

ANDREW CARTWRIGHT, KATALIN KOVACS, ENDRE SIK,
MARTON KEMENY AND JOHANNA GICZI

Social Capital, Regional Development, and Europeanisation in Hungary

A Literature Review

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CENTER FOR POLICY STUDIES
CENTRAL EUROPEAN UNIVERSITY

Nador utca 9
H-1051 Budapest, Hungary

cps@ceu.hu
<http://cps.ceu.hu>

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SOCIAL CAPITAL, REGIONAL DEVELOPMENT, AND EUROPEANISATION IN HUNGARY: A LITERATURE REVIEW

Andrew Cartwright (CEU), Katalin Kovács (MTA RKK), Endre Sik (TÁRKI), Márton Kemény (ELTE) and Johanna Giczi (Hungarian Central Statistical Office)¹

ABSTRACT

The paper offers a critical approach to the definition of social capital, arguing that network component of the standard 'social capital mix' provides the most robust justification for the capital ascription of social capital. Whilst an emphasis on networks might appear to follow a narrow economic interpretation of capital, the paper suggests that it is useful for explaining the role of social capital within regional development and Europeanisation especially in post-socialist contexts. The paper offers an overview of some recent estimates of social capital in Hungary comparing the country with other EU countries and others in Central and East Europe. Next, it addresses regional development and social capital, including core topics such as territorial distribution of social capital, its association with various aspects of regional development. The section also includes related research on social capital in cross-border relations, minority governance, and social capital and local labour markets. The final part deals with specific policies targeting uneven regional development, in particular, the current and upcoming EU co-financed regional development policies. Here, the question of regional influence in shaping absorption capacities will be highlighted, in particular, relations between the local public, private and civil sectors and relations between the regional and central authorities. The paper concludes with an overview of the few Hungarian analyses of Europeanisation, with special emphasis on the role social capital plays in influencing the operation of Structural Funds, in particular, the impact of greater civic engagement in the production of National Development Plans

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Introduction

The paper begins with a critical approach to the definition of social capital. We argue that the network component of the standard ‘social capital mix’ provides the most robust justification for the capital ascription of social capital. Network capital can be considered capital because it produces of services or products while remaining itself unchanged. Secondly, network capital requires some prior sacrifice in order to receive future benefits (the fact that this benefit may be later lost makes network capital a relatively risky investment). Whilst an emphasis on networks might appear to follow a narrow economic interpretation of capital, we argue that it is useful for explaining the role of social capital within regional development and Europeanisation especially in post-socialist context where standard Putnam-inspired proxies might be inappropriate. We then offer an overview of some recent estimates of social capital in Hungary comparing the country with other EU countries and others in Central and East Europe. In comparison to EU-15 countries, generalised trust, civil activity and weak forms of network capital are relatively scarce in the region whilst inter-personal trust can be found in relative abundance. In comparison with other CEE countries, Hungary fares rather well in all aspects of social capital.

The third section addresses regional development and social capital, including core topics such as territorial distribution of social capital, its association with various aspects of regional development. The section also includes related research on social capital in cross-border relations, minority governance, and social capital and local labour markets. The question of uneven regional development and increasing spatial polarisation are touched upon. The final part deals with specific policies targeting uneven regional development, in particular, the current and upcoming EU co-financed regional development policies. Here, the question of regional influence in shaping absorption capacities will be highlighted, in particular, relations between the local public, private and civil sectors and relations between the regional and central authorities. The paper concludes with an overview of the few Hungarian analyses of Europeanisation, with special emphasis on the role social capital plays in influencing the operation of Structural Funds, in particular, the impact of greater civic engagement in the production of National Development Plans.

1. A network-focused approach to social capital

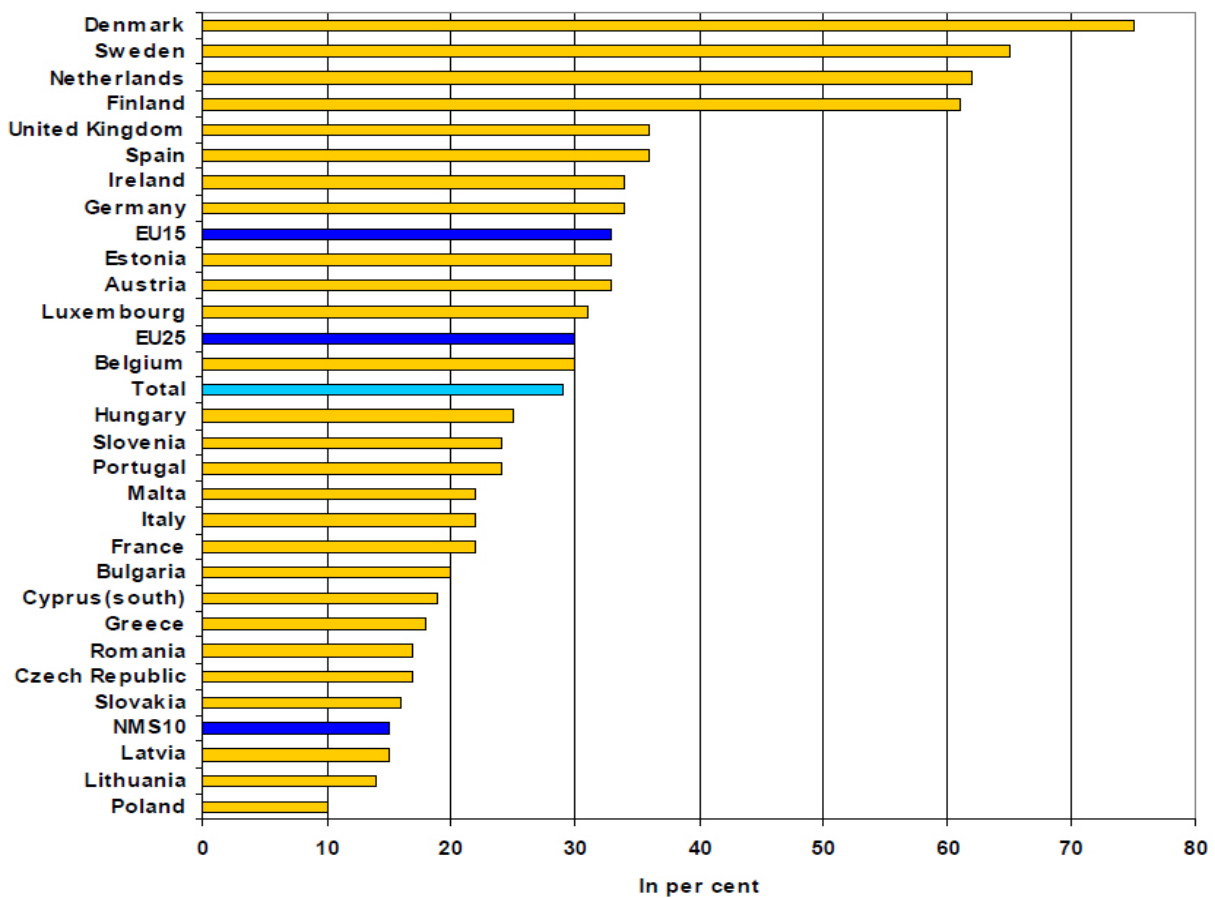
According to Manski (2000), social capital can be likened to fly paper. Its ‘underdefined’ character means that it catches the interests of those who have little in common save a desire to attach the word ‘social’ to their explanations. For those sociologists and economists with a theoretical inclination, social capital is a good example of the harm that can be caused by casual, even irresponsible use of language. Schuller et al are less critical, arguing that the lack of an exact definition is more expedient than a premature, albeit clear definition. They claim that social capital can be said to have several ‘adolescent’ characteristics: “it is neither tidy nor mature; it can be abused, analytically and politically’ its future is unpredictable; but it offers much promise” (Schuller et al, 2000, p. 35.).

Since this project focuses on the role of policy networks in shaping regional development and influencing the process of Europeanisation, we argue that a network-focused version of the “social capital mix” can be particularly instructive. If we follow the narrow definition of capital used in mainstream economics, then network capital can be considered as a form of capital because it meets two conditions:

- It is appropriate for procreating products and services, while remaining itself unchanged, or rather
- In the hope of future benefits a sacrifice needs to be made for the production of network capital (which benefit may be cancelled, so network capital is a risky investment)

For us, a network-focused approach can act as a sharpened tool within the policy network analysis. It can offer clearer explanations of how social capital functions within the wider process of Europeanisation. It perhaps also lessens the dangers of misrepresentation that several authors have identified with exclusive reliance on Putnam inspired proxy measures. Excessive reliance on NGO counting, for example, can obscure the degree that socially important networks of solidarity and support are formed outside the formal realm of legally registered civic associations. Anthropological critiques of the development of civil society in post-socialist countries have highlighted some of the ambiguities and contradictions associated with these externally inspired transplants. Whilst the existence and activity of NGOs may be good indicators of organised collective action in some countries, in the post-socialist context, NGOs are sometimes regarded as overly urban phenomena, associated with unclear mandates, benefiting private individuals, and often carrying out semi-legal activities. The emerging civil sector is sometimes viewed with suspicion by both the state and the general population (Mihaylova 2004 and see the later section on Civic Involvement in the National Development Plan). By contrast, a focus on actual networks of support and influence offers a more promising depiction of social capital's importance for post-socialist development and decision making. Before considering how such an approach might be operationalised, we offer a general overview of the most recent attempts to measure the levels of social capital in contemporary Hungary. In terms of generalized trust, Hungary is slightly below the EU average of and significantly higher than the new member states (NMS).

