

CELINE CANTAT

# Cohesion Policy and Perceptions of the European Union in Hungary

## A Cultural Political Economy Approach



## ABOUT THE PROJECT

This study was prepared in the framework of the project “The Impact of Cohesion Policy on EU Identification - COHESIFY” (<http://www.cohesify.eu>). COHESIFY is a research project funded by the European Union under the Horizon 2020 Program (Grant Agreement n° 693427), running from February 2016 through April 2018. The project investigates whether the performance of the EU’s flagship development policy – Cohesion Policy - influences how people see the EU. The project compares regions in ten countries in the EU to test the importance of the visibility in spending, the extent of local control over selecting priorities and beneficiaries, the significance of political affiliations and the impact of weak performance such as the low absorption rates. The project compares the positions of insiders, such as program designers and administrators, with applicants and beneficiaries, such as local authorities, private companies and civic groups. These attitudes are compared with the views of the general public in the respective regions. These views are gathered through analysis of national and local media reports, social media discussions, and complemented with representative surveys, interviews and focus groups.

This paper explores the ways in which a range of actors became involved in negotiating and implementing cohesion funds in Hungary during the two project periods of 2007-13 and 2014-20.

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## ABOUT THE AUTHOR

**Céline Cantat** is a research fellow at the Center for Policy Studies (CPS) at the Central European University in Budapest, Hungary. Celine contributed to the COHESIFY research project until August 2017 while also acting as Academic Program Manager of CEU’s OLIVE-UP, a university preparatory program for refugee students. She has since taken up the post of Marie Curie individual fellow at CEU CPS, with a project on ‘Migration Solidarity and Acts of Citizenship along the Balkan Route’ (MIGSOL).

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A CULTURAL POLITICAL ECONOMY APPROACH

Céline Cantat

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## 1. INTRODUCTION

This article examines Cohesion Policy (CP) in Hungary from two related perspectives that are rarely explored together - on the one hand, the political economy of cohesion policy in Hungary in the context of the European Union (EU) project, and, on the other hand, the narratives developed by people involved in the design and implementation of cohesion policy regarding Hungary's relation to the European project.<sup>1</sup> Bringing together these two analyses amounts to developing a cultural political economy of CP in Hungary, an approach advocated by Sum and Jessop (2013). This article argues that such an approach is of particular interest in order to investigate and assess the shift in the functional and discursive dimension of CP in Hungary, and that this has affected perceptions and understandings of the EU in the country.

The place of Hungary in the EU has been a matter of scrutiny ever since the end of state socialism in the country. The decade following the fall of the Soviet Union was characterised by a transition process centred on “catching up” with Western Europe of which accession to the EU was considered the end point (Böröcz 2012). Over this period, Hungary and other East-Central European (ECE) countries were essentially put to the “Europeanisation test” and required to demonstrate their ability to function as liberal market economies, following the EU model. EU CP played a key role in this process as Hungary would become a large net-beneficiary of CP funding after EU accession (see Mrak *et al* 2015). On the one hand, CP was a key tool through which the EU interacted with Hungary. On the other hand, the *conditionality* attached to the deployment of the Structural Funds (SF)<sup>2</sup> was a central instrument to push reforms through.

While Hungary was considered one of the “best achieving countries” by EU institutions until about 2005, a worsening of the country's economy in the second half of the 2000s brought new concerns regarding the degree to which the country had effectively adapted to EU requirements (Fabry 2011, Dale 2011). The literature provides conflicting explanations for this development. Some of the literature on Hungary's recent economic difficulties blames these issues on a “formalistic” transition to European standards and rules and to the lack of “deep change” in the country's institutional and administrative culture (Pálné Kovács *et al* 2016, Schmitt and Van Well 2016). By contrast, other commentators point to the relation between Hungary's economic problems and the process of European enlargement itself. The renowned Hungarian economist László Andor argued, for example, that the Maastricht criteria to which new members of the EU were submitted could be “crucifying” and lead to “disintegration” (Andor 2008).

1 Many thanks for Andrew Cartwright and Stefan Telle for their thorough and useful comments on an earlier version of this paper.

2 The Structural Funds are a series of financial tools aimed at the implementation of the EU cohesion policy. They include: the cohesion fund, the European regional development fund, the European social fund, the European agricultural fund for rural development, and the European maritime and fisheries fund.

In the last few years,<sup>3</sup> the surge of strong anti-EU discourses in the country, most strikingly illustrated by a recent government-led campaign against Brussels<sup>4</sup>, has triggered renewed discussions about the legitimacy of Hungary's place within the EU. In fact, some commentators have been quick to label Hungary the "first European rogue state".<sup>5</sup> Academic research has already extensively investigated the various historically and politically situated reasons for rejecting the European project<sup>6</sup> in different EU member states (Szczerbiak 2008, Hooghe and Marks 2007). This article sets out to contribute to this literature by exploring the relation between CP and anti-EU sentiments in Hungary. Departing from the perhaps puzzling observation of surging anti-EU discourses in one of the EU's largest net-receiving member states (MS), the analysis focuses on the linkages between CP implementation and the perceptions of the EU in Hungary. The article provides tentative answers to the questions of whether, to what extent and how CP may contribute to anti-EU discourses.

The article's key argument is that CP has always had a double objective, which impacts on how the policy and associated funds are perceived. CP has aimed at promoting cohesion among EU members *insofar as* it has been useful to the process of market integration in the EU. The mobilisation of CP as a policy tool aimed at furthering market liberalisation and integration is illustrated by the strong conditionality associated with receiving funds, and was strongly used in the context of the eastern enlargement of the EU. Yet when it comes to implementation, this EU policy tool comes to intersect with national contexts which play a key role in defining the way CP is deployed locally. In the case of Hungary, CP implementation has been governed through a heavily centralised structure and has been closely associated with corruption scandals. The EU has proven unable to respond appropriately to these irregularities, which is in part due to a reluctance to acknowledge the complex nature and dual objective of CP. In turn, I argue, the intersection between an ambivalent policy designed at EU level and a problematic local implementation context has meant that CP has contributed to negative perceptions of the EU among the Hungarian public. The article adopts the following structure. In the first section, I present the broad theoretical framework and methodology employed in the paper. Section II develops a political economic approach to CP in relation to the process European integration, focusing first on the origins of CP and second on its deployment in the context of the eastern enlargement of the EU. Section III turns specifically to CP in Hungary. It is divided in three parts: first, an assessment of CP implementation in the country; second, an examination of narratives regarding CP collected through interviews with individuals involved at the local and national level in CP design and implementation; and, third, an examination of the responses of the EU to some of the issues arising in relation to the government of CP in the country.

3 This can be roughly traced back to the 2010 change of government and the advent of conservative party Fidesz to power.

4 Between May and July 2017, the Hungarian government implemented the "Let's Stop Brussels" campaign, through which a series of billboards carrying anti-EU messages was deployed over the country. A questionnaire on how to deal with perceived issues posed by EU membership was also sent to all Hungarian households. This came in the wake of several years of anti-EU discourse put forward by the party in power, Fidesz. For background see: <http://blogs.lse.ac.uk/europpblog/2012/04/05/hungary-viktor-orban/>.

5 See <http://www.newstatesman.com/world/europe/2017/08/hungary-eus-first-rogue-state-viktor-orban-and-long-march-freedom>

6 By European project I refer broadly speaking to the process of building an integrated European economic and monetary space, and to the policies that have been designed for this purpose.

## 2. THEORY AND METHODOLOGY

Broadly speaking, this article is underpinned by the cultural political economy approach advocated by Sum & Jessop (2013) and Jessop (2004), which contend that research needs to investigate the interaction between the material and discursive elements of social life in order to understand how meaning is constructed by agents out of their social and political experience. In the case of studying European integration, and cohesion policy in particular, adopting such an approach has two immediate advantages.

