci for co-coordinating regional development policy, where central government is represented by branch officials, responsible for implementing sectoral policies. Decentralisation and reform of the regional governance system, however, has gone hand in hand with increasing concerns about the strengthening central administrative capacity. Therefore, central state, and in particular the Ministry of Agriculture and Regional Development (MARD), remains the key actor in the policy-making process. This is mostly evident in
the allocation of financial resources, whereby the share of all the decentralized levels of
government amounts to only 8-10% of development funds (Palne-Kovacs et.al, 2003).

In Poland, moves to decentralize the policy making process led to the reform of 1999
which introduced three tiers of local and regional government territorial units, that is 16
voivodships (NUTS 2), over 300 poviats (NUTS 3) and the local level (communes-
gminas). The elected regional councils (Sejmiks) and the management boards directed by
the Marshal represent the self-government structures. The representative of the central
government in each region (Voivod) monitors the activities of the Sejmiks. The new tiers
of government and especially at the regional level have been granted broad competencies
for regional and physical planning, land management and environmental protection. The
anticipation of the future membership of the EU provided the context for this systemic
transformation process (PNR, 2002). However, lack of sufficient financial resources and
over-dependence on the central government prevent regional self-governments from
fulfilling their statutory roles and they are constrained to drafting regional development
plans (Gilowska 2001:145). Overall, the lack of co-ordination between the national and
sub-national actors and levels of government as a result of unclear allocation of
competences constitutes a serious problem for the planning and implementation of the
EU structural policy.

(c) Institutional actors

In Hungary, the county remains the main locus for the articulation of local interests and
the formulation of policy-making. Thus, the directly elected county assembly used to be
the main forum of interest representation and intermediation at the sub-national level of
government. The county development councils, brought about by the latest administrative
reforms, are supposed to be the new – and empowered - loci of interest representation and
policy formulation at the county and sub-county (local) level of government. In this
respect, the actors’ constellation at the county councils level includes municipal
associations, private and civil society as well as professional association actors. The
establishment of the regions in 1999 was supposed to create another forum for interest
intermediation and policy formulation close to the central state. However, the limited role
of both local public actors and pressure groups, such as chambers, NGOs etc., in the regional development councils after the 1999 amendment of the Regional Policy Act has substantially decreased the role of the region/regional council. Therefore, the identification of the main actors in terms of interest representation is to be carried out primarily at the county and secondarily at the regional level.

The Polish case illustrates that there are formal provisions for social dialogue, interest representation and consultation in the policy-making process at both the national and sub-national levels of government. At the central state level, the ‘National Strategy for Regional Development’ provides for social dialogue and interest groups, private sector and NGO actors’ participation in the policy process, on a consultative basis, through the Council for Regional Policy. At the regional level, the Marshall Office is obliged to consult the strategy and its realisation with the Voivod, local actors (self-governments, social and economic partners, research institutions), but also with other voivodships and regions. In accordance with the partnership principle, a regional steering committee appointed by the Marshal consults a regional strategy and a voivodship operational programme, which are adopted by the Regional Assembly. However, the weakness of the institutional infrastructure, especially at the sub-national level, triggers the decisive role of the central state in the policy process, accompanied by a substantial amount of party-dominated clientelism (Czernielewska et.al., 2002).

Both Hungary and Poland have followed the ‘South European’ paradigm of administrative adjustment to the Europeanisation of the policy process, involving devolution and decentralization. This is particularly evident in the establishment of regional governance units at the NUTS II level. However, the regional level of identity remains weak and a poor fit with EU regional policy. In both countries social capital and civic culture is weak and this therefore hinders building feature of a cooperative culture. In Hungary the presence and role of NGOs is weak given the predominance of political parties and clientelism. Whereas in Poland there are numerous NGOs (around 41,500) but the majority are weak and the legal and regulatory environment does not encourage their development.
The following table summarizes some of the key policy fits / misfits in the regional policy arena.