Figure 1: Trust in Europe: Percentage of people who 'generally trust in fellow citizens'
Most people can be trusted



Source: Wallace, 2005 based on EuroBarometer 62.2 (2004)

When it comes to levels of trust in state institutions, with the exception of the two arms of law enforcement, levels of trust in Hungary are above the EU15 and even more above the total average.

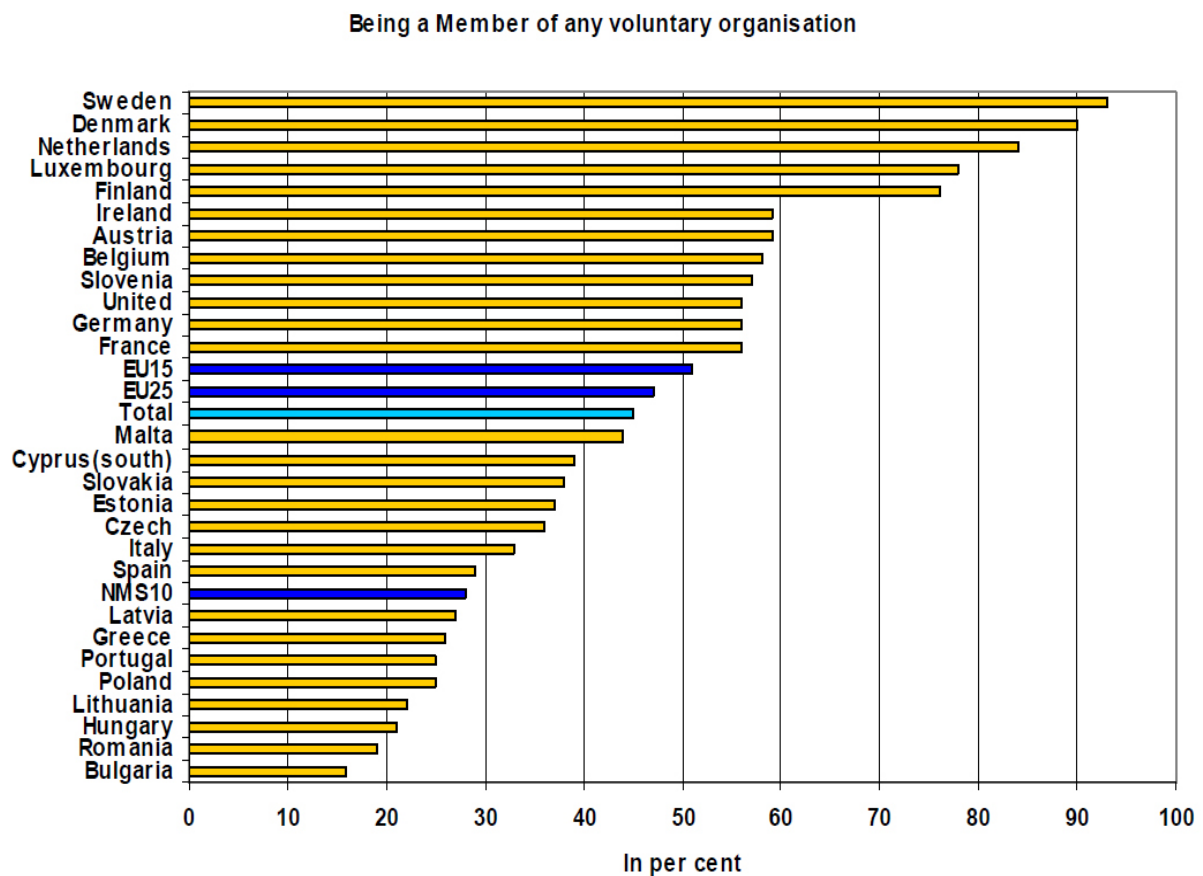
Table 1: Level of trust in institutions (average point)

	Parliament	Court	Police	Politicians	European Parliament	UN
Hungary	5,0	5,1	4,9	3,9	5,7	6,0
EU-15	4,7	5,3	6,3	3,7	4,6	5,2
Total	4,6	5,1	6,1	3,6	4,6	5,3

Source: Wallace, 2005, European Social Survey, 2002-2003. The scale is 0 – 10.

As to formal participation in organised civil society, Hungary, as well as all other new member states lags behind.

Figure 2: Percentage of people who are a member of any voluntary organisation.



Source: Wallace, 2005 based on EuroBarometer 62.2 (2004)

When it comes to levels of network capital, the picture is more complex: Hungarians tend to meet their colleagues slightly more but friends slightly less frequently than in other EU countries. Intimate talk and socialising with neighbours is markedly lower and absent from Hungarian network culture.

Table 2: The level of various aspects of network capital (%)

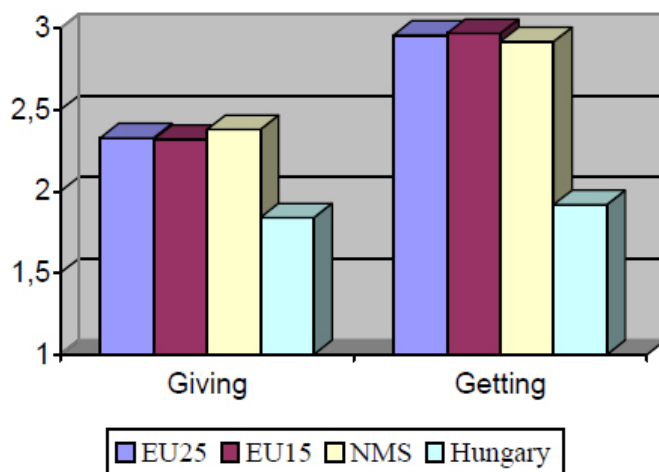
	EU25	EU15	NMS	Hungary
Meeting friends**				
More than once on a week	33	34	30	31
Once in a monthly or less	13	13	16	21
Socializing with colleagues**				
More than once on a week	8	8	11	12
Once in a month or less	54	55	44	40
Socializing with neighbours**				
More than once on a week	15	13	20	5
Once in a month or less	53	55	46	76
Intimate talk with friends, neighbours, colleagues, kin*				
More than once on a week	-	47	-	23
Once in a month or less	-	8	-	31

*Source: Wallace, 2005, European Social Survey, 2002-2003. The data does not cover EU25 and NMS.

** Source: Wallace, 2005, based on Eurobarometer, 2004.

The instrumental use of non-kinship based forms of network capital is also below the level of both the EU-25, EU-15, and the NMS.²

Figure 3: Giving and getting help (average number of situations)



Source: Wallace, 2005 based on Eurobarometer, 2004 The range is 0-9.

2 Not surprisingly, the most family-oriented cultures (Cyprus, Greece, Malta, Italy, and Portugal) most resemble Hungary.

In comparison with other East European countries, the New Europe Barometer (Rose, 2004) found that relatively high levels of trust in state institutions in Hungary. In the two candidate countries, Bulgaria and Romania, and three post-Soviet countries, Russia, Ukraine, Belarussia, an average 84% of the respondents and in eight fellow NMS countries 68% of the respondents in average claimed that corruption was wide spread. In Hungary the corresponding figure is 64%.

As has been suggested in several countries, gauging the instrumental nature of network capital can be conceptualised with the question ‘does the respondent know someone who might offer help in case of fiscal crisis’. In this regard, Hungarians’ social capital seems to be very high. While 22 % of respondents in the above thirteen know someone who would lend the equivalent of a monthly income, in Hungary almost one third of the population (31%) has such a connection. Overall levels of particular trust (i.e. trust in your acquaintances) is very high in the sample (71%), whilst in Hungary it is slightly above the average (74%).³ The level of general trust is also higher in Hungary in comparison with the same countries. While 30% of the sample does not trust people in general, in Hungary only 19% do not have trust in their fellow citizen. Finally we summarize the results of a recent Hungarian analysis of social capital (Sik, 2004). Using a representative sample of the Hungarian adult population, we measured all aspects of social capital, i.e. civic activity⁴ (Table A1), various types of general and particular trust (Table A2), and network capital (Table A3). We also included certain norms associated with social capital.⁵

Using factor analysis we identified four types of social capital actors (Table A4):

- The network capitalist who gives donations, has a high level of general trust but principally is characterised by a high level of various networking activities,
- Local social capitalist with locally focused trust, networks, and who engages in civic activity,
- Persons exhibiting high levels of general trust, and
- Persons exhibiting trust in both institutions and in the family.

The individual socio-economic characteristics (Table A5) of the four types of actor as well their multiple influences (Table A6) demonstrate that in Hungary the probability of having network capital is higher among the (temporarily?) less affluent. In other words, network capital is still an important coping institution for many (Sik, 1988, Sik and Wellman, 1999, Sik and Redmond, 2000). Local social capitalists and persons exhibiting general trust are generally better off, whilst the last category refers to the “post-socialist” elderly often living in the countryside.

2. Formal structures of social capital in Hungary

Research on local civic participation in Hungary has identified strong differences across the regions with, broadly speaking, a strong correlation existing between the levels of civic participation and the size of settlements. Several recent studies have investigated the emerging relations between formal civic associations and local authorities, focusing on particular questions of independence and mutual influence.

In terms of the numbers of NGOs working in local development, in 2002 there were around 5,300 groups, employing 7,710 people and with almost 34,000 active volunteers (Mészáros 2002). Breaking down these figures according to their main activities, we find that 7.6% were involved in village/town economic development, whilst 27,5% worked in public services such as education (14,3%), health (4,6%) and social services (8,6%). In most cases, the local municipality played a significant role in initi-

3 The level of particular trust is the lowest among the Bulgarians, Romanians, and the Russians (46%, 67%, and 62%).

4 The questionnaire contained a question on donation as well.

5 Such as law abidance, local patriotism, positive attitude toward social activity, etc.

ating these groups. In terms of rural/urban differences, it is clear that civic life is much stronger in cities and towns than in villages. Only a quarter of civil organisations were based in villages whilst almost half were located in large towns and cities: the capital city had 22% and the county seats 23%. In populous settlements, 99% of local authorities claimed that they included NGOs in their decisionmaking and all of them claimed that they contracted NGOs for service provision. In villages by contrast, only 44% claimed that they involved NGOs in decision taking and only 15% engaged NGOs in the formal delivery of local public services (Nagy et al. 2005).