On the one hand, developing a contextualised and critical political economy of European integration allows us to escape from the normative bias all too often embedded in European Studies. By normative bias, I refer here to the tendency of scholarship on the EU to produce a particular type of knowledge with a predetermined objective, namely the furthering of European integration, sometimes at the expense of critical investigation of the EU project and its associated policies (Ryner 2012: 651- 3; Bellamy and Castiglione 2001). A political economy examination encourages us to undertake a context-specific and historically-sensitive analysis of economic and political processes at work in the construction of the EU and the design of CP. On the other hand, a cultural political economy approach helps us avoiding some of the limitations of discourse analysis and identity studies by grounding our analysis in its material reality. It prevents the analysis from falling in the trap of post-structuralist approaches “which seem to imply that agents can will anything into existence in and through an appropriately articulated discourse” (Jessop 2004: 161).

I suggest that a materialist approach to discourses and identity formation can be of particular use to investigate some of the apparent contradictions that have characterised the way in which cohesion policy seems to be perceived by the citizens of European member states. A recent and puzzling example can be found in the Welsh voting pattern on the referendum for the UK to leave the EU. Indeed, it appears that those regions which received the largest amounts of European funds under regional policy were also among those who voted the most massively in favour of “leave”.<sup>7</sup> It is thus important to investigate people’s perception of the EU not only to understand the concrete, measurable effects of different policies in particular contexts, but also to examine the way people attribute meaning and develop narratives around the European project (Boomgaarden *et al* 2011; Hooghe and Marks 2004, 2007; see also Hobolt and Brouard 2011).

The data for this paper relies on two main types of sources. First, a literature review of primary (policy documents related to CP in the EU and Hungary) and secondary (academic articles, newspaper sources and commentators’ opinions) literature on CP. Second, a set of ten in-depth interviews with people involved in CP implementation in Hungary. Due to the sensitive nature of the topic, strict anonymity of participants has been ensured. But five groups of respondents can be distinguished: people

7 See for example: <https://www.theguardian.com/uk-news/2016/jun/25/view-wales-town-showered-eu-cash-votes-leave-ebbw-vale>

involved in different programming periods in the Managing Authorities and Monitoring Committees established to implement CP in Hungary; people involved in communication activities around CP and in communication activities about the EU in Hungary; people involved in CP as project leaders and beneficiaries; scholars working on CP and Europeanisation in the Hungarian context; and officers working for the EU and involved in designing and monitoring CP in Hungary.

There was a number of limitations to the research process. The first one was the difficulty associated with systematically consulting Hungarian language documents and analyses. Second, due to the sensitive position of the current Hungarian government regarding academic research and the EU, it was very difficult to secure interviews with people involved in CP implementation in the current programming period. As mentioned, the current Hungarian government has engaged in an intensive anti-Brussels campaign arguing that the EU is infringing on Hungarian national sovereignty and meddling in the country's internal affairs. Discussing perceptions of the EU, and pointing out to the large amounts of EU funds channelled into the country, could thus be seen as a sensitive matter to discuss. Moreover, at the time when this research was conducted, a new law on higher education was passed, principally targeting the Central European University where this research project is hosted.<sup>8</sup> The climate within which this research was carried out was thus relatively tense. Consequently, the bulk of the interviews were conducted with people that had been previously been involved in CP in Hungary. The choice of a narrative methodology to conduct and analyse interviews of course means that depth has been privileged over quantity. However, this approach constitutes an important complement to existing research focusing on large-scale surveys such as the Eurobarometer and investigation of public opinion towards the EU at the national level (Littig 2009).<sup>9</sup>

### 3. A POLITICAL ECONOMY OF COHESION POLICY AND POLITICS

#### 3.1. Cohesion Policy and European Integration

In this section, I present a brief overview of the political economy of CP in the broader context of European integration. The objective is to identify how CP has been related to other economic and political processes involved in the construction of the EU. This leads me to reflect on the notion of “cohesion politics”, a concept I use to refer to the political and ideological developments and tensions that participated in shaping and organising CP. This analysis provides the background against which to offer some reflections on the Hungarian experience of CP, both in terms of its political, administrative and economic implications (section V), and regarding how people involved in deploying CP in Hungary relate to the EU more broadly (section VI).

While concerns with achieving an “harmonious development of economic activities” across member states and “reducing the differences existing between (their) various regions” featured in the preamble to the 1957 Treaty of Rome, attention to regional policy remained minimal at the origins

8 For background, see for example: [http://europa.eu/rapid/press-release\\_IP-17-1952\\_en.htm](http://europa.eu/rapid/press-release_IP-17-1952_en.htm) and <https://www.theguardian.com/world/2017/mar/29/us-linked-top-university-fears-new-rules-will-force-it-out-of-hungary>

9 See <http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm> fr Eurobarometer data.



of the European Community (Manzella and Mendez 2009). Although the founding Treaty created the European Investment Bank and European Social Fund, in concrete terms relevant initiatives and budgetary allocations remained marginal. It is thus commonly considered that it is the 1975 creation of the European Regional Development Fund (ERDF) that established the EU's regional policy (Barras and Johanson 2001). The ERDF was designed as a financial tool specifically aimed at addressing regional disparities across different areas and regions of the Community. The next step came in 1988, following the entry of Greece, Spain and Portugal into the European Community: regional funds were then integrated into an overall CP, which explicitly oriented regional funding towards the goal of economic and social cohesion of the Union. The Maastricht Treaty later introduced the Cohesion Fund as a separate component of CP. Between 1994 and 1999, the structural and cohesion funds doubled to reach almost a third of the EU total budget. In the 2014-2020 programming period, structural and cohesion funds still represent over 30% of the European budget.<sup>10</sup>

Understanding the role and position of regional policy within the European project requires examining the context within which it became of importance and the rationales behind the development and implementation of this policy strategy. As noted in various European policy documents in the 1970s, when the policy was first introduced,<sup>11</sup> the key objective of regional policy was the harmonisation of the economic environment across the territory of the Community. The rationale was at least twofold. On the one hand, it was agreed that a more harmonised environment<sup>12</sup> was required in order to prepare for further economic and monetary integration. Since the mid-1960s, national and European politicians broadly converged around the idea that the mere tariff-free arrangement provided by the EEC was not enough to ensure European competitiveness in the world economy and that national restrictions on the free movement of capital had to be removed so as to promote greater intra-European investments (Cantat 2015). A first plan to fix the exchange rate of European currencies was put forward in 1972, in the form of a 'snake' that aimed at managing the floating of currencies against the dollar.<sup>13</sup> The 'snake' plan failed abruptly and a second unsuccessful attempt at fixing exchange rates was made in 1978. In spite of their lack of success, these initiatives are indicators of the *zeitgeist* of the time and of the rising concern with harmonising the European economic landscape through deregulation and liberalisation (see Wylie 2002, Verdun 2002).

This is closely related to the second rationale behind CP. Indeed, on the other hand, it was already recognised by European architects that the shift towards more liberalised economic policies could have damaging effects on the more vulnerable regions of the member states. Regional intervention was seen as a mechanism through which the inequalities arising from economic and fiscal deregulation could be addressed. This is what is generally referred to as the "compensatory" nature of CP (Baun and Marek 2014: 79).

Another important aspect of this period was the emergence of the issue of the so-called European "legitimacy deficit" and of concerns about European public opinion and European identity (Martiniello

10 See [http://ec.europa.eu/budget/financialreport/2014/expenditure/cohesion/index\\_en.html](http://ec.europa.eu/budget/financialreport/2014/expenditure/cohesion/index_en.html)

11 See for example Commission of the European Communities, 1969, a document that outlines the Commission's understanding of regional policy before the ERDF was introduced.

12 Harmonised environment and harmonization refer here to the policy and regulation process through which identical rules are spread across EU member states in different areas of governance.

13 For an explanation of the 'snake in the tunnel' strategy, see for example: [http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU\\_4.1.1.html](http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_4.1.1.html).

