



**Department of Political and Social Sciences**

**Patterns and Dynamics of European Sub-  
national Governance:  
Institutional Transformations in  
Hungarian Micro-regional Associations  
1990-2006**

**Judit Keller**

Thesis submitted for assessment with a view to obtaining the degree of  
Doctor of Political and Social Sciences of the European University Institute

Florence  
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EUROPEAN UNIVERSITY INSTITUTE  
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## Abstract

This research represents a longitudinal study of changing patterns of governance in six micro-regions in Hungary. Its findings indicate that the dominant trend was a move from a non-hierarchical mode of governance, including integrated developmental policy making by diverse local state and non-state actors in the early 1990s, towards fragmented and hierarchical modes of governance by the 2000s. By the time Hungary had moved closer to EU accession, non-hierarchical and inclusive institutional solutions (heterarchies) had started to disappear from micro-regional governance in comparison to the early 1990s. Only a few micro-regional collaborations could survive the Europeanization of sub-national governance. These evolutionary trends were mainly shaped by domestic factors, the EU having only indirect influence on the process through providing the central state with prerogatives near the end of the decade to control regional and sub-regional development policy. This is only part of the story, however. Pre-accession support programs had also strengthened the governance capacities of sub-national state and non-state actors and enabled local political entrepreneurs to organize micro-regional territorial development through heterarchies even in the face of asymmetric power constellations between central governments and local state and non-state actors. The basic underlying assumption of this research, based on heterodox development theories, is that there is an interplay between heterarchic governance patterns and socio-economic development. The case studies confirm that in an unstable and swiftly changing political, economic and institutional environment, heterarchic institutional solutions are necessary to maintain at least an average developmental level or to change a development path.



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# 1. Introduction

## 1.1. *The puzzle*

This research investigates variations in the patterns and dynamics of governance in Hungarian micro-regions. It analyzes changing patterns of micro-regional governance in two dimensions: the scope and mode of association. The former refers to the types of actors and issues included in developmental programming; the latter refers to the way in which developmental decisions were taken. Its timeframe covers the decade between the early 1990s and 2000s when multiple developmental opportunity structures were emerging in Hungary within which sub-national actors could frame the governance of their developmental needs and goals. External factors have shaped micro-regional governance in the period in the same way and have provided homogeneous framework conditions for micro-regional actors. The central puzzle this research aims to account for is the evolution of diverse governance patterns among micro-regions that had shared similar institutional and developmental features in the early 90s and which were exposed to similar external framework conditions.

The research provides a dynamic comparative study of changing patterns of governance in six micro-regions in Hungary in the period 1990 to 2006. It was found that while several of these micro-regions were governed in the early 1990s in a non-hierarchical mode associating actors from diverse organizational fields and including them in integrated developmental policy making, by the 2000s only a few of them had retained this mode of governance. Most of them had moved towards fragmented and hierarchical modes of governance by the 2000s. In this paper I will call non-hierarchical modes of governance that integrate actors from diverse organizational fields “networked mode of governance” (“NMG”) or “heterarchy”. I take these labels from Ansell 2000, Börzel 2000, Hooghe 1996, and Keating 2001, as well as from Grabher, 2006; Stark, 1999; Grabher and Stark, 1997; Bruszt, 2000, and I will use these labels interchangeably throughout this dissertation.

The evolution of modes of micro-regional governance was mainly shaped by domestic factors. The EU had only indirect influence on the process through providing the central state with prerogatives near the end of the decade to control regional and sub-regional development policy. This is only part of the story, however. The pre-accession support programs have also strengthened the governance capacities of sub-national state and non-state actors and enabled

in some places local political entrepreneurs to organize micro-regional territorial development through NMG, even in the face of asymmetric power relations between central governments and local state and non-state actors. This is to say that the EU has affected the evolution of the mode of micro-regional governance by empowering domestic actors in highly asymmetrical ways (Bruszt, 2008), putting the stress on strengthening the prerogatives of central governments but opening up some new room for action for sub-national state and non-state actors.

Micro-regions are defined here as institutionalized forms of associations of neighbouring settlements that can range from formal agreements on means of cooperation to informal, non-discretionary conventions and norms. The case studies of six Hungarian micro-regions indicate variations in governance patterns that could be differentiated according to the way diverse organisational fields have been combined and organized into associations across settlements. That is to say modes of micro-regional governance differ both in the scope and the mode of association. *Scope of association* denotes the extent to which micro-regional governance combines a variety of sectors (local state, firms, NGOs etc.) and is thus integrated or fragmented. On the one hand, multiple institutional contexts of the civil society, public administration, and businesses are included in the definition of developmental goals and means. On the other hand, a fragmented scope of association means that due to particular restrictions on associative partners (e.g.: non-state actors) the representation scheme is exclusionary and decisions on the goals and means of micro-regional development are dominated by a single institutional context. On the second dimension, the *mode of association* refers to the way these associations take decisions about the goals and means of development: i.e. whether and to what extent decision-making mechanisms distribute authority and intelligence among micro-regional actors who could potentially be or are partners in the association. The mode of association ultimately describes the extent to which the integration of various sectors and the inclusion of diverse actors are organized in hierarchies or in more or less evenly distributed authority.

On the basis of the case studies I have identified three ideal types of the dependent variable of diverse patterns of micro-regional governance.

1. **Integrated, non-hierarchical:** in which various micro-regional sectors are integrated through the inclusion of heterogeneous actors whose mode of association distributes authority to participate in defining developmental goals and needs more or less evenly

among them. This latter mode of association I call heterarchic (Grabher, 2006; Stark, 1999; Grabher and Stark, 1997; Bruszt, 2000), as it refers to a way of including heterogeneous actors which allows the accommodation of their interests and values through non-hierarchical relations.

2. **Fragmented, top-down:** in which the scope of association displays exclusionary institutional practices in the sense that non-state actors are marginalized and/or completely excluded from micro-regional developmental decision-making. This indicates a hierarchical orchestration of developmental goals and means.
3. **Hybrid or mixed:** in which elements of both the other two ideal-types above can be found. In this type of governance mode some inter-organisational ties display ad hoc and/or durable horizontal, non-hierarchical features and a mixture of different institutional logics. On the other hand, other organisational ties may still be organized in informal and/or contracted hierarchical ways, with one organisation holding more stable positions in the development field due to imbalances in institutional resources.



## **1.2. The approach**

The focus of this research is on the dynamics of micro-regional governance, i.e. on the directions of institutional change across micro-regional associations. The approach I take in this research draws on three bodies of literature: regional development and governance studies, literature on institutional transformation and, at the margins, studies on Europeanization.

On the basis of mainstream regional development studies, and especially that of the new regional development paradigm, the approach taken here assumes that regional development is an institutionalized and context-specific process. This view considers the economy as shaped by enduring collective forces that can mobilize regional capacities and resources through the integration of local actors in response to external incentives and challenges. The approach I take, however, goes beyond static explanations of mainstream regional development literature that sees the presence of associative institutions as results of fixed, culturally or historically inherited social capital endowments (Amin and Thrift 1994, Putnam 1993, 2002, Leonardi 1995, 2006, Scott and Storper 2003, Paraskevopoulos 2001) and the success of regional development strategies guaranteed by the cooperation of local actors. The critical reading of the new regional paradigm builds on three arguments, namely that the new regional development paradigm,

- neglects (more rural) areas outside the western (urban) developmental model,
- neglects the politics of diversity and focuses on culturally and historically fixed social capital endowments, taking unity and cooperation for granted in successful regional developmental strategies producing a win or lose dichotomic framework,
- focuses on institutional structures while neglecting the role of agency in organizing strategies, that is, local actors' choices and interpretations of institutional framework conditions.

The approach I take instead draws on heterodox development theories (Schumpeter 1961, Hirschman 1958, Sen 1999, North 1991) and economic sociology (Crouch 1997, 2001, 2005, Bruszt 2000, 2002, 2005, 2008, Trigilia 2001, Piselli 1999 Syrett-Evans 2007, etc.) to emphasize the evolutionary nature of social capital, which is not fixed once and for all but can evolve in qualitatively different ways shaped by endogenous as well as external framework

conditions that can hinder or foster particular qualities of social networks (Trigilia, 2001). This opens a new perspective for the analysis of the evolution and transformation of associative institutions. In this context, framework conditions – institutional structures or policy mechanisms – become important, since they may favour the evolution of particular types of associative arrangements that can range from collusive coalitions and rent-seeking to heterarchic coalitions with a system of checks-and-balances which provide positive resources for local development (Trigilia, 2001).

On the other hand, conditions provided by political action and policies offer constraints and opportunities that are always subject to interpretation and contestation by actors (Streeck-Thelen 2005). Drawing on models of endogenous institutional change (Streeck-Thelen 2005, Crouch 2004, 2005, Greif-Laitlin 2004, Farrell-Knight 2003 , Fligstein 2001), the approach here takes the view that while institutional framework conditions can influence the qualities of networks (through directly or indirectly setting balances of power), local actors always retain a degree of capacity to interpret rules and bend them according to their needs as they construct associative institutions in reality (agency). Interpretation is an important element of the process that can be shaped by social entrepreneurs who have the capacity to create frames for association and convince people to join networks even if institutional framework conditions do not favour inclusive and encompassing networks/associations. The capacity of social entrepreneurs to experiment with associative arrangements is influenced by the conditions set up by politics and policies for sub-national development. Some institutional actors – which can be called “socially skilled entrepreneurs” – may be able to organize cooperation among others and to transform associative institutions in ways that distribute authority despite constraining conditions of the sub-national development regime. At the same time, other institutional actors may lack the skills, the interests or the capacity to do the same in the face of constraints, and thus may either organize associations in fragmented ways or “exhaust” existing associations leading to their complete disintegration.

### **1.3. Methods and data**

For the study of these processes I selected six cases of micro-regions in Hungary. I define micro-regions as institutionalized forms of associations of neighbouring settlements. For the sake of comparability I established a standard analytical unit on the basis of the official statistical-administrative definition of micro-regions in Hungary. From this pool of 169 micro-regions I selected my cases in three steps. Using nine socio-economic indicators, I established homogeneous groups that had similar socio-economic developmental status in the early 1990s measured as “average”, “below average” and “above average.” Change in development patterns was then calculated as the quotient of data from 2000s and 1990s. Using cross-tabulations in the software *Statistical Package for the Social Sciences* (SPSS) I identified clusters of micro-regions with “average”, “below average” and “above average” developmental dynamics. Then I selected iteratively 12 micro-regions that belonged to any of the same clusters in the 1990s, but I have also outlined diverging development paths on the basis of their cluster membership in the 2000s. Having conducted preliminary interviews in these micro-regions I selected three cases from the cluster “below average” development state in the 90s, two from the cluster “at average” and one from the cluster “above average” development state in the 90s on the basis of their diverging developmental dynamics and institutional pathways.

The second part of the research was a qualitative study of the emergence and evolution of micro-regional governance in the six micro-regions. For this semi-structured interviews were designed with representatives of micro-regional organisations and sub-national development experts at the local and national levels. Interview questions focused on the evolution of organisational, functional, sectoral and territorial ecologies and the scope and mode of their integration since 1990.



## **1.4. Road map of chapters**

In what follows first I define the dependent variable and present the research question and puzzle of this research. In this second chapter I also outline the dimensions of the dependent variable that I propose to use for analysis in the empirical case studies. The third chapter provides an overview and critical reading of traditional approaches to regional/sub-national developmental governance and presents an alternative, more dynamic approach that the analytical framework comprises. The hypotheses of this research are outlined and the methodology and case selection of the research is discussed in the fourth chapter where I also provide details of data selection and the construction of interview guides. In the fifth chapter I present the empirical findings of the research on external factors that have shaped the evolution of micro-regional governance in Hungary between 1990 and 2007. Besides presenting the institutional logics of national and transnational development programmes as well as the national regulative framework, I also discuss the effects they had on the overall context of micro-regional governance. In the sixth chapter I describe the overall institutional history of the six cases, while the seventh chapter provides an analytical, comparative study of institutional pathways in the six micro-regions. In the last chapter I draw some conclusions about the overall trend of micro-regional governance in Hungary over the decade, and present a summary of institutional development patterns and pathways. This final chapter also discusses the main contributions of the research project to existing bodies of literature.



## 2. Diverse modes of developmental governance in micro-regions

The research investigates *variations in the patterns and dynamics of governance* in Hungarian micro-regions between 1990 and 2006, a period in which multiple developmental opportunity structures were emerging in Hungary for national and sub-national actors to frame the governance of their developmental needs and goals. Under the label ‘patterns of governance’ I mean diverse institutional developmental paths. Micro-regions are institutionalized forms of associations of neighbouring settlements that have displayed great diversity in the pattern and dynamics of institutional arrangements for cooperation across localities and over time. Variations in these patterns of governance require a comparative analysis of the static state/qualities of governance at two points of time within the same micro-region. On the other hand, variations in the dynamics of governance entail a comparative analysis of different institutional pathways between micro-regions.

In the course of the research I found that several of these micro-regions were governed in the early 1990s in a non-hierarchical manner by diverse local state and non-state actors, including in their developmental policy-making. Yet, by the 2000s only a few of them had retained such governance modes and most of them have moved towards fragmented and hierarchical mechanisms. These trends were mainly shaped by domestic factors, but the EU also influenced the process indirectly by providing the central state near the end of the decade with prerogatives to control regional and sub-regional development policy. This is only part of the story, however. The EU’s pre-accession support programs played a fundamental role in strengthening the governance capacities of sub-national state and non-state actors and enabling in some places local political entrepreneurs to organize micro-regional territorial development through heterarchies even in the face of asymmetric power relations between the central government and local actors. On the whole, the framework conditions of the European regional development regime affected the role the state has played in helping and/or hindering local actors “from above” to mobilize their resources “from below” through sets of institutional arrangements favouring distributed or non-distributed authority among stakeholders in associations.

In the first half of the decade public, institutions at the non-local level (the state, the EU) helped micro-regional actors “from above” to mobilize their resources “from below” through framework legislation and concerted policy mechanisms of development programs. By the end of the decade the same state-level and transnational institutions strengthened hierarchical and asymmetrical sets of relations and fostered collusive coalitions among local actors. In this respect, the research is indicative of the trend that in a country with a centralized territorial development regime such as Hungary the state shows no interest in promoting win-win associations of local actors at sub-national levels. More specifically, the transformation of Hungarian micro-regional governance has been about the way the central state wedged its hierarchical institutional logic into micro-regional development ecology, which had been organized spontaneously in heterarchies by local actors themselves.

These findings go beyond Bruszt’s thesis on the low equilibrium trap of the early and the asymmetrical equilibrium-model of the late 1990s<sup>1</sup> (Bruszt, 2008). As an extension I propose that the shift in the EU’s policy priorities by the end of the decade contributed to the increasing centralization and bureaucratization of micro-regional governance reaching its “perfection” in the institutional framework of the multi-purpose partnership (centrally defined institutional qualities) in 2004. The decreasing autonomy of micro-regional actors to organize alliances in which they can define their own developmental priorities is seen in the way the integration of organizational, functional and territorial micro-regional diversity became limited towards the end of the 1990s. The EU’s strengthening of central state capacities meant the enforcement of incumbents’ “unwillingness” to share power with non-state and lower state actors in controlling the (re)distribution of resources.

In fact, in the asymmetrical power relations of the “stronger societies vs. much stronger state” of the late 1990s-early 2000s, non-state actors in some micro-regions (Sümege,

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<sup>1</sup> Bruszt argues that the 1990s in the Central and Eastern European states (CEEs) were characterized by institutional stagnation in the field of territorial development governance. The low equilibrium trap was due to the weaknesses of both the demand and the supply side; i.e. that of the central state and non-state actors at the sub-national level. Civil society, on the one hand, was too weak in the CEEs to be organized at the sub-national level and to politicize problems of economic transformation into effective demands through territorial alliances. The weakness of the central state was apparent less in its capacity to “cast a credible shadow of hierarchy” but rather in its lack of “resources, skills and level of coordination among branch ministries to experiment with decentralized integrated and inclusive sub-national policy-making” (Bruszt Policy Brief, 2, 2008). In fact, the central state retained too much of this shadow of hierarchy in the sense that the incentives for incumbents to share power and to depart from centralized control of resources were especially weak in these countries. According to Bruszt, by the end of the 1990s all CEEs – Poland, the Czech Republic and Hungary – had departed from this low equilibrium trap in different directions: Poland has moved over to one end of a continuum with more or less inclusive and decentralized territorial governance; Hungary over to the other end with rather centralized and fragmented territorial policy-making; and the Czech Republic has moved somewhere in-between.

Zalaszentgrót, Mórahalom) have tried to organize non-hierarchical alliances to have better control over their developmental resources. These types of alliances were not in the interest of the central state, which saw its re-strengthened control over the redistribution of resources challenged by micro-regional actors. Therefore, with its newly confirmed power since 1999 the central state has been searching for institutional solutions that enable incumbents to best control the (re)distribution of resources at the micro-regional level. The best way to control resources is to make the formation of win-win alliances between local actors difficult and to foster asymmetrical power relations among local actors. Elevating local governments to the position of having exclusive prerogatives for defining and implementing micro-regional development programs through the institutional framework of the multi-purpose partnership entailed the perfection of a controlled system of channels to (re)distribute resources. From the perspective of the central state, local governments are much more easily “controlled” through a system of centrally defined functional scopes and territorial scales than non-state actors whose alternative institutional logic (always) challenges the power of state actors.<sup>2</sup>

The role that the EU played in this process was to provide large lump sums of financial resources through pre-accession funds (PHARE, SAPARD, etc.) and the Structural Funds (SF) that provided different kinds of incentives for domestic actors to organize sub-national territorial development governance, leading to the asymmetrical empowering of state and societal actors. PHARE programs, for example, retained the institutional logic of non-hierarchical territorial governance by supporting integrated local development based on local initiatives and partnership even until their termination (2002-2003). Yet they also strengthened central state control over the definition and implementation of sub-national (micro-regional) development programs by stressing the need for financial and technical accountability in preparation for the management of the SF (PHARE 1998, 1999). The case studies here suggest that despite the increasingly limited framework conditions and asymmetrical power relations of the late 1990’s and early 2000’s, some micro-regions have still been able to transform associative institutions in ways that distribute authority, while others have reorganized their association in fragmented ways leading to the disintegration of heterarchic relations and bottom-up associations.

In order to analyze variations in micro-regional governance at the most abstract level, I rely on definitions of governance borrowed from economic sociology (Campbell,

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<sup>2</sup> This has been the general attitude of state actors towards non-state actors across various levels of the state.

Hollingsworth, Lindberg, 1991; Hollingsworth-Schmitter and Streeck, 1994; Hollingsworth and Boyer, 1997). The research identifies governance as social and political arrangements by which at an organizational field level power and authority are exercised, involving formal and informal, public and private, regulatory and normative mechanisms (Crouch, 2005:20). At a more concrete level, the mode of developmental governance refers to the way relationships in the process of making and implementing development programs are organized among different categories of stakeholders at the micro-regional level (e.g.: local governments, NGOs, business) and across various levels of the state (micro-regional, county, regional, state levels). “Since developmental governance is primarily about the power to decide who has a say and what counts in planning development, basically all discussions of the diverse patterns of governance take the diverse dimensions of the distribution of power into account in one way or another” (Bruszt 2007). This understanding of governance moves beyond emphasizing only the association of a diversity of actors prevalent in the regional development paradigm (Putnam 1993, Leonardi 1995, Paraskevopoulos 2001, Amin and Thrift 1998, Cooke and Morgan 1998, Scott and Storper 2003). Extended by arguments of economic sociology (Sabel 1993, 1994, Grabher and Stark 1997, Grabher 2001, 2005, Bruszt 2000), it claims that what ultimately matters is the association of a diversity of actors in a way that distributes authority and intelligence among participants.

For the discussion of variations in modes of micro-regional governance I propose here to use two dimensions that matter most from the viewpoint of the relationships among different categories of stakeholders at the micro-regional level: **the scope and mode of association**. **Scope of association** denotes the extent of inclusion of various stakeholders. This means that the scope of association can be integrated, in which case the representation of diverse stakeholders within the association is inclusive, or alternatively it can be fragmented, in which case representation is exclusionary. The role of inclusion of diverse sectoral representatives in regional development has been elaborated by a number of studies (Putnam 1993, Leonardi 1995, Paraskevopoulos 2001, Keating 1998, 2000, 2003, 2004, Amin and Thrift 1998, Cooke and Morgan 1998, Bruszt 2002, 2005, 2007, Grabher 2005, Trigilia 2001). In the case of Hungarian micro-regions, the degree of inclusion can be measured by four dimensions that were reshaped by external (EU pre-accession funds, transnational development program funds, national funding programs, the national regulatory framework

and EU Structural Funds) and endogenous (by micro-regional actors) factors several times between 1990 and 2006. The four dimensions that are synergistically inter-related are:

- The scope of **organizational inclusion** vs. **fragmentation**
- The scope of **functional integration** vs. **fragmentation**
- The scope of **sectoral inclusion** vs. **fragmentation**
- The scope of **territorial integration** vs. **fragmentation**.

The first dimension describes the degree of association of various types of organizations. This dimension might convey either homogeneous or heterogeneous organizational ecologies. In a heterogeneous organizational ecology several different kinds of organizations are present, such as civil associations, foundations, local governmental partnerships (LGPs), etc. In terms of the degree of their association these organizations may be either integrated or decoupled. The latter denotes a fragmented organizational ecology where organizations exist parallel to one another without collaboration. In an integrated ecology, on the other hand, cross-organizational ties might take several forms. These can be ad hoc, informal or formal durable horizontal (loosely coupled), contracted (formal) hierarchical, or informal hierarchical. In both of the last two cases cross-organizational relations are characterized by uneven resource distribution.

The second dimension describes the degree of association of various kinds of developmental goals (functions). This dimension might convey either a single-issue based or multidimensional functional ecologies. In the latter various kinds of developmental functions exist, such as social, economic and infrastructural goals. In terms of the degree of their association multiple functions can be either integrated or fragmented. The latter would mean that several developmental orientations may co-exist without being organized into concertation or orchestration. In an integrated functional ecology, the orchestration of developmental functions supposes a hierarchical organization of functions, while concertation is about a division of labour among organizations in terms of developmental responsibilities and tasks. If concertation is based on durable organizational ties, we can talk about a micro-regional developmental coalition.

