

**The Reform of State Administration in Hungary:
The capacity of core ministries to manage the Europeanization**

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(second draft)
abstract

The Europeanization of the candidate countries covers two major periods. The first is an anticipative Europeanization as general democratization, the second is an adaptive one with a EU specific democratization. This paper has analyzed the Europeanization of the Hungarian central government in these two periods. In the description of the Hungarian accession management special attention has been paid to the Centre of Government (COG) and the European Integration Secretariat (EIS). The conclusion is that in a majoritarian effort the incumbent government has created an administrative institutional dualism between the COG and EIS, which is unique among the candidate countries.

I. Conceptual frame and pre-EU Europeanization

1. Europeanization of nation states in the candidate countries

The relationship between the EU and the national institutions and/or the Europeanization of national political institutions has been a standard topic of international discussions that gives the conceptual frame of this paper. The burgeoning literature on the relationship between the EU and the member states starts from the assumption that there is a mismatch between the EU institutions and national systems but emphasizes the homogenization effect as a result of this relationship. Earlier, in the “first generation” literature the top-down approach dominated, i.e. an analysis going “down” from the big transnational EU structures to the national and sub-national levels. The point of departure was the adaptation pressure of the EU versus the resistance of the national systems, in which the EU pressure finally prevailed that led to the conclusion about the convergence as the main tendency with the national systems showing up increasing communalities. In the present, “second generation” literature, in turn, first, much more the bottom-up approach has become fashionable. Second, instead of a vertical approach the horizontal one has come to the fore with a benchmarking exercise. Third, not only the resistance of the national systems - as an institutional inertia or survival of the specific institutional features – has been indicated, but also the differential impact of the EU on national systems. Finally, the second generation literature has emphasized the voluntary learning process versus the external pressure, that is the process of hard and soft policy or institution transfer. The new conclusion is that the EU membership has not led to the uniformity. The EU membership is not an explanatory variable of all changes, although even this approach does not deny the big impact of the transnational institutions on the national ones (see Kassim, Peters and Wright, 2000, Knill, 2001 and Laffan, 2001b).¹

Altogether, Simon Hix and Klaus Goetz are in the opinion that “Turning from polity-centred analyses to Europeanised politics, the state of current knowledge is much patchier, and the systematic study of Europeanisation effects is still in its infancy. (Hix and Goetz, 2001: 17). Paradoxically, compared to the development of the other fields in political science,

the systematic study of Europeanization effects may be more advanced in the candidate countries, since the effects themselves are much more assertive, even resulting from the mandatory requirements. As Gerda Falkner argues, within the EU “the effect of Euro-politics is, in most cases, indirect, ‘soft’ and mediated by national institutions (in a wider sense)”. Therefore, “intra-system diversity” survives to a great extent, coupled with the tendency “towards inter-system convergence”, namely a tendency of “convergence towards moderate diversity” (Falkner, 2001: 94). With the candidate countries it is certainly not the case. The Copenhagen criteria – in their extended versions – are to be met by the candidate countries, hence in the periods of association and accession there is a “forced-course” or “path dependent” development”. The new members will reach the stage of “soft” accommodation only much later within the EU. Thus, the study of their Europeanization is theoretically and methodologically different and in some ways much easier. Convergence is both presupposed and forced upon, the only case to consider is to what extent the individual countries have progressed in this direction. Although the real life is much more complicated in the Eastern Enlargement, still one has to approach these two periods, association and accession from the point of view of the forced-course development.

The Europeanization of the candidate countries is certainly a specific case that has also been largely discussed in both “East” and West (see e.g. Goetz, 2001a and Hix and Goetz, 2001 or Ágh, 1999, 2001a,b,c). The findings of this research can contribute to the general discussion on the Europeanization in several ways, both directly as new cases for a comparative approach and indirectly as various models that produce new concepts. The discussions in and about the Europeanization of the candidate countries have several ramifications. First, all candidate countries – except for Poland – are small states that indicates a limited state capacity in itself and leads to the debate on the small states in the EU (Hanf and Soetendorp, 1998). Second, on the “domestic” side and/or regarding the process of systemic change, these countries have been considered as weak states anyway. They are considered to be weak because of the overload of many ongoing transformations and having been in an initial stage of the state re-organization. Third, they are supposed to be equipped with a high accession capacity to conclude the negotiations with the EU. Finally, on the EU side more and more emphasis has been laid on the administrative and judicial capacity of candidate countries as an increasing demand for a stronger and more effective state. This gives a list of theoretical problems of small states, weak states, accession capacity and effective states, with their parallel ramifications in the international literature, for which these “Eastern” cases may be fruitful in a regional comparative approach. In the candidate countries the two – domestic and EU - sides can be summarized as the EU accession management in small states in general. Accession management has been coupled with the reform of core government in particular, namely how these small states will act, perform and represent their interests within the EU. At theoretical level, the issue of state capacity as such becomes relevant, which leads back to the question of the relationship between the EU bodies and national states, in the form of small state and big state relationship in the EU as a dimension of “the future of Europe”.ⁱⁱ

There is no doubt that the candidate countries have always been in a completely different situation as far as the Europeanization is concerned, since they have been under constant EU pressure. Namely, “The EU has increasingly given general orientation to the modernization of public administration (...) by asking the candidates to produce regional development plans, to give another example, the EU also impacts on the design of public policies. Thus, the EU exerts pressure for adaptation at the levels of policy decisions and implementation long before formal accession.” (Lippert et al, 2001: 1001). As a result, one can notice already some marked features of the homogenization effect under the EU pressure in the candidate countries, so characteristic of the initial phase of Europeanization. In the

spirit of the first generation literature, the core governments and core executives, of necessity, have come to the fore in the analysis of this initial Europeanization. The simple fact is that the central governments have been the exclusive negotiating partners of the EU and the democratization cum Europeanization had to have begun from the top, i.e. in macro-politics anyway. Even in the West “the ability of parliaments to control executives has declined since the 1950s, and the process of European integration is certainly of the reasons why this has happened” (Raunio and Hix, 2001: 163). This process has appeared more forcefully in the candidate countries but not only the European integration has been responsible for the “decline of parliaments”, as we shall see, the majoritarian efforts of the new democratic government have been even more important in this process.

The central governments of the candidate countries have been targeted at by various EU institutions. Above all, the EU has demanded the development of the administrative and judicial capacity from them more and more, and in this respect, the role of the central government and the core executives seem to be decisive. This top-down approach has been very fruitful both theoretically (see Goetz, 2001, Hix and Goetz, 2001, and Grabbe, 2001) and practically – given the fact that the core executives have been the only negotiating partners (see Lippert, Umbach and Wessels, 2001). Even in the case of the former member states the analysis of the central government is very instructive and theoretically challenging (see e.g. Laffan, 2001a). But this approach has proven to be too narrow in the early 2000s, since the entire system of institutions has increasingly to be taken into consideration even for accession capacity and at the closing of the chapters during the negotiations. It is even more so as far as the implementation process is concerned. Although this paper focuses on the central governments and core executives, as an introduction to the overall analysis of the Europeanization of the Hungarian political institutions, still at the same time it tries to show the limits of the government-centric approach, in both theoretical and practical respects. In the spirit of second generation literature, this top-down approach has to be combined with, or extended to, an analysis of the wider institutional system and a larger circle of actors in the candidate countries.

The Europeanization of national political systems in the candidate countries needs a periodization first. In a series of my former analyses I have made a distinction between the general and specific Europeanization as subsequent periods. The Europeanization first was some kind of re-Europeanization after the decades of “de-Europeanization” then a specific structural accommodation to the EU. In the recent literature the first and fundamental change has been termed as the anticipatory or pre-EU Europeanization, which is a base or general background of the further Europeanization (Lippert, Umbach and Wessels, 2001). The process afterwards, after the pre-EU stage can be considered an adaptive Europeanization, i.e. adapting directly to the EU patterns of governance. In this paper, accordingly I will analyze first the general or anticipatory Europeanization of the Hungarian institutions, then the specific or adaptive one as the first and second period, giving at the end of the paper a hint at the third period as a further Europeanization within the EU. Both kinds of Europeanization have been, in fact, not only subsequent periods. They have also been long-term tendencies, running parallel. However, in the first period, until 1998 those tasks dominated, which were connected with the democratization in general and in the second one those, which have been closely and directly connected with the specific structural adjustment to the EU. Hence, we have termed this twin process in the title of the book series edited by our Hungarian Centre for Democracy Studies as “Democratization and Europeanization”, meaning both periods and parallel processes. In this approach Democratization has a special meaning of re-Europeanization, i.e. (re-)establishment of the democratic rules of governance, and Europeanization in this respect means a specific development starting already on the base of the accomplished “general” democratization.ⁱⁱⁱ