1994). The overall economic context of the 1970s was indeed one of recrudescing tensions across Western Europe. The post-war welfare compromise was quickly losing ground to neoliberal approaches while the golden age of Keynesian capitalism seemed to be coming to an end (Brenner 2004; Cantat 2015; Jessop 2002, 2007). Efforts to further European integration through market deregulation were firmly embedded in the economic orthodoxy of the time, best exemplified by the UK Prime Minister Margaret Thatcher's inauguration of a programme of privatisation and liberalisation that was swiftly replicated across other Western European economies (Wolff 2012: 146). One of the consequences of this development was a rising scepticism towards the European project among the citizens of the EU member states. This was manifested in various instances of popular mobilisation in which the EU featured as a target of discontent. These included for example street protests and campaigns criticising the EU regarding social and political issues (such as the loss of social rights, opposition to reforms of EU instruments considered as liberalising) as well as mobilisation to oppose European policies in particular areas such as nuclear energy (see Douglas and Tarrow 2001).

### 3.2. Cohesion Politics

In this context, Borrás and Johansen (2001) argue that the establishment of an ostensibly redistributive CP (from the most wealthy to the poorest regions of the Community) testifies to the conflicting ideologies that shaped European integration. Their approach is informed by Hooghe's analysis of the political economy of European integration as one involving "competing models of European capitalism" (1998). For Hooghe, there exists a struggle opposing the vision of a regulated capitalism to a neoliberal European project. In this context, CP is considered one of the key manifestations of a vision of a European regulated capitalism. Indeed, it proposes a non-neoliberal response to two fundamental questions concerning the structure of political authority in the European Community/Union,<sup>14</sup> namely the extent to which market activities should be regulated and that to which redistribution must be organised at the political level. Hooghe thus argues that "contestation around EU CP is best understood as part of a deepening struggle between those favouring neoliberal capitalism in Europe and proponents of European regulated capitalism" (*ibid.*: 458).

The place of CP in the struggles opposing conflicting visions of capitalism in Europe could be usefully termed "cohesion politics" in reference not just to the set of policies designed and deployed in the area of regional intervention but more broadly to the ideological processes and strategic debates involved in organising, conceptualising and justifying CP, which bring together a wider range of actors at different political levels.

What seems to be missing from Hooghe's analysis of cohesion politics is a more dialectical approach to the relation between regional policy and other projects of the European Community - more particularly those of a more openly neoliberal nature such as the Economic and Monetary Union (EMU) and the Single Market. In her approach, these developments are simultaneous conflicting processes, illustrating the opposing standpoints of the various actors involved in furthering European integration. However this opposition fails to properly examine the connections between these different sets of policy intervention. In particular, a binary approach opposing CP to the rest of the economic developments taking place in the European Community at the time does not acknowledge the

14 The European Economic Community which was created in 1957 was renamed the European Community in 1993 following the Maastricht Treaty and was absorbed fully into the European Union in 2009.

complementarity of these processes. In fact, in policy documents, policy-makers supporting CP framed cohesion policy in close relation to other economic and fiscal developments.

*...the basic objective of regional policy applied to the general problems of the common market is to help improve the harmony of regional structures in the Community, firstly in order to combat the mechanical effects which tend to develop owing to the mere fact of opening internal frontiers, and secondly in order to permit the implementation of common policies and to create maximum external economies for each of the regions (Commission of the European Communities 1969 - emphasis added).*

In other words, the key rationale behind the elaboration of a regional policy were in fact tightly related, and to some extent integral, to the development of the Single Market and the EMU. This may also be usefully related to the issue of the European legitimacy deficit previously mentioned. In the context of growing popular resentment towards the increasingly neoliberal nature of national and European politics, the introduction and reinforcement of what has been deemed a “solidarity tool” may have worked towards the appeasement of tension. In this sense, a dialectical analysis of CP as integral through “correction” to other economic and fiscal processes unfolding in the European Community/Union seems relevant. The co-existence of neoliberal competition and CP can be seen as a productive tension, allowing the containment of some of the contradictions that emerge from rapid neoliberal reforms across EU member states. It is useful to keep this analysis in mind when analysing the deployment of cohesion funds towards Hungary.

In this sense, CP, while often presented as a pure solidarity instrument, plays an important role in pushing through market reform and liberalisation - especially towards ECE. The lack of acknowledgement of this ideological aspect and function of CP is worth highlighting. It is indeed illustrative of a broader tendency in the EU, which is sometimes critically referred to as “technocratisation” or “technocracy” (Andersen and Burns 1996, Metz 2015, Radaelli 2017). The idea here is that political decisions are made in such a way that their political character, and the struggles they could entail, are subsumed under broader discourses about technical efficiency or under highly specialised discussions led by expert groups. This in effect amounts to attempts at depoliticising policy making (see also Burnham 2001). The EU has often been on the receiving end of such critiques, which tie in with debates around the European “democracy deficit” and the distance between decision-making and the citizens of the MS. The way in which CP has been presented in non-political terms while at the same time mobilised as a key political and ideological instrument towards liberalisation can thus also be assessed in relation to the technocratic nature of the EU. This is of importance, as we will see later in this paper, because the lack of acknowledgement of the political nature of EU policies can render the EU and its supporters unable to respond to ideological attacks, such as those deployed by the Hungarian government.<sup>15</sup>

### **3.3. Cohesion Policy and the EU Eastern Enlargement**

Before entering the EU in 2004, Hungary received European regional assistance funds as early as 1990 as part of pre-accession programmes aimed at the ECE countries. The key objective of these funds was to prepare the ECE countries for their entry into the Union and to develop their ability to implement EU policies, including CP, through administrative and economic reforms. Prior to

<sup>15</sup> For further reference on depoliticisation and anti-politics see for example Fawcett et al 2017.

2004, there were three specific pre-programmes from which Hungary benefited - ISPA, SAPARD and PHARE.<sup>16</sup> PHARE programmes started running in 1990 in Hungary with a focus on supporting institutional and administrative reforms. It was complemented as of 2000 by SAPARD and ISPA, with the latter focusing specifically on preparing Hungary for the receipt of cohesion funds under the supervision of the Directorate General of the European Commission for regional policy (DG Regional Policy). SAPARD was a pre-accession fund to support rural development through grants for agricultural, food industry and tourism projects. All three programs assisted Hungary in adopting the *acquis communautaire*, including through preparing the country for operating structural funds,<sup>17</sup> and in abiding by the Copenhagen criteria as defined in the declaration of the June 1993 European Council in Copenhagen.<sup>18</sup>

The main motivation of the pre-accession strategy was to liberalise economies and external economic relations of ECE countries in relation to the EU.<sup>19</sup> The relationship between the EC and the ECE countries was characterised by strongly asymmetric power relations where the EC could to a great extent impose its will through a high level of conditionality. The combination of asymmetry and conditionality through the pre-accession process created the condition for the EU to push for an extension of its deregulatory market model while postponing the extension of the more inclusionist features of the EU. Protective measures inherited from the Western Keynesian model and guarantying a minimum protection of social and economic rights failed to be deployed in the new Member States (Bohle 2002). Indeed, the conditionality associated with receiving pre-accession funds ensured that they also served the purpose of reforming political, economic and administrative systems in the direction required for liberalised market economies. In particular, the Single Market White Paper which set out the fundamental legislation governing trade in goods and services in the EU's internal market served as a *de facto* roadmap for ECE economies. Preston (1997) shows that although the Paper was not legally binding it became the basis on which the ability of applicant countries to join the Union was assessed throughout the 1990s. As described by one of the participants involved in the deployment of PHARE funds in Hungary:

*Conditionality throughout the pre-accession process was excessive and unprecedented. No other previous enlargement had led to such strong reforms being imposed on applicant countries. I mean, it was exceptional! The conditions attached to receiving financial assistance were designed in a way that allowed for a deep intrusion of European policies into the administrative and institutional framework of Hungary. Of course fund transfers were one of the biggest attractions of membership at that point in time so we all wanted to show our good will in making the expected changes to receive these funds. It was also a time of a sort of euphoria where we believed we could catch up with the living standards of*

16 Respectively Instrument Structurel de Pré-Adhésion (ISPA), Special Accession Programme for Agriculture and Rural Development (SAPARD) and Poland and Hungary: Assistance for Restructuring their Economies (PHARE).