The third dimension describes the variety of sectors that are represented by participating actors in the organizations and in the micro-regional development field. This

dimension might either display a monosectoral or a multisectoral representation scheme. In a monosectoral developmental ecology we would find the overwhelming representation of a single sector, such as local governments, either because of the weakness or the exclusion of non-state actors from the development field. On the other hand, multisectoral representation denotes the inclusion of a diversity of sectors in the development field.

The fourth dimension describes the degree of association of settlements in the area of the micro-region. This dimension is about the way territorial scales of organisations' service area are organized. It can denote a diversity of territorial scales that are either integrated through a division of labour among organizations, or fragmented by the lack of collaboration of organizations covering different territorial scales. Alternatively, it can also mean a homogeneous area that is often organically and historically integrated. Ultimately, this dimension describes whether the micro-region has retained its spatial integrity over the years.

From the viewpoint of the changing positions of micro-regional governance the significance of the four dimensions weigh differently. Variations in the patterns and dynamics of micro-regional governance are best illustrated by changes in the scope of association in the sectoral, functional and organizational dimensions; hence the priority foci of the research are on them. Nevertheless, the transformation of the scope of association in the territorial dimension is also taken into consideration at the margins.

The **mode of association** refers to the way associations take decisions about the goals and means of development. This might be hierarchical centralizing decision-making in one hand depriving any other actor of autonomous action; or alternatively it can be non-hierarchical based on some distribution of authority among actors leaving room for autonomous action of participating actors. In the case of Hungarian micro-regions, the mode of association can be measured along two axes – and an additional sub-dimension:

- **Informal vs. Formal**
- **Centralized vs. Distributed**
  - **Evenly discretionary vs. Unevenly non-discretionary**

The first dimension here denotes whether the mode of decision-making in developmental matters is overwhelmingly based on informal mechanisms, such as conventions and norms, or alternatively if it is regulated by formal rules, and contracts between partners. The second dimension describes whether the mode of decision-making is

centralized in one hand (one organisation, one sector, one person) or alternatively decisions are made through distributed authority among participating actors. The sub-dimension of the latter refers to the de jure and/or de facto rights of actors to participate in decision-making. In this vein, decision-making can be evenly discretionary if all actors have both de jure and de facto rights to participate in decision-making. On the other hand, decision-making is unevenly non-discretionary if certain actors' rights to participate are de facto limited or inhibited entirely.

All in all, integrated scope of association means that multiple sectors of civil society, public administration, and businesses can be represented in the definition of developmental goals and means through the inclusion of a diversity of micro-regional actors and organisations. A fragmented composition of association on the other hand would mean that due to particular restrictions on associative partners (e.g.: non-state actors) the representation scheme of decisions on the goals and means of micro-regional development reflect a single institutional context/sector (most likely that of local governmental public administration logic). The mode of association ultimately describes the extent to which the integration of various sectors and the inclusion of diverse actors are organized in hierarchies or in more or less evenly distributed authority.

On the basis of the case studies three ideal types of diverse patterns of micro-regional governance have been identified:

4. **Integrated, non-hierarchical:** in which various micro-regional sectors are integrated through the inclusion of heterogeneous actors whose mode of association distributes authority more or less evenly among them to participate in defining developmental goals and needs. The micro-regional governance that is about including heterogeneous actors in a way that allows the accommodation of their interests and values through non-hierarchical relations in decision-making can be called heterarchic (Grabher 2006; Stark, 1999; Grabher and Stark, 1997; Bruszt, 2000). Examples of this ideal-type can be found currently in the micro-regions of Mórahalom and Zalaszentgrót. Heterarchic modes of governance could also be found in the micro-region of Sellye and the old micro-region of Encs at the beginning of their institutional evolution.
5. **Fragmented, top-down:** in which the scope of association displays exclusionary institutional practices in the sense that non-state actors are marginalized and/or completely excluded from micro-regional developmental decision-making. This

indicates fragmentation in the composition of association and a hierarchically orchestrated representation of sectors in the definition of developmental goals. The mode of governance that is about including heterogeneous actors but marginalizes some of them by not giving them autonomous action in decision-making can be called non-discretionary-integrated. The mode of governance that excludes groups of stakeholders and centralizes decision-making while depriving other actors of autonomous action can be called centralized exclusionary. Such patterns of governance can be found currently in the micro-regions of Sellye, Keszthely-Hévíz and Encs/Abaúj-Hegyköz. Fragmented, top-down governance modes could be found in the micro-region of Sümeg at the beginning of its institutional evolution.

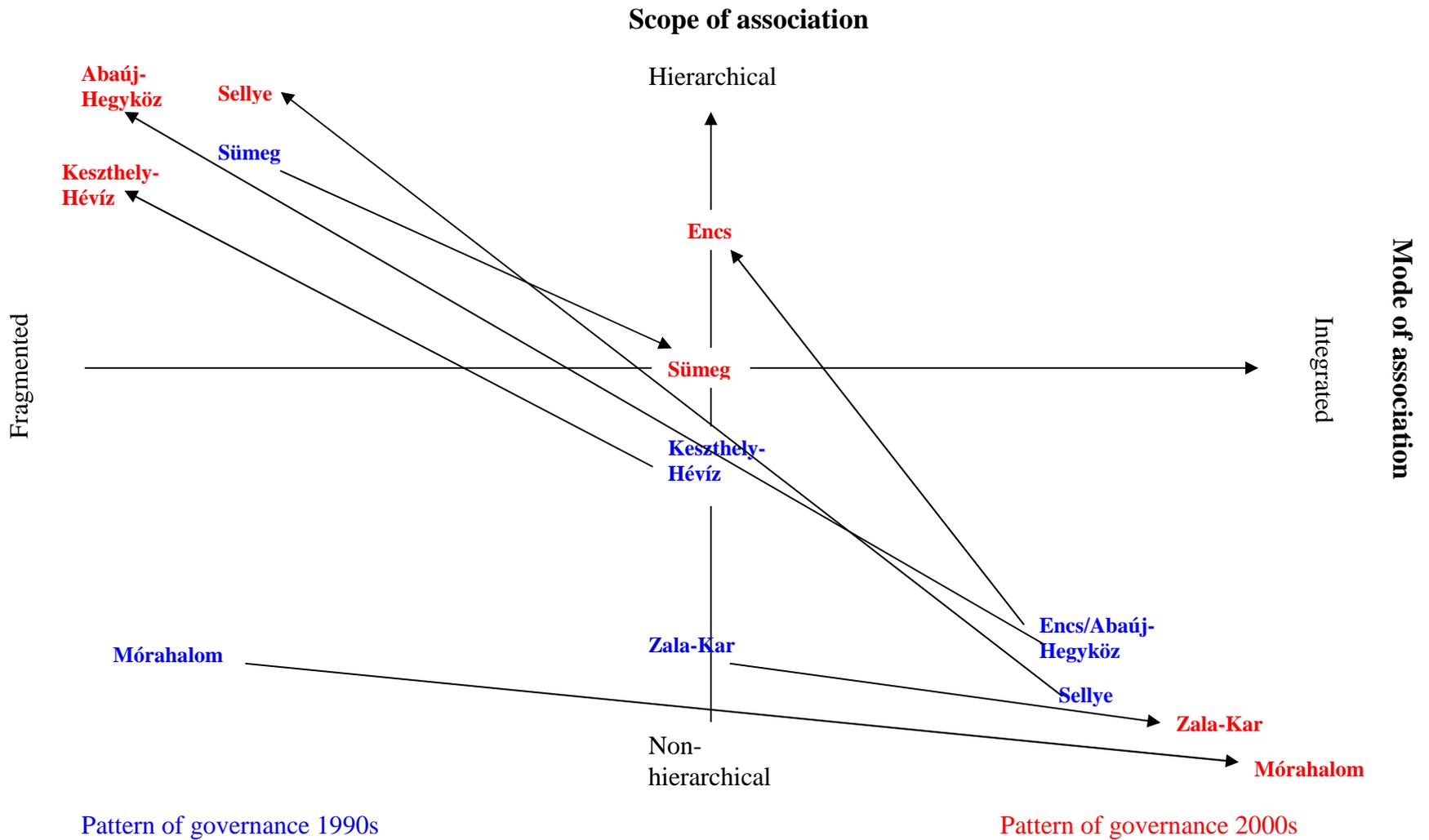
6. **Hybrid or mixed:** in which elements of the other two ideal-types above can be found. In other words, some inter-organizational ties in this type of governance mode display ad hoc and/or durable horizontal, non-hierarchical features and a proactive concertation of diverse institutional logics. On the other hand, other organizational ties of micro-regional governance may still be organized in informal and/or contracted hierarchical ways with one organization holding more stable positions in the development field due to imbalances in institutional resources. Examples of this hybrid governance pattern could be found currently in the micro-region of Sümeg, and the current Encs part of the old micro-region of Encs. In the micro-regions of Keszthely-Hévíz, Mórahalom and Zalaszentgrót hybrid governance modes could be found at the beginning of their institutional evolution.

Although none of the case studies correspond exactly to these ideal-types, they can be located closer to one of the ideal-types at different points in time over the decade. In fact the study of the six micro-regions has shown that within these ideal-type governance modes further variations in institutional transformation have taken place.

For the sake of conceptual clarity it is important to distinguish ideal-type governance modes from patterns of change in governance in order to define the directions and dynamics of institutional change in associative relations over the decade. For example, diverging pathways of institutional transformation can be observed between the micro-region of Sümeg and the rest of the case studies because, in the early 1990s, Sümeg was closer to the second ideal-type and currently it is closer to the third type of governance mode, while all other cases were closer to the first ideal-type in the early 1990s and diverged from that status in various

directions by the 2000s. The micro-regions of Sellye and Encs/Abaúj-Hegyköz are examples of a pattern of governance change moving from the first ideal-type in the 1990s closer to the second type by the 2000s. The micro-regions of Zalaszentgrót and Mórahalom have moved from the third ideal-type towards heterarchic modes of governance (the first ideal-type governance mode).

1. Figure: Change in patterns of governance between 1990 and 2007



### **3. Different approaches to micro-regional governance and institutional change**

#### **3.1. Traditional approaches**

##### **3.1.1. Conceptualization of regional development: traditional and institutional approaches**

*Traditional approaches: from monocausal models to the new regional development paradigm*

There seems to be agreement among scholars of regional development that “what counts as the local has been transformed by globalization” (Amin and Thrift, 1998), i.e. that the global restructuring of economic activities since the 1960s had all-pervasive implications for the emergence and development of regional economies (Keating 1998, 2000, 2003; Amin and Thrift 1998; Cooke and Morgan 1998; Paraskevopoulos 2001; Scott and Storper 2003). In the 19<sup>th</sup> century, subnational territories were seen as obstacles to the great national project of identity building, economic and political centralization. Territorial management was the primary task of the national centre and political authority was also ultimately centralized (Keating, 2003). In the post-war years of the 20<sup>th</sup> century, subnational territories became objects of European states’ modernization projects (Keating, 2003). Especially by the end of the 1950s and early 1960s the problem of territorial disparities was recognized as a marginal and temporary issue of the Keynesian welfare state, which had to be corrected by industrial diversion through state intervention (Keating, 2003; Paraskevopoulos, 2001). Traditional modernization policies up until the 1970s handled sub-national territories as objects and products of central state interventions, “administered by the state with little local input” (Keating, 2003: 258).

These trends were reflected in monocausal explanations of the development process in the period that viewed development as the result of a single cause, such as physical capital, entrepreneurship, price levels, human capital, and market economy. These theories considered development to be a non-linear process (Adelman, 2001: 104-130) in which increasing economies of scale and the creation of large industrial enterprises served as the means promoting growth and hence economic development. Within this framework the role of the state to overcome uneven territorial development is to intervene through top-down policies. In

this context sub-national territories became the secondary locus of economic activity; local and regional authorities were subordinate agencies of central state policies (Sabel, 1994a).

Classical and neo-classical theories considered development to be synonymous with economic growth. Classical economic theories claimed that underdeveloped peripheral territories could follow in the successful path of the industrialized centres if investment was diversified over a broad range of industries and/or geographical clusters through an inductive push on the part of the government.<sup>3</sup> For the modernization of underdeveloped peripheries a critical minimum effort is necessary to break out of the low-level equilibrium trap (Meier, 2001). Since the development process is unidirectional, underdeveloped peripheries under these conditions would eventually reach the post-maturity stage of high consumption through a ‘takeoff’ into self-sustaining economic growth (Weaver, 1981). It was the beneficial effect of government intervention that neo-classical development theory took issue with. It saw development conditioned by market activities and entrepreneurship (Adelman, 2001: 109). According to this model, peripheral regions “are underdeveloped because they lack the necessary industrial base that would allow them to compete with core areas” (Leonardi, 1995: 35). In order to change their development trajectories, the replication of industrialization; i.e. large enterprises relying on economies of scale – as seen in the successful regions – is necessary. This could be achieved through spontaneous market processes that the state should not interfere with (Leonardi, 1995). The role of the state in the changing development process is to create policies that support this process.

The new growth theory of the late 1980s and early 1990s saw economic growth as a result of soft capital – of intellectual properties, rather than hard, physical capital factors. It projected an interaction between the economic sector and what is traditionally viewed as the social, human sector of the economy (e.g. education). The role that governments can play in this interaction is to invest in human capital and knowledge, hence to facilitate development through policies that promote cross-sectoral interaction (Adelman, 2001: 115). Interpreting economic development as “a mixture of exogenous constraints, the reorganization and build-up of local asset systems, and political mobilization focused on institutions, socialization and social capital (Scott and Storper, 2003), new growth theory provided a broader perspective

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<sup>3</sup> Classical economic development theories also included Nurkse’s vicious circle of poverty hypothesis, Myrdal’s cumulative causation model, and Perroux’s growth-pole theory. Myrdal’s model assumed that initial inequalities in regional distribution of factors of production and income will remain the same as production factors (skilled labour, capital, technology, entrepreneurship) tend to move to already developed regions, “rewarding” the successful ones with further investment, and “robbing” the less developed ones off of a future potential to change their development trajectories. Perroux’s theory emphasized that underdevelopment tends to characterize rural areas with a low level of urbanization and a shortage of economic infrastructure, capital and skilled labour.

on the definition of development. It included elements of territorial sensitivity and the belief that endogenous conditions of development; i.e. institutional arrangements, determine the concrete habits and locational relationships through which knowledge is generated and deployed in development (Scott and Storper, 2003).

The multidimensional and institutionalist models of economic development that followed new growth theory could all find their roots one way or another in Schumpeter's and Hirschman's development theories. Schumpeter's theory of economic development challenged monocausal explanations of development by drawing a distinction between economic growth and development. The former he conceived as the circular flow of an equilibrium position in economic life, while the latter he viewed as change within the framework of economic life that disrupts the traditional course. "By this we should mean that economic development is not a phenomenon to be explained economically, but that the economy, in itself without development, is dragged along by the changes in the surrounding world, that the causes and hence explanations of development must be sought outside the group of facts which are described by economic theory" (1961: 63).

Similar to Schumpeter's definition, for Hirschman "Development presumably means the process of *change* of one type of economy *into* some more advanced type" (1958: 51-52).<sup>4</sup> In this sense, the concept of development inherently conveys the notion of change, of breaking an existing equilibrium of economic conditions. Hirschman emphasizes that development is a combination of deliberation and a spontaneous, gradual process of change. The nature and degree of change needed to carry out development becomes clear for the actors "in the course of the development process as they make false starts and as they meet with, and overcome successive obstacles" (1958: 10).<sup>5</sup> This process can be described as "disequilibrium learning" (Sabel, 1994b), where actors learn to solve developmental bottlenecks as they discover how to recognize and make use of opportunities (Sabel, 1994b).

Schumpeter and Hirschman suggest that the key concept of development is 'institutional innovation,' i.e. the calling forth of abilities and resources through mechanisms of decision-making (Hirschman, 1958: 23-26). In a similar vein, the role that institutions play in the development process has been elaborated by such scholars as Amartya Sen, Douglass North and Charles Sabel. In general, institutions are seen to provide the conditions for integrating different dimensions of development and allowing people to contribute to and participate in the definition and implementation of development goals. According to North, economic

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<sup>4</sup> Italics are in original.

<sup>5</sup> This is echoed in the works of Stark and Sabel, Grabher, and Bruszt from economic sociology.

development is a process of institutional change with alternative variations and choices for individuals within the institutional system to take. Alternatives evolve through the inclusion of diverse ideas and goals of participating actors. Therefore, it is “democratic decision-making institutions built on cooperation, dialogue, public discussion and the exchange of ideas” that can offer the way to an adequate definition of developmental goals (Sen, 1999). Such participatory institutions offer the opportunity to choose from a repertoire of alternative institutional settings by incorporating “private initiatives as well as public arrangements and also more mixed structures, such as nongovernmental organizations and cooperative entities” (Sen, 1999: 53). Participatory institutions are implemented through a deliberative process of joint planning and problem-solving where “strategies and solutions will be articulated and forged through deliberation and planning with other participants, [that is] participants will often form or transform their preferences in the light of that undertaking” (Fung and Wright, 2003: 20). Such deliberative mechanisms allow for the formation of strategies and solutions that would have been impossible based on the initial preferences of the participants (Evans, 2004; Sabel 1994b).

By turning their attention away from tangible (physical infrastructure, financial capital, technology) towards less tangible ingredients of development, such as institutions, multidimensional development theories shed light on factors of development endogenous to localities. This shift in the focus of development studies was due to socio-economic processes in the post-war era, such as:

1. *the crisis of the model of state territorial management and spatial economic policy elaborated in the years following the Second World War.*
2. *the constellation of effects captured by the term globalisation*
3. *the rise of new forms of spatially-based production systems and forms of social regulation*
4. *the resurgence of cultural regionalism, including minority nationalism and identity politics*
5. *the effect of institutional structuring as states have put in place intermediate or regional tiers of government (Keating, 2005: 6)*

Since the late 1980s, in Europe the synergistic trend toward globalisation has been European integration that has increased regional economic disparities and has pitched regions into competition for inward investment and markets (Keating, 2003). Furthermore, market integration and Community regulations have transformed state capacities and modified the political relationship between the state and its sub-national territories (Keating, 2003). Especially since the Single European Act, regions have increasingly had their voices heard in

policy-making both at the national and the European levels. This phenomenon followed the trends of increasing decentralization and devolution across European nation states and the principles of EU structural funds, such as additionality, transparency and partnership. As Keating notes, “A system of planning was put in place, with partnerships among the regions, states and the Commission allowing direct links between regions and the EU” (Keating, 2003: 263). Through the structural funds the EU has played a role in the mobilization of new territorial actors and the evolution of new systems of organization, even if nation states have largely remained the prime actors of policy making (Keating, 2003).

This led to the redefinition of the “region”/sub-national territory and its role in territorial development: “The new development paradigm gives an important role to the construction of identities, of territorially based systems of action, and territorial solidarities” (Keating, 2003: 262). In this context, regions have started to be referred to as “springboards of the development process in general, and as sites of the most advanced forms of economic development and innovation in particular” (Scott and Storper, 2003: 580).

The common theme of the endogenous approach of the new regional development paradigm is that they consider *regional development to be an institutionalized process which, therefore, is context-specific*. Central concepts of the approach, such as “the learning region”, “associational economy” (Morgan and Cooke 1998), “relational assets and untraded interdependencies” (Storper 1995), “innovative milieu” and “institutional thickness” (Amin and Thrift 1998) emphasize the distinctive feature of places and the strength of their relational assets guaranteed by associative institutional structures underlying the regional economy. Different schools of the new regional development paradigm emphasize various dimensions of regional associationalism. The school of flexible specialization, the Californian school and the institutional thickness theorem of the British school concentrate exclusively on endogenous qualities of the associative institutional structure of the region. The literature on associational economy and the local production systems (governance approach) see regional development evolving in the interaction between endogenous factors and the wider institutional context (national, European).

### *Flexible specialization*

The school of flexible specialization, represented by Piore and Sabel (1984) “placed the success of such forms of production in macro-economic and historical context and postulated the possibility of an ‘industrial divide’ separating a putative era of flexible

specialization form that of post-war mass production” (Storper, 1995: 193). The region that they described this way was characterized by decentralized industries, dense institutional structures and collaborative competition. The factors and dynamic forces of development were seen to be localized and territorially specific; and linked to regionalized and territorially specific institutions (*milieu*) (Storper, 1995).

#### *Californian school of transaction economics*

The Californian School of transaction economics attempted to create an economic model of the agglomeration process. It argued that “modern flexible specialization generates specific and new forms of agglomeration economy; such that firms tend to cluster together rather than dispersing” (Keating, 2005). The reason for this is in firms’ need to adapt rapidly to the changing circumstances of the uncertain market environment (Keating, 2005, Storper, 1995, Scott, 1998). This adaptation requires innovation and knowledge exchange (transactions), which tend to have points of failure in the absence of appropriate institutions (Storper, 1995). These institutions provide the environment for *untraded interdependencies*, the central concept of the transactionist school. *Untraded interdependencies* take the form of conventions, informal rules and habits that coordinate economic actors under conditions of uncertainty. These relations constitute region-specific assets in production that cannot be transferred easily from one region to the other (Scott and Storper, 2003). In this context, the region “is a key source of *becoming* – of development – in capitalism” (Storper, 1995).

#### *British school of associational economy*

The school promoted by British scholars goes even further in emphasizing “soft” institutional elements of local/regional production systems. This strand of literature is represented by the concepts of *associational economy* (Morgan and Cooke, 1998) and *institutional thickness* (Amin and Thrift, 1994), which are viewed essential elements underpinning regional economic performance.

Amin and Thrift conceptualize the region as a medium and outcome of social interactions; a place in which distinctive meanings are produced and contested amidst social and economic heterogeneity (1994). For them successful regional development depends on social and cultural factors that can be best summed up as *institutional thickness*. Local *institutional thickness* is constructed through a plethora of institutions, high levels of interaction amongst them, sharply defined patterns of coalitions, and the development among participants of a mutual awareness that they are involved in a common enterprise (1994).