The path dependency of Hungarian civic capacities by the fact that there is a higher density of NGOs in the more developed, north-western regions which traditionally had the highest level of civic culture and, after the capital area, is the second best developed region. In contrast, the two least developed regions, Northern Hungary and the North East Great Plain region, had the weakest civic culture. In 15% of Hungarian settlements, there are no non-profit organisations whatsoever. These settlements are concentrated in the counties of Baranya, Borsod and Zala (Kopasz 2005). Soós and Kálmán used statistical data to confirm the view that “the larger a municipality the denser its civil society” (the average figure was 4.7 per 1,000 inhabitants in 2000) (2002: 76-77). According to one comparative research study, the degree of civic engagement could be partially accounted for by the revenue rigidity of the local budget, in other words, “the smaller the municipality, the more it tends to depend on government transfers” in excess of 80% (as opposed to 51% country average). This lessens the scope of local influence and therefore can have a negative effect on civic motivation (Pop 2005: 181-182).

In comparison to other CEE countries, the Hungarian civic sector appears weaker than in Poland, but stronger than other former communist countries. According to Wright, local budget planning was discussed with NGOs in 21% of local governments in Hungary, a figure somewhat higher than in Latvia (19%) but half as much as in Poland (44%), and twice the level of Romania (10%). Public hearings were the most popular forum for local governments provided to their citizens to express opinions, and at 69% of local authorities, this was much higher than in the other three countries (Wright 2002:399). Other more recent research found that local authorities tend not to invite interested organisations to sub-committees or certain meetings. In larger towns and cities, NGOs send delegates to sub-committees, even though their proportion within committee membership is rather low and follows the ‘settlement slope’ (41% in the capital city and county seats, 21% in towns and as few as 7% in villages). At the same time, if we include local representatives who are members in one or more NGOs and those committee members who were delegated by civic organisations, then NGO participation in municipality work appears to show that a better “inclusion index” unfolding (64% in towns and large cities and 35% in villages) (Rápolthy 2004:336).

In Hungary, most civil organisations are dependent on local governments for revenue. According to the Central Statistical office, in 2000 local governments supported 80% of NGOs whilst survey data in the same year showed a somewhat lower proportion (68%) (Soós and Kálmán 2002: 78-79). As mentioned earlier, municipalities are often involved in the creation of public foundations and societies, for example, in the Dél-Dunántúl region, the birth of 14% of non-profit organisations was directly attributed to the municipality (Harsányi et al. 2000).

Two case studies offer insight into relations between local authorities and civic organisations. The first is the job club and the second, the sub-regional development organisation. In the post-socialist period, non-profit institutions assisting in finding employment have assumed a special status within the national system of labour market institutes (Önkormányzati szerepvállalás... 1996). The Gondoskodás Foundation in Del-Dunantul region, for example, acts as an information centre with up to date briefings, organising and delivering training. The Foundation does not represent the local authorities, rather its purpose is to protect the interests of citizens and offer alternative solutions to unemployment related problems. In practice, the Foundation acts to deepen confidence in social establishments amongst the unemployed or their families. It also serves as an independent link between the official labour bureau and the unemployed (Önkormányzati szerepvállalás, 1996. pp. 81-85).

A second example of state-civil relations is the sub regional organisations. These are created by the local authority in order to engage the local population in regional development, to enhance local community development and to foster external relations (Önkormányzati szerepvállalás, 1996). The primary tasks are aimed at helping the unemployed and those with low incomes. The SROs initiate development projects which are supposed to have a positive impact on local families, for example, extending the agricultural supplier circle in rural areas. Like job clubs, the SROs have tight connections with the local labour bureau. Those involved in one research study stressed how the SROs were useful for creating personal connections network, initiating collectively funded projects, offering a high level of information exchange and strengthening mutual confidence (Önkormányzati szerepvállalás, 1996).

There have been a number of studies that highlight the degree of intra-administration co-operation. Soós and Tóka, for example, studied the importance of social capital for local authority officials. Their 2002 survey defined structural social capital as “horizontal, organisational social structures within which members are equal, decision-making is collective and transparent, and leaders are accountable”, whilst cognitive social capital was the set of “beliefs, attitudes, social norms and values such as trust, solidarity and reciprocity”. They found that every second respondent was a member of at least one civic organisation (less in small settlements and more in large ones). Furthermore, the respondents claimed that their membership of an NGO was important for providing them with better access to information (60% of cases), followed by networking (54%), increased conflict resolution capabilities (37%) and finally providing them with managerial experience (23%).

In terms of assessing the importance of cognitive social capital, the findings were more ambivalent. Whilst a majority did not believe that reciprocity was a common value in their official activities, this did not mean that they thought local politics was characterised by distrust. Most respondents did claim that they trusted their fellow council members particularly (75%) if they belonged to the same political group. Mayors, however, were trusted even by most of their political opponents. Interestingly enough, the amount of trust was negatively associated with the size of the municipality size and positively with age (Soós and Kálmán 2002: 64-66).

Since 1990, there have been several attempts to create greater co-operation between the different levels of Hungarian local government. These are both formal and informal network, such as regional or national association of municipalities,⁶ micro-regional development groups, regional or task-oriented foundations, and international inter-municipality partnerships. Attempts to form nationwide umbrella representative associations have not been too successful. In 1996, for example, the Önkormányzati Szövetségek Tanácsának (ÖSZT) was formed but it only lasted until 1999, when five associations formed the Magyar Önkormányzati Szövetségek Társulását (MÖSZT). In 2000 the Polgári Önkormányzatok és Polgármesterek Érdekvédelmi Szervezete was created but this too, has yet to show much activity.

By far the most successful local authority association is the Települési Önkormányzatok Országos Szövetségét (TÖOSZ). This was established by 152 municipalities in 1989 and now boasts 1800 member municipalities, ranging from the municipalities in the capital to those in the smallest villages. Its activities include lobbying in Parliament and in the Ministries, disseminating information through a monthly newspaper, website and workshops, representing members in negotiations with firms, organising training, developing bridging social capital through mayor clubs, and joint excursions abroad, facilitating inter-municipality co-operation and, finally, representing its membership in various international organisations.

6 For example : a) the Village Association (established in 1989) contains 350 villages and is very active in lobbying for their members as well as representing the interest of small villages (among the cca. 3200 Hungarian municipalities about 2000 has less than 1000 inhabitants); b) Association of Hungarian Municipalities (established in 1990) represents 150 municipalities in Hungary as well as ethnic Hungarian majors and municipalities in the Carpathian Basin; and c) the National Association of Towns (established in 1990) representing 99 (about half of all) towns of Hungary.

3. Regional development in Hungary

In this section, we introduce some of the main research themes within the Hungarian literature on regional development. This is followed by a more in depth examination of the importance of crossborder networks for regional development, followed by the way in which ethnic based networks in particular have influenced economic development. For Enyedi, regional development processes:

“are a sustained, short or long-term economic, societal, cultural or demographic series of occurrences with a specifically spatial impact. These ... are brought about by successive decisions of individuals, households, companies, institutions, local and national governments and international organisations. A great number of decisions is usually involved often motivated by different or even contrary objectives and are seldom directly concerned with regional development. Nevertheless, taken together they can contribute to improving (or worsening) the development, economic growth and quality of life in a given region.” (Enyedi 2004:21)

Enyedi emphasises how the emergence of new forms of regional disparities coincided with a growing importance of regional redistributive policies in the 1990s. However, in terms of GDP per capita and many of the Human Development Indicators, there has been little significant geographic shift between the least and most developed counties in Hungary over the last 30 years. Not only has the identity of the dynamic and the lagging counties remained the same, the degree of inequality between these regions remained rather stable as well. According to Enyedi, tendencies connected to a more open and globalised economy could still bring radical change in the near future.

“The main elements of the knowledge based economy ... are knowledge and the ability to learn, both of which are rooted in traditions. Globalisation has changed local conditions as well. ... In fact, high-level activities in traditional economic sectors can constitute greater competitive advantages for small countries than extremely capital intensive and quickly changing high tech sectors” (Enyedi 2004:33-34).

Other regional social scientists, such as the authors of the Second National Regional Development Concept, consider how some of the spatial distribution of inequality has changed. According to Faragó, Hungary was traditionally divided along two main axes, a vertical one crossing the country with the river Danube and a horizontal axis crossing the country in the middle. Traditionally the northwest was the advantaged region while the south-east was more disadvantaged. In general, the northeast and the north regions were the main beneficiaries of socialist development policies. After 1989 foreign capital investment moved from the north-west part of the country to the south-west. By contrast, unfavourable processes such as a rise in unemployment appeared to move from the southwest to the north-east. As a result the main development axes changed with the vertical one moved eastwards, while the horizontal one was broken altogether.

The main losers in this process were the former heavy industrial centres (e.g. in Borsod, Nógrád and Baranya counties), which have to cope not only with high unemployment but with environmental damage. Some former heavy industrial centres belonging to the advantaged regions do represent exceptions from the rule. The dichotomies between towns and villages, centres and peripheries have maintained basically unchanged (Faragó 1999).