17 See [https://www.palyazat.gov.hu/pre\\_accession\\_funds](https://www.palyazat.gov.hu/pre_accession_funds)

18 See [http://eur-lex.europa.eu/summary/glossary/accession\\_criteria\\_copenhagen.html](http://eur-lex.europa.eu/summary/glossary/accession_criteria_copenhagen.html)

19 See for example a 1994 European Commission's press release describing the pre-accession strategy and identifying as its main objective the lifting "of trade barriers (...) in order to create a free trade area for most products" ([http://europa.eu/rapid/press-release\\_IP-94-1150\\_en.htm](http://europa.eu/rapid/press-release_IP-94-1150_en.htm)) or the EC's official document "Agenda 2000" on "Reinforcing the Pre-Accession Strategy" that considers trade liberalisation as a key goal of the pre-accession period ([http://europa.eu/rapid/press-release\\_DOC-97-7\\_en.htm](http://europa.eu/rapid/press-release_DOC-97-7_en.htm)).

*the West in a short period and if we kept doing what we were told... I was myself among those advocating this position and agreeing we were starting from zero and had to try hard - this idea of the tabula rasa you know?*<sup>20</sup>

European funds were tied to the Accession Partnerships (APs) which determined policy reforms for applicant countries in areas ranging from privatisation, redistribution, reforms of social security systems, and administrative reforms among others. Non-compliance with the APs would lead to a reduction of financial support and the deferral of the entry date into the Union (Grabbe 1998). European funding towards ECE countries up to 2004 was thus a policy tool with a range of objectives, including that of pushing through radical market-oriented reforms securing liberalisation and deregulation of the political economy of the ECE countries. The conditionality imposed through financial aid and the prospect of membership thus granted an extraordinary influence to the EU over domestic political processes and reforms.

From a territorial cohesion perspective, it is widely agreed that an important consequence of this “shock therapy” has been a rise in regional and spatial inequalities in Hungary (Lang 2011).<sup>21</sup> Central and East European studies suggest that a regional polarisation of impoverishment and marginalisation has been at work since the 1990s and that this partly resulted from processes of liberalisation and marketisation.<sup>22</sup> As summarised by Szalai (2014: 140) in reference to Hungary “backed by neo-liberal incentives and measures, the flows of capital and investment targeted the best developed areas while abandoning more underdeveloped regions”. Similarly, Brown, Greskovits and Kulcsar (2007) argue that the post-socialist transformation in Hungary led to a recrudescence in territorial inequality. They show that with the adoption of the PHARE framework, as of the 1990s, a change in the “political economy of territorial development” occurred (2007: 532). In particular, the focus of regional policy was increasingly oriented away from addressing inequality and towards an “efficiency driven policy of endogenous development” for the regions with the highest potential for growth (*ibid*, see also Horváth 1999). A 2007 study by Medve-Bálint (cited in Brown, Greskovits and Kulcsar) looking at the PHARE Cross Border Cooperation programme, which was supposed to foster investment and economic development in underdeveloped Hungarian counties, similarly found that the programme reinforced inequalities and largely benefited Hungary’s most prosperous western counties.

In other words, the emphasis on external convergence and European integration, which partly relied on making regions competitive at the European level, overly privileged particular regions. In particular, the western regions of the country bordering EU member states and the Budapest area experienced economic convergence, while the former industrial and rural regions of the eastern and

20 Interview conducted by the author, 23 May 2017.

21 Some scholars have argued that, unlike countries such as Poland, Hungary underwent a milder version of shock therapy through which it maintained high level of public sector employment and a relatively functioning welfare system. This has often been called a gradualist transition model. However, a number of analyses show that while the speed of reforms may have seemed slower in Hungary (also because reforms had been partly initiated before the 1990s) the extent and nature of privatisation was further reaching than in both the Czech Republic or Poland, and the impact on the social and economic fabric of society was equally extensive. See for example Marer 1999: 164-69.

22 Closely related to the transition to market economy, the collapse of farming and of heavy industry, textiles and manufacturing in the country led to high unemployment and declining living standards in many previously industrial and agricultural regions. Only some of these regions successfully maintained themselves through the liberalisation period partly because the policies designed to address these economic disparities tended to reproduce them, as explained below.

southern peripheries of the country were further marginalised. Brown, Greskovits and Kulcsar show that, since the 1990s, the EU-inspired regional development processes that focus on efficiency-driven policy has paradoxically led to a double disadvantage for less developed Hungarian regions. As such, they are both unable to attract foreign investment independently and have become more marginalised in the new state institutional apparatus devoted to territorial and regional development. In other words, while regional policy may not in trigger the economic and social difficulties in these regions in the first place, the policy environment and the particular ideology of development underpinning the European regional approach have played a part in reproducing and solidifying already existing spatial inequalities in the country (2007: 531). This was confirmed by the European Commission which acknowledged that economic growth in new member countries ‘have been disproportionately concentrated in a few regions, particularly in capital cities and surrounding areas. As a result, regional disparities in per head have widened significantly’ (2004: 10).

This section has developed a political economy of CP with a focus on three particular features: 1- CP’s place in EU integration, 2- the complementarity of CP with neoliberal reform in the EU, and 3- its role and function in relation to the EU eastern enlargement and the “transition” process of previous Soviet countries to market economies. I argue that it is crucial to take this background into account for the purpose of understanding the way regional policy functions, and how it has been experienced and perceived in Hungary. In the next section, keeping this analysis in mind and based on secondary literature reviews and interviews, I look in more details at some of the problems that emerged in the administration of regional policy in Hungary in the subsequent programming periods. I focus in particular on how key actors involved in its design and implementation perceive CP and, in turn, understand the relation between Hungary and the EU as mediated by CP. Bringing together the political economy developed in this section and a discursive analysis of the experience of CP in Hungary will in turn allow us to investigate, as advocated by cultural political economists, the construction of meaning in relation to social and political experiences.

## 4. COHESION POLICY IN HUNGARY: EXPERIENCES AND DISCOURSES

### 4.1. Implementing Regional Funds in Hungary: Multi-level Governance and Partnerships

After joining the EU, Hungary received Structural and Cohesion funds for the 2004-2006 programming period on the basis of the Hungarian National Development Plan (NDP). Over this programming period, over 3 billion euros were received to be used as part of five Operational Programmes (OP).<sup>23</sup> A large administrative infrastructure had been established to fulfil EU requirements. Each OP was endowed with a Managing Authority (MA), responsible for project selection and monitoring of implementation, and a Monitoring Committee, comprising economic, social and regional partners and charged with checking the appropriate implementation of OPs.

The overall MA for the preparation, coordination, implementation and monitoring of the NDP, and for the operation of the Monitoring Committees, was the National Development Office (NDO),

<sup>23</sup> See [http://europa.eu/rapid/press-release\\_IP-03-1775\\_en.htm](http://europa.eu/rapid/press-release_IP-03-1775_en.htm). It has been however difficult to access reliable and consistent data on structural funds in the 2004-6 period.

under the supervision of the Ministry without portfolio for European Affairs (OECD 2005: 62). The different Managing Authorities in charge of the individual OPs were placed under the supervision of the relevant Ministries. In compliance with the European Commission's Regulations for the Structural Funds, the NDO sought to implement the principle of partnership via a multi-level governance structure in which a range of actors (private, public, civil society) from various administrative levels (local, regional, national and European) were involved.<sup>24</sup>

In the 2007-2013 programming period, Hungary's share of regional funds rose significantly to around 25 billion euros in the framework of the New Hungarian Development Plan.<sup>25</sup> In terms of EU structural funds per capita, Hungary received 2,529 euros in the period, thus faring second after Estonia out of all ECE countries<sup>26</sup> (KPGM 2016). The number of OPs (and associated Authorities and Committees) rose to 15.<sup>27</sup> The National Development Office was replaced in 2006 with the National Development Agency (NDA). The NDA was placed under the authority of the Ministry for National Development and Economy and Managing Authorities were placed under its responsibility. Following the change in government in 2010, national development objectives were redrawn as part of the Széchenyi Plan, launched in 2011. In the 2014-2020 programming period, regional policy has been designed under the Széchenyi 2020 plan and was granted 25 billion euros in EU structural funds.<sup>28</sup> This represents an average of 2,532 euros per capita,<sup>29</sup> a very slight increase compared to the previous period. However in terms of funds per capita this places Hungary fifth in ECE, after Estonia, Latvia, Lithuania and Slovakia.<sup>30</sup> In the following sections I focus on how the two key administrative requirements, multi-level governance and partnership, of the EU were implemented in Hungary.