According to Cooke and Morgan, institutional thickness alone is insufficient to explain regional development. For development to take place institutional thickness has to be accompanied by a reflexive process of learning through continuous interaction and feedback within and among different institutions. Since learning is an interactive and socially embedded process, which cannot be understood outside its cultural and institutional context, the wider environment – i.e. the social and political system in which it is embedded and with which it interacts, can play a vital role in facilitating or frustrating its learning capacity (Cooke and Morgan, 1998: 17). Emphasizing the role of learning in an interactive framework, the associational economy thesis moves away from the micro-level analysis of regional development and opens the way for conceptualizing the role the wider environment, such as the state or European/global developmental regimes, plays in setting the framework for regional development. The “key developmental role of the state is to create conditions - the formal framework as well as the informal norms of trust and reciprocity - whereby firms, intermediate associations and public agencies can engage in a self-organized process of interactive learning” at the local level (Cooke and Morgan, 1998: 23).

Contrary to the thesis of Putnam the associational economy model considers social capital rather as an intangible asset than a fixed once, and as forged by framework conditions rather than being a historically and culturally pre-given endowment. It believes that social trust in modern complex societies can arise from state/society synergies through the involvement of state, market and civil society in development projects (Paraskevopoulos, 2001). The framework conditions of these synergies are forged by the state. The “main features of the state structure in degrees of bureaucratization, centralization and clientalism can account for the way in which local problems are regulated and state/society relations are shaped. Top-down initiatives based on hierarchical (clientalistic), intergovernmental networks cannot constitute a viable basis for the long-standing processes of social capital-building and crossing the public-private divide” (Paraskevopoulos, 2001: 20).

### *Local governance approach*

In the same vein, the governance approach steps out of the micro-level analytical focus of region-specific strategies and conceptualizes an oscillation between endogenous and exogenous dimensions of institutional arrangements. According to Crouch, to ensure competitive values and to compensate for competitive deficits of local small and medium enterprises (SMEs), the institutional framework of the local economy has to have a collective perspective. This is ensured by institutional safeguards that are realized by social and political

arrangements, i.e. by forms of governance (2001; 2004). Institutional variants define the qualitative aspects of governance. They are selected through the filter of the local context that assesses and interprets new opportunities for developmental change. This is a fine-tuning exercise that can produce incremental “localized” change as different governance mechanisms are combined and recombined in the selection process (Boschma, 2005). The local environment, including conventions, rules, local problems and opportunities “acts as a sort of selection mechanism that may, or may not provide conditions favourable to meet the new requirements of change” (Boschma, 2005: 253). The efficiency and qualitative aspects of this selection process, however, are influenced by the degree of freedom local actors have in influencing the direction of their development paths. Exogenous imposition of local governance arrangements, for example, may block openness and diversity that can lead to the lock-in of developmental dynamics. In the same vein, procedural and formal mechanisms may block the loose coupling of ties (Grabher-Stark, 1997) where organizations may lose their independence and their ability to “know their environment better” and to select institutional arrangements specific to the needs, endowments and goals of this environment. This hinders the adaptation of the local environment to the wider developmental environment (Grabher-Stark, 1997).

### **3.1.2. A critical reading of the new regional development paradigm**

A closer reading of the new regional development paradigm unveils a number of issues that have remained outside the focus of the endogenous approach. Firstly, it has focused on fixed social capital endowments and has taken cooperation for granted, neglecting institutional diversities. Secondly, it has concentrated on institutional structures and neglected agency, local actors’ choices that they take as they make sense of framework conditions.

#### *Neglecting the politics of diversity vs. fixed social capital endowments*

Smith (2001) and Sadler (2003) both take a critical view on the new regional development paradigm for its overwhelming focus on social capital endowments, collective action and institutional thickness that it takes as single prerequisites of successful regional development models. Indeed, concentrating mostly on endogenous strategies of the micro-level, the new regional development paradigm downplays the role of external forces and power relations (Sadler, 2003).

This research takes issue with the new regionalist approach on the grounds that such simplification of social reality reduces regional development to a zero-sum game where regions end up as either permanent winners or losers. The new regionalist approach implicitly denies the possibility of variation in regional institutional strategies beyond anything that lacks social capital endowments and collective action. The examples of the case studies of this research on Hungarian micro-regions, however, suggest that social capital endowments are not a sufficient cause for collective action. The case studies here indicate that the evolution of associative arrangements is not dependent on pre-existing social capital endowments, trust or institutional thickness. Rather, social capital and trust have been by-products of a series of institutional changes at the sub-national level over the past decade.

The conceptual single-track approach and static snapshot view on regional development disables the new regional paradigm to explain socio-economic and institutional transformations in CEE states at the sub-national level. As it explains regional developmental variations by historically and/or culturally given social capital endowments, it cannot account for successful development strategies in regions without pre-given social capital endowments for collective action (such as most regions in CEE), nor for unsuccessful strategies in regions with historically given social capital endowments. The analysis of changing patterns of collective action would require a dynamic understanding of social capital and the incorporation of the concept of institutional change. As Chapman et al. (2003) argue regional development is a dynamic process, often evolving out of competing agendas and interests rather than unity and cohesion, which had been taken for granted in the institutionalist reading of regional development. Therefore, it is necessary to reconceptualise the way associative institutions play a role in regional development by incorporating concepts of diverse interests, questions of power, the interaction among agents and the wider political, and socio-economic environment when discussing diverse developmental outcomes in regions that lack cohesion, social capital endowments and techniques of cooperation.

#### *Neglecting agency, the role of interpretation and choice by local actors*

The new regional paradigm has employed separately micro-level factors (collective action, institutional thickness, etc) and macro-level processes in the analysis of regional development. In its static explanatory framework social capital endowments appear fixed once and for all and institutional change is always generated exogenously by the state, the market or by the EU. But as Bukowski et al. (2003) point out “economic trends, lumped under

the label ‘globalization’, the economic and political effects of European integration known as Europeanization, and the political and social rule structures studied under names such as political culture, social capital, and most generally, institutions” provide only exogenous explanation for political and developmental outcomes (2003: 1-2). Contrary to the macro- and microdeterminism of the new regional development paradigm, agency “the genuine choice made by actors among possible and plausible options” should be taken into account in the analysis of regional development. The introduction of agency would give room for the analysis of the interpretative process by which local actors translate framework conditions into particular and locale-specific combinations of governance patterns. This would also provide explanations for qualitatively different institutional pathways even in less favoured, peripheral regions. Even if opportunities for institutional actors are limited in scope, in time and in effect, it is the existence of these opportunities and the final choices of actors that influence developmental outcomes. Agency brings dynamism into the discussion, providing room for the analysis of the evolution and transformation of various forms of regional governance.

### **3.2. The analytical framework - a dynamic approach**

This research intends to explain variations in the patterns and dynamics of micro-regional governance – that is, in the directions of institutional change across micro-regions over more than a decade. In other words, this is a study of the dynamic evolution and transformation of various forms of regional governance, which the static explanatory framework of the new regional development paradigm cannot account for.

The approach I take instead draws on heterodox development theories that treat development as institutional *change* (Schumpeter 1961, Hirschman 1958, Sen 1999, North 1991) and on economic sociology to emphasize the evolutionary nature of social capital. According to this approach social capital can evolve in qualitatively different ways shaped by endogenous and external framework conditions that either hinder or foster particular qualities of social networks (Trigilia, 2001). This opens up a new perspective for the analysis of the evolution and transformation of associative institutions. In this context, framework conditions – institutional structures or policy mechanisms – may favour the evolution of particular types of associative arrangements which can range from collusive coalitions and rent-seeking to heterarchic coalitions with a system of checks-and-balances thus providing positive resources for local development (Trigilia, 2001).

On the other hand, conditions provided by political action and policies offer constraints and opportunities that are always subject to interpretation and contestation by actors (Streeck-Thelen 2005). Thus, while institutional framework conditions can influence the qualities of networks (through directly or indirectly setting balances of power), local actors always retain a degree of capacity to interpret rules and bend them according to their needs as they construct associative institutions in reality. Interpretation is an important element of the process that can be shaped by social entrepreneurs. It is these socially skilled entrepreneurs who have the capacity to create frames for association and convince people to join networks even if institutional framework conditions do not favour inclusive and encompassing networks/associations. Their capacity to experiment with associative arrangements is influenced by the conditions set up by politics and policies for sub-national development. The micro-regional case studies in this research on the other hand show that despite constraining effects of the Hungarian sub-national development regime (Bruszt, 2007) actors in some micro-regions still have been able to transform associative institutions in ways that distribute authority, while others have reorganized their association in fragmented ways leading to the disintegration of heterarchic relations and bottom-up associations.

### 3.2.1. Social capital as a dynamic concept

Over the years, the original meaning of social capital has been extended and to a certain degree watered down as it became a catch-all for civic virtue and cooperation. Coleman's definition of social capital, which referred to relationships among actors that facilitate social co-operation, has been extended to denote "participation" (Putnam 1993), "networks" (Paraskevopoulos 2001, Amin and Thrift 1998) and "cultural norms" (Leonardi 1995, Woolcok 2001, Putnam 2001), mainly that of "trust." The concept has been commonly invoked to explain differences in successful development among regions. Part of the confusion around social capital is this down to the amount of conceptual stretching it has undergone, which has thought of social capital sometimes as an independent variable to explain trust, and other times as a proxy for the same concept; at yet other times trust has been seen to constitute "the most important form of social capital" (Paraskevopoulos, 2001). Putnam (2001) on the other hand, sees trust as the result of social capital but Putnam also uses it as a proxy for trust (Keating, 2003).

It was Putnam who introduced the concept of social capital to the non-academic public and to regional development studies in his *Making Democracy Work* (1993). Somewhat confusingly, in his book he sometimes conceived social capital as institutions and other times as norms:

*Voluntary cooperation is easier in a community that has inherited a substantial stock of social capital, in the form of norms of reciprocity and networks of civic engagement. Social capital here refers to features of social organizations, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated action* (Putnam, 1993:167).

The same kind of conceptual confusion can be found in Leonardi, who sees social capital as "internalized norms which stress the acceptance on the part of citizens of the positive role played by collective action in pursuing collective goods related to economic growth and social protection" (1995). For both Putnam and Leonardi the underlying assumption is that "voluntary cooperation is easier in a community that has inherited a substantial stock of social capital," (Paraskevopoulos, 2001: 16). Paraskevopoulos (2001) who still uses confusing definitions of social capital,<sup>6</sup> on the other hand, take sides with the view that social capital is

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<sup>6</sup> He first refers to social capital in the Putnamian sense as "a feature of social organization, such as trust, norms, and networks" (2001:16), then later on he argues that "trust constitutes the most important form of social capital" (17). Moreover, he believes that "social trust in modern complex settings can arise from two related forms of social capital: norms of reciprocity and networks of civic engagement" (18).

not a pre-given and eternally fixed concept. It can be created, and the role of the state in promoting collective action is thus crucial in building social capital through successful state/society synergies (Paraskevopoulos, 2001). Although he also accepts the relevance of Sabel's "studied trust" concept, he still seems to come to a conclusion different from the dynamic approach. For Paraskevopoulos, studied trust entails the "cumulative character of social capital", which basically is the repetition of Putnam's conceptualization about the creation and destruction of social capital marked by virtuous and vicious circles (2001). This conceptualization sees social capital as an endowment and not as a mobile intangible asset.

This standard functionalist logic would explain variation in micro-regional associative arrangements based on varying levels of existing and culturally given social capital endowments. The determinism of this path-dependent logic of the evolution of social cooperation, however, cannot be substantiated in the case of Hungarian micro-regional governance. In none of the micro-regional cases could one find a historically given culture of cooperation at the formative moment of micro-regional associations. It was rather the opposite: a high level of structural (hierarchical cross-settlement relations, overwhelming regional socio-economic disparities) and social fragmentation (distrust) lingering on from the socialist regime. Furthermore, the networks that have evolved over the years in some cases do not yield public goods. In this sense, Putnam's underlying assumption of the beneficial character of social capital does not have explanatory value. Another downside of the Putnam's concept is its building on the idea of strong community/network ties, which as Granovetter has successfully argued, can suffocate and undermine innovation and development initiatives (see Granovetter 1973, 1983).

Despite the all-pervasive social and economic fragmentation of the early 1990s all micro-regions in our case studies managed to organize their integration (to associate) in some ways. Differences among them can rather be attributed to the degree and kind values of association – i.e. the way integration was organized, who was included and who was excluded from cooperative arrangements, and what the rules of inclusion were. This underpins the arguments of several critics of Putnam's thesis that social capital in itself is of little significance; its importance resides in its ability to lever in and maximize the use and development of other sources of capital. In other words, in order to gain meaning it must be activated or generated for instrumental purposes (Portes-Landolt 1996, Evans-Syrett 2007, Trigilia 2001, Piselli 1999

This alternative approach conceives social capital in terms of a set of relationships, i.e. as social networks, and sees the significance of such networks not in their "existing level" but in

terms of the way different forms of social capital are marshalled to achieve different things in a balanced way (Evans-Syrett 2007, Trigilia, 2001). This implies that social capital accumulation is not a static culturally given feature but rather an intangible asset (Crouch, 2005) that can be generated and can evolve non-linearly into qualitatively different forms. From this point of view, it is necessary to study the specific conditions that foster – and those that might hinder – the evolution of social capital as a positive resource for development (Trigilia, 2001). A “good endowment of social capital allows for policies which are more efficient and effective for promoting human capital and specialized knowledge, and for providing collective goods such as services, ... social capital can be a strategic resource to favour the competitiveness of a certain area” (Trigilia, 2001: 438). This alternative view of social capital suggests that “well-defined policies can help these processes by encouraging networks but also by restraining their attitudes to collusion and rent-seeking” (Trigilia, 2001: 439). Hence, the role of the state and of larger regimes – such as the EU – is essential in supporting local actors from above through policies aimed at mobilizing their resources from below through networks and cooperation (Trigilia, 2001).

Defining social capital in terms of social networks entails that access to social capital – and often other forms of capital – is restricted to those who are part of the network (Evans-Syrett, 2007; Portes-Landolt, 1996, Trigilia, 2001). This dimension of the dynamic notion of social capital suggests that besides studying who is part of the network and who is excluded from it, it is inevitable to look at issues of power and ask: who decides – or who has the capacity to decide – the list of potential associative partners? On the basis of what criteria can they be included or excluded from the association? After all, who decides – or who has the capacity to decide – the rules of inclusion or exclusion? I suggest that access to networks and rules of inclusion/exclusion can be analyzed with a view to the interaction between external framework conditions and their endogenous interpretation by actors themselves in the course of the enactment of institutions.

### **3.2.2. Institutional change from within**

That varieties of networks depend on the interaction between external and internal conditions of the institutional field draws on the view that institutional change is neither about incremental minor nor abrupt major changes in institutional structures (Streeck-Thelen, 2005). Rather than rapid innovations induced by exogenous shocks at critical junctures of history, or

contingent events setting in motion changes with legacies of the path,<sup>7</sup> it is the continuous, practical enactment of institutions by human agents that changes institutions from within.

According to this view, meanings and functions attached to an institution may change in the course of the enactment of the institution and these changes may transform the larger framework, the institution itself endogenously. Ultimately then, institutional change, ensues when a multitude of actors switch from one logic of action to another (Streeck-Thelen, 2005). Since logics of action and institutional structures are not related in a one-to-one manner, actors often have enough ‘play’ to experiment with new behaviours inside old institutions in response to new and as yet incompletely understood external conditions (Streeck-Thelen, 2005). In the course of these experimentations, enterprising actors may discover, invent, suggest, reject or adopt new interpretations of rules. This may happen in a variety of ways and in directions that are often unpredictable.

#### *Interpretation mirroring power relations*

As the ultimate definition of an institution evolves in the course of its enactment on the ground, actors’ conduct and relations with one another during the enactment have influence over the path of institutional evolution. Relations among actors are affected by balances of power that can limit their actions to various degrees vis-à-vis each other.

Drawing on Lukes’s (1977) and Scott’s (2001) classifications of power, there are two broad streams of conceptual definitions differentiated here: one that sees power as an act that one actor *exercises* to have another actor to do something; and another that rather sees power as an actor’s *dispositional capacity to have influence over* another actor to do something. The deliberate intervention of a principal to produce a specific effect on a subaltern would be an example of exercising power over somebody. This understanding of power assumes that decision-making involves direct conflict between actors as principals get subalterns do something they would not do otherwise.

A similar conceptualization of conflict and coercion appears in – what Lukes had named – Bachrach’s and Baratz’s two-dimensional view of power. In this view, “a principal has power over subalterns to the extent that he or she can prevent the subalterns from doing

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<sup>7</sup> Thelen (2003) draws a broad distinction between these two models of institutional change. Broadly speaking, the prior model of punctuated equilibrium argues that there is a purposive founding moment of institutions with rapid innovations and the collapse of the old ones, followed by long periods of institutional stasis (Thelen, 2003). In this view institutions break down and are created as a result of exogenous shocks at critical junctures of history. The second, path-dependent approach, on the other hand, emphasizes the element of contingency in the process of institutional change (Thelen, 2003). The core argument of this approach assumes that legacies of the past always weigh on choices and changes in the present (Sewell, 1996).

something that they would otherwise do or that they would like to see happen. This can be achieved, for example, by preventing an issue from coming to the point of decision..." i.e. by non-decision making (Scott, 2001: 8). As long as "there is no conflict, overt or covert, the presumption must be that there is consensus on the prevailing allocation of values, in which case nondecision-making is impossible" (Bachrach-Baratz, 1970: 49).

It is exactly on this ground that Lukes criticized the "power to" model in his radical view of the third dimension of power (1977). According to him this model had ignored the *facilitative aspect of power*, i.e. that principals could have the "ability" or "capacity" to influence subalterns' views without actual coercion and thus achieve consensus. In his view, principals have "power over" subalterns to the extent that they have the ability to make subalterns believe that their interests lie in doing something that they may see as contrary to their deeper interests (Scott, 2001). The power of principals in this model lies in their ability/capacity to generate new cognitive frames which allows subalterns to redefine parameters of interests and goals. This aspect of power is not about making people do something (first dimension), or preventing them from doing something (second dimension); rather it is about enabling them to do something in a novel way without coercion. This could be achieved by changing the cognitive structures of the field in which people define their interests and goals.

The approach taken in this research draws largely on this latter conceptualization of power. In general, it sees power as a "collective property of whole systems of cooperating actors, of the fields of social relations within which particular actors are located" (Scott, 2001: 9). In the field power occurs when enduring structured constraints restrict and/or facilitate the choices, the actions and ultimately influence the autonomy of groups of actors (Lukes, 1977; Scott, 2001; Knight-Farrell, 2003). Such constraints can derive from external institutional conditions that (re)-shape actors' relationships vis-à-vis one another by regulating the sets of alternatives actors may have for action and/or to access resources. In their overall impact, such structural constraints can facilitate the redefinition of actors' distributional interests.

This can happen in direct and indirect ways. An example of the direct reshaping of power relations among actors would be when new institutions are introduced from the outside that erect restrictions for certain actors to access resources. Sometimes though, it is not so easy to differentiate between external and endogenous sources of reshaping power relations. An example of more indirect ways to influence actors' power relations would be to raise the institutional capacities of one group of actors without actually restricting the actions of others. Such asymmetrical empowering takes place without actual coercion, nevertheless they

reshape sets of alternatives actors can have and ultimately make one group of actors more powerful than others. These actors will now have the ability to demand concessions from others without making concessions in return and press for institutional coordination solutions distributionally more advantageous for them if cooperation breaks down (Knight-Farrell, 2003).

On the other hand, such hierarchies in power relations within a field can be balanced endogenously by actors themselves, even in the face of pressure from external circumstances. The approach taken here argues that actors are not passive subjects of institution-building resulting from exogenous shocks, but that they actively participate in the shaping of institutions *from within*. In this sense, power relations are not only subject to the transformation of sets of alternatives by external conditions, but can also be shaped by institutional entrepreneurs who create new meanings through the distribution of resources in order to avoid the breakdown of cooperation. Institutional entrepreneurs' ability to erect new frames for cooperation can be regarded as an example of the facilitative dimension of power. The power of these entrepreneurs lies in their ability to convince others to modify their views and interests in order to bring about cooperation with other groups of actors.

Actors who are in privileged power positions – as a result of asymmetrical distribution of authority – may not necessarily use their capacity (exercise power) to influence other less privileged actors' views and actions and potentially restrict their choices. Since due to power relations it is them who have more alternatives, privileged actors have the choice to decide whether to create frames for association or to use more coercive forms of power to press for coordination solutions distributionally more advantageous for themselves. In this latter scenario, being in the position to demand concessions without making any in return, these institutional actors can set the rules of the game of cooperation and can use nondecision-making (second dimension of power) to prevent issues in the interest of non-privileged groups to come to the point of decision. In similar hierarchical power relations, privileged actors can also exercise their power to force non-privileged groups through decision-making to do things they would not otherwise do (first dimension of power).

### **3.2.3. External mechanisms of institutional change**

In sub-national developmental governance external sources of institutional change are the domestic state and non-state actors whose development programs provide constraining or

facilitative conditions for actors at lower levels of the state and in the non-state sector. The most comprehensive external source of institutional change, however, would be the EU's development regime linked to pre-accession development programmes and the Structural Funds. The EU's development regimes influenced who can have a say and what can count in development planning, i.e. the rules of making binding decisions on the goals and means of sub-national development and the distribution of resources and opportunities for autonomous action for actors at the lower levels of the state and in the non-state sector (Bruszt, 2007).

Schimmelfenning and Sedelmeier (2005) mention three mechanisms through which the “*institutionalization* of EU rules at the domestic level” can influence institutional change: via external incentives, social learning and lesson-drawing. The institutionalization of EU rules in the domestic policy field through external incentives means the reception of rewards of two kinds – assistance and institutional ties – upon rule adoption. It relies on “the strategy of reactive reinforcement where the EU offers rewards to domestic actors if they comply with EU rules but it does not inflict extra costs in the case of non-compliance; nor does it offer direct extra support to encourage change” (Schimmelfenning-Sedelmeier, 2005). The model works either through intergovernmental bargaining or the differential empowerment of domestic actors. In the first case, rule adoption takes place from the “top-down”; while in the second scenario, EU conditionality may change the domestic opportunity structure in favour of societal or lower level government actors, hence this process of institutional change is more “bottom-up”. Differential empowerment of domestic actors, however, may also work in a way that strengthens the bargaining power of the central state vis-à-vis societal and lower level government actors. For example, up until the early 2000s the EU made consistent attempts to influence accession countries to adopt sub-national devolution and through its pre-accession programs it thus contributed to the empowerment of sub-national actors in three ways: it provided them with cultural capital (know how, skills), with social capital (including them in diverse domestic and transnational programs and projects with incentives for intra-regional cooperation) and disseminated ideas and norms among them related to “bottom-up development” (Bruszt 2005).

