ABSTRACT

The transitioning period of the last 15 years of Hungary arised many questions concerning the territorial public administration system. One major issue was the implementation of European Union initiatives, including the Nomenclature Unites Territoriale de Statistiques (NUTS). The introduction of the system on one hand was done precisely. But because of the unclear delimitation reforms of the public administration reforms and determination of competences, the statistical system in practice was influenced by politics and caused problems of using statistical datas for research. The debate on the public administration role of NUTS 2, 3 and 4 levels had affect on the statistical data handling, and in my paper i try to evaluate the effects of administrative and political decisions on regional statistics. On this base i try to summarize the development of statistical organizations during the 90s and collect the practical experiences of the introduction of EU territorial statistical system (NUTS) from an institutional and database management perspective in order to suggest some corrections which are necessery for this system not just to be comparable in the framework of the EU, but to be useful in everyday data handling.
THE INTRODUCTION OF TERRITORIAL STATISTICAL SYSTEMS IN THE EUROPEAN UNION

Nomenclature of Territorial Units for Statistics (NUTS)

The Nomenclature of Territorial Units for Statistics (NUTS) was established by EUROSTAT more than 25 years ago in order to provide a single uniform breakdown of territorial units for the production of regional statistics for the European Union.

The NUTS classification has been used since 1988 in Community legislation. But only in 2003, after 3 years of preparation, a Regulation of the European Parliament and of the Council of NUTS was adopted.

The NUTS is a three-level hierarchical classification. Since this is a hierarchical classification, the NUTS subdivides each Member State into a whole number of NUTS 1 regions, each of which is in turn subdivided into a whole number of NUTS 2 regions and so on.

At the regional level the administrative structure of the Member States generally comprises two main regional levels.

The grouping together of comparable units at each NUTS level involves establishing, for each Member State, an additional regional level to the two main levels referred to above. This additional level therefore corresponds to a less important or even non-existent administrative structure, and its classification level varies within the first 3 levels of the NUTS, depending entirely on the Member State.

The NUTS Regulation lays down the following minimum and maximum thresholds for the average size of the NUTS regions:

<table>
<thead>
<tr>
<th>Level</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUTS 1</td>
<td>3 million</td>
<td>7 million</td>
</tr>
<tr>
<td>NUTS 2</td>
<td>800 000</td>
<td>3 million</td>
</tr>
<tr>
<td>NUTS 3</td>
<td>150 000</td>
<td>800 000</td>
</tr>
</tbody>
</table>

The NUTS nomenclature serves as a reference:

- for the collection, development and harmonisation of Community regional statistics
- for the socio-economic analyses of the regions - The periodic report on the social and economic situation and development of the regions of the Community, which the Commission is required to prepare every three years pursuant to Article 8 of Council Regulation (EEC) No 4254/88 concerning the European Regional Development Fund, has so far mainly been prepared at the NUTS 2 level.
- for the framing of Community regional policies

Local Administrative Units (LAU)
In many cases there is a mis-interpretation of NUTS system. The previously so called NUTS 4 and 5 levels have not became the subject of the NUTS Regulation. These more detailed territorial levels of the EU (the districts and the municipalities) are called officially "Local Administrative Units" (LAU). Although it is though foreseen in the Regulation that after two years the Commission will publish a report on the feasibility to extend the NUTS breakdown to a fourth level.

At the local level, two levels of Local Administrative Units (LAU) have been defined. The upper LAU level (LAU level 1, formerly NUTS level 4) is defined only for the following countries: Finland, Germany, Greece, Ireland, Luxembourg, Portugal and the United Kingdom. The second LAU level (formerly NUTS level 5) consists of 95,152 municipalities or equivalent units in the 15 EU Member States (2003 situation).

IMPLEMENTATION OF TERRITORIAL STATISTICAL SYSTEMS IN THE ACCESSION COUNTRIES

The EUROSTAT made a proposal to all the countries participating in PHARE programme in 1996 and 1997 on their territorial delimitation systems. This proposal was accepted by all parties in 1998. In the next years in 1999-2000 a high amount of territorial statistical datas were collected and organized to databases on the accession countries.