MLG is broadly used to refer to the changing relationships between different - public and private - actors situated at different territorial levels, and to the constitution of territorially overarching policy networks. The term originated in European integration studies, as part of scholarly attempts to understand the new modalities of policy- and decision-making in the EU. It is strongly connected to ideas of decentralisation and devolution of power from central governments to a multiplicity of actors on a range of territorial and administrative scales. In the policy lexicon, MLG is connected to particular understandings of 'accountability' and related notions of 'closeness to citizens' and 'local democracy' (Pálné Kovács *et al* 2016). However, the diffusion of power away from the national level towards sub-national levels but also, upwards, towards regional and international organisations is also associated with the neoliberal project and the withdrawal of the state from certain areas of the political sphere (see Brenner 1999, Jessop 2000, Swyngedouw 1999, Harmes 2006). In this sense, MLG is an ambivalent concept that both aims at empowering different actors and levels of political life, yet also works towards

24 See EU regulations laying general provisions for the implementation of Structural Funds: Structural Funds General Provisions (1260/1999) [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/content/en/02\\_pdf/00\\_1\\_sf\\_1\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/content/en/02_pdf/00_1_sf_1_en.pdf)

25 Different figures are available regarding the structural budget of Hungary over the period. The explanation for this variation is that while the original allocated budget was 24,9 billion euros, 29,2 billion euros worth of grants were actually contracted, leading to an overall disbursement of 27,7 billion euros. As explained in a KPMG report: "A payment ratio of more than 100% means that Hungary's final settlement with the European Commission will include a "safety margin" and most likely will avoid any loss of funds" (KPGM 2016: 38)

26 Estonia received 2,592 euros per capita for the period (KPGM 2016 : 10).

27 Those can be found here [https://www.palyazat.gov.hu/new\\_hungary\\_development\\_plan](https://www.palyazat.gov.hu/new_hungary_development_plan)

28 <https://cohesiondata.ec.europa.eu/en/EU-Level/ESIF-FINANCE-Grouped-by-MS-and-Fund-Stacked-Bar-Ch/bcpd-fmsn>

29 <https://cohesiondata.ec.europa.eu/countries/HU>

30 See official EU data on ESIF at : <https://cohesiondata.ec.europa.eu/countries/>

a reorganisation of the political in line with a neoliberal understanding of power devolution.<sup>31</sup> I now look at how MLG was implemented in Hungary and set out to assess whether it did, indeed, empower local actors.

Pálné Kovács *et al* (2016: 796) identify three phases of territorial administrative reform in Hungary since the 1990s. The first phase, as of the early 1990s, was characterised by a change in the territorial administration regime, landmarked by the adoption of an Act on Local Government in 1990. They consider the following decade, from the mid-1990s to the mid-2000s, as a period of attempts at reform with a view to correct various issues in the local government system and to establish a regional structure. According to the authors, these attempts were unsuccessful or only partially implemented. The third period, starting with a new act on local government in the context of the constitutional reforms enacted by the government elected in 2010, saw a strong push towards a central model of governance. In the following paragraphs, I examine these developments in more detail with regard to the partnership principle.

MLG relies to a great extent on the establishment of the partnership principle, which refers here to the cooperation between a range of actors including the European Commission and the Hungarian Government, the central and regional units of public administration, and social, private, and non-governmental partners. As mentioned, the imperative to include civil society and private partners is partly a response to concerns regarding the democratic credentials of the European project. The rationale is that the lack of accountability inherent in some EU level processes can be tempered through “good governance”, requiring the involvement of various groups and organisations in the making of policy decisions. The issues of the power relations running across the various groups involved in MLG and of whether MLG can be considered an appropriate substitute for democratic structures are however rarely addressed. Regarding Hungary, the process of centralisation identified by Pálné Kovács *et al* (2016) has been closely connected to increased limitations as regards the partnership principle. One participant who was advising the Office of the Prime Minister in the drafting of the National Development Plan in 2002 and later joined the National Development Office focusing on the implementation of partnerships explained:

*At first, there were issues due to the novelty of the whole process for Hungary (...) I mean we were transiting to a very different way of doing things at the same time as trying to follow some of the regulations of the Union. There was a group of young and educated people who were keen on being involved and having a word in how things would develop in the country and there was space and opportunities to do so. For example, the staff of the planning unit were very young and had a very dynamic energy (...). So in that sense in the 2002-2006 period, although there was less money available, there was a great sense of openness. We had space to experiment, to involve a lot of partners, and we could try things and adjust if needed. It was a very exciting period. Things changed a lot later on. As of 2006 in general, but more strongly in 2010, things moved back into the hands of the central government and became locked, away from society.<sup>32</sup>*

31 In this context, I understand power devolution as the process whereby decision-making and the design of policy increasingly happen at levels of government that have not been given a democratic mandate through elections.

32 Interview conducted by the author, 23 May 2017.



One example of the limitation on the partnership principle and the centralisation dynamics can be found regarding the Monitoring Committees. As explained by two participants both involved in the pre-accession period and the two following programming periods, Monitoring Committees were at first a space of possible experimentation. This was especially true considering there was little guidance from the EU as to how Monitoring Committees should be formed and function in particular national contexts (Batory and Cartwright 2012). In Hungary, according to the partnership document of the NDP, the programming process for the 2004-2006 period included over 900 civil society organisations. In order to reach out to partners, the NDO reviewed the lists of partners of ministries and regional agencies and created a database in which other interested organisations could also register online (Arato, Kinyik and Nizak 2008).

Participants highlighted certain limitations regarding the application of this broad partnership considering it only played a part in the initial (programming) phase of CP.<sup>33</sup> Even within this initial phase, partners were involved and listened to in varying degrees. As explained by one participant, partners were consulted regarding three sub-documents of the national strategy, namely the strategy document, the OP document and the programming document. Regarding the preparation of the strategy document, a broad number of partners participated by providing opinions on the text prepared by the NDO. 350 opinions on the strategy were sent by civil society partners. The consultation on the document relative to the OPs was organised by responsible ministries and certain government agencies, including relevant managing authorities, and was overall coordinated by the NDO. In this instance, relevant ministries were able to decide on the nature and scope of the partnerships and the type of partners. Partners were mostly organisations having a history of contacts with the given ministry. This was also the case for consultation regarding the document relative to programming, in which an ever smaller number of partners participated. Consultation for the preparation of the New Hungarian Development Plan which took place broadly between 2004 and 2006 was also characterised by a number of strengths and weaknesses but featured an overall willingness to involved societal partners.<sup>34</sup>

In both periods, some of the key issues that arose were that that partners complained that their opinions remained unanswered or unaddressed.<sup>35</sup> In the preparation of the first Plan, timing was also a concern: in certain cases, version of the strategy documents that had been sent to partners had changed before their opinion arrived, so that partners' responses had become already obsolete before they were received. Generally speaking, consultation deadlines did not exceed one to two weeks. At a broader level, in both programming periods, a key problem was that partnership was only understood as consultation after documents has been already prepared by "expert" working groups set in different public agencies - rather than as participation in the planning and preparation of documents. Partners could for example have been included in these working groups.<sup>36</sup> However, in spite of inconsistencies in the application of the partnership principle, there existed a will to open the transition process to a multitude of voices and interests and it seemed as if the setbacks were due to the learning aspect of the process and would be overcome with time.<sup>37</sup>

33 Interview conducted by the author, 7 June 2017.

34 Information in this paragraph collected through interview conducted by the author, 23 May 2017.

35 Ibid

36 Interview conducted by the author, 29 May 2017.

37 Information in this paragraph collected through interview conducted by the author, 23 May 2017.

Issues related to MLG and partnerships started arising more strongly in the next programming period (2007-2013). This period was characterised by attempted reforms aiming at addressing some of the structural issues related to local and regional governance through a strong centralising dynamic. In 2006, as mentioned, the NDO was transformed into the NDA, which centralised the management of all sectoral programmes into a single organisation. This was driven by a concern with efficiency and avoiding some of the time-consuming conflicts that arose in the previous set-up. However, Campbell and Korkut (2011) identify a number of grave issues with the new institutional structure. First, it led to new distributional conflicts between sectoral policy-makers and the Managing Authorities. The MAs, now responsible for distributing funds, gained increasing power but hardly built on the local and regional capacities developed in the previous periods. Rather, they became closer to line ministries, using them as service providers in projects. They also were in charge both of the implementation and the oversight of the programmes. While the Monitoring Committees and Audit Office retained a role in the process, this signalled the growing oversight strength of MAs and an increasing politicisation of CP. Also of concern was that the new NDA was kept out-of-reach of legislative oversight - a sign of the government's attempt at limiting participation of stakeholders in development and at excluding the opposition from the process (Campbell and Korkuk 2011). The NDA was organised in overly centralised and hierarchical structure and *de facto* excluded partners from decision making, which became mostly the affair of influential politicians of ruling parties (*ibid*). Thus, as of 2006, rather than working towards a MLG framework, the institutional set-up of Hungarian regional and development policy became characterised by a strong central core.