The Democratization and Europeanization duality corresponds to the usual two-stage model of systemic change. Democratization as the general institution building dominates in the first period (democratic transition) and Europeanization in the second period (democratic consolidation). It is true, however, that democratization continues in the consolidation period and even some specific regulations of Europeanization were introduced step by step in the first period (e.g. 1995: White Paper, 1996: screening, etc., see Lippert et al, 2001: 988-89). Yet, the turning point in Europeanization came only in 1998 with the Accession Partnerships and the start of accession negotiations. At the same time by 1998 the basic democratization process was already completed. The democratization process has been continued since 1998 mostly with its fine-tuning, in which “the creation of social construct of democracy” and/or the “invention of democratic traditions” in civil society prevail. Moreover, democratization and Europeanization have often been distinguished as the first and the second institutional reform, although some analysts have also mentioned post-transition (1990-94) and post-crisis (1995-2000) waves of institutional reforms (Brusis and Dimitrov, 2001: 898-899) but these two waves can only be applied to the fiscal management. Otherwise, the separation of the two generations of the general institutional reforms is a very fruitful approach, since it already indicates that some corrections have also to be made after the first wave of institutional transformations. Consequently, despite their strong continuity, these two periods differ greatly and need a separate treatment, indeed. Paradoxically, the first reform of the central government not only prepared the overall Europeanization of the new democratic institutions but it has also turned out to be one of the main obstacles to their Europeanization. Simply said, the successful first wave of reforms not only left behind a lot of tasks for the second wave of reforms, even created some new problems to be solved. Above all there has been a need first to build institutions both for markets and later for the control of markets (see World Development Report 2002). This paradox is central to my analysis, although in this paper - introductory chapter - I focus on the achievements of the anticipatory Europeanization in the central government. Here I can only indicate its negative effects that will be mostly presented in the other parts of the same project. In my view, Hungary is in the period of early consolidation that has produced a series of new contradictions, which I can indicate here only in some respects of Europeanization.

This paper discusses the first period of Democratization as anticipatory Europeanization rather briefly because it belongs to the “remote past”. But it is a must, since this gives the key to the understanding of the present problems. Those works on which I rely most in this analysis have also been following the model of “historical institutionalism” (see special issues of the Journal of European Public Policy, Vol. 8, No. 6 and Vol. 9, No. 1, and Hix and Goetz, 2001, etc.). I will argue later that my analysis supports this approach and the Hungarian case provides further arguments for the application of the historical institutionalism in the Europeanization literature. The major institutional reforms were made in Hungary in the decade between 1987 and 1998, so this Democratization or re-Europeanization period has to be analyzed as an introduction to this paper giving a general explanation for the recent period. No doubt, this second period as adaptive Europeanization is much more important for us, not just because it is more recent and open-ended but also because this period shows much more parallel with the current problems of the incumbent member states such as the democracy deficit. Thus, its discussion gives an opportunity to analyze the common problems and the perspectives of the relationship between the EU and the national states in an EU25, including the impact of Eastern enlargement on the present member states.

2. General Democratization as anticipatory Europeanization

Instead of division and separation of powers, which is the basic principle of democracy, under state socialism the system of macro-political institutions was both conceived and organized according to the principle of the unified and centralized powers. The state was everything – and the ruling party as a super-state even more so – and the Big Government actually controlled more or less all walks of life. However, the seventies and eighties in Hungary witnessed the weakening of the authoritarian state and the gradual decomposition of the Big Government. This process reached a turning point in 1987 with a *de facto* multiparty system. The increasingly multiparty Hungarian parliament gained more and more political weight. The beginnings of the professionalization of the Hungarian government can also be noticed with a slow transition from “politics to policy”. The result was a cautious reform within the declining state socialist system where the party lost control over the process or better to say the party reformers took the lead in suggesting reform steps through the government. In the late eighties the central government became the real power centre, at the same time it was more and more scrutinized by the parliament and through public debates. This transitory government initiated most decisive major reform steps, above all in the field of economic policy. By 1989 the basic legislation for market economy was completed, since more than dozen acts were passed such as the Free Enterprise Act or the Profit Repatriation Act, and finally, the Transformation Act (Act XIII/1989 in June 1989), which regulated the process of privatization of state-owned enterprises. The year of 1989 was consequently the full start of systemic change, even politically by establishing a multiparty system *de iure* and concluding the negotiated transition by amending the Constitution. However, in this paper I discuss only the “administrative Europeanization”, that is the administrative reform of the central government and I do not deal with the political and/or the economic “Great Transformation” as its “content” that has been elaborated on by a series of my former publications.^{iv}

In the terms of administrative reforms this turning point in the late eighties can be summarized as a power shift from the party headquarters to the central government. It may be illustrated by the activities of Miklós Németh, the ambitious young prime minister with a reformist and quasi-technocratic leaning. This power shift had further wide administrative consequences. The government was both strengthened politically and reduced administratively. Strengthened because of the new task of playing the role of the central decision-making body, especially with an emerging “core government” within. Weakened because the state had to play a big role first of all in its own “de-statization”, that is in the weakening of its own power by reducing its administrative scope or size - simply said, through privatization. The huge institutional mechanism of the Big Government that controlled and instructed the economy in state socialism had to be removed or destroyed step by step. For the structural transformation of the central government it meant that first the branch ministries concerned (Ministry of Heavy Industry etc.) and then the Planning Office on the top of the economic decision-making had to be marginalized and finally dissolved. Thus, the first step of Europeanization of the central government – and that of the Hungarian polity as a whole - was the drastic reduction of the number of ministries and their staffs, and giving up both the practice and the structure of Big Government. It was carried out first of all in the field of economic policy through the strengthening of the role of the prime minister and his central apparatus. The structure of the central government by this move became much closer to the European type of executive power.

The other side of this process was the “quangoization”, that is the establishment of various kinds of independent agencies around the central government. Also this decentralization weakened the ministries and created a new co-operation between the central government and the agencies. The political modernization of this type reflected also the

Western tendencies, although in this very difficult period of transformation with deep interest conflicts, the activities of the semi-autonomous agencies provoked a fragmentation of decision-making within the government as a whole.¹ The issue of fragmentation of central government will be discussed later concerning the present period. In the late eighties, in the situation of acute economic and political crisis, the tendency of strengthening of the central government was forcefully countered by all kinds of particular interests. Therefore, despite all the efforts of the central government, in the late eighties the core decision-making was in fact weakened, or sometimes even paralyzed, by the antagonistic interests that were often represented by the new or old quangos or agencies.

The Németh government (1987-1990) consisted of the five classical ministries – Ministry of Interior (MOI), Ministry of Foreign Affairs (MFA), Ministry of Justice (MOJ), Ministry of Finance (MOF) and Ministry of Defense (MOD) - and seven other ministries – Ministry of Industry, Ministry of Trade, Ministry of Environment, Ministry of Transport, Ministry of Agriculture, Ministry of Education, Ministry of Social Affairs and Health. The National Planning Office still existed, so there were altogether 13 ministries. Actually, some ministries had much longer names that indicated the fusion of various functions in one ministry. For instance, the full name of the Ministry of Transport was Ministry of Transport, Telecommunication and Construction. This indicates the process of reducing the number of ministries by fusion and, behind it, the efforts of the central government for less paternalism and more elbow room for several social subsystems. This was a transitory government in all respects, since the Big Government was dissolved but the new design hardly emerged.

The Antall government (1990-94) brought a series of new administrative changes in. It established a common Ministry of Industry and Trade by fusion, although created a new Ministry of International Economic Relations. The main transformation was the abolition of the National Planning Office, a measure through which the whole relationship between the central government and the national economy changed beyond recognition. With this new configuration of the economic ministries, the MOF became central in the economic decision-making process, – and remained so until 1998 - and remained so until 1998. The number of the ministries remained the same (13) but the functions of some ministries were drastically reformed as a further step to reduce the size of the central government. For instance, the Ministry of Agriculture lost its function to controlling the Food Industries. The Ministry of Labour was newly established and the Ministry of Welfare replaced the Ministry of Social Affairs and Health. One has to note here, that big government is not to be mistaken for strong government, nor the small one for weak. By reducing the size of and scope of the central government, it did not become weaker but stronger, since it had more capacity to deal with the substantial issues.