**Table 1:** Institutional and policy fit, cases of misfits, adaptational results and mediating factors in Regional Policy

<table>
<thead>
<tr>
<th>Country</th>
<th>Policy Fit</th>
<th>Policy Misfit</th>
<th>Adapational Result</th>
<th>Mediating Factors</th>
</tr>
</thead>
</table>
| Hungary | • Adoption of EU acquis  
          • Growing civil service expertise on EU matters | State-led policy-making  
National coordination poor  
Administrative capacity  
Weak sub-national institutions | Some change  
Improving  
Improving  
Slow change | Centralised structure/civil society/clientilism  
Government  
Civil Service  
Centralised state/funds/ |
| Poland  | • Adoption of EU acquis  
          • Growing civil service expertise on EU matters | State-led policy-making  
Poor coordination between ministries  
Institutional Building  
Institutional capacity | Some change  
Improving  
Slow change | Centralised structure/civil society/clientilism  
Government  
Central structure/funds  
Multiple veto points |

**Challenges of learning and adaptation in Environmental Policy**

Waste management is the area of environmental policy selected for research and may be identified as one of the most challenging areas of environmental governance. In relation to waste management, the European Union has been producing legislation since 1975. Directive 75/442 as amended by Directive 91/156 (together termed the Waste Framework Directive) defines “waste”, and a European Waste Catalogue (ECW) completes this. The Framework directive lays down general obligations of waste management defines recovery and disposal activities and provides that all such recovery and disposal activities must be authorized. The emphasis of EU policy has been on waste prevention, recycling and reuse, improving disposal conditions and regulating the transport of waste (see McCormick, 2001). However, waste issues have traditionally been approached from a
predominantly engineering, economic or managerial point of view and little attention has been paid to the central role of social and political questions related to waste management, such as the role of participatory governance and the positions of citizens or civil society vis-à-vis waste governance. This perception is changing in light of the reorientation in the model of environmental governance in the European Union and the introduction of new environmental policy instruments and the European Commission is formulating a new strategy on waste will drive the EU’s legislative programme for the next decade.

The research outcomes for the ADAPT project in the CEEC environmental policy case studies are based on fieldwork undertaken in the region Central Hungary which, while the smallest of the Hungarian regions, has the largest population among the regions and is one of Central Europe’s focal points in attracting Foreign Direct Investment. It consists of the capital city Budapest and the surrounding Pest County. Budapest produces large quantities of waste – approximately 4 million cubic metres – but there is a lack of available space due to highly competitive uses of land. In addition, only two-third of Hungarian households is served by organised waste collection systems, while dumping is the major solution applied in dealing with the problem of communal waste (Horvath, et.al., 2002). The region is also characterized by a continuous practice of uncontrolled dumping of wastes into illegal landfills (Palne-Kovacs et al, 2002). Lodz province, the region selected for fieldwork research is one of the most densely populated Polish provinces, while one third of the region’s population (2.6 million inhabitants in 1999) and half of the urban population is concentrated in the capital – Lodz, the second largest city in Poland. The region has serious municipal and hazardous waste problems and waste management problems constitute the main priority of all environmental protection problems at regional and local levels though many of the issues remain largely unresolved due to limited resources (Czernielewska et al, 2002).

The factors determining environmental policy and compliance with the environmental acquis in CEE are shaped by considerably different experiences in comparison to previous enlargements of the Union. The enlargement of 1995 did not precipitate problems given the states of Austria, Sweden and Finland generally had a more developed environmental policy and tended to be more concerned with a possible dilution
of domestic standards. Hungary and Poland have more in common with “laggard” states such as Ireland and the Southern Mediterranean states. In the Irish case, however, while environmental policy was underdeveloped and compliance still remains problematic, the performance of the pre-existing institutional framework facilitated adaptation and the system is underpinned by a strong sense of civil society, whereas CEE states are handicapped by having to build up institutional capacity generally. CEE states have also been left with other legacies including their administrative structures and political culture that add to the difficulties associated with environmental management. These include a centralized, top-down command driven policy style, with its resultant policy and indeed institutional rigidity, a history of implementation failure and a prioritization of economic, over environmental, considerations. Ironically, both in Hungary and Poland environmental groups and activists played an active role in bringing down the Communist regime but a strengthening of the environmental movement and an accelerated development of civil society did not occur in the aftermath. The post-1989 period witnessed a sidelining of environmental issues as economic considerations dominated in the shock of the transition process (see Baker and Jehlicka, 1998) and top-down economic reforms tended to dominate as opposed to greater openness and enhancement of bottom-up participation in development.