At the local level, the centralisation of regional policy led to the emergence of what Kovách and Kučerová (2006) have labelled the “project class” - a new powerful local elite developed through the EU-related idea of “projects” in development that require certain form of local expertise and social capital. This class consists mostly of consultants and developers acting as intermediates between the local and central levels of governance and gaining extensive political power through their “brokering” activities. It must be noted that centralisation was also partly encouraged by the European Commission, which mistrusted capacities at the regional and local levels and encourage centralised decision-making in the name of efficiency (Bruszt 2008: 622-29). Overall, the management of EU funds in Hungary has been associated with reinforcing centralisation. As Pálné Kovács *et al* noted: “concepts such as regionalism or partnership have been used as tools for the re-centralisation of the policy process and for resource distribution alongside clientele and clique interests” (2004: 457).

I now move to analysing some of the narratives collected through interviews with selected participants who have been involved with the management of cohesion funds in Hungary at the national and European levels. The interviews through which these narratives were collected focused on the relation between Hungary and the EU as mediated by, and experienced through, CP implementation.

#### **4.2. Narratives of EU Funds in Hungary: Corruption and Grey Legality**

As shown above, discourses and narratives can only be understood in relation to their context of production and enunciation. As we will see in the following sections, the cultural political economy framework developed in this article is essential in order to make sense of the connections made by people between different aspects of the European project, including the link between CP and anti-EU sentiments. The article identifies four narratives of how the Hungarian government influences/manipulates CP implementation.

First, one of the strongest narratives when speaking to Hungarian participants who have been involved in CP implementation concerns the way cohesion and structural funds have been related to issues of corruption. One important idea was that in addition to actual corruption scandals, there existed a “grey area” made up of the various legal ways in which public money “can be wasted, inappropriately used or even stolen”.<sup>38</sup> One oft-mentioned way was linked to procurement and bidding processes. Several participants explained the way in which certain companies were invited to take part because they had no chance to win the contract, thus leaving a single company, usually close to the government, as the sole credible candidate. Participants also mentioned that it would be usual that this particular company had overpriced the costs of the project, and some even gave their own estimate of the usual level of overpricing which they estimated at between 40 and 60%. Sometimes, such inconsistencies in the public procurement procedure are publicly exposed. This was the case regarding a renovation project of historical buildings in central Budapest. It was revealed in 2012 that the eligibility criteria as part of the procurement procedure was set in such a way that only one company was eventually eligible. In this instance, the EU decide to suspend its payment, leading in fact to Hungarian taxpayers to cover for the corrupted processes at national level.<sup>39</sup> The record of corruption in Hungary was quoted multiple times, for example in relation to the recent case of the construction of the M4 metro line, for which the European Anti-Corruption Office (OLAF) called for the return of about 200 million euros that were “stolen or fraudulently used”.<sup>40</sup> An additional 30 million euros were used as part of contracts involved “irregularities” such payment for services not actually rendered and various conflicts of interest during the bidding process, according to OLAF.

Research on corruption and Hungary’s use of EU funds tends to support these observations. A 2013 report by the European Research Centre for Anti-Corruption and State-Building (Fazekas, King and Toth 2013) finds that EU funds are likely to fuel the abuse of public spending and pose greater corruption risks compared to domestic funds. The type of corruption particular to EU funds is often labelled “legal corruption” insofar as it does not typically involve bribery or collusion between low level bureaucrats and private interests, but rather operates ‘legally’ through contracts that directly benefit high ranks politicians and the business elite of the country (*ibid*). Analysing procurement processes between 2009-2012 associated with structural and cohesion funds, the study finds robust evidence of large-scale government favouritism and institutionalised corruption in Hungary. The authors also show how groups of business elites connected to different political factions prosper or struggle depending on which party is in power. In particular, they present data recording the change in market share of the top 30 firms in Hungary before and after the 2010 election, which demonstrates that different groups of companies loose or gain significant amounts of their market share depending on who is in power. While the beneficiaries and losers of this institutionalised corruption fluctuate with political changes, the authors also demonstrate that corruption in itself is a systemic issue associated with regional and cohesion funds (*ibid*).

Second, another way of “wasting or misusing” money that was mentioned by different participants was related to the financing of “everyday activities” that should fall under the remit on national public funds. This in fact violates one of the key principles organising EU structural funds – the additionality principle. Additionality stipulates that contributions from the EU funds must not replace public or

38 Interview conducted by the author, 23 May 2017.

39 Interview conducted by the author, 7 June 2017. See also [http://www.abudapest.com/latestnews/the\\_heart\\_of\\_budapest\\_programme\\_under\\_eu\\_investigation/](http://www.abudapest.com/latestnews/the_heart_of_budapest_programme_under_eu_investigation/)

40 The OLAF report is available at [http://www.kormany.hu/download/8/54/f0000/final\\_report.pdf](http://www.kormany.hu/download/8/54/f0000/final_report.pdf).

equivalent structural expenditure by a MS. This principle was specifically designed to ensure that EU funds would not result in a reduction of national structural expenditure.<sup>41</sup> One example mentioned concerned higher education:

*Universities in Budapest and elsewhere in Hungary look rich. You would not believe that the government has quietly cut the national higher education by 30% and that the teachers and staff are paid ridiculous salaries when you see the new IT lab or the new buildings. Basically all these flashy new things are paid for with EU funds. It gives a chance for the government to say “what do you mean we don’t spend money for education, just look at (this university)’s new building, look how much we care”, when in reality they are cutting funds and damaging public services. It is not acceptable that EU funds are used to cover such things.<sup>42</sup>*

Third, a similar point is made in a 2015 report by Transparency International (Kállay 2015). The author illustrates what he labels the ‘Selection of Unjustified Development Goals’, defined as ‘the selection of development goals that are socially unjustified’ (*ibid*: 29). In other words, projects are selected to prioritise particular interests at the expense of the broader society or economy. This can be a roundabout way to direct funds towards organisations or individuals close to political power, or a means to spend further funds when there are difficulties in absorbing EU funds, with little regard for the overall benefit of the project to Hungarian society. While the report does not examine more particularly how a trade-off between EU and public funds emerge, it points out the mechanism whereby EU funding can be put at the service of objectives that may not benefit, and even in some instances may damage, the Hungarian social and economic spheres. In a similar vein, participants also described how the shift to EU funds to cover what should be national public spending leads to a skewed sense of priority and interest.<sup>43</sup> Some activities receive funding according to rationales which have little to do with need or appropriate timing. One participant explained how noisy construction work was carried out in a university at the period of the year where exams were being held, heavily disturbing the students. The reason behind such timing, the participant explained, was that there were funds to be spent before a certain date. In the meantime, cuts to the national budget were being implemented with little resistance insofar as they were covered in the short run by EU spending.<sup>44</sup>

Four, participants saw this as a dangerous development, whereby a national government can manipulate EU funds to assert or maintain its legitimacy. This brings us to a second point brought up by participants concerned with what has been called “*credit claiming*”. In other words, several of the participants have noticed a tendency for the government to subsume EU funds into a broader discourse about national spending. While it is expected that structural funds are deployed in the framework of national development plans, it should also be the case that the contributions made by the Union are clearly identified. However, several participants explained various ways in which this was not or only partly done, thus allowing the Hungarian government to claim all credit for implemented projects. This is partly to do with an issue of communication around structural funds.