There has been a very interesting discussion whether strong and unified or weak and fragmented governments are more reform-minded or have bigger reform capacity in the new democracies. The conventional wisdom says that capacity for institutional reform rests on the strength of the central government as e.g. the cohesion of the ruling coalition. Critics of this view claim that weak governments and highly fragmented political systems are more conducive to reform progress (Brusis and Dimitrov, 2001: 890). In my view, in Hungary only the Németh government demonstrates the second case when in the pre-transition crisis the political fragmentation facilitated the brave reforms, which were very definitely represented by the prime minister and his entourage. The cases of both the Antall and the Horn governments point to the opposite direction, towards the conventional model, their success in reforms was due to the strength of the central governments overcoming the political and administrative fragmentation. The above mentioned authors themselves support the importance of the political will for reforms when they discuss the very radical Bokros package for economic crisis management in Hungary. They argue that Lajos Bokros, the

minister of finance enjoyed the full political backing of the prime minister against the resistance of many other ministers. Finally, they make a very insightful comment that “Policy changes were supported by important institutional reforms.” (Brusis and Dimitrov, 2001: 899).

The first freely elected Antall government had a job in political crisis management and stabilization. It was overburdened with too many tasks of the early systemic change, first of all arranging the role of macro-political actors. Therefore it can be considered both weak and fragmented, nevertheless in a historical and comparative approach it was much less weak and fragmented than the first democratically elected governments in the other transition countries. It could rely on the achievements of the administrative and economic reforms of the former government and it went in the same direction with more decisiveness in re-Europeanization. The further reduction of the size of the central government was a good policy measure and the first step to cope with the intricate economic and political problems. No doubt however that the situation of the first democratic governments was extremely difficult in this initial stage of systemic change. The new political elite was still inexperienced, hence some of the administrative changes executed by the Antall government might have been even counter-productive. Some other minor ministerial changes were connected with the coalition formation and with the special personal demands in this coalition government of the three centre-right parties forming the first government. The direction of the administrative transformation was, however, very clear, pointing to the radical transformation of the political and economic decision-making in the period of rapid democratization and privatization. The first Hungarian democratic government made a new institutional design for all ministries and for the core government, and most of these designs have proved to be effective. Given the deep economic crisis and the huge international debt, the Antall government created a strong Ministry of Finance, and until 1998 the MOF played a decisive role in the economic decision-making, and at least indirectly in all decision-making of the central government.^v

The Horn government made some further efforts to change the institutional structure of the central government and it played a decisive role in economic crisis management. First, it strengthened the reform in the economic decision-making by the abolition of the Ministry of the International Economic Relations. So the number of ministries was reduced to 12 and the MOF kept its central role within the central government as a whole. The internal structure of government continued to develop by establishing a cabinet system within the central government that greatly facilitated the central decision-making process. This particular process had begun under the Antall government and the Horn government organized already five cabinets of various kinds. The cabinets of central government are also very helpful in policy coordination: (1) The Economic Cabinet (MOE, MOF, etc) where MOF considers the “wish lists” from the others, (2) The National Security Cabinet (MOI, MOD, MFA and the Minister monitoring secret services), (3) “Cabinet of Government” for quick decision-making and in the case of unforeseen events (Prime Minister, MOI, MFA and MOF), (4) The Administrative State Secretaries’ Meeting (all ministries), (5) The European Integration Cabinet that was abolished in 1998 by the incumbent government. Three cabinets controlled specific fields, namely the Economic, the National Security and the European Integration Cabinets collected the ministers concerned, organizing them into a special body. Two other cabinets had specific organizational functions. The Cabinet of Government acted as a real “Rapid Deployment Force” or Core Government for rapid decision-making on vital issues containing the most important ministers (PM, MOI, MFA and MOF). The Administrative Secretaries’ Meeting (two days before the central government meeting) proved to be very successful in improving the efficiency of the central government as a whole by preparing the session of the government.

However, there is no doubt that both the Antall and Horn governments wanted to create a European type of non-partisan, professional bureaucracy or civil service. They institutionalized the legislative control over the executive power and the political control over the public administration. The Weberian effort of the Hungarian governments resulted in a series of acts, first to separate politics and administration and then to regulate legislatively the civil service in particular and public sector in general. The bureaucratic autonomy as a political asset has usually been highly appreciated in the relevant literature (see e.g. Grønnegaard Christensen, 2001). Unique in the early nineties among the new democracies, this Hungarian legislation by the first democratic government moved to this direction. It defined clearly the relationship between politics and administration, and the major procedures within the public administration. The Act on State Secretaries (XXII/1990) has stipulated a distinction between the Minister and the Political State Secretary as politicians on one side and the Administrative State Secretary (and his staff as a whole) as administrators on the other. The Administrative State Secretaries are supposed to be professionals, experts of their fields also in administrative respect. Their meetings have cleared many debates between and among ministries, and in fact, removed them from the agenda of the regular sessions of central government. Among others, two other related Acts were passed in 1992. The first Act on the Civil Service (XXIII/1992) and the second Act on the Public Employment (XXXIII/1992) have laid the foundation of the democratic working of the central government, and what is more, the entire public administration beyond. These Acts have separated the civil service from the other fields in the public employment as a whole, and they specified its non-partisan, career-oriented and merit-based character with professional requirements. This set of legislation was a coherently planned action, since in 1992 the government established a special committee for public administration reform. Despite all future defects and difficulties it has produced a solid base for the professional civil service in Hungary, that has also played a decisive role in the EU accession management.

In this short outline of the anticipatory Europeanization of the central government one has to mention also the transformation of its overall institutional structure. At the time of the Németh government the “Council of Ministers Office” (CMO) was the administrative structure supporting the activities of the central government. It served the collective body of the entire government and was just in a lesser part an office of the prime minister himself. Better to say, the above indicated changes strengthened the organization around the prime minister, with its growing apparatus and an extended team of policy advisers, but the entire structure still reflected the former structure of a Council of Ministers Office. In 1990 there was a basic constitutional amendment in Hungary, establishing a prime-ministerial government or a German-type of chancellor democracy. This legislation induced a major administrative reform in the office of the central government, which became a Prime Minister’s Office (PMO), serving first of all the Prime Minister and his entourage. In this new administrative system the ministers were considered mainly as dependent politicians to be controlled and instructed by the prime minister and its office.

With the central place of the PMO in the activities of the central government some other changes became also necessary. The PMO was extended administratively, both quantitatively (with many top officials and their assistants) and qualitatively or functionally (with the new functions performed). Beyond the functional need to extend the PMO, the patronage system to give posts to the followers in the coalition parties also played a role. Through the administrative re-organization the title of Political State Secretary was doubled and in addition to those in the ministries, some Political State Secretaries were appointed in the PMO, too. Till 1998 there were two kinds of Political State Secretaries in the PMO. First, for a special field attached to the PMO (as youth or church affairs) and second, for some very important transitory tasks such as privatization. With this move the distinction between the

PMO Political State Secretaries and the Ministers became blurred. First, some agencies have been taken out from the PMO as real Ministries with Ministers on the top (such as the Ministry of Youth and Sport in the incumbent government). Second, some PMO Political State Secretaries have been appointed later Ministers without portfolio (such as the Minister of Privatization). The Minister monitoring secret services was appointed as a Minister without portfolio in the PMO at the time of the Antall government. This has turned out to be an enduring tradition, although later this small agency has become a real Ministry with its staff and left the offices of the central government. Hence, the reduction of the number of the ministries is somewhat misleading, since it has been compensated with the increasing number of ministers of other kinds. Also the number of the Political State Secretaries – and other high officials - tended to increase in the PMO and in most cases they turned to be more influential and important decision-makers than the ministers themselves. Without excluding the patronage effect in these thriving posts of top officials, I still want to stress the necessity to cope with the complexity and diversity of political decision-making and administrative issues at the central government. It has been a process of structural differentiation in and by the PMO, which introduced the political administrators in Hungary, although not sufficiently legislating this new job. A new turning point came later with the Orbán government, which re-organized and even more strengthened the PMO. I will discuss it later, in the period of adaptive Europeanization. I mention here only, that this administrative change produced a third type of Political State Secretaries for the special control of a group of ministries organized in *referaturas* (say, in economic or security matters, etc.).

The newly organized PMO in the Antall and Horn governments was an important step taken in the direction of the anticipative Europeanization. It was very successful in the political and economic crisis management respectively, especially if compared to the other new democracies. The international analysts have positively evaluated this administrative reform of the Hungarian central government. “The Hungarian approach (...) has been more successful. (...) the center-of-government system relies upon two sets of meanings to coordinate and prepare policy input to cabinet sessions: a meeting of administrative state secretaries to vet the initial proposals followed two days later by regular cabinet meetings, to approve relevant decrees. The approach has been working satisfactorily, although it is not without its problems. The role of political as opposed to administrative state secretaries in the process of policy coordination has not been fully worked out”. Still the PMO in this period had two structural weaknesses or bottlenecks. First, the Hungarian Constitution stipulates – in similar wordings to the German one – that the task of prime minister is to outline the major policies for each and every minister. The PMO until 1998 had no capacity for that function, nor had the prime ministers concerned any intention to perform it. What they provided was only a political leadership in a narrow sense, co-ordinating the final decisions but they did not undertake the job of concrete policy formulations and their co-ordination. As a result, the policy formulation and implementation were rather well organized but fragmented, so policy coordination was weak as Barbara Nunberg has noticed. The weakness of policy coordination has been a recurring item in the Nunberg’s assessment of the new administrative systems. This weakness is usually coupled with the parallel workings of formal-institutional and informal-personal channels in decision-making: “Also worth noting that at the center of government is the widespread reliance on informal or parallel mechanisms for decision making and policy coordination that circumvent formal cabinet structures.” (Nunberg, 1999: 239, 241). Connected with this weakness, the function of policy planning was also missing, or at least insufficiently working. In the previous power structure under state socialism, the function of policy planning was performed by the party headquarters and only the implementation was left for the government and its ministries. Till 1998 in the new PMO structure the place was not yet found for policy planning, nor its need was not felt too much,

since the everyday crisis management with its unavoidable short term thinking dominated in this period of permanent changes and uncertainties.