Several researchers identify “slippery slopes” that appear to occupy a North–Southernly or a West–Easterly direction (Kiss 2001, Fazekas 2003, Kovács–Koós 2003, Nemes Nagy 2003). According to a recent classification of the 168 NUTS IV level micro regions, the deterioration of the least developed category of micro-regions, those with industrial crisis zones and peripheral rural areas, has exceeded tolerable scales. According to Bihari and Kovács (2005) these areas suffer from multiple forms of deprivation. They are characterised by low economic activity, are in peripheral, often rural location,

with poorly educated population, and a high proportion of households are without employed members despite their young age composition. The areas also tend to have low proportion of commuters. Such settlements account for a total of 30 micro regions with 725 settlements with a total population of 963,000 living mainly in small villages. Their relative deterioration can be expressed in the fact that while in 1994 3.3% of the subscribed capital of business enterprises operated here, by 2001, the corresponding figure was 1.5%. In 1990 9.6% of all jobs provided livelihood for all those living in these regions, compared to 7.8% in 2001. Monthly incomes amounted to 83% of the rural average in 1994, while only 79% in 2001. Compared with 1990, by 2001 the total number of jobs had fallen to 63%, measured against the national average of 77%. What is even more dramatic is that the fall in employment levels was nearly twice the national average.

3.1. Borders and regional economic development

Cross border relations have been an important theme in the Hungarian literature on social capital and economic development. In their study of cross border petty trading, Wallace, Shmulyar and Bedzar (1999) for example, identified the importance of strong ties family or ethnic based ties in securing trust in uncertain and risky environments. At the same time, it was important for the participants to also cultivate weaker ties amongst acquaintances. This not only gave them access to information, it also helped to lessen their reliance on family networks that might have led to greater expectations of profit sharing. Baranyi's study found that on the eastern borders between Ukraine, Romania and Hungary, intra-ethnic and kinship based personal networks are densely intertwined. He supported the instrumental conception of these networks, principally as offering trust and some security amongst families and peer groups heavily involved in small scale smuggling (Baranyi 2004, Csire et al. 1995).

At Hungary's western border, cross border ties have been an important source of employment and investment, as well as productive of social conflict. After 1989, Hungary became the favourite country for the Austrian Burgenlanders, reviving some once strong social and economic ties. Once the initial political enthusiasm had died down, there was an emergence of new conflicts, most of which were connected with the economic downturn that followed the widely expected economic upturn (Langer 2001). This is illustrated by the affair of the village of Jánossomorja where Austrian farmers renting agricultural land complained that they could not trust the local Hungarians, even going as far as talking of a Hungarian mafia. This was in spite of the fact that on their own accounts, they did not really know the local people (Baumgartner-Kovács-Vári 2002). Such disputes notwithstanding, cross border networks have played a critical role in securing income opportunities and, for some, this may be the main economic driver for border settlements. Informal networks though can be remarkably closed and new entrants may only find themselves among the lucky ones entering employment in Austria if another network member exits for some reason, or if labour demand happens to rise.

Cultivating formal cross border ties has been an important strategic goal for local authorities as well. In the western city of Győr, for example, the Employment Office has played an important role in attracting foreign investment, particularly from companies based in the Austrian Burgenland region. Using both official and personal contacts, it gathers and supplies the Chamber of Commerce and Industry of Burgenland with information on investment opportunities. The Office has tried to cultivate linking social capital through its managers club. Every month, the human resource managers of the region's major companies meet to exchange information on labour market needs. The club is used as a means to predict labour market changes and to anticipate major redundancies or needs, for example, when Coca-Cola shut down its local bottling plant, the Employment Office knew well in advance through its managers club. Through the same club it managed to secure employment for most of the employees in other companies (Keune-Tóth, 2001).

Having a border position alone, of course, is not sufficient to form the basis for regional economic development. The region of Makó in the south of the country offers an illustration of the difficulties and the dangers of solely seeking external support. Makó is in a peripheral geographical location, with limited infrastructure and low levels of human capital. The war in Yugoslavia restricted possibilities for cross-border co-operation, and there has been only limited qualitative development of human resources. According to Galli, Makó suffers a second disadvantage as the town's leadership have placed a, in his view, disproportionate focus on strengthened political connections outside of the region and accessing funds from decentralised, central sources or from EU support programmes. This overvaluation leads to a neglect of building relations with local firms and companies, which is at least as important for the improvement of the region's socio-economic situation. Numerous examples in other parts of the country show that an active, direct relationship between town and investors facilitates the inflow of investments to a great extent (Galli 2001).

In terms of international partnership networks, in 2002 one third of Hungarian municipalities had crossborder partnership with foreign municipalities (Giczi-Sik, 2003). These formalised partnerships are both instrumental and emotional-cultural being formative of cultural exchanges, personal networks, investment opportunities and labour market ties. Most were concentrated towards Romania (27%), Germany (21%), and Slovakia (13%). Map 1 in Annex two shows how that these networks are directed towards neighbouring countries with high Hungarian ethnic minorities (Romania, Slovakia), or countries toward traditional political and labour market ties are connected (Germany, Austria) (Sik et al, 2005).

3.2. Ethnic networks of support

There are several examples in the Hungarian literature that study the relationship between ethnic networks and economic development. In a similar vein to the cross-border literature, they focus on the way in which different formal and informal networks shape economic advantages. In some cases, these networks have been revived after a period of interrupted contact, in other cases, they are deliberate post-socialist inventions, whereby appealing to feelings of ethnic solidarity has been translated into practical programmes of village and regional renewal. The literature is tied to discussions of minority rights and representation. As with the introduction of regional based administration, there have been significant post-socialist innovations for integrating ethnic minorities into the mainstream state apparatus.

The 1993 law for minority rights in Hungary is virtually the only one in Europe that accommodates the representation of minority interests within the state system.⁷ Its main purpose is to establish cultural autonomy through minority self-governance at local and national level. It follows a progressive European trend for the protection of minorities, and it has been positively adjudicated by the EU. The majority of self-governments in Hungary are for the Roma minority, then the Germans, Slovaks and Croats, whilst the strong yet small associations have been established for the Bulgarians, Rusyns, Ukrainians, and Polacks. The numbers of minority self-governments is increasing but it would be hard to say unreservedly whether this reflects actual improvements in representation. A lack of central monitoring allows loose membership criteria within self-governments, exacerbating opportunities for

7 Hungarian legislation allows the election of minority self-governments. Resulting is a system of independent institutional organisations dedicated to affairs of the ethnic minority which, from a legal point of view, is unique in Europe (Finland, Estonia, Slovenia and Croatia have something akin). As they are not full fledged selfgovernments legally, the scope of duties and responsibilities of these minority self-governments are rather intricate, and they are largely dependant upon decisions of the town council. Their decisions of their own jurisdiction are backed by the Minority Act and the municipal law. Some of their jurisdiction they inherit from, and some they may only exercise working together with the local self-government (Pálné 1999). As representative rights of the minority self-governments are but slightly more potent than those of any other social organisation, it comes as natural that regarding sharing of certain functions there is a great amount of competition and uncertainty.

private enrichment. There have been frequent abuses that have led to calls for reform to the law.

For some, minority self-governments are little more than ‘cultural associations’. Without substantial state transfers, their main powers are of consultation and a veto over certain local matters. According to Váradi, success is determined by the quality of co-operation with local government, although she does admit, that in smaller villages, local governments might be so poor that they rely on minority institution. Despite the fact that minority self-governments are often associated with more harmonious community relations, Rozs echoed Váradi’s argument that contacts between local populations and minority self-governments are still mostly cultural. Cooperation based on the mutual safeguarding of interests has still to develop and relations between local and national minority self-governments are likely based on personal acquaintances rather than professional contacts (Rozs 1999).

Given the relatively low levels of state funding and the precarious nature of local government support, certain councils deliberately cultivate links with their motherlands. Part ethnic solidarity and part clever marketing of the interest in investing 20th century genealogies, these networks have introduced significant material, financial and new forms of social capital. By far the richest national ties are those of the German and Croatian ethnic minorities. Serbian and Bulgarian ethnic minorities would not term their relationship to their home country as close, whilst the Roma, with no country defining itself as motherland, find themselves in the weakest position (Girán–Gyurok, 1999).

There are several case studies of how certain determined local actors have successfully involved the ethnic diaspora in local development. The small town of Villány in the south of Hungary is a good example. Even though it is located in one of the poorest counties, it has a strong sense of community and a flourishing economy, based on tourism and wine production. One of the principal explanations for this is the strength of ties between the current population and the ethnic Germans who were forced out of the region following World War II. Since 1990, several important inter-municipality agreements were signed between the German minority government in Villanyi and German towns where the former Villányi inhabitants and their families moved. These ties enable, for example, students from the German faculty in Villány to study in Austria and Germany. More importantly, though Villanyi’s prosperity has been based on the revival of viticulture which was very much a trait of the ethnic German locals. In 1995, and inspired by similar models in Austria and Germany, a ‘Wine Trail’ was created. Linking eleven settlements in the region, this wine trail is made up of interconnected wine cellars, restaurants and accommodation facilities, and now attracts many thousands of visitors, many from Germany and Austria.

