

Multi-Level Governance – The Eastern Versions

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1. New modes of governance – the East-West divergence

Overall, the emergence of new modes of governance (NMG) in the CEE has been characterized by divergence between the EU15 and future CEE members. On the one hand, the Copenhagen criteria of EU accession encouraged these countries to build the institutions of a functioning *domestic* market order. This process was largely about strengthening central state capacities to uphold economic freedoms, and, to administer and regulate domestic markets rather than about empowering non-state and sub-state actors with capacities to participate in addressing social and economic problems or coordinate developmental planning (Bruszt, 2002). Over the same period of time, the EU 15 concentrated on fulfilling the so called Maastricht criteria of building a functioning *transnational* market order that involved the transfer of a large part of basic domestic state capacities to govern markets to the supranational level. This process was also about the diffusion of non-hierarchical institutions of governing voluntary cooperation among diverse state and non-state actors, largely with the function to substitute for the lost central state capacities to coordinate among the diverse goals of economic and social development.

Institutional divergence between old and new member states meant primarily divergence in modes of governance displayed by asymmetries in power between state and non state actors and stronger reliance on hierarchy in the new member states. CEE countries were characterized at the time of accession by bigger “shadow of hierarchy” and weaker non-state and sub-state actors. This asymmetrical power relation, as will be argued below, still shapes the incentives of

central state agencies and prevents diverse groups of non state actors making effective demands on the state to change modes of developmental governance.

2. Pre-Accession institutional experiments and the evolution of territorial development governance in the CEE countries

Despite of the dominance of hierarchical governance, the sub-national level was a place of hectic institutional experimentation throughout the 1990s. Most of these experiments were short-lived and only few of them could become more enduring frameworks for collective problem solving. Overall, we found big variation at the level of institutional experimentation across the three CEE countries that we have examined. In the Czech Republic and Hungary regional and local level institutional experimentations were limited both in their numbers and their scope and the central state stood behind most of the more encompassing institutional experimentations. We found much more extensive institutional experimentation in Poland as well as a greater range and durability of relevant institutions. It was also in Poland that we find more extensive institutional experimentation initiated and sustained by actors in the regions.

Variation in developmental governance among regions across these countries was closely linked to the distribution of power among the different levels of the state and the way non state actors got involved in developmental decision-making. In Poland the central state had started to experiment early on by devolving authority to regional and sometimes to lower levels of state and non-state actors, primarily in informal ways, to try to solve problems of economic restructur-

ing and firm creation and it has created a host of supporting institutions to improve the conditions of collaboration among diverse state and non-state actors. In the Czech Republic and Hungary local self-governments were fragmented and weak, intermediary levels of the state were either absent or were deprived of the room to experiment large scale with local problem solving. In these countries primarily central state programs tried to alleviate local and regional labor market problems and problems of economic restructuring and if the central state gave some powers to local actors to experiment on their own during times of crisis, these powers were retaken after the crisis was over.

As a result of conflicting EU policies, to be discussed below, and differences in pre-existing institutional conditions, at the level of regions in the CEE countries we have found the emergence of NMG primarily in the form of ‘layering’, as part of a dominating primarily hierarchical and centralized governance regime. An example of ‘layering’ would be regional developmental pro-

gramming done primarily without regional actors in the framework of central government controlled sectoral programs, involving in a more limited separate ‘regional program’ regional actors in the design and implementation.

The other finding of our research was that a big variety of NMGs exist with diverse scope and durability *below* the level of regions. There we find various modes of more or less sustained forms of non-hierarchical collaboration among diverse types of sub-national organizations jointly defining interdependent developmental problem areas, working out integrated solutions and implementing them by way of coordinated project activities

3. Variations in the shadow of hierarchy and the role of the EU

The limited emergence of new non-hierarchical modes of governance at the level of regional development governance was due less to the weak capacity of the state ‘to cast a credible shadow of hierarchy’ and more to the weak incentives of incumbents to share power and depart from centralized control of resources. Weakness of ‘vertical accountability’, the capacity of diverse sub-national actors to organize/form alliances and make effective demands on the central state were more important in our cases for the weakness of NMG than lack of central state capacities or the fear of central state agents of agency capture.

This is not to negate the potential role played by weaknesses of state and non state actors in impairing the emergence of NMGs. Mutually reinforcing each other, these weaknesses have contributed to the reproduction of a *low equilibrium trap* or institutional stagnation in the field of territorial development governance in the CEEs throughout the 1990s. Weak civil society in the CEE countries lacked sub-national territorial organization, and, could not politicize and transform territorial problems of economic transformation into effective demands. On the supply side, besides having weak incentives, central states also lacked the resources, skills and level of coordination among branch ministries to experiment with decentralized integrated and inclusive sub-national policy making.