Under these conditions of permanent uncertainty, as I have just mentioned, the structure of the central government, and the PMO in particular, became very flexible, including some Ministers without portfolio for special and transitory tasks such as privatization or some Political State Secretaries for all kinds of transitory jobs. This constant institutional improvisation, however, produced a danger of the institutional and personal fragmentation. Similarly, although the main aim was the creation a permanent and non-partisan civil service, still there were constant personnel changes, not only between the changing governments but even within a governmental cycle – almost completely in the PMO and to a great extent in the ministries. Goetz and Wollman note, for instance, concerning these party-politically motivated personnel changes in Hungary that in 1998 out of 88 political, administrative and deputy state secretaries the present government kept only 39. This discontinuity actually shows also a tendency of interpenetration of politics and administration at the top levels, similar to the German post of *politische Beamte* (Goetz and Wollman, 2001: 881). Indeed, the 1990 legislation has cut the politics and administration at a too high level, most probably it would have been better to define Administrative State Secretaries, Undersecretaries, even some Heads of Ministerial Departments, and the whole staff of the PMO as political administrators. One has to add, that these changes have made, however, not only at the top level and not only for political reasons. Political considerations in personnel policies have appeared at all levels of public administration, although many talented and ambitious administrators have left because of the attraction of the better paid jobs in the private economy.

Nevertheless, the 1992 legislation in Hungary regulating civil service and public employment was basically successful. In principle the civil service continuity, merit system and job security with growing professionalism were high on the agenda. One has to admit that, even taking the lead and being the best in administrative reforms, the problems were manifold. First, these above mentioned personnel changes for political reasons have eroded the spirit of non-partisan civil service and its efficiency, and second, the low salaries in public sector have meant a big threat for the creation of a morally dedicated civil service corps. In the last analysis, however, the legislation on government and its positions was rather well advanced. The final conclusion of Goetz and Wollmann (2001: 884) is that „Hungary stands out as a country which has started earliest and has proceeded furthest in building up an institutionalized core executive, backed by a professional civil service.” Indeed, the horizontal and vertical accountability worked well, at least in the comparative context of the new democracies (see Ágh, Ilonszki and Láncozi, 2002) As to the anticipatory Europeanization, in Nunberg’s qualification, Hungary has been indeed „ready for Europe”.^{vi}

The conceptual distinction between anticipatory and adaptive democratization makes clear in what sense I have stated in my former papers that the Europeanization of the polity in East Central Europe has come to an end (see e.g. 1999: 842). Namely in the sense of the general Democratization or anticipatory Europeanization as accomplishing the task of democratic institution building. In this respect the Freedom House assessment goes to same direction and gives to the East Central Europe a high „DEM score” (see **Nations in Transit 2001**, 26-27). My statement may be „a minority opinion” (Goetz, 2001c: 219), I still think that one has to separate different levels of analysis and the different stages of development. Hence, I consider early consolidation as a very important turning point, emphasizing everywhere that this new period has produced new contradictions, which I term „performance crisis” (2001c: 168-173) connected first of all with the new stage of the (adaptive) Europeanization. The new stage has shown the weakness of not only „state capacity” but even more the „governance capacity” (Knill and Lehmkuhl, 2002: 42) of the candidate countries.

Thus, in my view the „finished” Europeanization in the first stage leads to the new problems of Europeanization in the second stage, which will also be outlined in this paper. The Hungarian case has been specific in both stages because the support of Europeanization has always been very high. I have pointed out the exceptionally high public support in the nineties (1999: 846-849) and the latest Applicant Countries Eurobarometer (56) in late 2001 has confirmed this trend. The support for the EU membership was in 2001 in Hungary 60 (for) versus 7 (against) percent, which was indeed high compared to the Czech Republic (46 versus 9) or to Estonia (33 versus 14) (see Brokl, 2001 and Ehin, 2001). In my view this can be explained by (1) the very early start of the Europeanization process in the eighties, (2) the very high socio-economic integration of Hungary into the EU and (3) the Hungarian „small states’ mentality” coupling the national identity very much with the European identity.

This leads to the conclusion in the first part of this paper that Hungary may be a clear case proving the necessity to make a distinction between anticipatory and adaptive Europeanization. Till 1998 the anticipatory Europeanization as the democratic institution-building was the main task in Hungary, described here briefly only in the terms of the administrative reform in the central government. The EU member states have various central government models and within the period of general Europeanization the new ECE states had the chance to opt for one of them. Despite all the problems discussed below, I think that the prime-ministerial government has proven to be successful and efficient way for Hungary in the public administration reform in the special case of the central government. Its success may be also argued for by the fact that in 1997 Poland moved into this direction as well. As long as the general Democratization as anticipatory or pre-Europeanization dominated, much less attention was paid to legal harmonization as a „detailed Europeanization”. No doubt, however, that still there was a transition to that direction, more and more tasks were ascribed by the association treaty to Hungary, which were accelerated and urged even more by the pre-accession requirements. In the Spring of 1998 the accession negotiations began and afterwards, instead of pure „domestic” reforms, the external structural accommodation came to the fore in its concrete forms and in a very detailed way. This period of specific Europeanization – parallel with the early consolidation - brought new tasks to the central government in decision-making, so the PMO needed a new institutional design and the second reform of the core government was high on the agenda.

II. Adaptive Europeanization as a specific EU democratization

1. Reorganization of the PMO

The year of 1998 is a turning point in the Hungarian systemic change, a new milestone after 1989 when systemic change began. In economic terms it heralded the consolidation of the economic growth, reaching the stage of sustained economic development (4.6 and 4.9 percent growth in 1997 and 1998 respectively). After a long crisis, by the end of 1998 the Hungarian economy reached the pre-crisis level of 1990 in the GDP terms. The consolidation of the political system also started, with the basic political institutions in place and with the two large – centre right and centre left – parties. The HSP lost the 1998 elections by a small margin (134 versus 148 seats) but received more votes (1,950.000 versus 1,720.000), so this result did not provoke its weakening. The international situation of Hungary has also been consolidated by the NATO membership. I have introduced the term of early consolidation for this turning point that was reinforced by the entry of the new government. This government has worked under completely different circumstances, i.e. both domestic and external conditions have been much better than in the case of the former governments, which had been engaged in political and/or economic crisis management.

Under these favourable circumstances the third government has introduced some new political and administrative measures. Among them the most important for our analysis has been the reorganization of the PMO, which is a major step ahead in the Hungarian administrative reforms. In Hungary, as mentioned above, the constitutional role and position of the prime minister closely resembles that of the German chancellor. Accordingly, in 1998 the Orbán government introduced a second reform in the workings of the central government (see Vass, 2001). Actually it reformed the PMO by completing the institution and policy transfers, since the new government created a real PMO modelled on the German *Kanzleramt*. This re-organized PMO has been able to outline the major policies for all ministries, that is orchestrating and coordinating policies, and monitoring their implementation. It has taken a big step ahead in policy planning as well. With a “lean government” concerning the ministries, a rather extended government emerged through the PMO (with a staff of 316 in 1997 and 536 in 2002). Its budget has been multiplied, it was 36 billion HUF in 1998 and 283 billion HUF in 2001. The reorganization of the PMO led to an administrative duality of management. All the functions were doubled, they appear first in the ministries concerned and second in the PMO at a higher level organized in five *referaturas* led by Political State Secretaries. In the Press Department in 1998 there were five employees, in 2001 126 employees led also by a Political State Secretary, the official spokesman of the government with a budget of 13.5 billion HUF for political marketing and image-making of the government.^{vii}

Unlike the extensive literature on the administrative reforms in the “post-communist” state, which usually does not devote too much attention to the specificity of the Hungarian PMO, Barbara Nunberg has given an excellent analysis of its development that deserves to be quoted at length. In her second Report to the World Bank in 2000 she gave a detailed description of the Hungarian administrative reforms. In the Hungarian case by the reorganization of the PMO the administrative capacity has become much stronger both to make political-legal decisions and with an administrative and judicial capacity to apply or enforce them. According to her analysis, the “center-of-government – that is, the central players and institutions that feed into government decisions” have been well developed and have basically had enough human resource capacity for the central government (2000: 18). The general task of the administrative reforms in the other new democracies can be formulated as a development from “stove piped” agencies to a “pyramid-like” government: “Beyond the cabinet infrastructure, processes of vertical and cross-sectoral coordination are problematic. Coordination deficiencies are reinforced by the legacy of autonomous, ‘stove piped’ agencies that traditionally operated as independent branch entities with little communication with the center or other line organs.” (2000: 19). In the Hungarian case the new PMO embodies this pyramid-like structure and therefore policy coordination works better, since in Hungary “The institutional arrangements and processes for policy coordination appear to work efficiently”. Typical Central European negative phenomenon is, in turn, the law fetishism also in Hungary, that “Policy formulation, on the other hand, is unnecessarily legalistic and often lacks economic appraisal needed to make efficient decisions. Similarly, implementation is not seen as important as having a law.” (2000: 307).