The empowerment of sub-national actors through external incentives was also about social learning. This mechanism concerned the dissemination of cultural and social capital and “norms of the game” through development program standards (Bruszt, 2006). As “the EU also stands for a system of norms, the institutionalization of EU rules largely depends on the degree to which domestic actors regard EU rules as appropriate in terms of the collective identity, values, and a norms” (Schimmelfenning-Sedelmeier, 2005: 18).

This mechanism characterized the years of preparation for PHARE and SAPARD programs at the sub-national level during the 1990s. In the course of the empowering of sub-national actors through external incentives of financial and technical assistance bottom-up Europeanization was also about social learning as cultural and social capital and “norms of the game” were disseminated through development programme standards (Bruszt, 2006). This was a process in which institutional entrepreneurs played an important role in dissemination.

The third external mechanism through which the EU could influence the change of domestic rules is lesson-drawing. Here domestic actors voluntarily adopt EU rules because they judge them to be effective remedies to inherently domestic needs and policy challenges. This mechanism characterized the Europeanization of policy fields, such as healthcare, mainly before 1996.

### **3.2.4. Internal mechanisms of institutional change**

Embedded in European regional development regimes micro-regional governance was shaped by three internal mechanisms of institutional change that entailed the active participation of institutional entrepreneurs at the local level. They tried to combine changing external institutional patterns with their local conditions either by reusing long forgotten, redundant institutional elements, or by borrowing institutional elements from other social fields. Institutional monocropping and horizontal copying also described some of the attempts in micro-regions to modify the course of their institutional development. Crouch’s updating model describes this recombinatory mechanism of institutional change focusing on specific modes of interaction between endogenous and exogenous factors and emphasizing that specific combinations of institutional patterns actually take place endogenously, within institutions.

This is taken up by Greif-Laitilin’s (2004) and Knight-Farrell’s (2003) models of the specific mechanisms of endogenous institutional change. These models incorporate power relations into their analyses, which are left untouched by Crouch’ updating. They explain how changes in external conditions can have endogenous effects by establishing new (a)symmetries of power among actors that affect culturally-based tacit understandings (informal institutions: conventions, norms) among participating actors leading to the transformation of formal institutions as well. Variations in the patterns of institutional transformations thus derive from actors themselves, i.e. whether or not and how they use (a)symmetries of power generated by changes in the environment exogenous to institutions.

Fligstein's model of the socially skilled entrepreneur (2001) presents alternative solutions for institutional actors to interpret changing balances of power in ways that do not turn symmetries into asymmetries and still promote association among actors. Institutional actors who are capable of creating frames through interpretation and thus get others to cooperate (to build coalitions) are called by Fligstein 'socially skilled entrepreneurs.' Depending on their power positions in the field, socially skilled actors might use different strategies to manipulate rules and resources to aid the production or reproduction of local orders. In this process socially skilled institutional entrepreneurs may initiate and build coalitions where they deliver valued rewards for participants that help them to maintain their power. Social skill (to attain cooperation) and/or the presence of institutional entrepreneurs with social skills thus provide the microfoundation for the interpretation of external conditions that yield variations in governance patterns.

### Recombinatory updating

According to Crouch and Farrell, actors might seek "to adapt to changed environmental circumstances through changing their institutional responses to that environment" (Crouch and Farrell, 2004: 6-7). The model is based on the original Polya urn model, which claims that initial events in a sequence are likely to reoccur at a later stage.<sup>8</sup> In the Crouch-Farrell model, actors have a choice to experiment with alternative institutional arrangements by drawing from a separate urn while trying to adapt to changes in the environment. Here actors can check if their choice of institutional arrangements match the environment's by looking at both balls and discard their own if they find it unsatisfactory. This is a deliberative learning process where institutional actors "update their beliefs" in the process of shaping their institutions by monitoring the sequence of events in the environment and in their own quarters. This way, institutional actors can deliberately select balls into their own urn that might bring them advantages of increasing returns from taking one specific course of institutional adaptation (Crouch and Farrell, 2004: 15). Through their beliefs and experiences via monitoring, actors can guide their own institutional development.

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<sup>8</sup> In this model we place one red and one white ball into an urn. When a ball of either color is drawn from the urn, it is replaced and a new ball of the same color is added along with it to the urn. The argument contains positive feedback, whereby "each step along a particular path produces consequences that increase the relative attractiveness of that path for the next round. As such effects begin to accumulate, they generate a powerful cycle of self-reinforcing activity" (Pierson, 2004: 17-18). Hence, the likelihood of initial institutional steps having a positive reinforcing effect on subsequent institution building, thus bringing increasing returns to the process, increases as "institutions generate learning effects, coordination effects and adaptive expectations, they may substantially affect trajectories of institutional development, so that later institutions reflect these earlier steps" (Crouch and Farrel, 2004: 11).

As changes take place in the environment, institutional actors at first will insist on their previous practices and consider changes in the as occasional appearance of the previously non-dominant ball colour. After some time, though, actors will realize that they need to switch to that ball which has become predominant in the environment ('s urn). How easily this switching might actually take place is dependent on four additional factors:

1. Redundant dormant institutional capacities – even if they are not numerous and represent constraints – can serve as alternative strategies in institutional change as actors attempt to cope with new external conditions.
2. The more heterogeneous composition institutional agents have, the more likely they can jump institutional developmental traps by operating simultaneously in different arenas and learning from each other, which facilitate alternative strategies and institutional innovations.<sup>9</sup>
3. It is more difficult for institutional change to take place if an agent is required to adopt exogenous models that do not fit with their past institutional structures. This is what Evans calls “institutional monocropping” to describe conditions whereby international organizations exert pressure on less developed countries to adopt a textbook model of institutional structure (Evans, 2004).
4. It is also difficult for institutional change to take place if the strategy employed to transform institutions is about copying “the one best way” from horizontal partners in collective agents.

The Crouch-Farrell updating model highlights the precise mechanisms of institutional change that several other authors (Evans, 2004, Sabel, 1994, 1996; Helper, MacDuffie, Paul and Sabel, 2000, Grabher and Stark, 1997, Bruszt, 2005) have discussed with regard to producing lasting and adaptable institutional arrangements. These authors emphasize the role of involving diverse types of stakeholders in the design and implementation of institutions in a way that distributes authority among them and helps dialogues and learning across their units. Crouch and Farrell also claim that the adaptability of institutional arrangements to changing environment is dependent on the heterogeneity of collective agents. While

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<sup>9</sup> Crouch and Farrell rely on Karl's study on the petroleum market to illustrate this case. According to Karl's findings, with the exception of Norway, states that had become dependent on petroleum revenues failed to diversify their economies although they realized that exclusive dependence on petroleum was harmful to their economies. In Norway, however, the political system of wide representation, allowed the participation of different actors in finding a resolution to the problem. „Because Norwegian elites were subject to influence by and could access the perspectives of a diversity of organized interests, many of whom were not connected to petroleum, they were able to have access to alternative paths and to develop diversified strategies” (Crouch and Farrell, 2004: 25).

neglecting the distribution of power within collective agents and the way this could influence choices in institutional strategies, Crouch and Farrell emphasize the utility of recombining dormant institutional resources to transform institutions in adaptable ways.

### The endogenous change model

The endogenous change model elaborates on the idea that in many cases instead of exogenous shocks or shifts, institutional change takes place endogenously, being generated by the institutions themselves. This type of change is incremental but it is more than just adaptive; when it takes place, it takes place with transformative results. As Streeck and Thelen point out, “rather than emanating on the outside, change is often endogenous and in some cases is produced by the very behaviour an institution itself generates” (2005).

Greif and Laitlin argue that at the basic level an institutional change is a change in beliefs. It occurs when the associated behaviour is no longer self-enforcing, which leads individuals to act in a manner that does not reproduce the associated beliefs (2004). The self-enforceability of an institution can change if quasi-parameters change. Quasi-parameters are aspects of a situation that affect institutions externally but influence institutional dynamics internally (2004). An example of, so-called quasi-parameters, is the balance of power that originates from the external environment (e.g.: development regimes) but can shape intra-institutional relations among actors. This in the long run can affect change in formal and informal institutions.

The mechanisms of change are beset by changes in external circumstances. Supposing that actors face more or less the same alternatives in an initial situation; i.e. there are relatively few asymmetries of power among them. Changes in external circumstance can lead to some actors acquiring new alternatives, while others face the same set alternatives as they had before, or in a worse case, they may end with less (Knight-Farrell, 2003). As a result, asymmetries in power emerge among actors as their relative bargaining power changes from more or less symmetrical to asymmetrical (Knight-Farrell, 2003). “The newly privileged actors will now have greater ability to demand concessions from others, without themselves making concessions in return, thus increasing hierarchical authority” (Knight-Farrell, 2003: 545). In other words, differences in the set of alternatives available to actors translate into differences in their power “to bring about distributional outcomes that favour their particular interests” (Knight-Farrell, 2003: 558). This, in the long run, has consequences for informal institutions, such as norms and conventions, underlying cooperation and trust among actors, as more powerful actors can use their newly gained power to change the terms of exchange to

unequal (hierarchical), abandoning previously held informal norms and conventions (Knight-Farrell, 2003).

### Socially skilled entrepreneur

Ultimately, these changes can “lead to changes in general community expectations over the forms of cooperation that can be expected” (Knight-Farrell, 2003:559). These expectations, along with their place of origins, that is shared meanings (informal norms and conventions), are part of the local developmental field where institutional actors “frame their actions vis-à-vis one another” (Fligstein, 2001). Framing is about making sense of events in the field both exogenous and endogenous to institutions. In other words, it is about making up stories through which to interpret circumstances. If more powerful actors do not use their newly acquired power to bring about distributional outcomes that favour their own interests, this can reinforce beliefs and expectations about a trustful and cooperative community that will further reinforce associated behaviour. This will generate stories about “a common history and identity and a commitment to social co-operation” (Sabel, 1993; Keating, 2004:27). If, on the other hand, the same actors use their power to promote their interests in the distribution of goods and/or resources, over time beliefs and expectations will no longer be reinforced leading to the non-reinforced associated behaviour. In other words, expectations will convey seeds of distrust within the community that will be interpreted in stories as a permanent failure where “the region suffers from an inherent lack of self-confidence and an excessive individualism” (Sabel, 1993; Keating, 2004:27)<sup>10</sup>.

Sometimes these interpretative frames and stories are created by particular institutional entrepreneurs who use these stories to create coalitions within the (developmental) field. The ability of actors to attain cooperation is a social skill in which some actors are better than others. Those institutional actors who “are more socially skillful in getting others to cooperate, manoeuvring around more powerful actors, and generally knowing how to build political coalitions in life” are called socially skilled entrepreneurs (Fligstein, 2001). Socially skilled entrepreneurs “find ways to get disparate groups to cooperate precisely by putting themselves into the position of others and creating meanings that appeal to a large number of

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<sup>10</sup> This is reflected in the way local actors tend to explain successful and less successful associative patterns from hindsight during interviews. The stories in both cases are always the same: success is explained to be due to a tradition of cooperation (helping each other) and failure to a tradition of dissension in the micro-region. As it has been pointed out by Sabel (1993) and Keating (2005), these stories are myths that “people are creating about themselves, complete with invented tradition (Hobsbawm and Ranger, 1983) and selectively interpreted past” (Keating, 2005: 27). It is precisely these myths that create frames for the promotion of cooperation (or the lack of it) (Sabel, 1993; Keating, 2005; Fligstein, 2001).

actors” (Fligstein, 2001: 106). These actors, by juggling lots of balls in the air at the same time (i.e. be in a neutral but mediating position with lots of groups that have diverse preferences), build common (compromise/collective) identities that produce entirely new meanings and cultural frames (Fligstein, 2001). Moreover, a socially skilled entrepreneur can create and recombine these frames even in the face of challengers and their groups (Fligstein, 2001). The third characteristic feature of socially skilled institutional entrepreneurs is that they recognize opportunities for resource mobilization grab them and use them for the benefits of their group/community despite constraining factors of the environment. In sum, socially skilled institutional entrepreneurs are fundamentally important characters of the interpretation process of generic institutions (enactment) as they create frames for new meanings and turn constraints into opportunities for their communities.

The relative power position of these actors in the field will have an effect on their strategies to combine heterogeneous interests and identities in building coalitions. According to Fligstein, skilled social actors of dominant groups will generally try to defend the status quo even in crisis by manipulating the identities and tactics that had worked to their advantage in the past (2001:118). In other words, they will try to rely on rules and resources that reproduce their power. On the other hand, if these actors come from challenger groups, they will attempt to create new rules by building new coalitions or create new frames that reorganize interests and identities (2001:118). As a result, particular (re)combinations of governance mechanisms – and directions of institutional change – can display constellations of power relations among actors.

Possible strategies employed by socially skilled actors to frame stories that help to induce cooperation are numerous ranging from direct authority to “setting up situations where other actors take the lead and act on what they think was their idea” (Fligstein, 2001: 115). The repertoire of other tactics socially skilled actors may use to structure interaction are contained in the following table:

<b>Tactics</b>	<b>Mechanism</b>
Agenda setting	Describes the ability to set the parameters of discussion for others.
Bricolage	Grabbing any unexpected possibility, even if it is not exactly what the actor ideally wants and is not certain about its usefulness; and combining them into a new frame.
Brokering	Trying to mediate between groups while selling a collective identity.
Pressing for more	Pressing for more than they would be willing to accept from others.

Robust action	Appearing hard to read and without values oriented towards personal gain
Keep the bandwagon going	Bringing as many and heterogeneous as possible on board since the aggregation process will take a life of its own at some point.
Juggling lots of balls, winning a few battles	Convincing others that their vision contains more reality than they would think.

Behind these tactics – except for the strategy of direct authority – lies the necessity to accommodate the interests, preferences and identities of heterogeneous actors to create coalitions. Socially skilled actors are capable of aiding the accommodation of others’ diverse interests in a deliberative fashion, which leaves room for the representation of “diverse associations of heterogeneous interests” through a benevolent cacophony (Bruszt, 2002). The coming about of this specific kind of heterarchic association of diversity (of actors, views, interests and goals) (Crouch, 2006; Keating, 2005; Sabel 1994; Bruszt, 2002; Grabher, 2005; Stark-Grabher, 1997), however, is related to the presence and ability of socially skilled entrepreneurs to bring others together in this way.

### 3.2.5. Modes of institutional change

The endogenous mechanisms of institutional transformation indicate that the mode of institutional change is “produced by the very behaviour an institution generates” (Streeck-Thelen, 2005: 19). In this framework institutionalists’ fundamental question about what matters more and when, structure or agency, becomes irrelevant since the two are interrelated as institutional entrepreneurs “cultivate change from within the context of existing opportunities and constraints – working around elements they cannot change while attempting to harness and utilize others in novel ways” (Deeg, 2005). This kind of transformation is about the active involvement of actors in building and changing their institutions in an interaction with external conditions.

Although the mode of interaction, i.e. the mode of institutional change, can be of various kinds, what is common to all of them is that they can be sharply differentiated from institutional *transposition* and *imitation*. Institutional transposition is similar to what Evans called “institutional monocropping” (2004) when actors external to an institution impose rules and/or new institutional elements by putting pressure on actors to adopt a textbook model of institutional structure. Institutional imitation involves the active involvement of institutional actors in institution-building as they try to copy a “one best way” model from another case

(see Crouch's fourth proposition on factors of institutional change above). Nevertheless, what differentiates this mode of institutional change from endogenous institutional change is the absence of actors' active cultivation of change as they experiment with existing opportunities and constraints. Thelen and Streeck (2005) identified five broad modes of such incremental, endogenous institutional change: displacement, layering, drift, conversion and exhaustion.

1. *Displacement*: This mode of institutional change describes situations when dormant institutional elements, resources (previously suppressed or suspended) are rediscovered and reactivated as actors discredit existing institutional arrangements and associated behaviour (e.g. the reactivating of cooperatives in the micro-region of Mórahalom). Institutional entrepreneurs have an important role to play in the search for, and the rediscovery and reactivation of old practices. The active cultivation of this change is related to the fact that these actors may find their "interests at odds with prevailing institutions and practices, or they [would like to] test new behaviours inside old institutions, perhaps in a tentative response to emerging new external conditions" (Streeck-Thelen, 2005: 21).
2. *Layering*: Rather than reactivating dormant resources, in the case of this form of institutional change it is the introduction of new institutional elements that generate transformation. The new institutional elements set certain dynamics in motion "that over time actively crowded out or supplant by default the old system as the domain of the latter progressively shrinks relative to that of the former" (Streeck-Thelen, 2005: 24).
3. *Drift*: This mode of institutional change typically takes place in the absence of institutional entrepreneurs who could actively tend to institutions, by occasionally refocusing, recalibrating and renegotiating them. The absence of maintenance can lead to institutional atrophy or erosion through drift. But "active" non-decision-making can also generate the erosion of an institution. Such cases can occur when gaps between rules allow actors to abdicate previous responsibilities (Streeck-Thelen, 2005).
4. *Conversion*: As its name suggests, this mode of institutional change occurs as institutions are redirected, "converted" to serve new goals, functions or purpose; or to fit the interests of new actors. Conversion typically grows out of "political contestation over what functions and purposes existing institutions should serve" (Streeck-Thelen, 2005: 26). These often "emerge

over time between institutionalized rules and their local enactment” (Streeck-Thelen, 2005: 26). This can be due to unintended consequences of institution-building as actors experiment with designing institutions; or alternatively to political negotiations to compromise heterogeneous interests (Streeck-Thelen, 2005). Another possible mechanism of institutional change through conversion is a bottom-up interpretation process as local actors try to find leeways to adjust the institutional framework that apply to them, and occasionally try to change those rules by putting pressure on rule makers.

5. *Exhaustion*: This mode of institutional change describes a process in which behaviours invoked or allowed under existing rules operate to undermine these. For example, a change in framework conditions (e.g.: in the balance of power) may generate self-reinforcing mechanisms in actors’ beliefs and associated behaviour, or alternatively they may set in motion dynamics that do not reinforce beliefs and associated behaviour and thus over time undermine the institution itself. Which mechanism will be set in motion and whether institutional change through exhaustion will eventually take place depends on local circumstances (e.g.: the presence or absence of a socially skilled entrepreneur who could frame associated behaviour of power sharing among actors even in the face of imbalances of power in framework conditions).



### **3.3. Summary of the dynamic approach and tools of analysis**

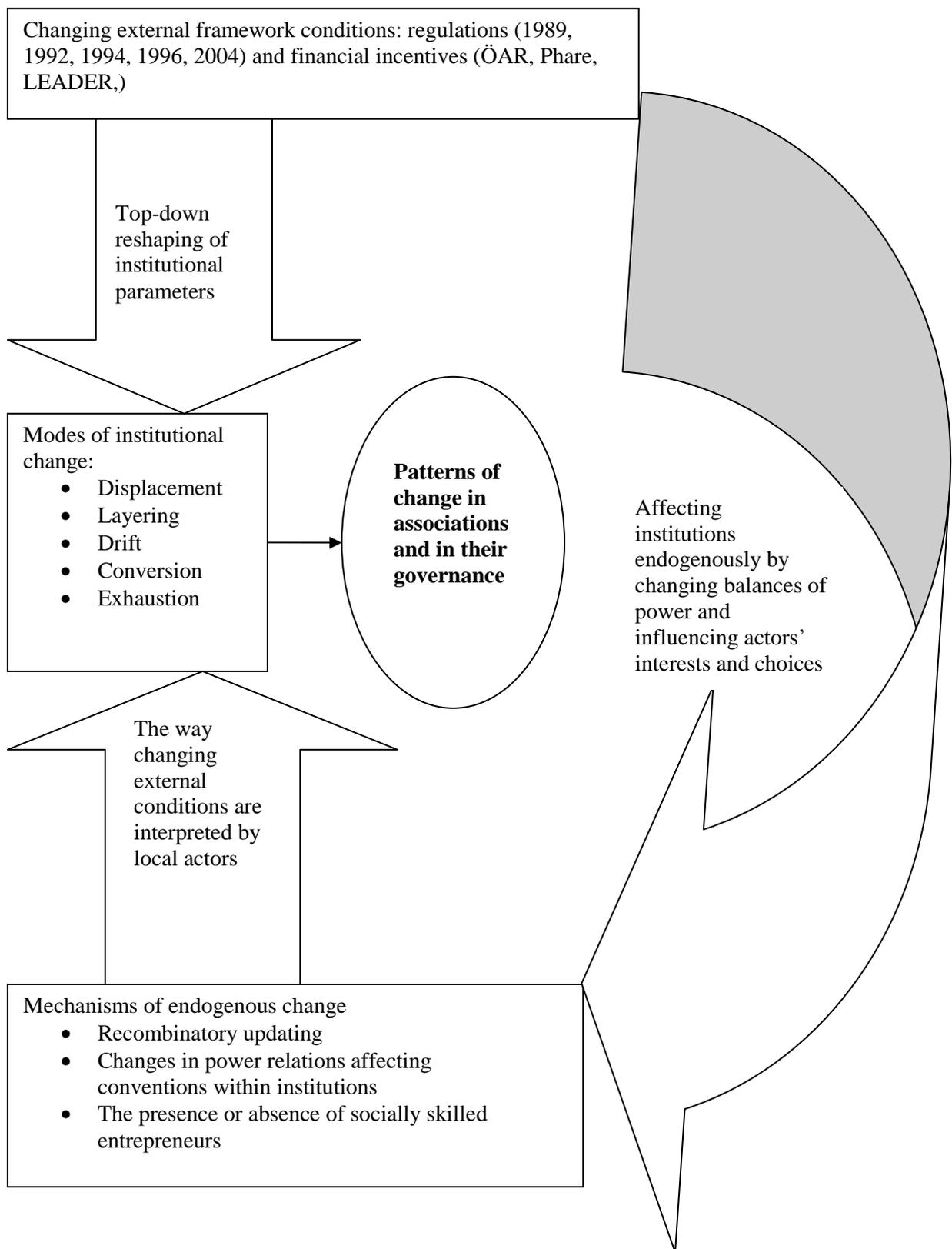
The dynamic approach taken in this research to analyze variations in the patterns of governance change draws on three groups of literature: regional development and governance studies, endogenous institutional change models of economic sociology and political economy as well as on studies of Europeanization. The approach here emphasizes the evolutionary nature of social capital; that it is not a historical and cultural endowment fixed once and for all but rather represents social networks. In this framework, social capital can evolve in qualitatively different ways shaped by the interaction of endogenous and external institutional factors. The latter can hinder or foster endogenous qualities of social networks (Trigilia, 2001) by empowering certain groups of actors through granting more access to resources than others.