• **Europeanisation of policy making and domestic levels of governance: evolution of policy misfits and adaptational pressures**

Since the early 1990s both Hungary and Poland have been striving to adapt environmental policy making structures and harmonize laws with the EU’s environmental policy framework. In both cases the harmonization of legislation is considered satisfactory with adherence to the key legislative criteria and the principal problem remains effective compliance. The inclination to focus on the legislative harmonization exacerbated this as it tended to divert attention away from the implementation phase of the policy process. In addition, despite the institutional innovation that has taken place and the EU interventions through mainly the PHARE, ISPA and LIFE programmes, however, environment has been proved to be an expensive policy area and therefore the
amounts of investment needed are estimated to be very high. This has led to requests during the accession negotiations for transitional periods in almost all policy areas (recycling and packaging, urban waste water, incineration of hazardous waste). Despite these delays the impact of EU criteria ensures that a certain level of attention to environmental policy is maintained, despite the predominance of other pressing policy issues. In relation to bridging the gap between between existing arrangements and external (EU) requirements there is considerable “misfit”. Centralised planning gave little power to the regional or local level and this is another legacy of Communist rule that has important implications for environmental management: enforcement and monitoring of environmental policy, if it is to be successful, has also to take place at the local level. Hence, there is considerable demand on the limited capacity of both political and administrative institutions and the enhancement of institutional capacity in this field is also related to efforts to democratize and facilitate the growth of civil society. Aligned to this is the necessity to build effective institutional links with the private and industrial sector and encourage civic dialogue by developing the capacity to involve groups such as NGOs in decision making fora. In Hungary and Poland adaptational pressures are therefore high in terms of the compatible development of institutional structures to manage the environmental field and promote effective implementation of legislation. Hence, limited institution building and the absence of financial support heighten the likelihood of policy misfits through non-compliance.

In relation to the ‘push and pull model’ (Boerzel, 1999) discussed earlier it may be noted that the weak civil society in both countries militates against effective domestic mobilization and its contribution to effective implementation. In the case of Hungary, public opinion has tended to be ‘ambivalent’ regarding environmental matters generally (O’Toole and Hanf, 1998: 98) with the level of ecological awareness remaining low as economic issues predominate and environmental activism less visible and more fragmented than in the 1980s. In Poland environmental policy tended to retain technocratic characteristics in the early transition years (Millard, 1998:153) which presented further difficulties for environmental pressure groups to influence policy or play any meaningful role. The field research in the waste management regions has indicated
that while attempts have been made to comply with the EU’s demands for wide cooperation networks and less state policy making there are limited horizontal connections with those interested in stronger and more effective environmental efforts. In both countries the central state actors dominated in respect to environmental policy making though the participation of the private sector is also emerging. On a positive note, however, there is a prominent level of citizens’ participation in civil organization in Poland (though only a small percentage of them are actively involved). In particular, a number of educational activities are observed in the field of ecological education organised by NGOs. In Hungary, a National Council for Environmental Protection exists as a forum where local, county and regional communities, as well as economic agents and NGOs participate in the interest reconciliation process. This is an advisory body to the Government, bringing together public authorities and civil society actors and trying to achieve integration of environment with other policies.

In both countries civic culture and social capital endowments need to be further developed in order to develop new forms of cooperation and collaboration in order to facilitate the changes required and increase the participation of a wide range of societal actors (contribution of informal institutions).

- **Goodness of fit of domestic governance structures**

The Hungarian environmental policy-making structure appears to be rather centralized, being controlled in a high degree by the central state actors. Moreover, the political climate between the central state authorities and the regional/local actors is characterized by conflicts and cooperation. The National Programme for the Adoption of the *Acquis Communautaire* (NPAA) is the main framework for the adoption of the EU environment policy rules and regulations. It determines targets, deadlines concerning legal harmonisation, institution building, financial considerations and implementation needs. Its main task, however, is the problems, primarily coordination, related to the use of EU financial resources, such as PHARE and ISPA. Although the Ministry of the Environmental Protection is the main policy-making actor, demands on sub-national
structures have intensified as a result of the Europeanization process, in particular with the implementation of the Environmental acquis. Various tasks and responsibilities, which were previously carried out by the national government, have been transferred to the sub-national level of government whereby 12 regional and local agencies are responsible, although its administrative capacity is limited, both in terms of resources and expertise.

Although the transposition of the EU Waste Framework Directive (75/442) marked Hungary’s compliance with the EU environment policy, the National Plan for Waste Management was elaborated by the Ministry of the Environment only in 2001. The main task of the plan is to decentralize the policy process, especially the implementation phase, by specifying and allocating responsibilities to the subnational (regional and local) level of government. Although decentralization has not always led to institutional performance in the implementation of the policy, mainly because of serious coordination problems and lack of sufficient resources, there is evidence of some participation by civil society actors in the policy process.