This analysis has also come forward with some criticism and suggestions for Hungary: “There is an absence of long-range strategic planning and this report recommends that an appropriate unit be established at supra-ministerial government level.” (2002: 307) Or more closely, “As of time of writing, there has been no central strategic planning function providing long term macro social-economic thinking, which will be major constraint in helping Hungary adapt to EU membership. Interviews revealed that owing to the previous regime strong central economic planning had been strongly resisted by politicians and civil servants alike. However, it is now recognized by a number of coordinators that greater long term visioning is

required. The new government has apparently introduced a Strategic Planning Unit within the new super-ministry of Economy, with responsibilities for labor, employment, tourism and economic planning. It is not yet clear as to how this entity will deal with broader, noneconomic issues of public administration. It may be that the government's strengthening of the Prime Minister's Office may deal more effectively with cross-sectoral cooperation capability issues." (2000: 301).

Barbara Nunberg concentrates only on the administrative side of the reorganization of the PMO and this criticism leads to a suggestion that "It would be beneficial if the government could create a separate unit with the ability to monitor across sectors, evaluate government-wide policy effectiveness and work closely with the Strategic Planning Unit." (2000: 302). The incumbent government, in fact, has reorganized and extended PMO also in this respect of policy planning. As she mentioned above, it has created a special Center for Strategic Analysis (STRATEK) in PMO under the leadership of a Political State Secretary (László Bogár) for strategic planning and policy coordination for the central government. In my view the real problem with the new PMO lies elsewhere, not on the administrative side, since e.g. the long term economic planning has been made by the Ministry of Economy, closely cooperating with the PMO. The real problem is the drive for the majoritarian democracy that has appeared in the PMO as its main vehicle. By overloading the capacity of the PMO and overdoing the role of the strong prime minister as "chancellor", in Hungary a presidential style of political system emerged in a parliamentary disguise (see Ágh, 2001a, confirmed by Goetz and Wollman, 2001: 871). Thus, there has been a marked over-concentration of power around the prime minister, which has been embodied in the PMO, designed as a super-ministry. Actually, it is, according to the wording of the Minister of the PMO (chancellor-minister in the Hungarian parlance), a "flagship" of the central government. In fact, it resembles more of the old style party headquarters of the Fidesz as a hegemonic or "state" party, since it has tried to build up its social and economic base as well.^{viii}

This over-concentration of power has appeared in the following ways: (1) In the German case the most important function of the PMO has been the policy-making and coordination with the central position of the various *referaturas*, which manage the cooperation with a group of specific ministries. Unlike in the German case, this policy coordination function is less important in the Hungarian PMO. Its larger part deals with other functions and, accordingly, most of the core executives have been employed in the other departments of the PMO. (2) Thus, the Hungarian PMO has grown too extensively with many new departments. It has over-centralized many functions or policy fields from the telecommunications to the interest reconciliation, actually all important political and policy issues have been siphoned up to the PMO. (3) Finally, it is basically a PR agency and propaganda ministry for the central government and its hegemonic party. Political marketing has become the main function of the PMO with large funds for party propaganda that has not been controlled by the parliament and with more than hundred people employed for the party PR activities. (4) The PMO has been not only distorted inside into a super-ministry but it has also been over-powering the other power centres, namely first of all the Hungarian parliament that has been completely marginalized in this cycle. The Hungarian parliament has been fatally weakened, scrutinizing the government is completely beyond its capacity. Similar problems have also emerged elsewhere because of the marginalization of other "checks and balances" institutions (Constitutional Court, Ombudsman Office, State Audit Office, etc.) by the central government, exercising its power mainly through the PMO.

In a word, although the new PMO has been a major step ahead in the administrative reform, politically it has also produced more and more a new kind of de-Europeanization. It may be termed as a "derailed Europeanization, with the introduction of the "tyrannical majority" and the exclusion of the social and territorial actors from the decision making

process, which has gradually also eroded its efficiency in policy-making and coordination. Thus, it has become a blind ally in Europeanization and has played a controversial role in the accession process, representing the continuity on the policy side, but producing a discontinuity on the political side. The incumbent government has carefully avoided the application of the critical remarks of the Regular Reports concerning the decentralization of powers in the forms of the meaningful regionalization or real institutionalization of the social dialogue. In fact, Hungary has turned out to be a vanguard as well as a laggard at the same time. These issues of the missing decentralization will be discussed elsewhere, and only hinted at in this paper below, since here I can discuss only the COG and the EIS in their political and administrative duality as an expression of the majoritarian efforts of the incumbent government.

2. The Hungarian COG as a vehicle of the majoritarian efforts

In analysing the state capacity of the Central and East European countries, the policy-making and/or administrative capacity of the central government as its most important aspect comes to the fore of necessity. In the recent years even within core government its central decision-making unit, the Center of Government (COG) has been investigated carefully. This research has been an extension of the study of the center-of-government in the Western countries, applying the term of the COG introduced by the OECD. Its institutional aspect as the core government has been discussed parallel with the core executive, in which “around the head of government (...) a top tier of administrators who combine professional competence and ‘political craft’ (Goetz 1997) and are capable of supporting executive politicians” (Goetz and Wollmann, 2001: 866). The best available definition of the COG itself may be the following: “COGs are usually the bodies that serve as strategy policy formulating units and gatekeepers for the head of government and the cabinet in those cases when policy proposals reach the cabinet from the lower levels of government. However, the structure and the exact tasks of COGs vary from country to country. Generally COGs provide not only technical-administrative support but also policy-political advice to the head of government and the whole cabinet, especially since many of the ministers in analyzed countries are leading party politicians and often MPs.” (Lazareviciute and Verheijen, 2001: 335). They also add a quotation from Goetz and Margetts (1999) to this definition that often “support and advice to the Prime Minister are not restricted exclusively to his executive role, but will generally extend to the party-political and parliamentary spheres”.

In fact, the COG has three dimensions that largely overlap and are closely interconnected because they differ only in their focus. The first one is institutional, since COG is a set or network of smaller institutions in the Prime Minister’s Office (PMO) and/or in the main ministries, and other important decision-making bodies such as government cabinets. (Nunberg, 2000). The second dimension is functional. It concerns the central decision-making process itself, including its preparation and implementation process. In addition, this covers the relationship with policy institutes, i.e. with a focus on the role of the advisors and concentrated human resources (Goetz, 1998). The third dimension is centered on political culture in general and/or public administration culture in particular, on the “core” national traditions and styles. It emphasizes the “core” of national administrative traditions as a historical inertia for the reform of administrative capacity and as the typical patterns of political behaviour in making decisions on the top and creating institutions accordingly (Knill, 2001: 5). However, these three approaches converge to a great deal and offer very useful tools for the analysis of the COG in Hungary. As a point of departure, in the former Big Government the central state apparatus was institutionally fragmented and the Council of Ministers Office exercised little control over their activities. In this respect, the task of Europeanization was to overcome the administrative weaknesses of the central government

and to develop a COG with a core executive that has been discussed above. “In short, the communist executive inheritance included a lack of governmental functions, an institutional setting ill-prepared for cross-sectoral co-ordination, a fragmented and party-politicized personnel system, and, perhaps most importantly, an executive that was not used to having to build broad political and social acceptance around the political objectives pursued.” (Goetz and Wollmann, 2001: 868, see the chart of the Hungarian PMO p. 876).