Although this is not necessarily a zero-sum game, the distribution of power can play a role in institutional actors' interaction and in their capacities to shape institutions, as they are being enacted in specific contexts, through interpretation, contestation and experimentation. In other words, the distribution of power affects institutional actors' relative freedom to influence the interpretation process by providing a cognitive framework in which institutional actors interpret opportunities, constraints and make selective choices. In particular situations, this can give leverage to an institutional entrepreneur (Fligstein, 2001) to interpret the frames of the institution in a way that challenges older frames and conventions and encourages others to behave the same way. This also suggests that individuals operate in a permanent dilemma to follow the rules of the institution or to challenge them, break them through innovative solutions or changes in the system (Crouch, 2006). Institutional entrepreneurs play an important role in challenging existing cognitive frames, institutional logics and in creating new frames for innovative institutional solutions through the association of heterogeneous actors. In this reading, institutions are constantly being "created and recreated by a great number of actors with divergent interests, varying normative commitments, different powers, and limited cognition. This process no single actor fully controls; its outcomes are far from being standardized across different sites of enactment; and its results are contingent, often unpredictable, and may be fully understood only with hindsight" (Streeck-Thelen, 2005: 16).

On the basis of this dynamic approach in my research I will focus on identifying four main angles of changing patterns of micro-regional governance. These are the following:

1. Changes in external framework conditions with a view to the organizing principles or institutional logics of regulations and financial instruments as they relate to the distribution of power among actors within micro-regional cases and in the sub-national development regime.
2. Changing patterns of governance in micro-regions at two points in time of the transformed external framework. These changes are induced by changes in the cognitive framework of micro-regional governance as actors interpret new framework conditions and make choices about institutional transformations affected by shifts in power relations.
3. Specific mechanisms of institutional change that characterize the transformation of governance of micro-regional associations. This angle also covers the presence of social entrepreneurs and the specific strategies they employ to organize various forms of distributed governance.
4. Specific modes of institutional change taking place at various points of the institutional evolution of micro-regional associations.

**2. Figure: Overview of research approach and tools of analysis**





## 4. Hypotheses, Methods, Case Selection

### 4.1. Research focus

The research investigates variations in the patterns and dynamics of governance in Hungarian micro-regions between 1990 and 2006. In Hungary this was an intensive period when multiple developmental opportunity structures were emerging within which national and sub-national actors could frame the governance of their developmental needs and goals. The aim of the research is to identify the external and internal factors that shaped micro-regional governance in this period. Thus, on the one hand, the research studies the interplay between the exogenous institutional framework that provided homogeneous conditions for all micro-regional actors, and, on the other hand, micro-regional actors' particular endogenous strategies to frame the governance of their developmental needs and goals.

The central puzzle this research therefore aims to account for is the emergence and evolution of diverse governance patterns among micro-regions that had shared the same/similar institutional/developmental features in the early '90s or had different institutional/developmental features in the same period but have converged in governance patterns by 2006. In both cases external framework conditions provided the same opportunity structures for all, whereas institutional pathways have displayed significant variation.

### 4.2. Methodological considerations of case selection ...

For the study of the above phenomena the research drew on heterodox development theories (Schumpeter 1961, Hirschman 1958, North 1991, Sen 1999) that view development as a process of social innovation and the transformation and/or building of institutions. According to this approach there is an interplay between changing developmental pathways and the qualitative aspects of institutional change. Based on this argument, the micro-regions included as case studies of institutional transformation were selected on the basis of change in their developmental pathways.

In the first phase the research drew on the technique of *cross-case analysis* to establish homogeneous groups of micro-regions from a large-N population of 169. The goal was to reduce this heterogeneous population of micro-regions to a more or less homogeneous sample where causal relationships due to objective variables are controlled for. Such objective

variables are socio-economic developmental indicators, socio-economic sectoral features and organisational and human capacities measured along the urban-rural axis. The cross-case analysis relied on *statistical data analysis* to create clusters of homogeneous sub-populations of micro-regions. This exercise also enabled the research to formulate insights about the sample and to explain the significance of the most similar cases finally selected for qualitative in-depth analysis. These cases apparently look quite similar in objective socio-economic terms but they in fact followed diverse institutional pathways and experienced different outcomes. Their intensive, in-depth analysis was expected to reveal factors that differ across them, and thus shed some light on causal inferences about exogenous and endogenous factors shaping micro-regional governance transformations.

In the second phase the research employed a *most-similar case selection strategy* across the three clusters that were established in the first phase. The goal was to identify cases that are similar on socio-economic developmental dimensions in T(ime)1 but show diverse developmental outcomes by T(ime)2. This phase employed a qualitative analytical technique of cross-case studies by using *approximate matching* to identify a small sample of cases that share more or less the same characteristics on a set of socio-economic variables. 12 micro-regions were selected this way from all the three developmental clusters as a sample for more in-depth study.

In the third part, the research relied on the technique of single-case analysis to identify institutional pathways within the sample of 12 micro-regions. The goal was to reduce the number of micro-regions in the sample to a few cases where case studies can be conducted on patterns and dynamics of institutional change. On the basis of preliminary interviews on institutional starting positions in the early 1990s, 6 cases were selected for final analysis. The case selection strategy here aimed at choosing cases in which institutional dynamics could still evolve in diverging ways: from among the micro-regions with average or above average developmental dynamics I chose the ones that were not heterarchies in the early 1990s. Similarly, from among the micro-regions that have stagnated at a low level of development, or that have developmental pathways tracing a decline, I chose the ones that had at least a mixed institutional starting point or that were heterarchies in the early 1990s.

### **4.3. ... and the research design**

The choice of methodological triangulation as an overall approach in research design was necessary for several reasons. Firstly, in the absence of preliminary research on Hungarian micro-regional governance and institutional change the availability of data was rather scarce. Hence, multiple types of evidence had to be gathered and employed for the verification of causal mechanisms and inference. The lack of preliminary data also meant that endogenous and exogenous factors underpinning governance change had to be mapped out in an experimental fashion. Thus triangulation was a useful approach in trying to get a balanced and detailed picture of the patterns and dynamics of governance transformation, which was encountered for the first time and considered in a fundamentally new way. Secondly, triangulation was a necessary exercise because of the large-N of the total population of micro-regions (169); this number had to be reduced for qualitative, in-depth research on factors and mechanisms of institutional transformation. Thirdly, triangulation was also useful to study spatial and temporal variations in micro-regional governance, which is the classic experimental research design.

Therefore, the research design, on the one hand is built on a *dynamic comparison* of six cases; in some instances the independent variables undergo change between T1 and T2, while in others they remain more or less the same. On the other hand, the individual case studies rely heavily on contextual evidence in order to reconstruct mechanisms and causes of institutional transformation within single cases. In this sense, the research also conducts *process tracing*, as it gathers multiple types of evidence for the verification of a single inference. The multiple types of evidence that are gathered include: institutional histories of micro-regional associations and governance through *semi-structured interviews* with managers of micro-regional associations; qualitative data on project histories and development strategies of micro-regional associations through *website and document analysis*; and the history of sub-national developmental governance in Hungary throughout the 1990s through semi-structured interviews with (former) public servants, regional development experts and researchers, and national strategies for sub-national development, various development programs (both national and transnational), and pieces of national legislation through website and document analysis.



#### 4.4. Hypotheses

The question this research aims to answer: how is it possible to explain diverse governance patterns among units that had the same/similar qualities at T1, but divergent qualities at T2, and convergence among those that had different qualities at T1 but had converged by T2? Four hypotheses are derived here to explain variation in governance patterns among micro-regions.

1. *Based on heterodox development theories (Schumpeter 1961, Hirschman 1958, North 1991, Sen 1999) the research expects to find an interplay between changing developmental pathways and institutional change. Therefore non-hierarchical methods of coordinated institution-building based on functioning heterarchies are expected to contribute to the maintenance of at least an average level of socio-economic development or to the upgraded transformation of developmental pathways. In this sense, a low level of socio-economic development would be expected to go along with institutional degradation or stagnation at a low level of institutional development.*
2. *Based on Trigilia (2001) and others (Evans-Syrett, 2007; Portes-Landolt, 1996; Sabel, 1994; Piselli, 2000) the research expects to find no direct relationship between institutional endowments at the beginning of 1990s and mode of developmental governance in the 2000s. This is to say that I expect the falsification of the basic assumption of the above-mentioned ‘endowment’ literature that treats social capital or institutional thickness as stable, hard-to-change endowments. Social capital and complex forms of cross-sectoral cooperation can be both created and depleted. Even within the relatively short time period covered by my research (10 years) I expect no strong relationship between ‘institutional thickness’ or level and mode of cross-sectoral cooperation at T1 and T2. On the other hand, *upgraded institutional transformation; i.e. the establishment of heterarchies is about the accumulation of social capital.* In this sense, social capital is not taken for granted as a fixed and unique factor of associability, rather it is seen as *social networks* (Trigilia, 2001) that can be *generated and must be mobilized to be a positive resource for development.* An increase in the*

number of organizations and the upgrading of cross-sectoral coordination among them (the scope and mode of association), for example, would mean the accumulation of social capital as a positive resource for development. As these institutional factors are not fixed once and for all, it could be expected that communities experiencing institutional stagnation or degradation and those experiencing upgrading had shared the same institutional endowments at T1.

3. As an extension of the concept of the “enabling state” (Evans 1993) and “associative governance” (Cooke and Morgan, 1998), the research expects to find that the state and broader transnational regimes (EU) in which sub-national developmental institutions are embedded will play an important role in supporting or hindering the generation of social capital resources for development: this process will take place from the top-down, through the policy environment and institutional conditions. Framework conditions – institutional structures or policy mechanisms – will favour the evolution of particular types of associative arrangements that can range from collusive coalitions and rent-seeking to heterarchic coalitions with a system of checks-and-balances thus providing positive resources for local development (Trigilia, 2001).
4. On the other hand, conditions provided by political action and policies offer constraints and opportunities that are always subject to interpretation and contestation by actors (Streeck-Thelen 2005). Based on recent studies in economic sociology and institutional evolution (Crouch 2001, 2004, 2005; Fligstein 2001; Greif-Laitlin 2004; Farrell-Knight 2003; Bruszt 2008) the research does not expect to find a deterministic relationship between framework conditions and institutional development: while institutional framework conditions can influence the qualities of networks (through directly or indirectly setting balances of power), local actors always retain a degree of capacity to interpret rules and bend them according to their needs as they construct associative institutions in reality. Interpretation is an important element of the process that can be shaped by social entrepreneurs who have the capacity to create frames for association and convince people

to join networks even if institutional framework conditions do not favour the existence of inclusive and encompassing networks/associations.



#### **4.5. The operationalisation of analytical unit**

To test the validity of these hypotheses, six Hungarian micro-regions were selected as case-studies. I define ‘micro-regions’ as institutionalized forms of associations of neighbouring settlements. For the sake of comparability I established a standard analytical unit on the basis of the official statistical-administrative definition of micro-regions in Hungary as marked off by the “spatial developmental-statistical” definition of government decree 244/2003. (XII.18.). According to this, there were 168 “spatial-developmental-statistical” micro-regions in Hungary.<sup>11</sup> This provided the total pool of micro-regions from which I selected my six cases in three steps.

Firstly, I established homogenous groups of micro-regions that shared the same/similar socio-economic features in the early 1990s. Three dimensions were taken into consideration here:

- Similar developmental, institutional and human capacities: measured along the urban-rural axis;
- Similar socio-economic endowments: measured along economic and employment structure (sectoral axis);
- Similar socio-economic developmental status: measured by three sets of developmental indicators as above or below the rural average.

Secondly, changing developmental pathways were identified by the quotient of the three sets of indicators from the 2000s and the 1990s. And thirdly, I selected iteratively six micro-regions that shared features in the state of developmental dimensions in the 1990s but had developed along diverging paths by the 2000s. The iterative method of sampling mapped out developmental change in micro-regions based on: complexity (i.e. in various dimensions); dynamism (i.e. at average, below and/or above average rate); the existence of shared or

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<sup>11</sup> According to the governmental decree, six months after national elections in every cycle, local governments have the opportunity to reconsider their membership in the multi-purpose association. If they are not satisfied with it, they can leave the association and either establish a new one with the support of other settlements or join another association within the same county. This latter criteria is useful for local governments at the border of two statistical micro-regions. In 2007, following the national elections of 2006, several local municipalities have decided to redefine their micro-regional membership. Thus, the micro-region of Keszthely-Hévíz has separated into Keszthely and Hévíz; similarly, Érd and its surrounding settlements have decided to separate from the micro-region of Budaörs and establish their own multi-purpose association and spatial developmental unit.

similar sectoral distribution (industrial, agricultural, public or mixed); the existence of similar developmental status (below or at the rural average); the degree of rurality (defined as non-capital and non-county seat settlements); and the level of interest in their institutional histories.

#### **4.5.2. First phase of case selection: homogenous groupings**

The first homogenous cluster of rural micro-regions was created by excluding the capital city and county seat micro-regions, altogether 19 in number, from the list of 168 spatial developmental-statistical micro-regions. It was assumed that given their role in political, economic and social organization these 19 micro-regions are endowed with special developmental capacities that provide them with advantages in socio-economic development. This definition of rural areas is somewhat different from the official demarcation in Hungary's New Rural Development Plan 2007-2013, which is based on population density and settlement status.<sup>12</sup> In this research, however, the criterion that was used to define rurality was developmental capacity based on political and economic power, human baseline capacity and social organization. Nevertheless, all six micro-regions in the sample fall into the rural category by the definition of the New Rural Development Plan as well.

Within the cluster of 149 rural micro-regions homogeneity was further guaranteed by controlling for objective factors influencing development. These were macro-economic factors that represented similar challenges and incentives and/or perverse incentives for rural micro-regional institutions during the 1990s. For example, macro-level socio-economic conditions at the beginning of the 1990s created similar challenges for micro-regions (local municipalities) across the country, even though their local manifestations appeared at a different ratio. These challenges are:

- increasing unemployment
- economic stagnation/decline
- infrastructural backwardness
- environmental problems
- skill shortage
- lack of foreign direct investment
- ethnic problems (socioeconomic marginalization of the Roma population)
- ageing

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<sup>12</sup> According to the New Rural Development Plan 2007-2013 rural areas are those that have a population less than 10 000 or 15 000 in the Great Plains; whose population density is lower than 120 person/km<sup>2</sup>; the settlement belongs to the "less favoured" or "backwards" category according to national legislation; or that has maximum 5000 inhabitants and population density less than 100 person/km<sup>2</sup>.

These challenges represented the greatest problem for small, rural municipalities that were generally marginalized in socioeconomic terms, having been left out of the “globalization game:” privatization, foreign direct investment, expansion of secondary general and higher education, and the improvement of infrastructure (highways, telecommunications). As a result, they lacked internal, structural capacities to develop adequate responses to socioeconomic problems. These capacity deficiencies can be summed up as:

- Small size (population approximately 2000 at average) due to the fragmented nature of Hungarian public administration;
- Lack of professional administrative bureaucracy (in settlements with adequate size, the work of the democratically elected local council is supported by administrative units);
- Lack of independent financial resources (no local property tax and income), hence reliance on central funding
- Number of functional service provisions they are expected to adhere to by law: functional devolution but financial centralization;
- Lack of tradition of cross-municipal cooperation;
- Lack of trust.

Macro-level developmental frameworks that provided financial instruments for municipalities to resolve their developmental bottlenecks and incentives to establish associative cross-municipal organizations were also the same across the country. This opportunity structure was represented by a series of national and transnational development programs as discussed in chapter five.

#### **4.5.3. ... homogenous sectoral groups**

As the next step four types of clusters were generated on the basis of economic and employment structural endowments. Micro-regions were enlisted in the industrial, agricultural, public sector, or the mixed clusters. Sectoral groups were established on the basis of calculations from raw statistical data from the early 1990s and 2000s provided by the Central Statistical Office. From raw data I calculated the number of women and men (altogether) employed in each sector divided by the total number of employed in the micro-region. The final data set reflected the percentage of employed in each sector within the complete group of employed. To determine which economic sector had overwhelming weight in the employment structure of the micro-region, the top 40% of the values within the existing

range was demarcated.<sup>13</sup> By enlisting micro-regions into sectorally homogeneous groups, additional objective socio-economic endowments could be controlled (see tables in Appendix 3).

#### **4.5.4. ... homogenous developmental status in the 1990s:<sup>14</sup> the choice of indicators**

In the third round of the quantitative analysis for sampling, micro-regions were classified according to their state of development in the early 1990s. Developmental status and change (see section 5.5.5.) were defined in the Schumpeterian tradition that views economic development as quality growth allowing for the realization of human potentials and aspirations, such as education, employment, opportunity to manage one's own business and access to public goods (public infrastructure items). In this context development encompasses economic, social, environmental, cultural and political variables, and thus ought to be measured along multiple indicators. In this research a set of 9 indicators were established from raw data of the Central Statistical Office (CSO) to measure the state of development in the 1990s (T1) and developmental change between the 1990s and 2000s (T2) (see section 5.5.5.) in three developmental dimensions: infrastructural, economic and social.

##### *Economic indicators:*

- Personal income per head/ 1995, 2004;
- Density of businesses measured as registered businesses with legal entity per 1000 inhabitants/ 1995, 2004;
- Rate of employment measured as the ratio of employed per inhabitants/ 1990, 2001.

##### *Social indicators:*

- Rate of education measured as vocational high school graduates within population above 7/ 1990, 2001;

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<sup>13</sup> The lowest value was subtracted from the highest value; then this subtracted value was multiplied by 0,4 and the value received by this multiplication was subtracted from the highest raw value. For example: Agricultural sector: maximum value 50,41% for the Mórahalom micro-region; the minimum value 5,24% for Ózd micro-region.  $50,41 - 5,24 = 45,17 * 0,4 = 18,06$ . Then,  $50,41 - 18,06 = 32,35$ . Therefore, the range within which the micro-region could be regarded as overwhelmingly having an agricultural economic structure is between 32,35% and 50,41% of employment in the agricultural sector. The demarcation for the other sectors was determined the same way. The results of the top 40% demarcation values are:

Industrial sector: 63% - 45%

Public sector: 29% - 22%

Service sector: 44% - 31%.

<sup>14</sup> For detailed description see Appendix 8.

- Density of passenger-car stock measured as passenger-car stock per 1000 inhabitants/ 1994, 2004;
- Density of apartments measured as the number of built apartments per 1000 inhabitants/ 1995, 2004.

*Infrastructural indicators:*

- Density of sewage system measured as the length of the sewage system per the length of water supply system multiplied by 1000/ 1995, 2004;
- Density of water supply system measured as the number of apartments with water supply per the total number of apartments/ 1996, 2005;
- Density of telephone lines measured as the number of land-fixed telephone lines per the number of apartment multiplied by 1000/ 1994, 2004.

These indicators were not expected to correlate, but rather to show developmental upgrading, stagnation or devolution in various dimensions of a complex developmental process.

From the 1990s dataset patterns of state of development of micro-regions was calculated for the 1990s. This was done by using *aggregated cross tabulations methods in SPSS*, which grouped micro-regions according to their state of development in the 1990s into three main groups (below average, average and above average) (see tables in Appendix 4).

#### 4.5.5. Change in development paths

In the same way, developmental change was measured by the quotient of these sets of indicators. Change in developmental paths was measured along the axis of *developmental dynamism (direction)* and *complexity (substance)* over 10-15 years. Dynamism was measured as “below average”, “at average” and “above average,” and complexity was measured by change in the various dimensions of development (multi-dimensional or mono-dimensional).

Firstly a *dynamic complex indicator of developmental change* for each indicator was calculated. Somewhat differently from earlier pieces of research that had compared two states of development (1990 vs.2000s), when studying developmental change of (micro-) regions (i.e. how micro-regions changed the position of their state of development between two points in time), I focused on the dynamism and complexity of the *process of development*.<sup>15</sup> Therefore, I computed a “change of development” for each indicator by dividing the raw values of the years 2000s with the raw values of the years 1990s. In order to establish clusters

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<sup>15</sup> Unlike the English term “development”, Hungarian language morphologically differentiates between development as a state and as a process by using two different words. The word “*fejlettség*” denotes state of development and conveys a static, snapshot condition; while “*fejlődés*” conveys a dynamic understanding of a process of development. In this sense, the quantitative analysis of this research is looking at change in the “*fejlődés*” and this is what it compares to the “*fejlettség*” in the 1990s.

of micro-regions according to the patterns of the change of development that also displays the synergies between dynamism and complexity (which dimensions/indicators have moved together with the same dynamism or vice versa), I used again *aggregated cross tabulations and frequency functions in SPSS* (see tables in Appendix 5).

The method of clustering here was the same as with measuring the state of development in the 1990s. First I scored the raw values of baseline indicators from 1 to 3, where 1 stands for the lower values ('below average' development), 2 stands for middle values ('average') and 3 represents higher values ('above average' development). Then I created aggregate indicators for each developmental dimension – economic, social and infrastructural – on the basis of the values of the statistical baseline indicators. Using frequency functions in SPSS I could establish clusters of micro-regions with variance in their economic, social and infrastructural development (both state and dynamics of change of development). Below follows a summary of the definitions of the scores in the case of each developmental dimension.

Scores	Definitions of scores		
	Economic development	Social development	Infrastructural development
<b>1</b>	Below average economic development if all three but at least two economic indicators show below average values.	Below average social development if all three but at least two social indicators show below average values.	Below average infrastructural development if all three but at least two infrastructural indicators show below average values.
<b>2</b>	Average economic development if all three but at least two economic indicators show average values; or the three baseline indicators display all three (1,2,3) values.	Average social development if all three but at least two social indicators show average values; or the three baseline indicators display all three (1,2,3) values.	Average infrastructural development if all three but at least two infrastructural indicators show average values; or the three baseline indicators display all three (1,2,3) values.
<b>3</b>	Above average economic development if all three but at least two economic indicators show above average values.	Above average social development if all three but at least two social indicators show above average values.	Above average infrastructural development if all three but at least two infrastructural indicators show above average values.