Insofar as they retain some profit from these activities, both their local patriotism and local development are enhanced (Kovács 2004). While a large part of the revenue from mass tourism might not fill local pockets, there are opportunities from the modest sums tourists spend on souvenir and presents. There is also some agreement that tourism can enhance local awareness and help folklore grow more colourful and theatrical (Kürti 2000). “Invented traditions,” to use Hobsbawm’s phrase, may create a new sense of ancestry which can supplant the original ethnic identity or form an interwoven hybrid. By linking diverse consumption habits and by maintaining certain settlement design, this hybridisation can create a new cultural based geography.⁸ The earlier historical landscape is replaced by a new, so-called trans-local identity within the notional union of the eleven settlements of the Wine Trail. As the local economic engine, tourism generates such contacts, which attract guests via the

8 Another example of ethnic network this process is the village of Palkonya. In the early 1990s, this was a poor village with high levels of unemployment and out-migration. Yet, starting in 1993, the local authority and, in particular, the local mayor made a sustained effort to resurrect the faded traditions of the local ethnic Germans. An economic foundation was established for villagers interested in their ethnic homeland; the foundation provided support for those who wished to renovate their 100-200 years old protected buildings – the only proviso was that the original stylistic marks were to be retained. With good media coverage, tourism to the hamlet rose has risen steadily. In the current European Cultural Village movement for example, Palkonya is the official representative of Hungary. Through the protection and renovation of traditional buildings, a sort of traditioncreation process is taking place in this settlement. As in Villány, it can help to build an atmosphere of unity and trust (Takács 2004)

Internet or the mass media (Kovács 2004). The village of Tarján offers another illustration of successful ethnic network-cultivated development. Following several local, contractors and aided by the pull of tourism and support from Germany, a number of foreign investors established small firms in the village Tarján. The local population has a firm sense of ethnic identity and all but one of the town council are ethnic Germans, as is the mayor. The councillors double up as representatives of the local minority selfgovernment.

There has been a conscious effort to develop a multi-threaded system of acquaintances, links and relations. Starting with ethnic tourism, relations developed into a school partnership and ended up with a formal sister-town declaration and contract. Other forms of support arrive via international organisations, cultural institutions, foundations and, of course, by way of the sister-town relationship; it includes technical equipment, tools, financial and technical assistance - and social capital as well: nowadays every second Tarján family has a working personal relationship with a German one (Demeter 1999).

According to the Tarjánians success and growth is a matter of personality. Their confidence in their leaders is clearly indicated by their electing the same mayor and the same set of councillors for a third term. For long-term development projects this continuity is critical, the president of the minority self-government can represent ethnic Germans not only locally, but also at county and national levels. His many-faceted work guarantees co-operation, a swift flow of information and the use of a wide network of connections for the minority self-government. Having been through several successful lobbying activities, the Tarjánians are now considered veterans in securing resources.

Whilst other minorities may turn to their self-government with questions of education, cultural issues or association support, the Roma minority tend to turn to their self-governments with social and employment problems. Due to the shortages of revenues from the state or from international diaspora, Roma representatives often find themselves unable to help in social and employment problems, and there is a high turnover of minority self government officials. Local and minority self-governments do sometimes make formal frameworks for co-operations, but often they don't make contracts and only financial issues are defined between the two institutions. The right methods of effective communication and conflict-management, which is particularly important in the case of contacts with Roma people, are frequently missing. Compared to the opinion of the minority self-governments themselves, higher rates of local authorities say that the rights of minorities are sufficient and that their level of autonomy is sufficient (Váradí 2004).

Partly in recognition of how other minorities have advanced in Hungary, there is a sense amongst some Roma officials of the importance of building up non-kin or non ethnic based networks. However, such a strategy is by no means uncontroversial. Kállai and others stressed how the Romani language has great unifying and shaping powers, being used especially in private close family circles. Whilst it can integrate an individual within a smaller community, it can also make social assimilation difficult. The creation of social networks through mixed marriages is a prime example of alternative developments, although this is judged very differently in different type of settlements. As 17 out of 20 CKÖ leaders in smaller villages stated, those marrying a non-Roma are no longer considered Roma by their kin, nor do they identify themselves as readily as Roma. In many cases, the goals of mixed marriages appear to be the widening of the connection network and achieving greater social assimilation (Kállai 2005). Given the specific geographical distribution of the Roma in Hungary, their rise might well trigger the economic advance of an entire region. This approach has taken root among CKÖ leaders of the Northern and Eastern regions (the counties Borsod-Abaúj-Zemplén, Heves and Szabolcs-Szatmár-Bereg) and one city in the Alföld region of Hungary (Kállai 2005).

4. Europeanisation and multi-level governance

In Hungary, researchers have tended to regard Europeanisation as an external adaptation pressure brought about by the EU accession. This pressure assumes different forms, and there are the mandatory elements, such as meeting the Copenhagen criteria, establishing monitoring committees and paying agencies and there are optional elements concerning the exact methods of meeting EU requirements. Ágh argues that this top down version of Europeanisation first appeared after the Maastricht Treaty (Ágh 2003). The pre-accession arrangements in particular, the PHARE and the SAPARD programs, were designed to install new EU conform institutions, whilst the detailed refining mechanisms of the Aquis, for example, the administrative twinning processes, specified how certain legal, planning and implementing arrangements could be introduced. For Ágh, this latter form of indirect Europeanisation has become increasingly important since accession although they were present prior to 2004. Direct Europeanisation, as understood by Ágh, includes establishing institutions that might be not mandatory but are considered advisable, for example the Committee of European Affairs, the European Delegation Office and the Brussels-located joint office for the seven regions (Ágh et al. 2005).

Regionalisation has been a particularly important dimension of Europeanization particularly important. In Hungary, this adaptation pressure to establish a robust, competent administrative capacity at NUTS II level co-incided with endogenous demands for greater political decentralisation and local governments that could guarantee sustainable, cost-effective public services. Paraskevopoulos and Leonardi argue that whether regional administration units are able to develop appropriate planning capacities and absorb/administer increased resources is a direct consequence of the quality of the restructuring process. Similarly, it is argued that it is critical to create intra-, interand transregional networks that can promote local institutional capacity (Paraskevopoulos and Leonardi 2004: 316). This corresponds with Ágh's notion of "horizontal Europeanization" that entails a system of closely connected sister institutions in the member states, which develop into a system of multi-level governance (Ágh 2003).

The Hungarian Act on Regional Development (ARD) in 1996 created seven regions and established the County Development Councils as elected self-governing bodies. Several researchers have highlighted the appearance of a certain regional deficit, manifested in the 'centralization of regionalization'. For example, in 1999, an amendment to the ARD placed the advisory Regional Development Councils under greater state control, removing some social actors and replacing them by government representatives (Ágh 2003). A three-tier system of regional development councils was brought about in 1999 at the county (19), regional (7) and national levels completed in the 2004 amendment of the Act with 168 micro-regional development councils.

Hungarian counties have particularly deep historical roots connected with strong identities among the population. During socialism, they lost certain powers although these were not assumed by the newly formed administrative regions. In terms of decentralised financial sources the counties and the regions received some 8-10% of the total of development resources. In post-socialism, the counties have increased their position as providers of public services and, have found themselves with the sometimes unwanted responsibility for institutions such as secondary schools, hospitals, health care centres, and elderly homes. The internal adaptation pressures that gained strong impetus from the recent budgetary deficits seems to put an end of the county vs. region debate. Administrative reform is a focal point for the newly elected government, which aims to regroup certain elected self governing capacities from NUTS III (county) level to that of NUTS II (regional) level. For the first time since 1996, it is likely that all political forces will consent.

Faragó argued that the region building exercise has been a top-down, albeit useful government action which, unfortunately, has yet to be coupled with sufficient accumulation of confidence, trust from below. Regions did not come about through a relatively long process of social reconciliation and consultation. By contrast, regionalisation can be seen as one of the mandatory elements of Europeanization managed

centrally and from outside. It is more a process of rationalisation of social control and monitoring. Regions in Hungary can not be defined by geographical or cultural factors, regional identities are largely missing, and the new post-socialist economic networks are not attached to regional entities. (Faragó 2005). For Faragó, whilst EU experts used to emphasise the necessity of further decentralisation prior to accession, here their main concern was the transparency and control of fund-related processes, rather than about strengthening the regions. The substance of subsidiarity and partnership is limited, with regional development councils acting as assistants to government and regional actors finding themselves largely excluded from the procedures of planning.

The continued dominance of sectoral policies creates conflicts with the interests of the regional population. The present tender-system is a mix of decentralised ‘bottom-up’ and centralised ‘topdown’ aspects, with effective lobbying for central resources becoming far more important than developing an autonomous regional development policy (Faragó 2005). These are the mechanisms that resulted in the paradox identified by Pálné, Kovács et al., with an increase of political parties’ influence and raising party-dominated clientelism in the policy processes. (Pálné Kovács et al. 2003 quoted Pálné Kovács et al. 2005). The EC emphasis on central state administrative capacity highlighted by Faragó and others “has been used for justification of a statist conception of regional administration... ironically, the EU Commission’s push towards regionalisation as a means for enhancing democratisation and participation at the regional level of government, seems to have led to strengthening of the ‘gate-keeper’ role of the central state and eventually to the recentralisation of the policy processes.” (Hughes et al. 2001, Fowler 2001, Lingstrom and Dieringer 2002 quoted by Pálné Kovács et al. 2004: 442).

The EC’s interventions into practical matters such as developing co-financed regional development policies are even more contradictory. After pressing the Hungarian Government to strengthen regional capacities, it was the EC that insisted that planning of the ROP within the first NDP be allocated to the central level. Central policy makers accepted this approach and developed the whole process accordingly (Szaló 2005). It was also the EU Commission that fostered the so-called “regional action plans” which “were finally compiled in a rather hasty and improvised fashion” (Somlyódy Pfiel 2005:117).

Following Ágh’s classification of direct and indirect Europeanisation, a recent 6th framework research project called DIOSCURI has found that most recently created European institutions have not yet become inbuilt in the state administration. Instead they form islands in a sea of old-fashion approaches and operational rules set by the socialist and even pre-socialist patterns of state administration. The new European enclaves established by legal regulations to frame EU actions are usually choreographed by its creator (EU) which results in limited substantial cultural exchanges. Rather, the norm is a one-way adaptation process within which the most important practices are gradually “interiorised” by the Hungarian state administration.