41 See European Commission’s glossary for more details: [http://ec.europa.eu/regional\\_policy/en/policy/what/glossary/additionality/](http://ec.europa.eu/regional_policy/en/policy/what/glossary/additionality/)

42 Interview conducted by the author, 29 May 2017.

43 *Ibid*

44 Interview conducted by the author, 23 May 2017.

One participant who spent several years working in communication both in the National Development Office and at the local level had particular insight on this issue. The key point was that communication around structural funds could not be assessed outside of the context of the broad and relentless anti-EU campaign waged by the government since at least 2012 and which has escalated in 2016 and 2017. Concretely speaking, he considered that most projects deployed with EU funds were not properly communicated about. Although the legal requirements for communication have been mostly met, eventually the Hungarian Public rarely knew where the money came from. While there is intensive communication about large projects, these are increasingly framed in terms of national spending and the contribution of structural funds is rarely acknowledged. This has shifted, the participant explained, from a position whereby the ability to secure EU funds was seen as a beneficial attribute in political and electoral work. In the first two programming periods, there was a more clear interest in communicating about how EU funds were obtained and spent because it was seen as adding to the government's legitimacy. This shift, he argued, is closely related with a general feeling of disappointment about the European project. While the Hungarian public accepted radical reforms and a difficult "transition" to join the EU, the sense that the economic and political situation of the country has not improved for the majority of its people has led to a sense of disengagement, or even hostility, towards Europe. The political gain once achieved from having access to EU funds has declined, thus making it easier for the current government to overlook EU contributions to projects and frame funding in domestic terms.

Generally, speaking, participants pointed to a lack of competencies regarding communication. In particular, local level communication, concerned with finding ways to make EU funds relevant to people in their own everyday context, has been broadly ignored. For example, according to a participant, there has been a reluctance to engage with local press, which comprised several thousands local newspapers<sup>45</sup> in which projects could be presented to local communities. In contrast, Hungary's recent anti-EU propaganda is carefully deployed at all territorial levels, with the widespread billboard campaign and the use of national television to spread related messages. In addition, small projects owners lack the capacity to communicate efficiently about their projects. In line with earlier comments about a "formalistic" adoption of EU requirements, there is a tendency to organise communication events so as to "tick boxes" rather than out of genuine concern with the impact of communication activities.

Examples of such "formalistic" approach to implementing EU regulations abound. A participant quoted three in relation to communication, which demonstrates the way in which the government can ensure that obligations are met but in such a way that impact is limited. For instance, booklets explaining structural funding are produced, in line with the Commission's request, but they are not actively distributed through outreach activities. Rather, they are kept in rarely visited EU information points where a very limited number of people will access them. Another example was that of a TV mini-series on local projects that received EU funding and was produced by a communication consultant in order to fulfil Commission requirements. While the mini-series was indeed completed, it was decided to broadcast episodes in the late evening (around 11pm), at a time when audience numbers are very low. A final example was the use of dead websites for communication purposes - those are websites created from scratch and that may hold 10 to 15 pieces of news or press releases about EU funding, but have no other activities and thus are not followed by anyone.<sup>46 47</sup>

45 According to a participant but exact number could not be verified.

46 An example of such website can be found at the following link: <http://eureview.hu/europai-unio-altal-tamogatott-projekt/>.

47 Information in these three paragraphs comes from Interview with Céline Cantat, 15 March 2017

### 4.3. Europe's responsibility and response

Responsibility for this situation was not only identified at the governmental level: there was also a strong sense that the EU should share the blame. Based on interview data, narratives regarding the EU's relation to Hungary in general, and in the area of CP in particular, can be roughly divided into two types. Those identifying an institutional and 'circumstantial' issue, and those insisting on deep structural problems.

First, in terms of institutional and circumstantial analysis, the individuals participating in this research considered that the EU was undergoing a period of weakening that prevented it from enforcing its own rules appropriately. The point they were thus making was that while the rules in themselves were suitable, circumstances and a weak institutional set-up prevented their proper application. The main grievance was related to the lack of punitive mechanisms towards member states, in this case Hungary, when rules were breached. This was considered to be related to, on the one hand, the limited power of the European Commission and, on the other hand, the particular circumstances of the EU over the last few years, characterised by the rise of anti-EU sentiments in numerous member states, which culminated with the "Brexit" vote of 2016. One participant explained:

*Things have gone worse and worse since at least 2010, but really even before that. I was involved in developing partnerships until 2006 and, before, partners were invited. The (Monitoring) Committees had an official role to play, and even the unofficial role of monitoring the partnerships. Now there is no consultation and, when there is, it is a token one. Questions are put in such a way that it amounts to propaganda and there is a very small response rate anyway. But the issue with this, as with all the other areas of EU involvement in Hungary, is that it is unable to extend sanctions to those who do not follow the rules. Sometimes the Commission criticises Hungary but it never goes further than this. This is because the EU is very weak at the moment. They cannot supervise what the member states are doing. They are scared of losing members, of more far right parties gaining strength, so they keep quiet (...) But if you put together the injection of a lot of money in a country and the lack of means to control where the money goes, you create a disaster. We need a strong EU if we want structural funds to make a difference and not to reinforce corrupt politicians.<sup>48</sup>*

Second, many participants were stronger, even radical at times, in their criticism. One participant labelled the EU a "technocratic institution which is not what it was meant to be". The problem that she identifies was that the "so-called governance model of the EU tries to exclude politics from policies". It is linked to a "neo-functionalist take on politics" which she saw as "at odds with reality" and "missing the point". The result is that "the EU responds to political issues with technical discourses", but "you do not respond to ideological attacks with technocratic comments, it doesn't work". The participant was referring more particularly to the way in which EU-related matters were politicised in the context of Hungarian domestic politics. She considered that the EU's response to the government anti-Brussels rhetoric had to be more politically engaging, and "to dare to speak about politics". This participant also identified a deficiency in the EU's understanding of its own self:

48 Interview conducted by the author, 23 March 2017.

*Those who produce knowledge about the EU for the EU are so normative that they fail to understand what is happening. They do not see that the institutional setup that has been established is totally unable to deal with the issues that come up when member states act in their national interest (...) but what is puzzling is that this has always been the case - think of De Gaulle or Thatcher. When they are faced with someone like Orban, they do not understand that their assumption that people are actually willing to cooperate absolutely does not work.<sup>49</sup>*

In turn, this led some participants to consider that EU funds not only did not benefit the country in the way they should, but in fact “aggravates problems and creates new ones”. In the absence of mechanisms to ensure appropriate use of the funds, “EU funds become free money attracting all those seeking to get richer and encouraging them to act in connivance with those in power”. Moreover, the same participant continued, the funds “go to the pocket of companies. To reach the funds, the companies need to be on good terms with those administering the money - so the government. And so, who is going to stand up against corruption and irregularities? It is functioning on a mafia-like principle”. For this participant, this was not only linked to the particular features of the current government but rather to deep structural and political issues. He went on to add that:

*...but in fact this is not just a coincidence, and you can see similar processes, in their local variations, a little bit everywhere (...) This is what happened when you shrink the space of what should be decided on democratically, when you replace representation by governance and all this kind of things (...) and you develop all these institutions and these subnational and supranational systems (...) that many people do not understand and that no one elects, and these systems become in charge of making choices about public spending, about politics (...) What more and more people are starting to see in Hungary is that after the euphoria, or maybe the hysteria, of the EU accession this is what we have now (...) And we need to denounce this because if we do not denounce it from a democratic perspective, the only ones who will speak about it will be the ones who now have power and use all this for conservative and authoritarian objectives.*