To understand the process of territorialization of statistical systems in the area of Central and Eastern European Countries, we have to take in consideration that these countries became independent (as Czech Republic, Estonia, Latvia, Lithuania, Slovakia, Slovenia) and/or got through a transformation process from a socialist, central-planned economy to a democratic, market economy just during the last one and a half decade. Therefore the territorialization was not just a challenge of the statistical systems, but the public administration systems as well. Many reforms were initiated since 1989 in the public administration systems, and these had changed the borders of the statistical territorial units determined by previous agreements on NUTS system. For instance in Romania the existing NUTS 3 level did not change, but some of the NUTS3 regions were switched to another NUTS 2 region; in Poland, Slovakia, Czech Republic and Bulgaria a complex territorial reform was launched and a totally new regional system was created; in Estonia 3 of 5 NUTS 3 regions were modified to create a more efficient system of units for economic.

In the following, giving a more detailed example for the development of statistical systems in the accession countries, i try to evaluate the process of territorialization of statistical system in Hungary from historical, political, public administration and economical perspectives.

HISTORICAL BACKGROUND OF REGIONAL STATISTICAL SYSTEMS IN HUNGARY

The territorial units of the Central Statistics Office (CSO) were established after the 2nd World War in 1952. Although before this time many data collections were done in a territorial
perspective by the assistance of the local public administration units. This more than 50 years long past of territorial statistical offices could be separated to 3 major periods.

**The decades of regulated and continous development (1952–mid 1980s)**

The socialist regime handled the divergence of territorial units as a major political issue. The need for detailed information on economic and social differences caused the establishment of the Department of Regional Statistics in the CSO. The main features of this period could be summarized:

- the amount of regional datas were constantly growing and widening
- regional statistical methodology was created
- specialised staff was trained

We have to mention that the socialist regime’s central planned economy was based on the detailed information on all economic entity of the country. Without establishing the regional units on the level of the current NUTS 3 regions, the central planned economy could not have worked. The institutional organization of regional data collection stresses that the regional units were centrally directed by the Department of Regional Statistics at CSO.

**The Crisis of the Regional Statistics (mid 1980s–mid 1990s)**

In the mid 80s the crisis of the political regime affected the CSO in general as well. The government could not allow to leave the statistical expenditures on the same level than before, therefore many data collection activities became unfinanced. Above it the new economic actors created a new challenge for the CSO, the number of the data providers, especially in the private sector emerged a lot. The growing number of tasks and the problems of financing caused a critical phase in the history of the Hungarian CSO.

Besides it a vacuum was created on the field of information-claim. The information users in the socialist period were disappeared, but the new private sector were not enough powerful to seek the statistical information.

The budgetary restrictions caused many problems on the field of regional statistics: a well-educated staff was redundant, the journal of regional statistics was not published for years, many regional datas were not created. Therefore not just the implementation of the new European standards, but the rebuilding process of staff, methods, institutes of regional statistics became the challenges of the 1990s.

**New Development Track (from the mid 1990s)**
The last decade of regional statistics is about the emerging need for information from all actors of the politics and economy:

- The financial background normalized,
- the private sector’s demand increased for information,
- the regional differences widened,
- national regional policy was created in 1996 by the government and
- the harmonization to the European Union became even faster.

All these factors contributed to the new development of regional statistics. The creation of GDP measurement on NUTS 3 level, the growing independence of the territorial units on NUTS 3 level, the frequent usage of regionality principle in different fields of data collection all shows a high improvement in the regeneration of Hungarian regional statistics.

**HARMONIZING PUBLIC ADMINISTRATION SYSTEM TO NUTS SYSTEM**

One of the few traditions dated for the state foundation is the public administration system of Hungary. Only the first world war could cause a larger reform on the system of current NUTS III level (the number of them decreased from 65 to 25).

The current system based on the system changing period of 1989. The transition to democracy caused the foundation of self-governed municipalities and counties. Besides them there is a state directed territorial level as a juridical control above the specialized authorities and self-governments. This state authority worked on NUTS II level from 1990-1994, but it based on political negotiations, not on rational regional reform plans.