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All of the three countries that we have examined have departed from this low equilibrium trap by the end of the 1990s although in different directions and with different speed. The country where we found the first serious attempts to address the weak territorial problem solving capacity of the state by devolution, inclusion and strengthening the capabilities of sub-national actors was Poland. This was the only large CEE country, and the only CEE country with a civil society tradition and thus a country with experience that neglecting a problem of territorial development runs the risk of being transformed into a political problem. In Hungary, experiments with addressing problems of the hardships of economic transformation at the territorial level were smaller in scope and shorter in their duration – not because of the weakness of the hierarchy, but because of the weakness of the incentives of the incumbents to share power. In the Czech Republic until the late 1990s hostility towards any kinds of power sharing with non-state actors and weak organization has prevented the move away from the low equilibrium until the very end of the 1990s when the legacy of the ‘Velvet Separation’ in the constitutional commitment to form political regions moved the mode of governance towards the inclusion of less hierarchical elements.

The EU was the major external factor pushing governance away from low equilibrium by changing both parts of the equation: by increasing and upgrading (in some countries, by creating) the demand side for NMG in territorial development governance, by changing the incentives of incumbents and by helping to upgrade also the supply side, the capacity of the central state to enter into collaborative non-hierarchical co-governance of regional development with lower levels of the state and with non state actors .

The EU proved to be a powerful player also in re-arranging the emerging new equilibrium. By the time of accession the EU has changed its policies. Perhaps the most important of these changes was that the Commission gave central states the prerogative to control regional policy-making and implementation. Regional state and non state actors were excluded from the making of the first National Developmental

Further reading

This policy brief is based on research carried out within the NEWGOV project no. 15 on “Evolving Regional Governance Regimes: Challenges for Institution Building in the CEE Countries (EVOLVIN)”. This project studies the role of new modes of governance in the implementation of regional development policies in Central and Eastern European new member countries. It focuses on two aspects of NMGs in this policy field. First, which factors fostered and impaired the emergence of NMG in regional developmental governance in the new member countries? Second, to what extent, and if so, under which conditions have NMG helped increase the effectiveness of regional developmental policy making and implementation?

Further information can be found on the NEWGOV Website in the [special section](#) of project no. 15.

first National Developmental Plan. Nothing demonstrates, however, better the strength of pre-accession EU conditionality and assistance than the fact that when the effective demand for re-introducing forms of NMG in these countries re-emerged, it was to a large extent made by the actors created by the EU assistance programs.

4. Implications for policy development

The new post-accession equilibrium is far away from the ‘weak states- weak societies’ one and it is closer to the ‘stronger societies and much stronger states’ equilibrium. This asymmetric power constellation is far from being conducive to the fully fledged evolution of NMGs but it does not prevent their functioning in the shadow of the hierarchy. In this new constellation NMGs, or their elements can function to the degree that they help to sustain the old mode of governance by partly complementing it and partly compensating for its weaknesses.

The policy recommendation we would suggest is based on our study of the factors of the emergent and divergent development of

of NMGs in the field of developmental policy making and implementation so far. NMG's are already 'in' in the CEE countries, although still in weak and under-institutionalized forms. They might be strengthened but not by strengthening the 'shadow of the hierarchy' by increasing central state capacities. The problems of the evolution of the non-hierarchical inclusive modes of development governance in the CEE countries are linked to the unevenness in strengthening domestic actors and the resulting asymmetrical balance of power and incentives to create and sustain governance arrangements based on distributed authority.

While several of the pre-accession programs have helped to strengthen governance capacities of sub-national state and non-state actors, these programs put more stress on several diverse policy fields strengthening central state capacities in the CEE countries which contributes to the fact that the CEE countries have arrived to the EU in the 'weaker societies-stronger states' constellation. To put it differently, the problem of the evolution of NMGs in the CEE is not how to get them in the shadow of hierarchy but how to get them out of it. This would imply renewal and upgrading of pre-accession assistance programs focusing on increasing the governance capacities of lower level state and non-state actors. This would also imply change in the structure of political opportunities for sub-national actors ready to demand more inclusionary developmental policy making and implementation.

Under the present rules of running the Structural Funds, the room for political opportunities is shaped primarily by central states. Our research thus far suggests that the major reason central governments might prefer to allow for some room for NMGs is their perceived capacity to improve absorption capacity by mobilizing information and resources otherwise not available or too costly to gather, see and discover possibilities where the central state does not see any and improve the local acceptance or legitimacy of governmental policies by producing goods that can be seen to represent public goods. This is to say that the limited use

and/or room allowed for NMG is there to improve central state capacities. Until 'absorption capacity' is the major criteria of success in the framework of SF policies, the primarily hierarchical nature of governance can change only in degree but not in kind. Eventually, the history of NMG in CEE member states indicates that the EU has a variety of policy tools at hand to influence regional developmental governance despite the fact that the Commission has never had the power to impose on member states uniform rules of territorial developmental governance. SF regulations have always given national governments ample room to interpret EU rules and adjust them to diverse domestic institutional realities. Nevertheless, the lessons of the emergence and evolution of regional developmental governance in CEEs suggests that the interpretation and adaptation of EU rules interacts with these policy tools: the way conditionality criteria is defined, the requirements of monitoring are laid out and/or the eligibility criteria of assistance programmes is drafted shapes the political opportunities of lower level state and non-state actors.

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