In terms of the main influences on institutional arrangements and behaviour, the necessarily weaker position of the recipient as compared to the “donor” was a clear component of the Dioscuri research. A picture of an unbalanced adaptation process emerged during interviews and could be further found in the documents analysed. The Hungarian actors involved were unanimous in regarding EU administrative practices, although not faultless, as more advanced and this largely determined the direction of adaptation. In the second place there was an importance generational issue with new approaches and practices acquired by the young bureaucrats expected to spread into the yet untouched parts/ranks of the old-fashioned administration slowly, gradually (Kovács 2006, Kovács, Rác and Schwarcz 2006).

5. Social Capital and the National Development Plan

The current highest and most comprehensive development document was prepared by the Hungarian National Development Office (ONDP).⁹ It addresses the relationship between regionality and social capital in several chapters, most notably, rural and agricultural development, minority issues, environment, transportation and infrastructure. Chapter 3 argues that the allocation of resources to raise both productivity and living standards will be unsustainable unless it is accompanied by greater social cohesion. The authors introduce the idea of regional capital which includes local knowledge, regionally specific human capital, local-patriotism and an active civic society. Special attention is also given to the role of cities within regional development, and the planners encourage balanced cooperation between them. A second topic that draws explicitly on ideas connected to social capital is the regional aspect of ethnic equality, particularly amongst the Roma/Gipsy minority. This group suffers from overlapping disadvantages in housing and labour markets, both of which appear in the form of regional inequality (segregation and segmentation). The NDP proposes various social capital-intensive innovations such as mentor systems, self-help groups, small-scale school and entrepreneurial groups. A third area that connects regional development with social capital is the assistance measures for the ethnic Hungarian community on the country's borders, for example, cross—border development associations, or special agencies to further co-operation between civic actors, local state and market actors.

Within the second National Development Plan to be implemented from 2007, there are a series of so-called “complex” development programs. The one entitled ‘Reviving rural communities’ appears to offer an innovative approach that draws on social capital ideas. It provides for a set of interventions to be combined, organised in grids and tailored to local circumstances. Many are community development capacity building measures that seek to attract locally rooted educated young people, for example, there is a so-called social land program, a program to build “multi-functional village spaces”, locally adapted public service provisions, new forms of social economy, and infrastructure investments. All are potential measures to be implemented in the most backward areas within the ROPs of the next programming period. Overall, the Reviving program applies the so-called LEADER approach which is an area-based, bottom up, participatory programming, which emphasises the cultivation of endogenous resources, human capacity building, and networking within and outside of the target area (Herpainé Márkus 2006).

In one sense, the Hungarian LEADER is at the one time socially ‘insensitive’. Its target areas are defined by population density or settlement size rather than social and economic backwardness. At the same time, LEADER belongs to the ‘family’ of European development programs that seek to empower through collective mobilization from below. The LEADER programme began in Hungary in 2001, with an experimental program launched by the Ministry of Agriculture and Rural Development. The idea was that it could prepare the necessary institution building tasks for implementing the Leader+ measure following EU accession. The pilot programme was based on the idea of horizontal partnerships between local governments, civil society, inter-territorial and transnational co-operation partners. The rural development plans prepared in early 2002 focused on three target groups: support for large families; co-operation between Roma and non-Roma populations; and the training of young people living in rural areas. The biggest difficulties found in the pilot stage were to convince those who were sceptical about the level of resources to get involved. At all levels, there were human capacity shortages and, due to the novel and experimental nature of the programme, there was insufficient experience in both programming methods and administering public funds at local level.

Despite this, 14 Local Action Groups (LAGs) were established, which supported 272 local projects concerning the organisation of training, local events, village renewal, and the development of local economy (Petrics and Németh 2005). 7% of available funds went on financing 12 community

9 Az Új Magyarország programja (Magyarország Nemzeti Stratégiai Referenciakerete). Partnerségi egyeztetés utáni 2. olvasat. Budapest: Nemzeti Fejlesztési Hivatal, April 2006.

development projects, 19 projects were sponsored to enhance human capacities (8% of the funds), a further 12 projects were designed to create buildings for community use (6% of the funds), whilst those projects strengthening local economies accounted for the largest portion, with 118 projects and 44% of the funds (Kovács K. 2005). Building on this experience the government decided to include a Leader+ type measure in their Agriculture and Rural Development Operational Programme for the period 2004–2006, co-financed by the Structural Funds. The 70 selected LAGs began their programs in spring 2006.

5.1. Civic involvement in the consultation process

Preparations for the first National Development Plan began in February 2001. In the first 18 months of this process, only professional organisations and research institutes were invited to participate in the workgroups.¹⁰ In June 2002, the newly created Office for the National Development Plan (ONDP) managed the planning process and the first draft was submitted for public consultation in September 2002. By this time the ONDP had entered into 17 framework agreements with various nationwide organisations.¹¹ There was criticism of amount of time given for consultation but, as the final version of the plan showed, the process was open to a wide range of interest groups and there were representations from traditional forums such as the National Regional Development Council, as well as input from newly established bodies such as the National Romany Council. Altogether more than 600 organisations gave formal responses to the plan. The ONDP organised over 170 public events for the NDP whilst the Regional Development Councils co-ordinated discussion of the ROPs. A database of partners, consultation events and evaluations appeared to show a strong interest amongst NGOs, professional associations and what were referred to as public financed organisations.¹² Transparency International argued that the consultation process was not based on proper participation,¹³ whilst another report criticised the Government for conflating chambers, science institutions and administrations for NGOs.¹⁴ The latter did concede that civil society needed to improve its capacity to respond at national rather than just local level, something that was echoed in the written submissions to the NDP.¹⁵

The final version of the NDP was accepted on 26th March, 2003. Some proposals not included in the first NDP were considered in supplementary documents such as Comprehensive Development Plan and the Program Supplements. When it came to the actual operational period of the first NDP – 2004–06, civil organisations were able to participate in most monitoring committees, although to the irritation of some, certain committees, such as the Cohesion Fund Monitoring Committee and individual project selection committees, were off limits to civic organisations.¹⁶

The ONDP began formal preparation for the second NDP in September 2005. This covered the

10 A Strukturális Alapok és a fenntarthatóság. Budapest: Magyar Természettudományi Szövetség, May 2004. pp 14.

11 The Hungarian Chamber of Commerce and Industry, six national Trade Union Associations representing employees, the Association of Economic and Scientific Societies, the Hungarian Chamber of Agriculture, the National Association of Local Governments, the Society for Dissemination of Scientific Knowledge, nine national employer's associations representing employers and with the Association of Technical and Natural Science Societies, the Higher Education and Research Council, the Local Parliaments Association and the Hungarian Association of Content Providers.

12 See www.nfh.hu

13 Márkus Eszter – Nizák Péter: A társadalmi részvétel és a nyilvánosság fejlesztése a Nemzeti Fejlesztési Terv elkészítése során. Strukturális Alapok átlátható felhasználása Magyarországon. Budapest: Transparency International, March 2006.

14 A Strukturális Alapok és a fenntarthatóság. Budapest: Magyar Természettudományi Szövetség, May 2004. pp 17, 20.

15 Hungarian National Development Plan 2004–2006. Budapest: Prime Minister's Office – Office for the National Development Plan and European Funds, 28 March 2003. pp. 256–280. pp. 270–270.

16 A Strukturális Alapok és a fenntarthatóság. Budapest: Magyar Természettudományi Szövetség, May 2004. pp 18.

period 2007-2013 and outlined how over 6000 billion HUF of European Union funding would be allocated. In this round, there were clear differences in the degree of organisation of the civil sector. In spring 2005 for example, 15 national social organisations formed the action group ‘Civilians for the Publicity of NDP’. This was intended to critically analyse the main development institutions, to make recommendations and to enhance the overall quality of the consultation process. Its first report criticised the delays in the process, and repeated earlier criticisms that partnership did not mean simply collecting recommendations after documents had been framed with just a few select partners.¹⁷

In April, 2005 the Government accepted the National Development Policy Concept which included a medium-term strategic plan lasting until 2020. This was not initially made public although in June the ONDP did publish a booklet called ‘Let’s make Hungary successful!’¹⁸ This is the first official summary of the NDC and it describes the 8 main strategic purposes and the ‘+1’ aim of ‘equal regional development’. The ONDP claimed that in the course of planning the NDC there had been ‘presentations and consultations ... held nationwide for mayors, local government representatives, company executives, researchers, journalist working for regional media networks, as well as representatives of the civil sphere.’¹⁹ In the introduction, the minister for European Affairs emphasises that

‘The EU membership made those countries successful, where different political forces, actors of economy, social and nonprofit organisations could agree about the main directions of development. Hence the government considers it important that it happens here the same way and that the parliament accepts such development directions which rest on social consultation.’²⁰

Submissions to both the concept document and the NDOP itself were accepted through specially designed questionnaires, invited representations and web based voting on specific sections. Deadlines for submissions were extended after protests from NGOs and eventually, the ONDP received 529 completed questionnaires from 388 organisations. In September, a conference was organised and a summary of reactions was published on the ONDP’s website.²¹ In their second report on 30 September, 2005 the NGO ‘Civilians for the Publicity of NDP’ complained that certain technical requirements reduced equal opportunity, and that the construction of the questionnaire made it difficult to evaluate basic content, structure and methodological assumptions of the NDC. There were also criticisms concerning the reliability of the qualitative data analysis and the internet-voting was also regarded with suspicion because voters didn’t need to register. Their conclusion was that

‘in many issues the realisation of partnership leaves much to be desired, the automatic responses of old inferior-superior relations are affecting in many ways.’²²

17 Jelentés a nemzeti stratégiai anyagok tervezésének nyilvánosságáról. Civilek a Nemzeti Fejlesztési Terv Nyilvánosságáért, 31 May 2005.