#### 4.5.6. Second phase of case selection: sampling from clusters

Having completed the same computation for all dimensions, I computed an overall aggregate indicator of the 'state of development90' and 'change of development'. The cluster

membership of micro-regions for the overall aggregate indicators was identified through a three-dimensional cross tabulation that displayed the characteristics of micro-regions in each developmental dimension. Two lists were thus created: one that displayed clusters of micro-regions according to their state of development in the 1990s and one according to the change of their development path (see Excel file attached in appendix). In the two cluster lists it was easy to track the position of each micro-region in the 1990s and the pattern of its developmental change (see Appendix 6).

A sample of 12 micro-regions was taken from these lists. The basic selection criterion was to organize cases in symmetrical pairs according to:

- a) The same starting point of “state of development90:” to have examples from all three main range-groups “below average90”, “average90” and “above average90”.
- b) Within these three main groups find interesting pairs that shared the same/similar pattern of state of development and sectoral, economic structure in the 1990s and have performed diverse developmental pathways over the 10 year period of time.
- c) Each possible direction of “change of development” should be covered. From the database results of developmental dynamics, it was clear that in Hungary over the 10 year period, only those micro-regions could display above average developmental dynamics that are in the agglomeration district of the capital city of Budapest. Therefore, average developmental dynamics that showed above average developmental dynamics in one dimension (e.g.: in economic dimension since this is a strong indicator) can be regarded as a strongly positive direction of developmental change in rural Hungary.
- d) Further selection criteria to draw symmetrical pairs of diverse outcomes could be either “regions of the same/close regional location” (that would be expected to have similar outcomes), or “regions of different regional location” (having the same starting point but diverting in outcome).

On the basis of these criteria I selected the following 12 micro-regions for sampling. From the two lists of micro-regional clusters I established three main categories of “change in the development path”. I defined a micro-region as *developing* if it had below average state of development in the 1990s but average or above average developmental dynamics over the period. This meant that the aggregate indicator of the state of development changed from 111, 112 or 131 to 232 or 212. Secondly, I defined a micro-

region as *falling behind* if it had an average or above average state of development in the 1990s but below average developmental dynamics over the period. That is, if the aggregate indicator of the state of development changed from 232, 223 or 333 to 111, 311, 211 or 121. Finally, I defined a micro-region as *stagnating* if it has maintained its average developmental dynamics over the period – in other words, if the aggregate indicator of the state of development in the 1990s changed from 232 or 222 to 322 or 321.

### 3. Figure: The sample

**Cluster: "below average state of development 90"** of **"Change of development path"**  
(economic+social+infra)

(economic+social+infra)

Abaúj-Hegyközi 111 (mixed)	323 above average complex dynamics (developing)
Encsi 112 (mixed)	112 below average complex dynamics (falling behind)
Mórahalmi 131 (agrarian)	232 average complex dynamics (developing)
Sellyei 112 (agrarian)	112 below average complex dynamics (falling behind)
Füzesabonyi 112 (service)	212 average complex dynamics (developing)

**Cluster: "average state of development 90"**

Kiskőrösi 232 (agrarian)	322 average monodimensional dynamics (stagnation)
Kalocsai 232 (agrarian)	111 below average complex dynamics (falling behind)
Sümegei 223 (mixed)	311 above average monodimensional or below average two-dimensional dynamics (falling behind)
Zalaszentgróti 222 (mixed)	321 average complex dynamics (stagnation)

**Cluster: "above average state of development 90"**

Kőszegi 333 (industrial)	221 average complex dynamics (stagnation)
Dunaújvárosi 333 (industrial)	211 below average complex dynamics (falling behind)
Keszthely-Hévízi 333 (service)	121 below average complex dynamics (falling behind)

#### 4.5.7. Third phase of case selection: retrieving the 6 cases

From the sample of 12 micro-regions six cases were taken for in-depth analysis of their institutional evolution. The selection criterion here was institutional status quo in the early 1990s, which I had mapped out through preliminary interviews in the 12 micro-regions. By using institutional starting point as my third selection criteria, I allow in my developmental stories for institutional change going both ways; i.e. up- or downgrading. The direction of

institutional change then can be linked to the direction developmental change that enables me to test the central hypothesis of this research about the interplay between developmental and institutional transformation.

Therefore, from among the positive sample cases that have maintained an average developmental level (Zalaszentgrót and Kiskőrös) or have qualitatively changed their developmental status (Mórahalom, Füzesabony), I chose the ones that did not have either heterarchy or hierarchic-fragmented governance patterns. Zalaszentgrót, which has preserved its average developmental status, and Mórahalom, which has qualitatively changed its developmental pathway, both displayed hybrid governance patterns in the early 1990s.

From among the negative sample cases with low levels of developmental stagnation (Sellye, Encs) or developmental decline (Keszthely-Hévíz, Dunaújváros, Kőszeg), I selected three that had at least a hybrid (Keszthely-Hévíz) or heterarchic institutional status quo in the early 1990s (Sellye, Encs). I have also included one control case here, the micro-region of Sümeg that had a negative – i.e. hierarchic-fragmented – institutional starting point in the early 1990s and has performed developmental decline from an average to a below average level.

#### **4.5.8. The selected micro-regions**

*The micro-region of Mórahalom:* Located at the periphery of the southern border of Hungary, this micro-region, with an overwhelming agricultural sectoral distribution, has undergone one of the most outstanding developmental transformations in the total pool of rural micro-regions. From below average developmental status (131) it has “achieved” average (232) complex developmental dynamics amidst rapid and volatile economic and social transformations of the 1990s. It started with a mixed institutional setup (i.e. a single organization with homogeneous sectoral representation and a single-issue based developmental orientation but its governance displayed horizontal coordination mechanisms: informal and consensus-based decision-making) in the 1990s so at that time institutional change still could go in principle both ways, towards upgrading or towards downgrading.

*The micro-region of Encs:* Located at the periphery of the northern border of Hungary, this micro-region with a mixed economic structure has displayed one of the weakest developmental dynamics in the total pool of rural micro-regions. From below average developmental status (112), it has “achieved” below average developmental dynamics (112). The governance patterns were closer to a heterarchy in the 1990s with a development

coalition of diverse organizations and sectoral representations, a multidimensional developmental focus and horizontal coordination mechanisms (informal and consensus-based decision-making). This governance mode could have been maintained in principle or transformation could have occurred in the direction of institutional downgrading.

*The micro-region of Sellye:* Located at the periphery of the south-western border of Hungary, this primarily agricultural micro-region has followed one of the weakest developmental trajectories. From below average developmental status (112), it has also performed below average in terms of its developmental dynamic (112). It has started with a governance mode that was closer to the integrated and non-hierarchical mode – similar to the mode in the micro-region of Encs above – that could have been in principle maintained or changes could have gone in the direction of institutional downgrading.

*The micro-region of Zalaszentgrót:* Located in the dynamic Western Transdanubian region, this micro-region with a mixed economic structure has displayed average developmental dynamics. From an average developmental status (222), it has “achieved” average developmental statuses amidst rapid and volatile economic and social transformations of the 1990s. It started with mixed institutional setup (i.e. a single organization with homogeneous sectoral representation but its governance displayed horizontal coordination mechanisms: informal and consensus-based decision-making) in the 1990s, so at that time institutional change still could in principle go both ways, towards upgrading or towards downgrading.

*The micro-region of Sümeg:* Located in geographical proximity to the previous micro-region in the Western Transdanubian region, this micro-region with a mixed economic structure has fallen behind with below average dynamics. From an average developmental status (223), it has “achieved” a below average developmental dynamics. Its institutional status quo was closer to the hierarchic and fragmented mode (single organization with the dominance of a single sector and functional orientation coordinated through formal and centralized decision-making mechanisms) that in principle could have been sustained or could have been upgraded.

*The micro-region of Keszthely-Hévíz:* Located in geographical proximity to the previous micro-region in the Western Transdanubian region, this micro-region with a

overwhelmingly service sector orientation has endured some of the worst developmental dynamics in the total pool of rural micro-regions. From an above average developmental status (333), it has “achieved” only below average developmental change (112). It started with a hybrid institutional setup (single organization with monosectoral representation, multidimensional functional focus and more or less horizontal decision-making mechanisms with slight imbalances in the distribution of authority) that in principle could have been both upgraded and downgraded.

#### **4.5.9. Qualitative methods for the analysis of variations in micro-regional governance**

In the qualitative analysis of the cases I relied on desktop research, document analysis and semi-structures interviews. I used the methods of desktop research and document analysis to study the overall context of sub-national developmental context in the 1990s, and on the other hand, to observe the local context/frame of micro-regional development in individual cases. The types of documents I relied on were:

- internal strategic notes of the Ministry of Environmental and Spatial Development Affairs from the early 1990s;
- contract with Austrian ÖAR partner;
- individual notes and analytical papers of ministerial employees involved in sub-national development at the time;
- legal documents of regulations throughout the decade (decrees, decisions, laws);
- background analyses of various ministries on regulations;
- National Spatial Development Conception Paper (1998, 2005);
- Reports on spatial developmental processes and the prevalence of spatial developmental policy 2001 and 2004;
- Developmental program strategies and reports (PHARE, SAPARD, LEADER, USAID, etc);
- Program evaluations (PHARE, SAPARD, LEADER);
- Brochures on EU programs in Hungary (PHARE, LEADER, SF);
- Analyses on micro-regional developmental dynamics by VÁTI, CSO and the Regional Development Studies Centre of the National Academy of Sciences;
- Websites of the EU, ministries, the National Development Agency, developmental programs (PHARE, SAPARD, LEADER), background institutes (NEF), transnational developmental organisations (Soros Foundation, USAID, etc);
- National Development Plans and Operational Programs for the Structural Funds for the periods 2004-2006 and 2007-2013;

- Various developmental strategies and/or programs of individual micro-regions prepared for different framework programs throughout the decade;
- Formal contracts among micro-regional partners on cooperation, i.e. legal documents on the coming about or legal transformation of micro-regional associations;
- Websites of micro-regional associations;
- List of projects found on websites and in various micro-regional documents.

#### **4.5.10. Interview guide for in-depth analysis** (see in Appendix 7)

Interview questions for in-depth analysis were organized around four major themes:

- Various types of associations at the micro-regional level;
- Developmental capacities and skills (social and human networks and learning);
- Rules of the game (of associations);
- Opportunity structures in the '90s (framework conditions).

Questions on the types of associations tried to identify changes in the four dimensions of micro-regional associations. Some additional questions were aimed at mapping out the potential presence and role of social entrepreneurs behind these changes and the institutional, political and human circumstances of these changes.

Questions on developmental skills focused on the existence of endogenous capacities in social network building, human capital resources and institutional/organizational resources.

Questions on the rules of the game tried to map out enacted endogenous institutional rules of association and any kind of changes that have taken place of the period. These sets of questions also tried to grasp dynamics in power relations among micro-regional actors.

Questions on the institutional framework were intended to identify features of the opportunity structure directly from the perspective of micro-regional actors. These questions were expected to provide information on micro-regional actors' interpretation of framework conditions over the period.

## 5. External factors of micro-regional governance

### 5.1. *Micro-regions in Hungarian spatial development processes*<sup>16</sup>

This chapter provides an overview of the transformation of the spatial development environment in Hungary in the period between 1990 and 2006. Two main dimensions of the process are highlighted here with a view to the institutional development of micro-regional associations: the regulatory framework and financial instruments (national and transnational development programs). On the basis of changes in the external framework of regulations and financial instruments, three evolutionary phases of micro-regional institutional transformation are distinguished at two levels.

At the institutional level, institutional periods can be distinguished on the basis of logics of action; i.e. formal rules, requirements and organizing principles promoted by regulations and development programs. These provided framework conditions – opportunities and constraints – for local actors to frame micro-regional governance and a system of associations. Institutional framework conditions often embodied conflicting logics of action within and across the three institutional periods. These were reflected at the organizational level in the emergence of various types of micro-regional associations within the three periods.

Following the definition of the concepts of micro-regions and micro-regional associations, the main features of spatial development in state socialism are briefly presented in order to provide a the context of processes that took place after 1990. The initial phase of the evolution of micro-regional governance between 1989/90 and 1995 is mapped out secondly, as embedded in spatial development processes in Hungary. In the same vein, the second institutional period between 1996 and 2004 is then outlined, followed by the discussion of the post-accession institutional era of micro-regional governance.

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<sup>16</sup> I use the term “spatial development” instead of “regional development,” because the concept of the region, and along with it, regional development came to Hungary only in the second half of the ‘90s. Since it was the concept of spatial development that had been used throughout the decade embracing the development of all sub-national units (counties, settlements, micro-regions and from 1996 onwards regions), it is thought to better capture the developmental context of the period.



## 5.2. Definitions of a micro-region

In the international literature, a micro-region is a territorial unit defined by political-administrative, economic, geographic and/or ethnic boundaries. It is generally composed of several municipalities, with a mixture of urban and rural characteristics and with local resources sufficient to support a process of socio-economic development. According to FAO of UN “in a modern definition a micro-region can also be understood as a network of different actors from government, local government, the private sector and civil society within a particular territorial unit” ([http://www.fao.org/Regional/SEUR/MRP\\_en.pdf](http://www.fao.org/Regional/SEUR/MRP_en.pdf)). Thus, while in

*... some cases the micro-region exists as a planning unit within the planning and decision-making system of the country and with a set of delegated responsibilities stipulated by law, ... in many other cases micro-regional planning may also be based on an ad-hoc decision of the local population to do something together. In some cases there is the common interest to jointly develop the tourism potential of a small region, to market the local wine or some other typical local product, and there are also cases where people get together to start land consolidation in an area that extends beyond village boundaries* ([http://www.fao.org/Regional/SEUR/MRP\\_en.pdf](http://www.fao.org/Regional/SEUR/MRP_en.pdf)).

The EU's statistical NUTS system also recognizes the micro-regional level as its NUTS4 unit but it pays much less attention to this level and leaves it to the discretion of member states to establish micro-regions at all. One can find micro-regions in nine member states besides Hungary: in the UK, Finland, Portugal, Greece, Ireland, Luxembourg, Slovakia, the Czech Republic and Romania. The establishment of the micro-regional level in these countries is related to the average size of the settlement level. In member states such as the Netherlands, Denmark, Belgium and Sweden the population of an average settlement is about 20 000, which is close to the average population size of a micro-region in Hungary.

In Hungary, the origins of the concept of micro-region date back to the 1950s, when the Constitution of 1949 established the district level (*járás* in Hungarian) as a public administration and political unit. Districts had “elected” councils for political representation and administrative offices. In 1971 District councils were abolished but district offices remained in place until 1984, when finally the district as a public administration unit was also abolished. Up until the Act on Local Governments in 1990, a two-tier system of public administration prevailed in Hungary, with the overwhelming power of the counties at the sub-national level.

Since 1990 two main parallel definitions have existed for micro-regions related to the functions attributed to the micro-regional level. The definitions reflected two distinctive

organizational logics. The statistical-public administrative approach defined micro-regions as “a group of neighbouring settlements whose territorial borders are determined by functional interdependencies and intensive organic relations among them” (1996 Act XXI on Spatial Development). On the other hand, micro-regions have been defined by micro-regional actors themselves as complex spatial units that are comprised of the association(s) of settlements whose historical, cultural, social, economic and natural attributes display a great deal of homogeneity (Szörényi, 2002, Fekete 2001). This approach has rather supported spatial developmental functions for micro-regional associations, which at the organizational level has been embodied by micro-regional associations comprising actors from diverse fields.

The two definitions must be differentiated from the concept of micro-regional associations. While a micro-region describes a geographically limited, physical unit; micro-regional associations describe some institutionalized form of associations among various actors of these settlements (local governments, local NGOs and local businesses, or any other private and public bodies). This differentiation must be emphasized since the transformation of micro-regional governance has been largely about the way the state interfered with the organic spatial developmental organization of micro-regions and promoted statistical-public administrative logics to define the organizing principles of this unit. This has been reflected at the organizational level in the emergence of various types of micro-regional associations. The statistical-public administrative definition of micro-regions provided the basis for regulations that promoted micro-regional associations based on local governmental partnerships. The definition of micro-regions as complex spatial units, on the other hand, supported spatial developmental functions for micro-regional associations based on the partnership of local actors from diverse organizational fields.

### **5.3. Spatial development in state socialism** (Vági, 1982)

Regional development in CEEs did not exist in its current discursive and administrative forms prior to prospective EU membership in the 1990s. Even at the time of the systemic change the concept of “the region” did not comprise a unit in the legislation. In Hungary, during state socialism the highest public administration unit after settlement councils and districts (a group of settlements) was the county, which served as the basic distributive unit of central planning. The source of distribution was the state budget, and it – along with extra revenues – was subject to political bargaining at the county and state levels. The relative power and success of such political bargaining depended on industrial sectoral structure, the size of industrial workers, the size and legal status of settlements and the strength of party organization at the local level.

The second cycle of bargaining took place between the county and the local level. County seats were traditionally prioritised and over-financed just like district centres. The “losers” of this political bargaining game were small towns and villages. On the other hand villagers substituted the lack of central resources with local initiatives and resources coming from self employment in the black economy, which was poured into infrastructural developments (housing, water gas). In this way the redistributive system of central planning conveyed inherent inequities by ascribing a stronger bargaining position to industrial towns with a considerable number of industrial workers, to county seats and larger towns, especially to those where the Socialist Party organization was strong.

In this period public administration and development policy were separate concepts: public administration belonged to the Interior Ministry (mainly a ministry for police forces) while development and planning was the responsibility of the Central Planning Office (CPO). In fact, the concept of territorial development in its current definition did not exist. In state socialism national development (the people’s economy) was broken down into different levels (such as the county and district) but territorial and sub-national units did not constitute a developmental unit. The methodology of planning in the CPO did not contain principles of transparency, publicity, social participation, scientific legitimating about the right method of spatial development at all. Public administration even at the time of the systemic change conceptualized the democratization of sub-national units in purely legal terms. In this way the Act on Local Governments in 1990 provided unprecedented independence for local

municipalities in terms of autonomy to conduct their own public services, but legal autonomy did not follow from financial independence.

#### **5.4. Micro-regional associations: the story of emergence 1989-1995**

Following the fall of state socialism in Hungary the 1990s were characterized by an increasing emphasis on the concept of “local” spheres of life. The series of decentralizing reforms in the early 1990s, especially the reform of local self-governments, laying emphasis on local institution building and local provision of public goods, were part of this phenomenon. The strengthening of local municipalities “at the expense” of the counties was carried out in the name of “democracy and independence from the central state, while efficiency and rationality, important concerns in Western European states (Stewart and Stoker, 1995) were rather neglected” (Pálné, 2004).

The Act on Local Governments (1990) gave unprecedented amounts of autonomy to local municipalities and provided for the abolishing of hierarchical inter-settlement relations. Eliminating much of the central control in local affairs also meant a decrease in funds for public service development and property (Szabó, 1996) prompting municipalities to find ways of “working closer together.” Since the devolution of administrative and public services to the local level was not followed by financial decentralization, the result was a fragmented local government system with low efficiency in functional performance due to a lack of financial resources. The lack of resources, the uninhabited social field of the middle tier after the weakening of the county level and the interception of this field by deconcentrated central organizations, and the need for more powerful interest representation of local municipalities, paved the way for the emergence of cross-municipal associations.

At the same time the post-socialist socioeconomic environment – the collapse of infrastructural state companies, mounting employment crises and the increased responsibility of local municipalities in providing social services to unemployed, the increasing need for SMEs – confronted local municipalities with structural socioeconomic problems that reached beyond the boundaries of their settlements but directly affected the population within the municipality. In the absence of financial resources, with time, municipal governments and local actors realized that there was a need for closer cooperation if resources were to be gained for breaking the downward developmental spiral.

Under these circumstances, the centralized development policy of the previous decades was unmanageable, and local (endogenous) development strategies came to be advocated by the central state. Government decrees in 1991, in 1992 and the Act of 1992 on the use of the *Spatial Development Fund* expressed a preference for local development and crisis management strategies drawn up by the association of local governments. As a result of

the weakening of the county level, the central state was in need of new partners for its new territorial development policy that displayed elements of decentralization (Fekete, 1995). Micro-regional associations served as potential new partners and the financial incentives that the central state provided for the preparation of their development strategies served as examples of top-down institutional support for the strengthening of bottom-up organizations of micro-regional associations and local development (Trigilia, 2001).

The first micro-regional associations were established in those disadvantaged areas of Hungary that were most severely hit by the socio-economic crisis of transition. The spatial consequences of massive socio-economic recession were most dramatically felt in sites of once socialist state industries, like in Borsod-Abaúj-Zemplén (BAZ) county in the northeastern corner of Hungary, with a heritage of 40 years of iron and steel production; in Szabolcs-Szatmár-Bereg county in the most-eastern part of the county, with the highest percentage of suddenly unemployed unskilled Roma within its population. Other crisis-stricken sites of the early 1990s were coal and uranium mining areas under state socialism, such as Pécs-Komló in Baranya County (in the southwest), Oroszlány and Várpalota (in the mid-west), Nógrád and Zala counties.

4. Figure: Map of Hungary with counties



Source: [www.terport.hu](http://www.terport.hu)

Due to this unprecedented socio-economic crisis, immediate intervention was needed to alleviate disparities at sites where transformation had caused the greatest damage. As a result the spatial development policy of the first half of the decade focused on *ad hoc crisis management of the central state providing financial assistance only for areas mostly in need.*

Between 1990 and 1994 these central state funds provided the major source of financial assistance for Hungarian sub-national actors.

#### **5.4.1. Development programmes 1990-1995**

The institutional logics behind these early development programs conceived micro-regions as organic spatial developmental units and thus encouraged the emergence of cross-municipal associations based on the partnership of diverse actors. Eligibility criteria in these programmes did not prescribe criteria on the sectoral representation, the functional scope or the territorial extension of cross-municipal (micro-regional) associations. Neither did they touch upon the rules of decision-making in these organizations, and in this way the development programmes of the early 1990s gave room for local actors to organize integrated and heterarchic modes of governance.

#### **Spatial Development Fund**

The Spatial Development Fund (SDF; 1990-1994) was the chosen instrument of the central state to reduce infrastructural disparities and unemployment in socio-economically backwards and crisis-stricken areas, functioning as direct central state support. Its priorities and financial framework were regulated by government decrees and laws. Government Decree 97/1992 (VI.16.) introduced new priorities of funding for enterprises offering market-oriented products and for agricultural activities. It separated 50 million HUF from the annual SDF budget specifically for the creation and preparation of micro-regional development programs.