The new institute of this system was the county development committee, connected to the counties through the same president, and as the executive body of it the county development agency (Act 21/1996). Above it the modification of this act (Act 92/1999) delimited the NUTS II regions of Hungary. There were three theories about the large of the regions:

- micro regional: 2 counties-1 region (10 regions) - county reform
- mezo regional: 3 counties-1 region (5-7 regions) - final version
- macro regional: 4-5 counties-1 region (3-4 regions) - federalist structure

The 7 regions were obliged to create an indirectly elected regional development committee as a unity of the county development agencies.

After this explanation we could think that Hungary has got a well-prepared institutional background, but there is the lack of coordination and monitoring mechanisms.

- The undetermined position of the county/regional development committees in the public administration system
- The unsafed control of regional development committees
- The lack of elections on regional level, as the basic principle of a new public administration level
• Specialized territorial authorities in most cases are working on regional level, but not on the same territory, than the delimitated statistical regions

• The lack of sharing competences between NUTS II and NUTS III level

This current picture about the regionalism and public administration in Hungary show that there are not questions about the delimitation of regions and creating institutions.

The European Union during the accession negotiations did a hard push on the Central and Eastern European countries to implement a Euro-conform regional statistical system. The result of this negotiation process in Hungary was a system, which has fulfilled the requirements of the EU:

<table>
<thead>
<tr>
<th>Level before NUTS Regulation</th>
<th>Level after NUTS Regulation</th>
<th>Name</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUTS 1</td>
<td>NUTS 1</td>
<td>country / orszag</td>
<td>1</td>
</tr>
<tr>
<td>NUTS 2</td>
<td>NUTS 2</td>
<td>region / regio</td>
<td>7</td>
</tr>
<tr>
<td>NUTS 3</td>
<td>NUTS 3</td>
<td>county / megye</td>
<td>19</td>
</tr>
<tr>
<td>NUTS 4</td>
<td>LAU 1</td>
<td>district / kisterseg</td>
<td>150</td>
</tr>
<tr>
<td>NUTS 5</td>
<td>LAU 2</td>
<td>municipality</td>
<td>3135</td>
</tr>
</tbody>
</table>

This hierarchy of territorial units is accepted by the EUROSTAT. The President of the CSO - powered by the government - sent that official letter\(^{10}\) which confirmed the Hungarian NUTS classification on 24th January 2002, which was important taking in consideration the upcoming negotiation on regional policy.

The elected NUTS 1, NUTS 3 and LAU 2 levels are in line with the Hungarian public administration system. The other levels are existing just by statistical reasons, although the above mentioned regional policy is based on the NUTS 2 and LAU 1 level in Hungary.

The Statistical Data Collection on Regional Level

The revitalization of regional statistics could be symbolized by the regional GDP calculation on NUTS 3 level in 1994. This step was followed by a series of actions towards a more detailed regional statistical system.

Basicly the regional statistics are secondly produced datas based on national data collections. Therefore the importance of the method of national data collection determines the possibility of producing regional statistics.
The number of data collection for all units during the 90s (basically by financial reasons) decreased sharply. The Table 2. shows that although the demand for regional datas increased, but the number of representative data collections took a major part of national obligatory data collections. The possibility for creating regional statistics based on these representative national datas were quite low, because characteristically they were not significant for regional data creation.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Data Collections</th>
<th>The ratio of data collection by the method of data collection (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Full</td>
</tr>
<tr>
<td>1993</td>
<td>215</td>
<td>88</td>
</tr>
<tr>
<td>1994</td>
<td>152</td>
<td>78</td>
</tr>
<tr>
<td>1995</td>
<td>154</td>
<td>70</td>
</tr>
<tr>
<td>1996</td>
<td>155</td>
<td>54</td>
</tr>
<tr>
<td>1997</td>
<td>159</td>
<td>62</td>
</tr>
<tr>
<td>1998</td>
<td>167</td>
<td>61</td>
</tr>
<tr>
<td>1999</td>
<td>167</td>
<td>57</td>
</tr>
<tr>
<td>2000</td>
<td>186</td>
<td>64</td>
</tr>
<tr>
<td>2001</td>
<td>190</td>
<td>65</td>
</tr>
<tr>
<td>2002</td>
<td>198</td>
<td>67</td>
</tr>
<tr>
<td>2003</td>
<td>204</td>
<td>69</td>
</tr>
</tbody>
</table>


Another crucial problem was the identification of statistical units. Many problem arised from those units (for instance a company) active in more regions. The methodology was not developed to do those corrections to handle the results as real regional datas.