It is obvious that the COG is the key target of all public administration reforms in a larger framework of the central government’s decision-making. As Barbara Nunberg concludes (1999: 238): “Core cabinet, or the center of government functions have been a key target for reform in all the countries studied. (...) cabinet development in CEE countries mainly has been focused on the critical problem of reconstructing mechanisms of policy formulation, coordination and decision making”. Actually, she describes three kinds of government machinery reforms: (1) center of government (core), (2) line ministries and (3) cross-system accountability or policy coordination in the central government as a whole (1999: 238-239) and I try to apply this wider approach later to the general issues of public administration reform. The COG covers the basic departments of the PMO and the leadership of the core ministries (MFA with EIS on one side; MOE and MOF on the other side, MOI has been partly and MOJ completely removed from the power centre). The best way of approaching the administrative capacity of the central government is to focus on its core ministries in a COG-type decision-making context, particularly in the new Central European democracies that have been fighting with the high complexity of political and economic transition. The politico-economic changes can be studied particularly in the workings of the so-called Ecofin Ministries (Ministry of Economy and the Ministry of Finance, discussed in depth in a separate paper). These Ministries have played a substantial role in the economic and political transformations so far. In the Central European countries their role has been decisive in (1) the successful crisis management, (2) in reaching the stage of the sustained economic growth and (3) in the coordination of the economic and political aspects of the EU accession process. This current task necessitates an even closer cooperation of the candidate states with the Ecofin Council within the framework of the Broad Economic Policy Guidelines (BERG) and makes their Ecofin Ministries even more important in the policy-making within the central government.^{ix}

This COG related conceptual framework offers first a possibility to give an assessment of the Dual Challenge (EU and global) and the domestic responses in the central policy-making. At the same time, the COG approach is an opening to the other fields of analysis of the administrative capacity in the central government and beyond. In addition, this research may be a good introduction to the discussion of many other exiting issues such as the transfer of institutional models and policies in the reform of the administrative structures in general and in the public finances in particular. In the same way it leads to the role of international organizations as “institutional tutors” and their relationship to domestic elites (Jacoby, 2001). It raises the issue of the relationship between political and policy elites in the current Europeanization process aiming at good governance (Ágh, 2001b). It indicates the emergence of the “new class” of the EU administrators (Damgaard, 2000). Finally, it can be a test case for the historical institutionalism, that is the investigation of the double effect of historical continuity and rapid accommodation to the international challenges at the institutional level. This theoretical issue has been studied by Arend Lijphart editing a book on the perspectives of institutional legacies and the international pressure for liberalization (Crawford and Lijhart, 1997).

This research agenda indicates that the COGs in the Central European countries have played a very important role, and it is even more so in Hungary with its chancellor democracy. Yet the relationship between the domestic and external factors cannot be reduced

to that between COG and the external world. COG is not a “rational actor” taken in isolation, i.e. it cannot be analyzed as an “abstract” rationalizing-optimizing agent that reacts to the universal changes in the global world. On the contrary, the COG is a multifaceted political actor with a great institutional embeddedness. It performs several controversial roles at the same time, namely e.g. makes decisions in the long term economic policy planning and in short sighted party politics at the same time (and often with both combined). Therefore the national traditions of decision-making and the new features of policy-making - as a result of the recent policy transfer and/or quick reactions to the changing global world - appear in a chaotic mixture, connected and intertwined. The “hub” of changes is in the core government, therefore, central to our topic is the reform of the COG, since it gets great salience after the collapse of Big Government of state socialism. Later, in a more advanced stage, the COG becomes a strategy policy formulating unit and the gatekeeper for the head of government. It also arranges the policy coordination for the different cabinets within the central government and prepares policy proposals for the central decision-making process, including party-political issues. Finally, it connects the prime minister and leading ministers with the policy institutes and a wider circle of advisers through the narrow, intimate inner circle of policy advisers (Goetz, 1998).

The main assumption in the recent literature on the candidate countries is that first, the establishment of the COG is a great step ahead of creating an effective state. Second, the centralization of the EU accession management is supposed to be a key contributing factor to the strengthening the COG and the core executive (and vice versa). This observation has been made in several writings of B. Nunberg and K. Goetz, quoted above and especially elaborated on by H. Grabbe (2001). Since the emergence of core executive has been connected with the COG, and it represented by the PMO, then the conclusion has also been made that it is the PMO that deals with the accession management as a central and centralizing actor: “The evolving role of prime ministers, COGs and finance ministers is key to any argument about the emergence of political core executives in CEE (...) EU business is also marked by a high degree of centralization and prime ministerial involvement, even where the ministry of foreign affairs is officially taking the lead. Negotiating accession and the need to ensure that they meet the European Union’s (EU’s) accession criteria have confronted the post-communist countries with exceptional co-ordination challenges to which they responded with the creation of a dedicated machinery for accession management that is closely linked to, if not fully integrated into, the COG.” (Goetz and Wollmann, 2001: 875-878).^x

At the same time, in evaluating the central government, Nunberg observes that Hungary has put a great emphasis on the accession management that has been concentrated in the Ministry of Foreign Affairs. This administrative concentration has consequences for the whole public administration, first of all for the senior staff of the line or branch ministries. As Nunberg notes, “Government officials and country nationals have placed a high priority on making sure EU management processes work well and meet European Commission standards. Because of limited resources, EU talent has largely been siphoned off from core administrative tasks.” (2000: 21) Thus, in the Hungarian case the centralization of accession management with its experts has not taken place in the PMO as a COG, but in the MFA and it awaits an explanation. This administrative and institutional duality between domestic and EU affairs existed in Hungary already before 1998, nonetheless, it has drastically deepened with the incumbent government. Parallel with it, an even more dangerous and damaging duality has also emerged in the foreign policy itself with the incumbent government. It is about a political duality or split between the priorities of the EU membership on one side and the neighbourhood policy on the other that has produced an administrative duality between the MFA and the COG in Hungary. Thus, the thesis on the centralization of the accession management and its integration into the COG is most probably valid for all accession states to

a great extent, except for Hungary. It was valid also for Hungary until 1998, but not afterwards. This is a good point of departure to describe the specific nature of the Hungarian accession management. Namely, my thesis is that the accession management has been centralized in Hungary as well, although not in the PMO that has indeed played a role of the Hungarian COG, but in the European Integration Secretariat. At least, until the Spring 2002 when both the closing negotiations as an external factor and the electoral campaign as a domestic factor might have changed the practice of the “remote control” in accession management. As a result, in the Spring of 2002 the EU accession has become over-politicized but this particular pre-election situation needs a separate analysis.^{xi}

3. European Integration Secretariat

The Hungarian accession management has been institutionalized from the very beginning in the MFA as a European Integration Secretariat (EIS), which has served at the same time as the Association Committee and has coordinated the Inter-Ministerial Committee for European Integration (ICEI). At present, it is only in the Hungarian case that the head of the Hungarian mission to the EU, permanently based in Brussels, is the chief negotiator. Actually in most cases the Minister of Foreign Affairs has been the leader of the Hungarian delegation (Lippert et al, 2001: 995, see the institutional chart of accession management p. 993). This solution indicates both professionalization and depoliticization in the case of the incumbent government. The Minister of Foreign Affairs, János Martonyi (who is an economic expert as well) has exercised a strong – but also professional - political control. The Department of International Economic Relations has also become part of the MFA. Martonyi acts as „Mr Hungary” for the outside world and „Mr Europe” for the Hungarians, being actually some kind of a Minister of the European Affairs, since he has been directly involved into negotiations and closely coordinates them. Although legally he plays the general role of a foreign minister, his main job is still the direct control of the accession process. In political terms, in the decision-making chain above him stands József Szájer, the faction leader of the Fidesz, the largest coalition party. He is at the same time the Head of the parliamentary standing committee for EU Affairs, and exercises the party-political control. The final say stays at the prime minister, who intervenes into EU affairs very rarely but decisively, so he represents the remote control. One has to be clear about the fact that the central place of the Head of the EU Affairs Committee does not mean that the Hungarian parliament has played an important role in the EU Affairs and/or in the accession process. It is not by chance that the main decision-maker in accession management domestically happens to be the faction leader of Fidesz for whom the post of Chairmanship in the EU Affairs Committee only facilitates his control over the accession process, whereas the Hungarian Parliament has been marginalized in the negotiations. His main political activity has not been in this field but in domestic policy, at the same time there has usually been no urgent need to intervene or to exercise an everyday control in the EU affairs.