This participant linked neoliberal governance with a deficit in representation and democracy and considered that the EU “had imported this model to us, and yes we welcomed it with open arms but now the people are paying the price in their daily lives and the politics of this country and of the Union will also pay the price for a long time if no one produces an appropriate analysis”.<sup>50</sup> This point echoes recent critiques of the EU project, which came to the fore more strongly in the aftermaths of the Eurozone and Greek crises. Both the academic and public debates have called for a more systematic engagement with the European “crisis of democracy” and for a closer examination of the emerging democratic challenges in the Union, particularly in times of crisis and austerity (Pitty 2014, Isakhan and Slaughter 2014). Another related critique was linked to the fact that the obligation for matching cohesion funds with national funds which was perceived as leading to further inefficient and undemocratic spending of national resources, diverting them away from public services such as education and healthcare,

49 Interview conducted by the author, 7 June 2017.

50 All quotes in this paragraph from interview conducted by the author, 14 June 2017.

towards development projects usually contracted to powerful companies. This was also seen as an issue of corruption, broadly speaking, underpinned by the lack of appropriate democratic overview of the use of EU funds. A participant thus stated that EU structures had become an alibi for the capture of both cohesion funds and national resources by the government.<sup>51</sup>

A striking finding was that interviews with EU officers involved in different ways in the administration of cohesion funds in Hungary amounted to a very different narrative. I interviewed three individuals working on cohesion funds in Hungary at the European level - one was an employee of the European Investment Bank, one focused on communication around EU affairs in Hungary and the last one was part of a consultants' network supporting local and national actors through the project application process for regional funding. All three of them held a much less critical discourse regarding Hungary's relation to the EU. Their lexicon was revolving around technical terms such as "efficiency", "absorption", or "expertise". When reflecting on the possibility to develop good relationships between their respective European institutions and Hungary in the context of the anti-EU campaign waged by the government, there seems to be a consensus that the two were unrelated. One participant explained:

*This is not about politics, it is about passing on technical knowledge and expertise to ensure project applications are efficient. What you are talking about is politics, domestic politics, it is not our business to comment on this (...) We always have had good relationships with our Hungarian colleagues. When there is a lot of turnover we need to make ourselves accepted, that we have worked with the opposition and then the new government for example, but then they realise this is all in their interest and in our interest and we are here to help them access the funds<sup>52</sup>*

On the question of how to communicate effectively in Hungary in the current context, one participant working as EU officer explained that:

*Communication about individual projects now is the responsibility of national authority so this is not actually my area (...) But let me tell you that we have very professional relationships with journalists and the press in Hungary (...) Of course we are not the only ones communicating about EU policy but the media gets all the news and all the arguments from all sides (...) We don't intend to become an actor on the national political scene or to enter into any argument with the governing (...) Hungary is part of the EU and a member of the club (...) Politicians are allowed to have their own approaches as long as they respect the rules.<sup>53</sup>*

This echoes a point made by one of the Hungarian participants when she stated that:

*What is clear is that the EU hardly sees it as its responsibility. There is a general apathy of these bureaucrats. For them, there are rules to be followed and no one reacts even if they are followed in a dishonest way... It has become clear to me that most people in Brussels do not think about their jobs in idealistic terms.<sup>54</sup>*

51 Interview conducted by the author, 23 May 2017.

52 Interview conducted by the author, 23 March 2017.

53 Interview conducted by the author, 30 March 2017.

54 Interview conducted by the author, 23 May 2017.



In other words, there is a sharp contrast between the aspirations associated with the European project from the perspective of Hungarian participants and those non-Hungarian officials working directly for EU institutions. This was reinforced by the feeling that EU level structures remained very removed from member states, and that the “technocratic institution” left little space for intervention by local actors. The process whereby, as commented on previously, certain processes are depoliticised by EU institutions may play a part in the inability of the EU to respond to attacks of an ideological nature, which insist on repoliticising policies and decisions made at the EU level. As suggested by one participant, it may be precisely in this gap that nationalist anti-EU discourses find their roots.

## 5. CONCLUSION

In this article, I have set out to bring together a critical political economy of CP and a cultural narrative analysis of discourses about Europe in the context of Hungary. The premise of this approach is that discourses are always related to and embedded within particular material realities. Studying the interaction between narratives and material dynamics can help us to understand processes of meaning and identity production. In the case of the relation between cohesion funds and social identification with the EU, it can facilitate an investigation of the questions that have interrogated policy makers and commentators. In particular, it can provide insight into the fact that, although CP is often described at the EU level as a solidarity mechanism, there seems to be no strong correlation between receiving funds and developing positive inclinations towards the EU.

This article’s key argument is that historically CP has served at least two objectives: that of promoting cohesion and that of furthering market integration. The goal of furthering market integration is often left aside in the way CP is spoken about. However, it is of key importance and is firmly embedded into the policy through the conditionality associated to receiving the funds. This is illustrative of the way in which the political and ideological orientations at work within the EU are sometimes covered by the use of technocratic discourses that tend to depoliticise particular processes. In the context of the eastern enlargement of the EU, CP was a key driver of market liberalisation, as candidate countries were required to implement thorough reforms in order to be eligible for the funds. National contexts of implementation also play an important role in how CP is governed and used. In the case of Hungary, the governance structure of CP has been characterised by a strong centralisation process and by a series of corruption scandals. In turn, this has participated in the surge in negative perceptions of the EU in the country. The EU has however proven very limited in responding to the way in which CP has been managed in Hungary, and to how this has affected understandings of the EU more broadly. On the one hand, the EU has not been able to apply sanctions when Hungary has failed to abide to rules regarding CP implementation, and, on the other hand, an overly technocratic understanding of politics has limited the ability of EU officers to respond to discourses that re-politicise CP within an anti-EU rhetoric.

This analysis is supported by in-depth narrative interviews with ten individuals involved in the management and implementation of cohesion funds in Hungary. The interviews confirmed that CP and its perception in Hungary cannot be separated from the political economy of Hungary’s transition and accession to the EU, characterised by a strong neoliberal orientation and an intensive privatisation

and liberalisation process. The narratives indeed point to the multiple connections that individuals draw in order to produce frames and understandings of the European project, and indicate the difficulty of trying to use CP as an independent variable outside of its context of implementation when investigating perceptions of the EU. A key (though perhaps unsurprising) finding was the existence of a great disappointment towards the EU project which took two main forms. Some participants considered that the various dysfunctions they identified in relation to cohesion funds in Hungary and to the position of Hungary in the EU were due to change in political circumstances in the EU and to institutional issues. Other participants however had gradually moved towards a more radical or critical position whereby they considered these issues as structural and inseparable from the nature of the EU project, including its tendency to develop non-representatives decision-making processes and its embeddedness in neoliberal capitalist relations.

The fact that Hungary has undergone a centralisation process characterised by a strong government should not be seen as invalidating this argument. Critical scholarship on neoliberalism has effectively pointed out to the complexities and inconsistencies of the neoliberal project, and refuted the notion of the neoliberal state as minimal. In contrast, literature has shown that neoliberal economic processes and relations have led to a variety of neoliberal states, characterised by varying degrees of state withdrawal and calling for an analysis of how some state functions are diminished while others are reinforced. Bruff (2014) speaks for example of the neoliberal authoritarian state, signalled by a “reconfiguring of the state into a less democratic entity through constitutional and legal changes that seek to insulate it from social and political conflict”. This description aptly captures some of the recent political, social and economic developments in Hungary. Prime Minister Viktor Orban has in fact himself insisted on the idea that a new type of regime, which he labelled “illiberal democracy”, had emerged in Hungary.<sup>55</sup>

The critical perspectives and narratives put forward by Hungarian participants, based on sharp analyses of the material circumstances within which EU funding has been deployed, can be contrasted with the point of views presented by EU officials working in Hungary. These participants developed very technical discourses of the role and performance of Hungary in the EU and refused to engage with the political or ideological processes at work. Broadly speaking, they resisted analysing Hungarian-EU relations through the prism of a political economic assessment of power relations and through a more materialist investigation of the impact of the accession process on the Hungarian society and economy. It would be important and timely to further investigate this gap which may be, as mentioned by a participant, precisely the space where anti-EU discourses of a conservative nature have managed to develop in the Hungarian context.

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55 See <https://freedomhouse.org/report/modern-authoritarianism-illiberal-democracies> for background.

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