#### **5. Figure: Total sum of SDF form annual central budget 1991-1994 (Million HUF at current price)**

1991	1,780
1992	6,000
1993	6,379
1994	6,5

Source: VÁTI Ltd. 1994.

In 1991/1992, 87,3% of total SDF was accessed by BAZ and Szabolcs-Szatmár-Bereg counties. Between 1990 and 1994, 17 billion HUF had been accessed from SDF; 22,1% of this had been for job creation and 77,9% for infrastructural investments (see detailed table of

annual sectoral spending in appendix). SDF supported altogether 924 settlements during these four years; the highest proportion of SDF went to settlements in Szabolcs-Szatmár-Bereg county (43%), while the lowest proportion – despite the high number of privileged settlement – went to settlements in Baranya county (0,63%).

#### 6. Figure: Geographical distribution of SDF between 1990-1994

SDF (million HUF)	County/capital	Number of privileged settlements	Number of privileged settlements accessing SDF	Number of non-privileged settlements accessing SDF	Distribution of total funding (%)
0,0	Csongrád	6	-	-	-
	Győr-Moson-Sopron	8	-	-	-
	Komárom-Esztergom	9	-	-	-
0,1-100,0	Budapest	0	-	1	0,42
	Bács-Kiskun	34	7	-	0,24
	Pest	13	4	-	0,09
	Tolna	53	8	1	0,20
	Veszprém	68	12	6	0,42
100,1–500,0	Baranya	176	12	2	0,63
	Fejér	18	9	1	0,87
	Jász-Nagykun-Szolnok	39	26	20	0,92
	Somogy	139	28	4	1,36
	Vas	84	13	1	2,54
	Zala	152	27	9	1,32
	500,1-1000,0	Békés	43	31	31
Heves		47	41	27	4,87
Nógrád		125	60	1	3,51
1000,1-2000,0	Hajdú-Bihar	64	55	11	8,27
2000,1-5000,0	Borsod-Abaúj-Zemplén	307	246	9	27,06
5000,1-above	Szabolcs-Szatmár-Bereg	211	206	15	43,06
Total	Country	1596	785	139	100,0

Source: VÁTI Ltd.1994.

## **National Employment Fund (1992-93, 1995-1997)**

The second largest domestic development fund of the initial period was provided by the National Employment Foundation (NEF), which was established in 1992 by the Ministry of Employment. Financial resources of NEF programs were provided by the Employment Market Fund, an annually-appropriated fund of the central state's budget. Professional supervision of the program was provided by the current minister of employment affairs. The overall goal of NEF has been the reduction of unemployment and the expansion of active employment in Hungary through alternative employment-market and training programs. Several NEF programs, however, directly targeted micro-regional associations and contributed to the institutionalization of the micro-regional level. NEF micro-regional programs promoted the spatial developmental logic of bottom-up organization of micro-regions and associations within them. Since 1997 NEF has been functioning as a public foundation of the Ministry and the central government.

The first NEF funds targeting micro-regional associations became available in 1992. This program provided assistance in the preparation of micro-regional development programs for those micro-regional associations that did not acquire funds from the experimental PHARE ICC (Inter Communal Cooperation) program in 1992.<sup>17</sup> Its overall budget was 35.2 million HUF, which was distributed among 32 successful tender applications of micro-regional associations that considered themselves able to prepare their developmental strategy with the help of this sum.

### **7. Figure: NEF micro-regional manager program data**

<b>1995</b>		<b>1996</b>				<b>1997</b>				<b>All</b>					
Applied		Implemented		Applied		Implemented		Applied		Implemented		Applied		Implemented	
Piece	Won	Piece	HUF	Piece	Won	Piece	HUF	Piece	Won	Piece	HUF	Piece	Won	Piece	HUF
51	17	14	10 947	39	17	17	10 350	75	40	40	34	131	74	71	55 465
											168				

Source: Szörényiné, 2002 (summary of the program in Appendix 1.)

In addition, three consecutive tender invitations for the program supporting the employment of “micro-regional managers” between 1995 and 1997 provided financial assistance – with 50% own-resource requirement – for micro-regional associations with complex developmental programs. During the 3-year long program, out of 165 applications 48 micro-regional associations received assistance, and could thus employ a micro-regional

<sup>17</sup> PHARE ICC 1992 supported micro-regional institutional development by financing cross-settlement cooperation.

manager: 11 associations could employ a manager with the 50% support of the program for 2 years, while 33 associations employed one manager for one year. Micro-regional managers were directly employed by the associations who were entitled to define the responsibilities and competencies of the manager to be employed. Overall though, the program provided financial assistance for those micro-regional associations that defined the functions of the micro-regional manager according to complex developmental goals, such as: resource and new partners mobilization, intra- and inter-micro-regional network management, program and project management, micro-regional marketing, information management and assistance to local governmental and NGO partners in the association. The termination of the program in 1997 was devastating for bottom-up micro-regional associations that were left without resources to cover the future salary of their managers. The termination of a program that supported bottom-up heterarchic organization of micro-regional development without institutional constraints could be regarded symptomatic of the increasingly hierarchical organization of micro-regional institutional development towards the end of the decade.

Additional NEF programs during the 1990s focused more directly on facilitating general employment development in local communities. The employment manager program between 1993 and 1996 targeted not only micro-regional associations but also local governments and provided 54 million HUF for the winning applicants to employ an additional person with these tasks or to add to the existing tasks of the micro-regional manager.

The last NEF program directly targeting micro-regional associations took place between 1998 and 2000 and focused on local economic development through the generation of entrepreneurship. The Local Entrepreneurship and Economic Development Complex Program concentrated primarily on small- and medium-sized enterprise development.

### 8. Figure: Summary data on NEF tenders between 1992 and 2005

	1992-1999	2000-2003	2004	2005	1992-2005
Tender applications	4 567	2 710	395	418	8 090
Financed projects	1 639	1 425	249	172	3 485
Financial framework (million HUF)	7 210	11 992	4 324	4 262	27 788
Beneficiaries (persons)	154 534	139 098	59 204	47 031	399 867

Source: [www.ofa.hu](http://www.ofa.hu)

## ÖAR and PHARE

Transnational instruments in this period were of two main types: individual funding programmes of major transnational actors, such as the *British Know How Fund*, the *Soros Foundation*, *USAID*, the *Carpathian Foundation* and *Österreichische Arbeitsgemeinschaft für Rehabilitation (ÖAR)*<sup>18</sup>; and *PHARE* pre-accession funds of the European Union. From an evolutionary perspective *PHARE* had the greatest impact in shaping the institutional framework of micro-regional governance.

The ÖAR/*PHARE*/Hungarian Enterprise Development Foundation in 1992/1993 sponsored the setting up of an advisory unit to support local economic initiatives and endogenous development through cross-municipal (micro-regional) cooperation. The overall goal of the project was to contribute to job creation in disadvantaged regions and to foster cross-settlement cooperation in micro-regional development programmes. The programme was co-financed by ÖAR, the MoERP (by 1 HUF 1 million), the Ministry of Finance, *PHARE* and the local government(s). It also collaborated with OECD ILE programme in order to provide international expertise for Hungarian participants and to send trainees from Hungary for study visits to relevant institutions outside of Austria. In the course of the two year long programme a national network of micro-regional advisory units in disadvantaged areas such as Baranya, Borsod-Abaúj-Zemplén, Hajdú-Bihar, Szabocs-Szatmár-Bereg and Zala counties was established based on a pilot project in Vasvár.

### **9. Figure: Table of financing ÖAR-MVA/*PHARE* (HUF million)**

<b>Project</b>	<b>Austria</b>	<b>PHARE</b>	<b>Open financing</b>
Regional advisory units	1,0	7,5	1,0
Start up	2,0	2,0	0,5
Training of trainers	0,7	0,7	0,6
Supervision and coaching	2,0	1,5	1,0
Coordination	1,0		2,5
NGO coordination unit	1,0		3,0
Consultants	1,5		2,5
<b>Total</b>	<b>9,2</b>	<b>11,7</b>	<b>11,1</b>

Source: Environmental and Spatial Development Ministry, 1991-1993

<sup>18</sup> Austrian Association for Regional Self-Reliant Development: a non-governmental intermediary agency for the promotion and support of local development in Austria's peripheral regions.

The single largest financial instrument of the period, however, was PHARE (*Poland and Hungary: Assistance for the Restructuring of their Economies*) that had been established in 1989 by 3906/89 EC decree to assist Hungary and Poland in strengthening democracy, training of new professionals and building new institutions necessary for market transformation. During its decade long assistance in Hungary, PHARE spatial development programmes played a paramount role in the refinement of Hungarian regional policy.

Initially, PHARE's Experimental Programme Fund in 1992 focused on local economic development by supporting trainings for local economic actors. The overall goal of the program was to generate new jobs and innovative technologies by relying on endogenous resources. PHARE Experimental Programme Fund played a decisive role in the testing of County Development Councils' and County Development Agencies' ability to serve as founding elements of a decentralised spatial development policy in Hungary.

*PHARE ICC* (Inter Communal Cooperation) was one component of the Experimental Program in 1992 that specifically targeted cross-settlement cooperation, and this way contributed to the development of micro-regional associations. The specifications of the program included:

- Encouraging cross-municipal cooperation in spatial development;
- Supporting development projects implemented in the association of diverse local actors;
- Helping settlement associations to become partners to other local actors in spatial development
- Provide best-practices in financing cross-settlement development projects.

The eligibility criteria of the program did not encroach upon the bottom-up definition of the organizational form, the territorial extension, the functional scope of associations. Regarding the sectoral composition of micro-regional associations, the only requirement it had was the inclusion of some local governments in the association especially in the initial phase of institutional development. It also required the financial transparency of the organization, the appointment of a micro-regional manager and 20% of own-resource contribution-in-kind or/and in-money in the initial phase. Between 1993 and 1996 the program supported 30 micro-regional associations with a 25 000 ECU (approximately 3 million HUF) budget for

each organization to prepare its own development program. In addition to its ICC component, the PHARE Experimental Programme Fund made 4.5 million ECU available for various types of local organizations in the two most disadvantaged and backwards counties of Szabolcs-Szatmár-Bereg and BAZ (list of projects in Appendix 2).

The second PHARE programme in 1995 began to put more emphasis on institutional capacity-building and assistance on environmental protection, and concerning financial and investment advice. It was made accessible only for BAZ County in order to help its economic transformation through supporting the diversification of its economy and the generation of sustainable development practices. This was one by applying the principles of partnership and transparency with the aim of integrating and decentralising development programmes. The programme had four main target areas: institutional capacity-building, entrepreneurial capacity-building, development of tourism and micro-regional development. 70% of the available € 5 million was finally used for capacity-building and micro-regional development (see the list of projects in Appendix 2).

### **Other donors**

This trend was further strengthened by *USAID*, the development program of the US government, launched in 1995 with the objective of assisting Hungary's democratization and transition to market economy. Between 1995 and 1999, USAID, in partnership with DemNet (Hungarian local partner of United Way) financed local development initiatives that – based on the wide cooperation of local actors and settlements – were expected to enhance the role of civil society, and the improved performance of local SMEs and local governments in service provisions and local development. As part of its main target areas – democratic governance, economic stabilization and transformation, and quality of life – USAID encouraged the local integration of development efforts through bottom-up initiatives and joint planning and implementation in various development areas: environmental, economic development, social care, education, etc.

USAID obligations for Hungary between 1990 and 1996 amounted to \$240 million, primarily in the form of technical assistance and Congressional-earmarked capitalization of the Hungarian-American Enterprise Fund (\$70 million). In this period, USAID provided financial and technical assistance mainly in privatization policy. It assisted in the establishment of the Hungary State Privatization Agency and in the privatization of less profitable smaller firms and agricultural enterprises. In 1994, USAID also provided assistance to the then State Asset Holding Company (ÁV Rt.), later known as the State

Privatization and Property Company (ÁPV Rt.), in working on politically or technically complicated privatization projects, such as companies producing in strategic areas. In 1995 twelve Hungarian mayors completed USAID training programs, studying how American practices can be applied to representation and employment generation in their respective cities. The Mayor of Pécs, Hungary's fifth largest city, subsequently established a tourism and business information centre.

The *British Know How Fund (BKHF)* had committed approximately \$45 million in grant-funded assistance to Hungary over the same period. Although there was no fixed annual budget for Hungary, approximately \$6.5 million was programmed annually. Assistance was mainly provided through grant support to individual projects supporting economic restructuring. The British Know How Fund cooperated closely with MVA/PHARE in supporting SME development in Hungary. In 1995 it conducted an 18 month-long project to support Local Enterprise Agencies move towards more self-sustainable methods of operation. BKHF mostly provided knowledge transfer in local economic development by implementing several workshops on sub-national development in the Northeast and South of Hungary on behalf of the Ministry of Economic Affairs and for MVA/PHARE.

The *Soros Foundation* has provided since 1984 the single largest budget of private funds and the greatest variety of programs in support of Hungarian social development. Besides the largest bucket of donations sponsoring the Central European University, the Open Society Institute, the Higher Education Support Program, the public education and the healthcare system as well as several other scientific and arts-related exchange programs, the Soros Foundation also played an important role in the coming about and strengthening of local non-profit organisations of various kinds. The Foundation also provided assistance indirectly for micro-regional associations through its grant funds for democratic organisations, the integration of Roma in the public education system and the employment market, environmental protection, community development and civic education, etc.

As a result of such abundance of development programme funds in the early 1990s, an unprecedented “willingness” of local associations evolved during these years, especially in backwards areas privileged by the funds. By 1995 the number of micro-regional associations had increased to 134. Two-thirds of these micro-regional organizations had been established between 1993 and 1994, which was the richest period concerning the allocation of development funds (SDF, ÖAR, PHARE). These development programs encouraged spatial developmental logics in the institutionalization of micro-regional associations; i.e. they did not prescribe the territorial scope, the functional orientation or the organizational form of

associations. These institutional conditions encouraged the coming about of two types of micro-regional organizational: *cross-municipal associations of local governments* and *developmental communities of micro-regional associations* (Fekete, 1995).

*Cross-municipal associations of local governments* were established by municipal governments with the purpose of coordinating local (municipal) development functions and public service provision that individual local governments were unable to operate due to their scarce resources. Their emergence was thus directly triggered by access to the above funds. These associations were initiated by ambitious and innovative mayors or in a few cases by local private persons, and included only municipal governments (Fekete, 1995). *Developmental community type associations* were established with the goal of acquiring the wide support of local communities in order to multiply development efforts. These “settlement associations” were brought to life in the most backwards and peripheral regions of the country. Settlement associations were often also initiated by local governments or in some cases by local community development professionals (geographers, teachers, and sociologists), local NGOs or entrepreneurs (Fekete, 1995). Local governments had great influence in decision-making within these associations, yet programme planning and management was under strong civil control (Fekete, 2000). In 1995, nearly 40% of the existing micro-regional associations were such settlement associations. 57% of micro-regional organizations represented cooperation between local governments (Fekete, 1995). In order to maximize resource mobilization, local governments often joined more than one organization across county borders. The single financial resources for both types of organizations in this period were public tenders, especially PHARE, NEF and SDF (Fekete, 1995). The most frequent tender goals were: job creation, micro-regional programme development and infrastructure development.



## **5.5. Micro-regional associations: the story of evolution 1996-2004**

This period of micro-regional institutional transformation was defined by two parallel processes. On the one hand, from 1996 onwards, EU conditionality increasingly shaped and transformed the field of spatial development both in terms of regulatory and financial content. This had a significant impact on the evolution of the NUTS2 regional level but it did not directly affect the micro-regional level. Yet, indirectly, the prospect of large sums of development funds coming through the Structural Funds after accession prompted the central state to start preparing the micro-regional level for the management of EU funds. The Act of Spatial Development and Planning (1996) and subsequent domestic development programmes began to organize what seemed like a jungle of diverse micro-regional organizations from the top according to a statistical-administrative logic. This logic provided prescriptions on the organizational form, sectoral composition, territorial extension and more or less on the functional scope of micro-regional organizations. Presented as eligibility criteria for domestic funds these prescriptions shifted balances of power in micro-regional associations towards local governments that had the exclusive privilege to participate in the definition of priorities of decentralized programs at the county development councils. The constraints that the Act on Spatial Development elevated for the territorial and sectoral composition of micro-regional associations had devastating effects on organic bottom-up associations, as micro-regional governance increasingly began to follow an administrative logic of action. The prescriptive logic of the 1996 Act was strengthened by the European Commission's discourse at the end of the decade that sought to advance the financial the possibility of controlling sub-national institutional agents by the central state through control of the Structural Funds management. At the micro-regional level this led to the erosion of the spatial development logic of spontaneous bottom-up associations and to the evolution of increasingly hierarchical governance patterns.

### **5.5.1. Transnational programmes**

#### **PHARE 1996 – 2003** (For a summary of PHARE programs in Hungary see Appendix 2)

After 1996 PHARE assistance programmes began to focus on institutional capacity building of the Hungarian sub-national system in compliance with EU standards. Changing PHARE priorities could also be seen in the way the programme was extended beyond the two most disadvantaged counties. In the participating counties sub-national actors could access

PHARE support for the development of SME competitiveness, coordinated development of rural areas, and the development of regional marketing for tourism (list of projects in Appendix 2).

The goal of the PHARE programme in 1997 was to provide assistance in the country's preparation for EU membership by reducing socio-economic disparities across the country. In this vein, it made €20 million available for some of the new NUTS2 regions (Northern Hungary, Northern Great Plains and South-Transdanubia) to assist them in a.) the transformation of their structure of industry; b.) the development of their employment structure and human resources; c.) the development of their rural areas through community development programmes (the list of projects can be found in Appendix 2).

In 1998 the EU provided €56 million for the institutional development of CEE accession countries through PHARE, *ISPA* and *SAPARD*. Hungary received €7 million, which was distributed as:

- 2,6 million on the development of the public administration system through twinning projects;
- 2,4 million on trainings and consultancy in the same field;
- 2 million for integrated regional and rural development projects that had to complement the National Spatial Development Concept (see the list of projects in Appendix 2).

This was followed by PHARE's Project Preparation Facility that aimed at providing assistance in gathering tender documentation for the next two years' PHARE programmes (€2,5 million). The goal of PHARE 2000 and what followed was to prepare the Hungarian institutional system of regional development for the reception and management Structural Funds after accession. In addition, PHARE 2000 and 2001 concentrated on strengthening socio-economic cohesion in Hungary through supporting infrastructural and environmentally conscious investment, SMEs' innovation and human resources development through vocational training (see the list of projects in Appendix 2).

The last PHARE programme before Hungary's accession, that of 2002-2003, concentrated on promoting integrated local development built on local partnerships through the implementation of three synergistic components: the rehabilitation of industrial and military sites for the improvement of job creation activities; the development of regional infrastructure

for improving public transport; encouraging employment based on local initiatives. This was the only PHARE programme which had eligibility criteria that covered all the counties. The EU provided €54,12 million and the Hungarian government 43, 29 HUF million (See the list of projects in Appendix 2).

PHARE programmes between 1992 and 2003 helped Hungarian public administration as well as regional and local actors to prepare for the reception of the Structural Funds. PHARE funding schemes were instrumental in setting up institutions for spatial development according to European guidelines. For example, the programmes acted as catalysts which encouraged inter-municipal and regional cooperation, promoting cross-border cooperation, and establishing regional institutions. They also contributed to the setting up a new network of institutions, including county and regional development agencies, and the testing the viability of these institutions. Between 1992 and 1999 PHARE funding of approximately 30 million HUF was available to support developments in the beneficiary regions.

### **SAPARD 2000**

Additional pre-accession funds with special infrastructure and rural developmental goals complemented PHARE in the early 2000s within the scope of ISPA and SAPARD. The main goal of *ISPA (Instrument for Structural Policies for Pre-Accession)* was to prepare applicant countries for the reception of money from the Cohesion Fund, to eliminate the deficiencies in infrastructure and environmental protection, to resolve specific problems hindering accession, and to improve provision indexes. The programme focused on two areas: transport development and environmental projects. The minimum value of each project was to be €5 million. The extent of Community support was not to exceed 85% of the project costs.

*SAPARD (Support for Accession measures for Agriculture and Rural Development)* was a multi-annual programme designed to support the agrarian and rural development of ten CEE accession countries. This financial assistance was available up to the time of accession. Based on the negotiations, €50 million (HUF 12-13 billion) was expected to be allocated to Hungary every year. The main priorities of the programme included: increasing the competitiveness of the agrarian sector, promoting environmental protection, rural development and the diversification of economic activities in the agricultural sector, and the strengthening of the adaptability of rural areas. Hungary's SAPARD plan was approved by the Commission in 2000 but the program was finally launched in October 2002, due to the late implementation of the institutional framework in Hungary.

This was especially surprising as SAPARD planning had started already in 1999 and its preparatory phase between 1999 and 2002 turned out to be a great success story of bottom-up micro-regional organization of development coalitions. This preparatory phase was promoted by the Ministry of Agricultural and Rural Development (MARD). In 1999 the Rural Development Department of the Ministry dedicated 300 million HUF to tendering and supporting micro-regional organizations in preparing their own SAPARD plans. Eligibility criteria contained no constraints on the organizational type, the sectoral composition and the territorial boundaries of micro-regional associations. Functional requirements had a multidimensional perspective in so far as they expected the preparation of heterodox rural development plans. In the first phase of the preparatory program, a situation analysis had to be prepared by local actors, while in the second one they were expected to produce their SAPARD operational program according to the 17 SAPARD measures of Hungary and their own developmental priorities. On the basis of the quality of their situation analysis micro-regional associations could receive various kinds of institutional support from the Ministry to prepare their operational program. In this vein, mentors and guidelines were provided by the Ministry to those that needed them.