18 Tegyük sikeressé Magyarországot! Új távlatok hazánk előtt. Budapest: Nemzeti Fejlesztési Hivatal, June 2005.

19 http://www.nfh.hu/index.nfh?r=&v=&l=eng&p=ci_56

20 „Az európai uniós tagság azokat az országokat tette sikeressé, amelyekben a különböző politikai erőknek, a gazdasági élet szereplőinek, a társadalmi és civil szervezeteknek sikerült megállapodniuk a fejlesztés fő irányairól. A kormány ezért fontosnak tartja, hogy ez nálunk is így történjen, és az Országgyűlés olyan fejlesztési irányokat fogadjon el, amelyek társadalmi közmegegyezéssel nyugodnak.” Tegyük sikeressé Magyarországot! Új távlatok hazánk előtt. Budapest: Nemzeti Fejlesztési Hivatal, June 2005. pp. 3.

21 A társadalmi egyeztetésre kérdíven beérkezett válaszok értékelése. Budapest: Nemzeti Fejlesztési Hivatal, 1 September 2005.

22 „...a partnerség megvalósulása még számos ponton hagy kívánnivalót maga után, sok szempontból hatnak az eddigi, aláfölrendeltségi viszonyt tükröző beidegződések is.” Második jelentés a nemzeti stratégiai anyagok tervezésének nyilvánosságáról. Civilek a Nemzeti Fejlesztési Terv Nyilvánosságáért, 30 September 2005. pp. 13.

The second version of ‘Let’s make Hungary successful!’ and the final versions to the NDC and NRC were published in October 2005.²³ Around 100 changes had been made to the NDC although, according to the same NGO, the structure of the plan remained largely the same, even the content was only slightly changed. Overall, economic growth remained more dominant than social aspects, although the principle of sustainable development did re-enter the plan again. The +1 chapter corresponds almost word for word with the former version. The document notes that the principles of regionality and decentralisation as well as the need for administrative reform was regarded as of great importance in the consultation process.²⁴ After some final consultations, Parliament accepted both the NDC and NRC on 14 December, 2005.

In relation to specific strategic development plans, there was a concern that transparency, partnership and equal opportunity might be considered unimportant.²⁵ The reconciliation of various documents such as between the Operative Programs, the Sustainable Development Strategy, the National Agrar and Rural Development Program and the Programming Handbook was poorly organised, and this only deepened the ‘frustration’ of the third sector.²⁶ For example, the National Lisbon Action Plan, designed to enhance the economic competitiveness between 2005–2008, was sent to larger civil organisations with only 16 days to express their opinions on it. There was little action to co-ordinate with the other related plans, yet Parliament accepted the version in December 2005.²⁷

The National Agrar and Rural Development Program for 2007–2013 was accessible from the end of 2005 at the homepage of the Ministry of Agriculture. Partners had until the end of January 2006 to submit representations, although bearing in mind the limited internet access in rural areas, the process was necessarily limited.²⁸ In autumn 2005, the ONDP elaborated both the II. NDP and the OP-s

without much civil oversight and, according to the same Civilians NGO, with the least transparency.²⁹

The consultation surrounding the concept document was not followed up, and February, the planning process and the participants remained hidden. The main chapters were prepared by the ministries, national offices, the Hungarian Academy of Sciences, the Regional Development Councils, several scientific research institutes and advisory organisations.³⁰ A series of workshops were organised with around 400 participants who discussed 13 areas of special interest, several of which draw directly or indirectly on the need to enhance social capital.³¹

23 *Tegyük sikeressé Magyarországot! Új távlatok hazánk előtt. Országos Fejlesztéspolitikai Konceptió.* Budapest: Nemzeti Fejlesztési Hivatal, October 2005; *Országos Fejlesztéspolitikai Konceptió I–II.* Budapest: Nemzeti Fejlesztési Hivatal, October 2005; *Országos Területfejlesztési Konceptió.* Budapest: Országos Területfejlesztési Hivatal, October 2005.

24 *Tegyük sikeressé Magyarországot! Új távlatok hazánk előtt. Országos Fejlesztéspolitikai Konceptió.* Budapest: Nemzeti Fejlesztési Hivatal, October 2005. pp. 7, 21–22.

25 *Második jelentés a nemzeti stratégiai anyagok tervezésének nyilvánosságáról. Civilek a Nemzeti Fejlesztési Terv Nyilvánosságáért,* 30 September 2005. pp. 13.

26 *Harmadik jelentés a nemzeti stratégiai anyagok tervezésének nyilvánosságáról. Civilek a Nemzeti Fejlesztési Terv Nyilvánosságáért,* 15 February 2006. pp. 4, 18; Márkus Eszter – Nizák Péter: *A társadalmi részvétel és a nyilvánosság fejlesztése a Nemzeti Fejlesztési Terv elkészítése során. Strukturális Alapok átlátható felhasználása Magyarországon.* Budapest: Transparency International, March 2006. pp. 10.

27 *Nemzeti akcióprogram a növekedésért és a foglalkoztatásért 2005–2008.* Budapest, December 2005.

28 *Harmadik jelentés a nemzeti stratégiai anyagok tervezésének nyilvánosságáról. Civilek a Nemzeti Fejlesztési Terv Nyilvánosságáért,* 15 February 2006. pp. 6.

29 *Harmadik jelentés a nemzeti stratégiai anyagok tervezésének nyilvánosságáról. Civilek a Nemzeti Fejlesztési Terv Nyilvánosságáért,* 15 February 2006. pp. 3.

30 *Az Új Magyarország programja (1. olvasat). Partnerségi egyeztetési változat: A stratégia meghatározása.* Budapest: Nemzeti Fejlesztési Hivatal, 28 February 2006. pp. 3–4.

31 These were, ameliorating the demographic situation, enhancing social capital, improving physical accessibility, ensuring the permanent enhancement in economic competitiveness, developing the information society, enhancing competitive knowledge

The ROPs were discussed by the ONDP and the National Regional Development Office although it was not until the second round, that civil experts took part. Consultations between regional and sectoral contributors took place in February, June and October 2005 and January 2006. For familiarizing the regional development concept, panel discussions were organised in all the 19 counties. At the end of this period, the government completed the first version of II. NDP, and on 27 February, 2006 the Cabinet for Development Policy launched its first working paper.³² As with the earlier concept paper, social, professional, and local organisations could make recommendations online through questionnaires. In all, the government asked 4900 organisations, but only 470 answered within the deadline, around 120 more than for the first National Development Plan. Ten debates were arranged for the most significant interest groups to offer their own platforms coinciding with the ongoing permanent consultations with the European Commission.

In the second version,³³ the regional aspect (NUTS II.) lost its significance even more. In both versions only the Central Region has its own Operational Program, whilst the other six received a collective OP, at first called the Convergence ROP, and then Territorial OP. Regions have only what are called ‘regional programs’. According to Transparency International³⁴ there were many flaws in the consultation process. The principle of early participation was missing, the exact nature of the relations between the development institutions was not spelled out, contact persons were not available, and different documents were finished out of order, late and therefore nontransparent. The information flow was insufficient, the consultation had a close structure with old, selected partners. Overall, the state administration did not understand the need for partnership, they did not know who were the potential partners nor the method of selecting them. Furthermore, given the reluctance of the population to get involved in public affairs, there was little successful engagement.

Conclusion

The Hungarian literature and the recent EU inspired strategy plans demonstrate an increased interest in the social dimension of development. It is possible to find many statements that draw directly on the language of social capital research – building social cohesion, solidarity, fostering effective state-civil partnership etc. There are more non-state actors involved in the production and implementation of policy and, from the signs of the consultation process, there seems to be a greater willingness to seek more ways of engaging with the public.

At the same time, informal networks remain of widespread significance for all kinds of economic opportunity and the cultivation of both strong and weak ties appears to be a conscious activity across different income groups. In some instances the state provides important support to these networks, for example, the support that it gives to minority governments for them to build up their relations with ethnic diaspora. In other cases, the network might have been formed in opposition, in the periphery of the formal/informal economy. The border literature shows a changing relationship between the

and education, improving the health conditions of the population, extending employment, enhancing the role of the culture, protecting the sustainable utilisation of natural resources and environmental values, improving security, fostering sustainable regional development and finally, enhancing social cohesion.

32 Az Új Magyarország programja (1. olvasat). Partnerségi egyeztetési változat: A stratégia meghatározása. Budapest: Nemzeti Fejlesztési Hivatal, 28 February 2006.

33 Az Új Magyarország programja (Magyarország Nemzeti Stratégiai Referenciakerete). Partnerségi egyeztetés utáni 2. olvasat. Budapest: Nemzeti Fejlesztési Hivatal, April 2006.

34 Márkus Eszter – Nizák Péter: A társadalmi részvétel és a nyilvánosság fejlesztése a Nemzeti Fejlesztési Terv elikészítése során. Strukturális Alapok átlátható felhasználása Magyarországon. Budapest: Transparency International, March 2006.

relative importance of both formal and informal networks. There are questions as to whether cross border employment opportunities will be increasingly dominated by formal state regulated actors, or whether informal kind, ethnic based networks will still play an important role? In relation to the ethnic Hungarians in Ukraine and Serbia, it might well be that informal networks remain critical. An important question is whether the country will apply restrictions to Romanian labour come January 1st 2007?

There is some evidence the emerging civil sector is seen as a partner of local authorities, but there remains some hesitancy. In the rural areas for instance, where NGOs are fewer and much more reliant on government funding, then there might be less local identification with the civic associations. At the national level, the NDP consultation process highlighted some of the tensions. Some of the difficulties reflected the lack of actual capacity to respond, but there were other instances which seemed to show an ambiguous approach to the actual meaning of partnership. This might be a reflection of the fact that Europeanisation can be seen as an inconsistent and even contradictory pressure – plan but don't co-ordinate, regionalise but centralise in the short run, work in enclaves, impose rather than exchange.