The Polish environmental policy-making processes are characterized by an extended decentralization reform and by the generated controversies between the responsible bodies because of overlapping competencies. Nevertheless, this decentralization trend is weakened by the lack of funds at regional/local level. The Second State Environmental Policy constitutes the main visionary framework for environmental policy, defining the objectives and standards that need to be met in order to comply with the *acquis communautaire*. The document deals with the main issues of environment policy and sustainable development and focuses on the redistribution of the role of the actors-participants in the policy-making process, by the strengthening of the functions of local governments and the private sector and by improving the level of public access to information on the state of environment for NGOs. In addition, greater emphasis is placed on the role of education, science and transfer of environmentally friendly technologies and rules for management of the environment. Thus, although the main policy-making actor is the Ministry of the Environment, at the territorial level the
relevant province, county and commune authorities may draw up respective environmental protection programmes, taking the necessary requirements into account. These programmes are adopted respectively by the assemblies of a province, a county and commune councils. Every two years the executive authorities of a province, a county or a commune submit reports on the implementation of programmes to: the provincial assembly, a county council or a commune council. The self-governments – especially on NUTS 4 and 5 levels - are involved directly in provision of basic services to the community, including waste management, granting permits and provision of necessary technical infrastructure. Therefore the effectiveness of waste management policy is to a considerable degree reliant on the efficiency of sub-national government which remains fragmented and without sufficient capacities or resources for effective monitoring.

As for Waste Management, although it is the most crucial environment policy area for Poland, the current state of the art is the elaboration of the National Waste Management Plan. The plan is expected to cover all the basic categories of wastes generated, in particular municipal and hazardous waste (Carter, F.W and E. Kantowicz, 2002). The main tasks of the Plan should comply with the sustainable development strategy and implement the principles of the II State Ecological Policy. The carrying out of the Plan involves a wide range of actors/agents, such as the Waste Economy Institute, the Institute of Industrial Areas Ecology and the State Geological Institute, while consultative bodies (chambers, professional associations) will take part as well. This “integration gap” in the state of the environment policy between Poland and EU has led to requests for transition periods in almost all policy areas of waste management (hazardous, packaging, urban etc.).

In terms taking steps towards participatory forms of policy formulation there is some evidence of extending participation, at least, in environmental policy to non-state actors. Many steps have been taken in the process of liberalization of environmental policy and waste management market in regions under question in Hungary and Poland. Within this framework various schemes of public-private partnerships have been developed in both countries. Extending public-private partnerships are established in order to support
financial waste management infrastructure projects. Within that framework, local/county authorities in both regions have developed public-private partnerships with private companies in order to implement regional or EU Programmes. With reference to the role of the private sector in the two CEE countries, the research illustrated the following similarity: private companies, related to waste management, contract with local authorities in order to undertake specific parts of waste management, like landfilling, waste collection and recycling. These companies are smaller operators (Poland) or larger companies (Hungary). In the case of Hungary foreign private companies are also involved in the sector of waste management. The SNA analysis illustrated that the role of NGOs and other civic organizations though growing is limited in Hungary and Poland.

Although the environment remains in a tenuous position on the policy agenda in both countries, there is evidence of institution building and innovation at the national and sub-national levels. EU interventions mainly through PHARE, IPSA and LIFE programmes have contributed but environment has proved to be an expensive policy area and therefore the amounts of investment needed are estimated to be very high. Hungary demonstrates a more advanced institutional and policy making structure, which may be partly attributed to specific features of its pre-existing institutional infrastructure, i.e., the counties, and the reforms that were put forward even during the period of authoritarianism. Poland, taking into account the possible “exceptualism” of the Lodz region, demonstrates similar characteristics to the Hungarian network, in terms of private sector involvement in the policy process and presence of public-private partnerships. However, substantial differentiation may arise with regard to the realm of institution building, namely the strength of local government institutions and civil society. In sum, in both Hungary and Poland institutional capacity is generally in short supply and the performance of environmental institutions is part of this larger picture.
Table 2: Institutional and policy fit, cases of misfits, adaptational results and mediating factors in Environmental Policy

<table>
<thead>
<tr>
<th>Country</th>
<th>Policy Fit</th>
<th>Policy Misfit</th>
<th>Adapational result</th>
<th>Mediating factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
<td>Legal harmonization</td>
<td>Implementation, Rule-making, Political decisions, Regulatory policies, Institution building, State-led policy-making</td>
<td>Slow change, Partial change, Resistance, Slow change, Slow change, Resistance</td>
<td>Insufficient funds, Centralized structure, Politisation, Static system, Centralized structure, Multiple veto points, Insufficient funds, Centralized structure</td>
</tr>
<tr>
<td>Poland</td>
<td>Legal harmonisation</td>
<td>Implementation, State-led policy-making, Institution building</td>
<td>Slow change, Partial change, Slow change</td>
<td>Insufficient funds, Centralized structure, Civil society, Insufficient funds, Multiple veto points</td>
</tr>
</tbody>
</table>