It is also necessary to note is that this depoliticization has become both possible and necessary by the relatively high accession capacity of Hungary, including the high professional negotiating capacity of the European Integration Secretariat (EIS). The political control in such a way can be reduced to the general instructions to the negotiators. It is true that the PMO, that plays indeed the role of COG in domestic affairs even more so than in the other candidate countries, has also a small EU Affairs Department. This Department is, however, part of the STRATEK, the long-term strategy or policy planning part of the PMO. It provides only general information and alternative scenarios for the central government, and in this way it is completely out of the decision-making chain or the hierarchy of the political remote control in the EU Affairs. The institutional change or the split between domestic (combined with “near abroad”) policies and EU affairs can be illustrated by the simple fact

that the incumbent government has abolished the European Integration Cabinet and the European Integration Task Force. These two bodies served as the top policy coordination units in all EU affairs (for decision-making and for its preparation respectively). They functioned in the former government as control institutions of the prime minister and the PMO over the accession management. The incumbent prime minister has no special interest in the accession management, since he concentrates on the presidentialization of the Hungarian political system and on the near abroad foreign policy. Therefore, the accession management functions have been divorced from the PMO and the prime minister has only exercised a remote control, or a party-political control through one of the leading figures of the hegemonic party who has also assumed the post of the parliamentary standing committee of the EU affairs.^{xii}

Consequently, behind this de-politicization there has been an over-politicization. As we discussed above, the third government (1998-2002) has accomplished a power concentration in general and through the PMO in particular. Its main concern is in the domestic affairs, which has been accompanied by a turn in foreign policy with a change of priorities. Instead of the EU accession, the regional or near abroad policy has become the priority, that is the relationship with the neighbouring countries and with their Hungarian national minorities. The Political State Secretary in MFA, Zsolt Németh is a very powerful political figure of the hegemonic party, Fidesz and he has acted as an alternative or parallel Minister of Foreign Affairs as a Minister of Near Abroad Affairs. By this, the MFA has actually been split into two parts where the “near abroad” policy – and its part of MFA - has become dominant under the direct, everyday political control of the Fidesz, exercised by the Political State Secretary. “There is also a life outside the EU” - as the prime minister has repeatedly said. Actually, this statement indicates that Hungary has been drifting towards one of the most dangerous blind allies in democratic consolidation. It has also been clear that this attitude can produce conflicts with the accession partners as the recent discussion on the Benes decrees has proved.

This change of priorities in foreign policy has also split the Hungarian public opinion, including those of experts, thus it has produced a new relationship to the “epistemic community” in Hungary. The efficient workings of the central government and first of all that of the COGs presupposes an intensive support by the experts and/or their communities organized in policy institutes. Policy institutes are non-profit, non-governmental organizations that generate policy-oriented research, ideas, analysis, and formulations on domestic and international issues. These organizations are usually not affiliated with academic institutions and do not grant degrees. Their major effort is devoted to commissioning and publishing research and policy analysis in the social sciences, economics, political science, public administration and international affairs. The typical outputs of these organizations are reports and policy briefings, and informal discussions with policy makers and government officials. They often act as a bridge between the academic and policy communities, translating academic research into a form that meets the needs of busy policy makers. (see McGann, 1997, discussed in Lazareviciute and Verheijen, 2001: 330).

The former Big Government in the eighties had a series of policy institutes, which collapsed in the early nineties. Some of them have survived and some others have been newly established. They became market-oriented and offered their services to all social actors, including the central government. Actually, a certain reorganization process began in the second half of the nineties around the central government, supplying top officials with advice and information, partly as expert groups within the government, partly as independent policy institutes. “Strategic policy formulation, decision making and implementation co-ordination continues to be reserved to the top political figures, and policy advice is mainly secured from party-political advisers or by civil servants in the very top of the ministerial hierarchy.”

(Lazareviciute and Verheijen, 2001: 335). This belonged to the period of the anticipatory Europeanization, since this function has been well developed in the Western states. Thus, policy institutes are quite common in the West and not unknown in the “East” (namely in Central Europe) either.

In similar role and function, the smaller and more concentrated think tanks differ from country to country in terms of institutional background and position. “The need for think tanks dates primarily from the 1970s and this need arose simultaneously in a relatively large number of Western countries. (...) their institutional position varies from region to region, depending on the political culture of the government. Think tanks differ from country to country in terms of institutional background as well: some were founded by the government, others are separate from the government, however are entitled to tax breaks or receive budgetary subsidies, others were established based on private funding.” (Lazareviciute and Verheijen, 2001: 331-332, see also the Special issue on the Think Tanks, NGO News, No. 7, October 1997).

The new problem is, however, for the Central European new democracies how to build capacities for high-quality policy development, that is, how to combine the political side of the COG with the policy side of policy institutes and/or think tanks in the form of advisory bodies and expert networks. In Central Europe, despite some new efforts, expert advice in strategic policy formulation, decision making and implementation co-ordination continues to be reserved to the top political figures. Policy advice is mainly secured from party-political advisers or by civil servants in the very top of the ministerial hierarchy. Y. Dror has suggested the some measures to improve the efficiency of the COGs through the assistance of the policy experts. Namely his suggestions include (1) establishing schools for policy professionals and for policy planning (2) upgrading policy-planning professionalism by regional co-operation, (3) organizing personal staffs of top politicians, 4. giving special training of the advisors, 4. organising unified professional central policy planning unit, 5. creating national policy R&D organizations, 6. introducing courses for all senior servants about the fundamentals of policy planning (quoted from Lazareviciute and Verheijen, 2001: 331). The Hungarian PMO and some other government agencies have established some above mentioned institutions, although not so much for the EU negotiations and preparations, but much more for domestic policy as the XX Century Institute or the László Teleki Foundation, in the spirit of the administrative and political duality.^{xiii}

This is not only an institutional duality but cuts the administrative staff into two parts. In discussing human resource capacity for EU accession, Barbara Nunberg has indicated the concentration of the accession management also in the case of the limited number of experts. There have been several levels of EU decision-making in which the concentration of experts goes up to the highest level: “In general, EU accession institutions stand out from overall public administration organs in quality and efficiency. (...) Using – but adapting the basic organizational template provided by the EC, countries have developed effective networks of policy coordination and have organized broad lines of consultation with technical, governmental, and non-governmental actors. (...) EU accession management capacity is notably greater at the central, higher levels of government than in line ministries (especially at lower echelons). Understanding of EU issues and overall language, policy and technical skills are weaker down the line than at more visible levels of national European integration structures. At all levels of the EU accession management institutions, though, the excessive legal emphasis on formal legal stipulations is another concern. The focus on legal harmonization and on meeting specific European Commission requirements has obscured attention to institutional and implementation issues.” (Nunberg, 2000: 20).

This effort goes against the general demand that “Countries should improve core government policymaking by bolstering policy skills among staff throughout the government”

(2000: 21). In such a way, by pointing out the hierarchy among the levels of the EU expertise, Nunberg has also warned about the present and future counter-productive consequences. Namely the governments have placed high priority on making sure that EU accession management works well and meets the European Commission standards. However, because of the limited number of experts, the EU professionals have been siphoned off from other core public administration tasks. Continuing demand for EU skills will further deplete professionals from the larger public administration. As she has rightly argued, Europeanization has split national administrations into two – EU and non-EU - parts, that is caused fragmentation: “So far, there has been no explicit coordination between public administration development and the EU management agenda. In fact, these two challenges should be intricately entwined, since they cannot succeed independently of one another. A more closely coordinated, strategic effort will be necessary to meet the institutional and human resource requirements of both areas of reform.” (Nunberg, 2000: 21).

First of all, the split of the administrative personnel is between the COG and the EIS with a political versus a policy focus. This split continues in the EU Affairs between the EIS employees and independent experts whose expertise has very rarely been channeled into the accession negotiations, unlike in the case of the former government through the Integration Task Force. Yet, due to the long preparation period, in Hungary there have been many experts and a number of – institutionally fragmented – policy institutes specialized in the accession matters, engaged in an informal-personal or academic discussion through publications. As a result, the administrative duality between the personnel employed in the domestic and EU affairs may be less sharp and it can be more dynamically overcome than elsewhere. But this duality between the official institutions has been much deeper and it is still one of the biggest political and policy bottlenecks of Europeanization despite the fact that the EIS has done a very good, very professional job. The reason is that the institutional duality has been closely connected with the refusal of the political decentralization and with the marginalization of the social and territorial actors/organizations by the incumbent government that has been a main obstacle to the Europeanization of the wider system of the institutions. While running ahead in the accession negotiations, Hungary is still a hostage of the asymmetrical democracy that has damaged its accession capacity. Here the problem of the exclusion of the social and territorial actors (officially members of the European Integration Council but getting only obsolete information) from the accession negotiations appears combined with that of the independent, non-government experts and their policy institutes. Even these two actors – various interest organizations and expert groups – do not meet because the former have no resources to finance the latter. The only exception is the Federation of the Hungarian Employers and Industrialists that has created an umbrella organization, the Hungarian Employers Council for International Cooperation (HECIC) for the participation in UNICE.

No doubt that the entry of Hungary to the EU will create a shock effect even for the central government. Despite the possible best preparedness among the candidates its capacity will prove to be insufficient and the preparations to meet the new challenges are even more insufficient. This weakness is due to great extent to the fragmentation of institutions and expertise generated by the incumbent government in its drive for a majoritarian democracy as an over-concentration of power in this field, too (see Gallai, 2001). A new period begins soon in the Europeanization of the central government in particular and the Hungarian polity in general, already “within”.