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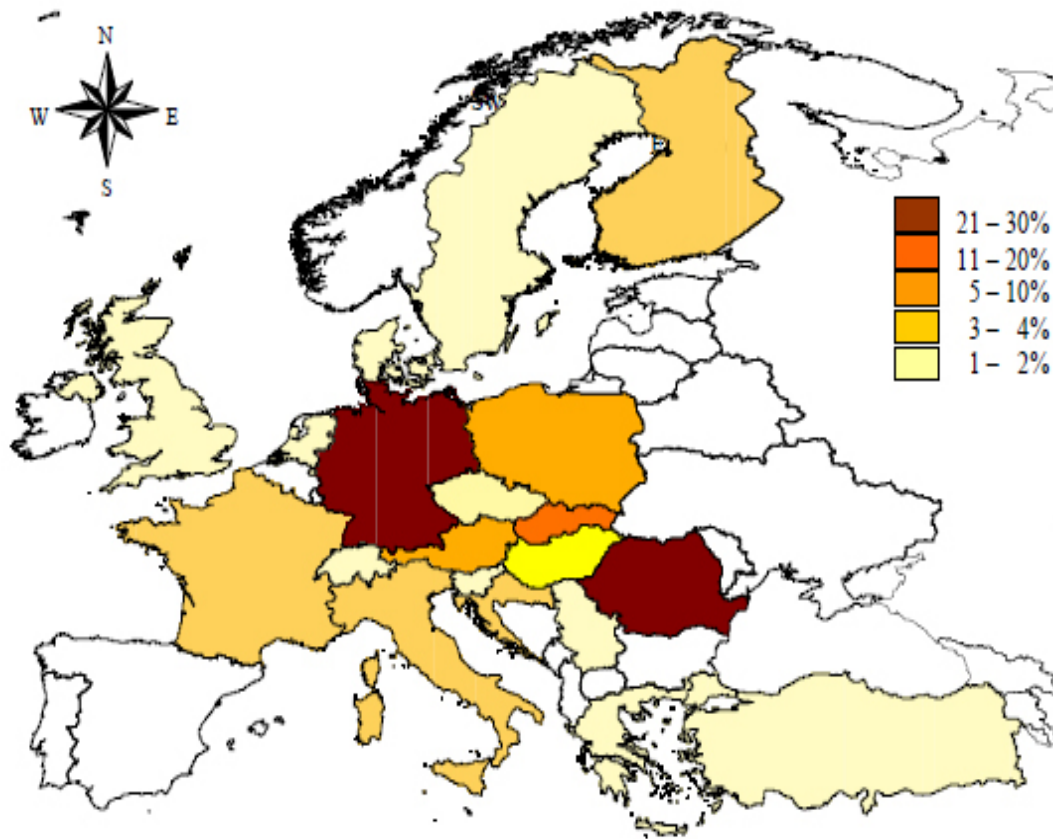
Annex 1: The profile of the pilot region of Southern Transdanubia

This region has already been the subject of recent research attention, something which gives a good opportunity for further comparison and investigation. (Pálné, Paraskevopoulos and Horváth 2004, Paraskevopoulos and Leonardi 2004). The region meets the project requirements, namely, it belongs to one of the seven convergence regions, in terms of development indices it is mid place with a GDP/capita of 72% of the country. It can be characterised as a deprived region on account of its settlement structure (very small villages, fragmented local government capacities), its proximity to the border, its lack of highways, the fact that the restructuring of the former heavy industry is still incomplete and, since 1999, there has been a relative decline in GDP/capita figures. There are certain traditions for regional co-operation and regional thinking in South Transdanubia. In 1971 the government established a planning-economic district comprising four counties (Baranya, Somogy, Tolna and Zala). In practice, no strong connections were formed and there were no common regional development plans. Resources were allocated and development policy remained managed on the basis of county interests. Later on the region did emerge as a pioneer of regional-level cooperation. It created a foundation three years before the 1996 law on regional development councils.

The county councils and the various economic chambers of Baranya, Somogy, Tolna and Zala counties as well as the Transdanubian Research Institute were all members of this foundation. The region was the first to elaborate a development concept which still determines regional planning. Though not obligatory, the South Transdanubian Regional Development Council set up its own executive institution, the South Transdanubian Regional Development Agency public non-profit company. As a PHARE Pilot Region Programme, the council followed the partnership model of the European Union and, amongst its members there are the presidents of the four general county assemblies, mayors delegated by the micro-regional associations, representatives of the chambers, delegates from the county councils of labour and representatives of the central ministries (Pálné Kovács 2003).

The micro-village settlement structure which is so characteristic of the region, requires intense cooperation amongst local authorities. The overall number of co-operations between associations and local authorities concerning educational, cultural, health-care and social tasks exceeds the national average. The maintenance of a common mayoral office, i.e. the establishment of a district notary office, is more typical than in any region in the country (31% of all district notary offices are to be found here). After 1996, 39 micro-regional development associations were voluntarily initiated (Somlyódiné Pfeil 2005). The region's advantages are its higher education institutions and diversity of training options; a relatively high proportion of educated population with a strong work culture; the highest degree of foreign language skills in the country; and cultural and ethnic diversity with a distinct cultural heritage. Its weaknesses are its ageing population and loss of population through migration; problems of unemployment (especially in certain micro-regions); the insufficiently flexible vocational training system; the shortcomings in technology transfer; and problems of the social care system (Póla 2003).

Annex 2: The composition of international inter-municipality networks of Hungarian municipalities



Annex 3: The 2004 Tarki tables of social capital in Hungary

Table A1: Proportion of active and passive membership in various types of civic society (%)

	Active	Passive
Political party	1	0
Trade union	5	6
Religious organisation	9	21
Leisure or sport organisation	5	2
Other voluntary organisation	3	1
Any of the previous	19	27

Table A2: Level of trust by the type of trust

General trust		Passive trust	
Institutions	People	Weak ties	Strong ties
Court and police operate well together (16%)	At least three-fourths of people is reliable (25%)	Our neighbors are reliable (30%)	In trouble, one can count on family (46%)
Public administration is getting better	People are usually honest (68)	Our acquaintances are reliable (27%)	
Corruption is not very spread (21%)	In general, one can trust people (46%)		

Table A3: 2004 Tarki tables of social capital in Hungary

	Strong ties	Weak ties
Altruism		
Giving money as present	26	6
Reciprocity		
Lend money*	22	14
Borrow money*	16	7
Socialising		
Meeting neighbors at least once a week	X	62
Meeting friends several time per month or more frequently	X	27

x = No such data

* Without or at below bank interest rate

Table A4: Types of social capital (results of cluster analysis)

	Network capitalist	Local social capitalist	General trustee	Dual trustee
N	102	377	346	346
Active membership		X	X	
Giving donation	X	X	X	
The court and the police operate well			X	
Public administration is getting better			X	
Corruption is not very spread			X	
At least three-fourths of people is reliable			X	
People are usually honest	X		X	
In general one can trust people	X		X	
Our neighbours are reliable		X	X	
Our acquaintances are reliable		X		
In trouble one can count on family	X			X
Trust in state institutions	X			X
Trust in government				X
Meeting neighbours at least once a week	X	X		
Meeting friends several time per month or more frequently	X			
Lending money (weak tie)	X			
Lending money (strong tie)	X			
Borrowing money (weak tie)	X			
Borrowing money (strong tie)	X			
Giving money as present (weak tie)	X			
Giving money as present (strong tie)	X			

Table A5: Selected socio-economic characteristics of the four types of social capital (%)*

	Network capitalist	Local social capitalist	General trustee	Dual trustee	Total sample
N	102	384	201	342	1028
Household size (0.0000)					
Number of household members	3.4	3.1	3.1	3.0	3.1
Age (0.0007)					
18-29	37	24	20	20	23
30-39	17	17	18	13	16
40-49	22	16	21	16	18
50-59	14	18	18	18	18
60-	10	25	23	33	25
Ethnic origin (0.0002)					
Roma/Gypsy	18	8	2	8	8
Economic activity (0.0001)					
Employed	62	43	50	34	42
Pensioner	16	36	28	46	36
Education (0.0000)					
Primary	22	29	21	41	31
Vocational school	31	34	29	31	32
Secondary	33	27	31	22	27
Higher	14	11	18	7	11
Car owners (0.0005)					
Yes	45	56	61	45	52

* In bracket the level of significance of the Chi-square test.

Table A6: The causal model of the four types of social capital (logistic regression)*

	Network capitalist	Local social capitalist	General trustee	Dual trustee
Chi-square	94xxx	33xx	53xx	91xxx
At least 5 household members	2.2xxx			
75 years old	0.1xx			1.8x
- 25 years old	2.1x			
Roma/Gipsy origin	2.2x		0.3x	
Education**	1.1x		1.1x	0.9x
Highest income quartile				0.7x
Car owner	0.6x	1.4*		
Feel rich***			1.6x	
Victim****	1.7x			0.1xx
Socialist voter *****				1.5 x
Living in a poor neighbourhood*****	4.0x			

xxx Level of significance is $p = 0.0001$ or less

xx Level of significance is $p = 0.001 - 0.0002$

x Level of significance is $p = 0.05 - 0.002$

* Cells contain the log odds ratio and the level of significance of the Wald coefficient.

** Number of classes finished.

*** Self-evaluation of the household's economic level on a scale 1-5.

**** Being a victim of crime in the past 12 months.

***** In the last election.

***** Self-evaluation.