Conclusions / Discussion

This paper has attempted to evaluate the key adaptational pressures facing the domestic policy making structures of Hungary and Poland in regional and environmental policy, as well as the transformation of the domestic systems of governance engendered by the Europeanization process. The analysis has sought to embody the notion of “goodness of fit” as a crucial intervening variable between Europeanization of policy-making and domestic institutional structures. In both Hungary and Poland, Europeanization has, to a significant extent, coincided with the transition from authoritarianism. Europeanization therefore is associated with the democratisation and modernization processes, and in this respect it should be viewed as a primarily independent variable, affecting the institution building and learning processes at both the national and subnational levels of government. Variations in policy-making outcomes fundamentally depend upon the high degree of adaptational pressures facing the countries in both policy areas and the level of performance of the pre-existing domestic institutional infrastructure at both the national and subnational levels of government.
In the following table the comparative results of the parameters indicating/affecting the adaptation and learning capacity in both policy fields in Hungary and Poland (regional case studies) are presented.

### Table 3: Parameters defining adaptation and learning capacity in Hungary and Poland

<table>
<thead>
<tr>
<th>Country/Parameter</th>
<th>Hungary</th>
<th></th>
<th>Poland</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Environmental Policy</td>
<td>Regional Policy</td>
<td>Environmental Policy</td>
<td>Regional Policy</td>
</tr>
<tr>
<td>Resistance to change</td>
<td>strong</td>
<td>medium</td>
<td>medium / strong</td>
<td>medium / strong</td>
</tr>
<tr>
<td>Decentralisation trends</td>
<td>Weak</td>
<td>weak</td>
<td>medium</td>
<td>medium</td>
</tr>
<tr>
<td>Participation of non-state actors in policy-making</td>
<td>Weak</td>
<td>weak</td>
<td>weak</td>
<td>weak</td>
</tr>
<tr>
<td>Civil society</td>
<td>Weak</td>
<td>weak</td>
<td>weak</td>
<td>weak</td>
</tr>
<tr>
<td>Co-operation climate</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
</tr>
<tr>
<td>Fora for dialogue</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
</tr>
<tr>
<td>Development of PPP’s</td>
<td>strong</td>
<td>weak</td>
<td>weak / medium</td>
<td>weak / medium</td>
</tr>
<tr>
<td>Common understandings</td>
<td>strong</td>
<td>strong</td>
<td>strong</td>
<td>strong</td>
</tr>
<tr>
<td>Institution building</td>
<td>Weak</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
</tr>
</tbody>
</table>

The paces of learning, institutional restructuring and subsequently of adaptation have been very much affected by a number of factors, such as the pre-existing political culture, the administrative structures and the level of institutional embeddedness, the economic situation, state-society relations, the policy making processes and the range of actors involved in them, the types of networks and civic engagement.

In regional policy making, Europeanization has led to considerable administrative restructuring, institution building and broadening of the policy making processes to a number of previously excluded social actors. It may be argued that in the cases of Hungary and Poland this is characterized by ‘half way adaptation’ though decentralization trends are deemed weaker in Hungary.
In environmental policy, both Hungary and Poland belong to the so-called “laggards” or “latecomers” group of countries, and consequently they have to adapt mostly to environmental standards/regulations of a policy shaped mainly by the so called “pace-setters” or “forerunners” group. Hence policy misfits are particularly high in environmental policy. Europeanization has led to significant legal harmonization but the necessary institution building and establishment / functioning of the required implementation / enforcement mechanisms has yet to be completed.

In both fields and in both Hungary and Poland, adaptation and Europeanization has led to the emergence of networks, new forms of public-private partnerships and a greater involvement of the private sector. However, both countries need to strengthen both formal and informal institutions and although the involvement of non-state actors has increased in the policy process, it still lags firmly behind European norms and remains weak. In Poland, in particular, civic culture is characterized by a high level of distrust (the so-called legacy of distrust) (Czernielewska et al, 2002). In both countries, despite a decentralization of public administration and processes, the central state actors play a dominant role in the policy process and control power and resources. Overall, institution building remains a priority on the modernization agenda in both countries. Getting the institutional framework right will be a key factor in ensuring successful adaptation.
REFERENCES


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