The third problemacy of regional data collection is that the CSO and its regional units are working under the provision of the state. The budgetary constraints of this national agency are limited to a certain level, and this level does not allow to create a complex regional statistic system. The financial issues determine the range of regional data collections and production. Therefore the complexity of regional statistic system depends on the decisions made by the central government through its budget and by the leaders of CSO.
POLITICS, PUBLIC ADMINISTRATION AND DECISION-MAKING

Focusing on the main tasks of CSO, it is importance is limited on collection and analysis of economic and social datas of a specified geographical area or economic activity. Having a look at the decision-making processes, we can state that the CSO itself is just an executive agency of the state, but not a decision-making body. From regional statistics perspective the CSO is out of all important decisions:

- the financial conditions of data collections are determined by the politicians
- the regional structures are determined by the politicians

The CSO’s degree of freedom is limited on the methodological issues. But this issue is crucial in that sense, that the regional statistics are basically second-produced statistics. During the last decade the most crucial problem arised not from those decisions which were done out of CSO. The CSO had the decision-making possibility in many fields, especially in economy statistics, to create from national datas regional statistics, but question why these decisions were missing.

The behaviour of statisticians in these questions are quite similar. They are interested in a long-run accepted regional classification and the NUTS Regulation provided a framework to achieve it. In this way - although there are still many debates on the reforms of regional structures - the classification on NUTS 1, 2 and 3 levels are stucked at least for three years. On these regional levels a radical reform can not be predicted, but the LAU levels carry on the possibility for changes.

CHALLENGES OF REGIONAL STATISTICS IN HUNGARIAN AND EUROPEAN CONTEXT

As we could see the institutional conditions and the methodological background is capable to manage the harmonization process to the regional statistics system of the European Union. A major challenge could be to handle the reforms on LAU levels.

We could see during the 1990s that a highly autonomous, but fiscally not evitable municipality system was created. A really fragmentated LAU 2 level is dealing with many problems originating from task management and fiscal issues. In the near future a reform seems to be unavoidable towards a more comprehensive and comparable municipality level, because the villages with 10-20 people can not be compared with cities over 100 thousands inhabitants.

On the other hand on LAU 1 level we can see that not just in Hungary but all over Europe there is an effort to strengthen the role of districts. It could have a major task to achieve a more efficient public service delivery, especially in the rural areas. This LAU 1 level has not got any tradition in most of the European countries, in Hungary as well. Many politicians and scholars understood the importance of creating such a new level to assist for municipalities in developing welfare and to bring closer regional and national strategies to citizens, but there is no clear view about the institutions, the geographical area and the identity of this level.

In Hungary it could be experienced that the introduction of such a new level, without any legal obligation (Remind: The LAU 1/NUTS 4 is not subject of the Regulation on NUTS system!) could not be hold unchanged for longer periods, that would be crucial from regional perspective
view. After the introduction of districts in 1994 the first revision was done in 1997 and after 6 years in 2003 still the second revision has been done. From public administration view it could evaluated as a quite dynamic evolutionary process of regional structure, but from regional statistics viewpoint it can not provide a stabil frame for long run time-series and comparisons, although one of the main statistical purpose of the districts to make easier the local comparison.

We have to notice that these districts are not real statistical districts, because all datas are result of general surveys, so these data collections are not collected inside the district. Therefore a major challenge to make those decisions by the CSO, if it is necessary to the analysis for the districts on original datas or it is sufficient enough to make datas indirectly - but this topic is a challenge not just in a Hungarian but in a European Union context as well.

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4 Statistical Regions in the EFTA Countries and the Candidate Countries. EUROSTAT, Luxembourg, 1995.
6 35 years of Regional Units. CSO, Budapest, 1987.
8 Hajdú, Z.: The Public Administration Geography of Hungary Dialóg Campus, Budapest-Pécs, 2001
10 The text of the letter: „I would like to inform you, that, as it has already been announced the Government of the Hungarian Republic has no intention of changing the NUTS 2 regional classification of the country, considering this arrangement as final. The relating description is contained by the enclosure.”