The prospects of Europeanization – “within”

After having described the two stages of Europeanization, this paper has to indicate the third one. No doubt that Europeanization will not come to an end by the full membership and it will have a specific meaning for the new members, so different from the older ones.

Namely, the structural accommodation of the new members will have to continue even within the EU for two reasons. The first reason is the phenomenon called shooting at the moving target, the second is to meet the earlier requirements completely. The European Commission prepared the scoreboard of “moving acquis” for the March 2000 meeting of the JHA Council. This will be monitored and reviewed by each Presidency. This has also to be taken into consideration by the candidate countries when they set priorities for legal harmonization and institution building. These tasks have to be completed by them before accession, until 31 December 2002. The comprehensive programme set by the JHA Council has to be carried out by May 2004, five years after the Amsterdam Treaty entered in force. Thus, despite many promises and the actual wording of the Laeken Declaration, the EU has still imposed new requirements upon the candidate countries.

Second, we have some experience from the new member states (see e.g. Falkner, 2000), or cumulated experiences from old member states (Laffan, 2001a) that the accommodation process continues within the EU. This new structural adjustment has to deal with the solution of the problems, both those old ones that have been earmarked by the derogations and those new ones that will emerge later and rather unexpectedly. In the present candidate countries, including Hungary we can rather easily anticipate many future problems from the Regular Reports or from the domestic analyses of fragmented and asymmetrical democracy. In fact, these recent problems will be bigger at the moment of the entry. Most probably the first decade within the EU will be more difficult than the present period of accession, and it will need more innovative and flexible institutional reforms than in the previous two stages of the anticipative and adaptive Europeanization.^{xiv}

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Annex on the Demstar Ecofin project

The Hungarian pilot study on the Ecofin ministries offers at the same time a perspective of widening this analysis to that of the central government as a whole in Hungary and/or to that of the Ecofin Ministries in the other Central European new democracies. As a point of departure, a general conceptual framework of the state capacity in the Hungarian central government will be drawn up as the interplay of political and economic factors and institutions. This research will be extended towards the specification of the competencies of the Ecofin Ministries in Hungary in their historically changing functions. Namely in the two former parliamentary cycles the Ministry of Finance was the dominant one, and the incumbent government has changed their relationship in the favour of the Ministry of Economy. Thus, the first and foremost dimension of research is the COG dimension as the analysis of policy-making capacity of the Ecofin Ministries in a more general framework of the central government and its economic cabinet. The research contains two major tasks, first

the description of these institutions with their detailed decision-making structures and professional capacities, and second, the assessment of major activities as the budgeting process and the economic rule making. However, the Ecofin Ministries have their own “checks and balances” institutions, from both sides. So the second dimension of the research is the **parliamentary control** of the Ecofin Ministries through the standing committees concerned, which is the other side of the budgeting and the rule making process. Third, the National Bank and some other **non-governmental economic institutions** such as the State Audit Office also play a great role in economic policy and these institutions have both control and cooperative functions. Fourth, the **organized interests** have to be taken into account – both domestic and international interest organizations (business community and trade unions). It leads already to the dimension of the external environment. Beyond this domestic triangle of economic policy-making, the fifth dimension is the external, international environment mainly in the form of the **EU regulations** and its cooperation framework (Ecofin Council and European Central Bank), but also including the **global** economic processes and institutions.

Based on the considerations above, several levels of analysis have to be separated with a widening circle of actors. At all levels one can identify three main actors and their relationship reveals the inner mechanism of policy-making at that given level. The levels of analysis are the following: 1. Government economic policy-making triangle: Economic cabinet (PMO) – MOE – MOF (altogether Ecofin). 2. Macro-level policy-making triangle: Ecofin (economic cabinet) – the relevant parliamentary standing committees – Hungarian National Bank (altogether economic institutions). 3. Domestic policy-making triangle: economic institutions – parliament – organized interest (altogether Hungarian institutions) 4. EU-related policy-making triangle: Hungarian institutions – EU institutions (Ecofin Council, ECB, DGs) – EU-level interest organizations (altogether EU-related Hungarian institutions) 5. Global triangle: EU-related Hungarian institutions – Global economic institutions (OECD, IMF; WB, ILO) – multinationals (and their local branches). At all levels cooperation and conflict have to be taken into account as the major cleavage lines identified with causes and stimuli of institutional changes, domestic social and international politico-economic pressures. There have been so far some partial, descriptive analyses about the institutional transformations of the central governments in East Central Europe but they have not been coherent enough, and therefore a complex political science approach is still missing. We are in a usual situation of political science and/or public administration research: there are but small islands of theory in the sea of big changes of the Great Transformation. The first step to be taken is to discover and describe these islands and the second step is to bridge them in order to create a coherent model of the institutional transformations. Basically, a synthesis is needed between political and economic analyses as a policy approach to the workings of the Ecofin Ministries.

ⁱ This paper has been written within the framework of the project “Organising for Europe” coordinated by the Dublin European Institute and serves an introduction to the three-year project. In the first year the focus is on the reform of the central government. In Spring 2002 we are in the phase of conducting about 30 interviews with the decision-makers in the European Integration Secretariat at MFA, in PMO, MOF and Hungarian Parliament. The first Report on the Europeanization of the Hungarian central government will be ready by 30 June 2002. My summary of these two generations of the EU literature has mainly been based on a presentation by Klaus Goetz, otherwise I refer to his various papers below.

ⁱⁱ The Demstar project of the Political Science Department at the Aarhus University has focussed on the state capacity issue, within this framework we have conducted research on the state capacity in general and the Hungarian public administration reform in particular.

ⁱⁱⁱ We have published four volumes in English about the emergence of the East Central European political systems. Two of them have described the First and the Second Hungarian Parliament. In these volumes I have dealt extensively with Democratization and Europeanization, or with the general and the particular Europeanization.

^{iv} I have recently written a summary on the Hungarian transformations with the title *Understanding Hungary* (2001) in a series of the country studies edited by the Political Science Department of the Aarhus University. In a recent chapter (*Handbook of Public Administration*, in press at Sage, ed. by G. Hyden) I have characterized the public administration reforms in Eastern Europe in general.

^v Analyzing how policy changes were followed by institutional reforms, I have elaborated the nine subsequent steps of economic reforms and investigated the ensuing institutional changes in the Ecofin project, elaborated on in detail in the paper of Pálvölgyi and Rózsás (2002).

^{vi} In the **Political Yearbook of Hungary**, edited by our Hungarian Centre for Democracy Studies since 1988, we have also published all the data on the political life every year, including the administrative changes in the personnel.

^{vii} See the original structure of the Hungarian PMO in Goetz and Wollmann, 2001: 876, its latest version is in the Annex.

^{viii} I call Fidesz hegemonic party, since it has ousted its two coalition partners completely from the real power. The Independent Smallholders Party has split, its leader has to quit his ministerial post and its remaining ministers have publicly expressed loyalty to Fidesz. The other, smaller coalition partner, the Hungarian Democratic Forum has joined Fidesz and they formed together a common party list for the 2002 elections.

^{ix} We have conducted an empirical and theoretical research in the framework of Demstar programme (Aarhus University) on the Europeanization of the Ecofin Ministries. Some basic idea will be indicated in the Annex. This evaluation has been based on a large set of benchmarking exercise in Hungary, including Ecofin Ministries that have performed all the three above-mentioned tasks rather well that will be documented in the project in great detail (see Rózsás and Pálvölgyi, 2002).

^x See also the charts of the Hungarian PMO and the Bulgarian Council of Ministers on the pages 876 and 877.

^{xi} As a campaign event, the Hungarian Socialist Party, the largest opposition party has emphasized that it will restore both the European Integration Cabinet and the control of the PMO over accession management if it wins the elections.

^{xii} It is interesting to note that the papers on the Hungarian accession capacity have not yet observed that these two institutions were abolished in 1998, they still mention them on their charts (e.g. Lippert et al, 2001:993, 997, 999).

^{xiii} “The need for think tanks dates primarily from the 1970s and this need arose simultaneously in a relatively large number of Western countries. (...) their institutional position varies from region to region, depending on the political culture of the government. Think tanks differ from country to country in terms of institutional background as well: some were founded by the government, others are separate from the government, however are entitled to tax breaks or receive budgetary subsidies, others were established based on private funding.” (Lazareviciute and Verheijen, 2001: 331-332).

^{xiv} I have discussed the accession negotiations at length in my papers “Enlargement after the Swedish Presidency” and “Accession After the Belgian Presidency”, Budapest Papers on Europeanization, Nos 2 and 3.