The SAPARD preparatory program turned out to be extremely successful: 151 micro-regional associations prepared their tenders but eventually the entire territory of the country was covered by so-called “SAPARD micro-regions.” In the majority of the cases, it was specifically the preparatory phase of the SAPARD program that generated local bottom-up cross-municipal associations. Success could also be measured in the way micro-regional actors used their SAPARD plan as a reference even in 2006/07 in preparing tender documentation for SF programs. In each micro-region of the case studies it was mentioned as an important milestone in their institutional development. Micro-regional actors’ enthusiasm about the SAPARD program was also acknowledged by one of the program developers – an ex-employee of the Ministry – who saw the success of the preparatory phase in good operative program measures that were more easily interpreted by local actors than even PHARE programs, which required a considerable degree of English proficiency. These operative measures included the setting up of farming enterprises and producers’ groups; improving farm management services, the level of processing and marketing; alternative sources of income, animal and plant health control; village and rural development (infrastructure, historic monuments), soil amelioration, plot division, establishing land registry, vocational training, water management, forestry, agrarian environmental protection. In addition, SAPARD had the promise of consistent and long-term – three years – funding

that was a significant incentive in a period characterized by short-term or ad hoc financial resources.

In spite of the expectations that SAPARD generated about diversified and complex rural development among local/micro-regional actors, overall the program had failed to bring its expected results and caused a general feeling of disappointment among micro-regional actors. Due to the late implementation of the domestic institutional framework the tendering cycle was reduced and speeded up, causing anomalies in the program management (a great number of incomplete tenders, problems of capacity in invoicing and payment management) (VÁTI, 2007). Since SAPARD tenders arrived at the Ministry in late 2003, by that time human resource capacities in ministerial departments were primarily devoted to SF planning. Due to poor management coordination and human resources (responsibilities and competencies were not clarified) many of the incoming SAPARD tenders were not even opened and evaluated. Another consequence of the little time that was left for tendering and implementation was that payment request claims which arrived at the SAPARD Agency amounted to 364% more of the available resources. The number of project tenders turned down due to the lack of financial resources was 4037, which was 46% of all tenders (VÁTI, 2007).

Many of the micro-regional SAPARD plans were eventually implemented through alternative financial resources and programs (later in the decade through the Structural Funds or LEADER programs). MARD tried to save bottom-up “SAPARD micro-regional associations” by setting up the *network of spatial development managers* in 2000/2001 to assist micro-regional associations in program development. Unfortunately by 2003 the Ministry had lost its additional resource mobilisational capacities from the central budget first due to a political conflict within the conservative coalition of 1998-2002 and after 2002 due to a change of government. As a result of its budget decrease, MARD gave up rural and spatial developmental competencies, which were taken up by the Ministry of Local Governments and Spatial Development (MLGSD) in 2003. The long-term effects of the lack of horizontal coordination and the clash of institutional logics between the two branch ministries became apparent in the organization of the micro-regional institutional field. The institutional logic of spontaneously organized, bottom-up micro-regional associations among heterogeneous local actors advanced by MARD clashed with the logics of MLGSD that – in line with the demands of the European Commission on an easily traceable institutional system for the sub-national level – preferred the concept and practice of statistical micro-regions. Having taken over spatial developmental competencies from MARD, MLGSD pushed the institutional

development of micro-regional associations towards a centrally coordinated, hierarchical system of multi-purpose partnerships among local governments exclusively.

### **Other donors**

The *British Know How Fund* in 1997 managed a twelve month project advising the Hungarian Foundation for Enterprise Promotion (MVA) on enterprise development initiatives and assisted its senior staff in their implementation. It also worked closely with the Ministry of Economic Affairs to assist SMEs to develop the necessary production improvements and quality controls, and to enable them to become sub-contractors. In 1997-1998 BKHF managed a programme to develop operating and quality control manuals to ensure a common quality of service delivery by Local Enterprise Agencies (LEAs) across Hungary. These manuals provided a strong foundation for accreditation under ISO 9001 for the whole Enterprise Agency Network in Hungary. In 1998 BKHF completed a Regional Cross Border Strategic Development Plan for the south of Hungary and the most western part of Romania. This plan included fourteen specific projects for the region, with outline applications for funding, which it assisted local government to develop. In 1999 it participated in a Cross Border Development Project funded by PHARE to develop relationships between Regional Enterprise Organisations in the north of Hungary and similar organisations in the south of Slovakia.

As regards training, BKHF designed a "Start Your Own Business Course" for LEAs to use throughout Hungary and organised "Training the Trainers" courses to help improve the skills of training offices at LEAs and enable them to deliver the training courses. This work was further developed within a successful project under the name LEONARDO.

USAID 1998 had two general thrusts: support for the remaining activities aimed at macro-level issues such as fiscal and financial reform; and enhancing Hungary's ability to carry out the last stage of full democratic and economic transition: bringing both the responsibilities and benefits of the country's transformation to a level closer to the average Hungarian family and community -- in business, in government, and in non-governmental associations. In working toward this goal, USAID supported the transition to transparent and accountable governance and the empowerment of citizens through democratic processes.

Its SEED program tried to address the issue of resource mobilization and effective representation of local interests and concerns. Examples of SEED assistance included the work of USAID advisors in helping local governments to manage their resources more effectively, by improving their capacity to finance both investment and the operation of municipal services. Assistance in municipal budgeting was extended to many Hungarian

cities, enabling municipal governments to become more responsive to citizens' needs and to become more accountable. Assistance was provided with the aim of reducing and rationalizing municipal infrastructure subsidies. These and other facets of the USAID housing/urban assistance program enabled local governments to work with the private sector more efficiently, without having to resort to new public ownership or necessarily to public funds.

USAID had also launched two new programs in 1995, one aimed at upgrading public administration skills at the local level, and the other at supporting the establishment of local NGOs serving democratic reform and social service needs. In 1997, this activity focused on promoting a more active civil society by achieving increased support for civic issues from the private sector, and supporting an independent media. It also encouraged more accessible and effective local governments by assisting them in developing more efficient management mechanisms for citizen input and encouraging inter-community cooperation.

#### **LEADER 2001-2004**

LEADER has been one of four initiatives financed by the Structural Funds, designed to help rural actors to consider the long-term potentials of their local region. Encouraging the implementation of integrated, high-quality and original strategies for sustainable development, it has a strong focus on partnerships among heterogeneous local actors and networks of exchange of experience.

In 2001, MARD launched the so-called Experimental LEADER programme that was expected to help the preparation of local actors to participate in LEADER programmes after accession. The program was financed from domestic decentralized target appropriations for rural development in the budgetary years 2001-2002. The idea of an experimental LEADER was derived from MARD, which having “lost” its spatial developmental competencies to MLGSD by 2002, tried to compensate bottom-up micro-regional associations with alternative long-term resources through the LEADER program. The logic of the experimental LEADER was similar to the SAPARD preparatory program between 1999-2002 in the sense that it was based on LEADER framework regulations and LEADER handbooks borrowed from some EU15 states (Ireland, Holland). MARD also provided mentoring and guidelines for micro-regional associations in preparing their LEADER program documents.

30 tender applications were prepared by micro-regional associations, but due to financial restrictions only 16 Local Action Groups (LAGs) could be invited to implement their programs for which 30 million HUFs were provided for each association. As two LAGs

had dropped out, finally 14 of them signed the contract for implementation with MARD. Among these was one of the oldest micro-regional associations in the country and one of the organizations of the case studies, the Zala-Kar Association in the future Zalaszentgrót micro-region.

## 5.6. National regulations and programmes: 1996-2004

The system of annually fixed direct state support provided from the central budget between 1990 and 1994 came to a halt with the introduction of the Bokros-package (austerity package named after its creator, Finance Minister, Mr. Lajos Bokros) in 1995. The new annual target appropriation fund introduced in 1995 was more sensitive to interim economic trends of a transformation economy. The *Spatial Development Target Appropriation* between 1995 and 1997 amounted to 904 million HUF in the given period, which was accessed again by settlements in BAZ, Szabolcs-Szatmár-Bereg and Hajdú-Bihar counties. The Spatial Development Target Appropriation was similar to SDF in the sense that it provided direct central state support for sub-national actors.

### Spatial Development Target Appropriation 1994-1997

Counties	Infrastructural investment		Employment investment		Total	
	Investment sum	Support sum	Investment sum	Support sum	Investment total	Support total
Budapest	843	843	-	-	843	843
Baranya	3441	656	744	248	4185	904
Bács-Kiskun	1732	527	2697	451	4429	978
Békés	4176	1150	1832	469	6008	1619
Borsod-Abaúj-Zemplén	12270	3120	8442	1712	20712	4832
Csongrád	1287	370	2251	256	3538	626
Fejér	5135	435	3044	208	8180	643
Győr-Moson-Sopron	3433	220	1077	65	4511	286
Hajdú-Bihar	7034	1854	5076	561	12110	2415
Heves	2693	451	3038	511	5731	963
Jász-Nagykunszolnok	3995	1075	4109	448	8104	1523
Komárom-	858	22	546	33	1405	257

Esztergom						
Nógrád	3997	971	4712	831	8709	1802
Pest	716	204	3898	315	4614	519
Somogy	1947	487	630	128	2578	615
Szabolcs- Szatmár-Bereg	6208	1917	11526	2362	17734	4279
Tolna	1072	185	654	110	1727	295
Vas	1313	245	132	24	1445	270
Veszprém	1433	363	975	135	2408	498
Zala	1525	247	1207	192	2732	439
<b>Country total</b>	<b>65109</b>	<b>15544</b>	<b>56593</b>	<b>9061</b>	<b>121702</b>	<b>24605</b>

Source: *Spatial Information Booklets*. VÁTI Ltd. 1998

The first funding scheme that relied on decentralized distributive mechanisms was introduced in 1996 by *Act XXI of 1996 on Spatial Development and Planning*. The Act established 10 systems of support to serve the implementation of spatial development objectives. Their magnitude is demonstrated by the fact that in the period 1996-1998 the total allocation for spatial development was over 543 billion HUF. Direct decentralized financial instruments were the *Targeted Provisions for Spatial Development* (TFC in Hungarian), the *Target-Oriented Decentralised Support* (CÉDE in Hungarian) and the *Support for Promoting Spatial Balance* (TEKI in Hungarian). Since 1994 the extent of direct spatial development support at current price has more than tripled, it rose from HUF 6.5 billion in 1994 to almost HUF 20 billion in 1998 (For details on decentralized funds between 1996 and 2000 see Appendix 1).

The intention of the Act was to adopt a mechanism for resource distribution similar to the EU's Structural Funds. Thus it ordered 50% of spatial development support to be decentralized to County Development Councils and left it to their discretion to make it accessible for sub-national actors through local tendering. Principles of distribution and tender procedures established by parliamentary decisions<sup>19</sup> designated two types of spatial developmental funding: direct decentralized funds (TEKI, TFC, CÉDE) that directly focused on the reduction of spatial disparities, and indirect spatial development funds that supported

<sup>19</sup> 30/1997 (IV. 18.), 82/1998 (XII.26.)

various sectoral activities (e.g. environmental protection, economic development, tourism etc.). The central principle of the decentralized funding system was “coordinated resource allocation,” which meant that a resource map could be drawn by the combination of several funds. Since its ultimate goal was to reduce spatial disparities, its founding legislation also defined the list of disadvantaged areas that had privileges in accessing the funds. The definition of “backwardness” and disadvantaged status was established on the basis of a system of indicators at the micro-regional level (!).

In this vein the Act defined for the first time the concept of a micro-region. The definition was based on the concept of a statistical-planning sub-national unit established by the National Statistical Office (NSO) for administrative purposes. This unit served the basis of allocating decentralized funds at county development councils. The amount of funds a developmental council received depended on the number and type of disadvantaged statistical micro-regions located in the county. The Act also entitled the spatial developmental association of local governments from every statistical micro-region within a county to delegate a representative to the county’s regional development councils (Keune, 2001).<sup>20</sup> The representatives of these local governmental partnerships had voting rights in the council and thus were entitled to participate in the definition of developmental priorities and in the distribution of decentralized funds. This provided strong incentives for local governments to establish partnerships with neighbouring municipalities. On the other hand, by providing representational rights at county development councils exclusively for local governmental partnerships formed within statistical micro-regions, the Act deprived other types of micro-regional associations (e.g. settlement associations, cross-municipal associations that crossed county borders) of the same rights and resources.

The Act also created a four-level network of regional development institutions. At the regional level, seven statistical regions were set up pursuant to the National Regional Development Concept. The amendment of the spatial development Act contained mandatory provisions for the establishment of Regional Development Councils built on the seven statistical regions. The primary task of the Council was to promote the economic and infrastructural development of the region, and parallel with that task, to prepare and coordinate the execution of the region’s development concept and programme. The foundation of regional development councils and the shaping of their operational framework

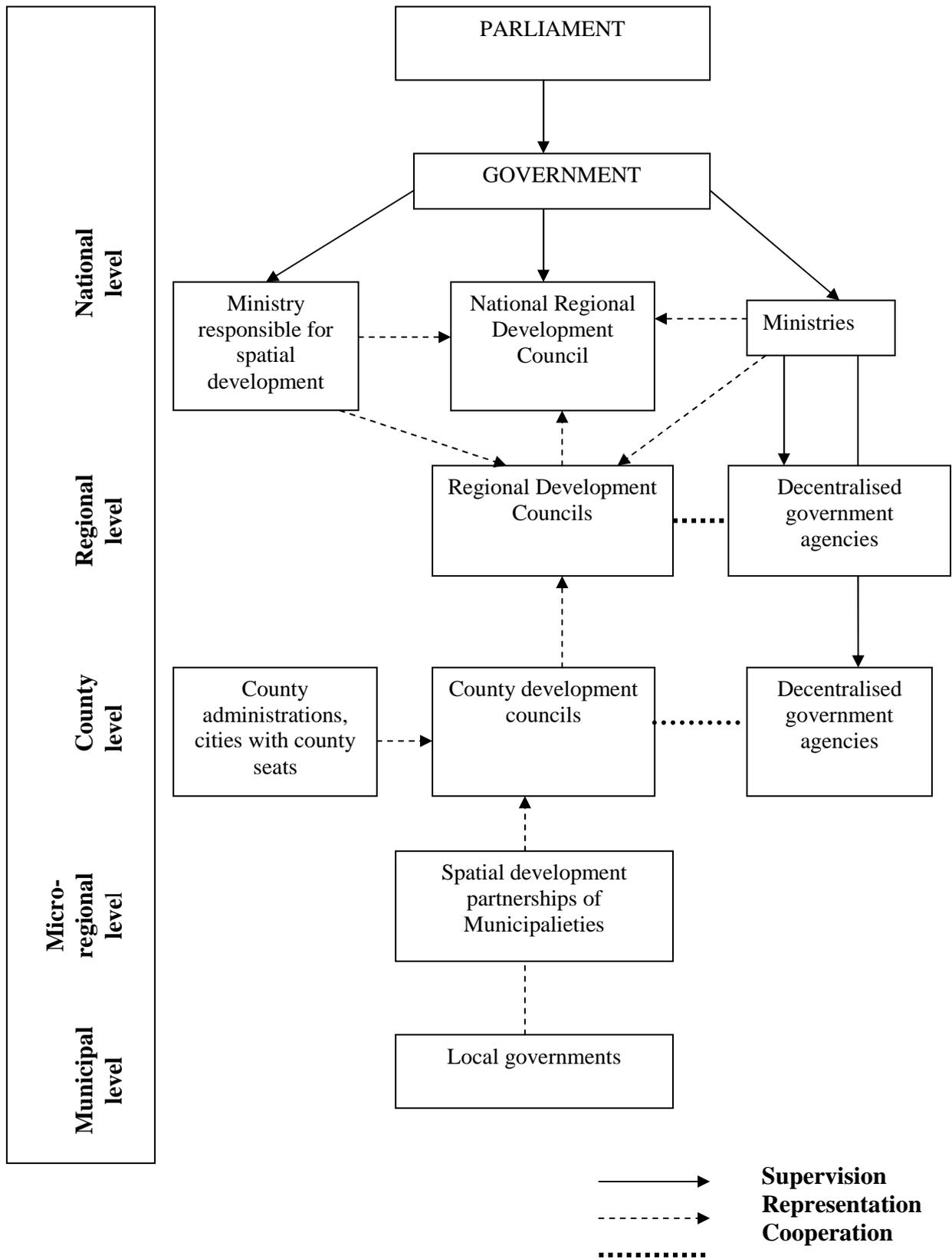
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<sup>20</sup> Keune uses the term *sub-region* instead of *micro-region*. In Hungary, however, the term micro-region has been in use to describe this specific assembly of municipalities and settlements. Sub-region, on the other hand, has been used in general to denote any administrative unit below the regional level.

(the representative of counties may also be members of the regional development council) help the counties, which make up the region, to jointly identify development priorities, thus contributing to attuning the interests of the region and the counties.

With a view to addressing tasks that extend beyond the borders of counties and regions, the Act made it possible for the regional development councils to co-operate voluntarily within the institutional framework of the Regional Development Councils of Special Regions. The role of the County Development Councils is enhanced by their discretionary power to allocate most of decentralised financial instruments – directly promoting spatial development – by prioritising the support of job creation and infrastructure constructions to promote economic growth. Of the possible intervention levels of spatial development, the micro-regional had become – through the co-operation of local governments – the decisive element of regional policy. At the micro-regional level, the significance of the Act was reflected in its ability to directly encourage local governments – which were fairly independent in the past – to enter into close co-operation with municipalities through partnerships in order to participate in the decisions on the allocation of county-level funds.

10. Figure: The institutional network of spatial development in Hungary after 1996



Source: Regional Processes in the 1990's VÁTI Ltd. 2002.

The representational incentive to form spatial developmental partnerships of local governments was further strengthened by the *Act CXXXV of 1997 on the Association and Partnership of Local Governments*, which established a legal typology of micro-regional associations of local governments. This classification also adopted the statistical-administrative definition of a micro-regional unit but left room for the free association – ad hoc or permanent – of local governments with other types of legal bodies to form micro-regional associations beyond local governmental partnerships. Nevertheless, in the decision-making body of developmental micro-regional associations (council) the Act did not provide either consultative or voting rights for non-governmental actors.

The immediate consequence of the new regulatory framework was that it compromised the concepts of statistical-administrative micro-regions and micro-regional associations for the first time. Micro-regional associations that had existed irrespective of the statistical-administrative boundaries of NSO micro-regions had been organized according to diverse institutional principles (as NGOs or as cross-municipal associations) since the beginning of the 1990s. Now micro-regional actors were “encouraged” to reorganize their associations according to a single institutional principle (local governmental partnerships) the mechanisms of which were prescribed by the central state. Restrictive prescriptions on membership and decision-making mechanisms in local governmental partnerships strengthened the position of local governments vis-à-vis non-governmental actors. Implementing this institutional structure within statistical-administrative micro-regions elevated local governmental partnerships to the primary means of micro-regional development.

With these institutional advantages in hand, local governments could easily bypass non-governmental actors in the development field. Prior to 1996 all types of micro-regional actors had roughly the same amount of bargaining power since micro-regional associations in the early 1990s had been set up voluntarily, reflecting actors’ desire for mutual efficiency gains. In these associations even local governments had to share certain benefits with other participants in order to ensure cooperative outcomes. It is not that prior to 1996 there was an ideal balance of power between non-governmental and governmental actors. The micro-regional translation of the weak state-weak society trap of the early 1990s (Bruszt, NEWGOV, 2008) was that although both governmental and non-governmental actors were weak in terms of resources and mobilisational skills, local governments had served as engines of development activities in both settlement and cross-municipal associations. In this period, however, power imbalances between governmental and non-governmental actors were not

recognizable; i.e. formal laws did not specify preferences on micro-regional institutional dimensions. This gave more room to institutional experimentation at the micro-regional level; hence the diversity of spontaneous micro-regional associations in this period.



## **5.7. Early 2000s and beyond accession: 2004-2006**

### **5.7.1. Bureaucratizing micro-regional governance through regulations**

Subsequent regulative modifications in 1999 and in 2004 further increased local governments' alternatives and strengthened their power vis-à-vis non-governmental actors. In the long run these modifications served the interests of the central state to have greater control over the distribution of funds below the county level. Firstly, in 1999 the central state reduced the number of micro-regional representatives in county development councils, allowing the delegation of one representative from three statistical-administrative micro-regions. At the same time this modification increased the number of central state representatives in county development councils making them a majority vis-à-vis micro-regional and local actors. Representatives of sectoral ministries were also local people appointed to these deconcentrated central government positions through political networks. This began to increase the role of vertical political networks in micro-regional development policy.

The overwhelming presence of governmental actors in micro-regional associations, however, disabled the institutional system regarding the handling of Structural Funds, the organizing principle of which was extended political accountability (horizontal partnership of governmental and non-governmental actors). In addition, the spatial development partnerships of local governments did not cover the entire country and in some cases their membership overlapped. With approaching EU membership, where large sums of spatial developmental funds would be available not only for "disadvantaged" and "backwards" territories, this institutional model was deemed to require modification. This paved the way for the establishment of an organization at the micro-regional level that is based on the partnership of diverse actors and that can act as the basic unit of planning and evaluation for micro-regional spatial development programmes.

With this goal, *Act LXXV of 2004* ordered the establishment of micro-regional developmental councils in every statistical micro-region to integrate all local governments and non-governmental actors within the micro-region irrespective of their membership in other associations. Micro-regional developmental councils were to function parallel to local governmental partnerships and their role was to plan and coordinate the implementation of micro-regional developmental projects.

In order to clear what seemed to be a mess of different organizations at the micro-regional level from the perspective of the central state, *Act CVII of 2004* ordered the

establishment of mandatory multi-purpose micro-regional partnerships. This organizational form was believed to solve the traditional problem of the fragmentation of the Hungarian local government system that was an obstacle to integrated development efforts.<sup>21</sup> The coming about of the system of mandatory multi-purpose partnership was framed in the discourse of the Europeanization of the Hungarian public administration system and the administrative capacity building to absorb EU moneys.

In order to resolve the problem of fragmentation, *Government Decree 244/2003 (XII. 18.)* established 168 “spatial developmental-statistical” micro-regions with the purpose of harmonizing spatial developmental and administrative functions at the micro-regional level. Similar to the statistical-administrative micro-regional units of the 1996 and 1997 acts, spatial developmental-statistical micro-regions were established according to statistical principles of the NSO. The 168 micro-regions provided the basis for *Government Decree 64/2004 (IV. 15.)* to draw a list of preferential beneficiary micro-regions for national and EU spatial development funds. It was finally Act CVII of 2004 that brought spatial developmental and administrative functions of various micro-regional associations together through the institutional system of multi-purpose micro-regional partnerships. Much stricter than previous regulations (1996, 1997), Act CVII of 2004 limited the service area of new multi-purpose partnerships to a single statistical micro-region within one county. In the same vein, the Act prescribed some “voluntarily adopted mandatory” functions the multi-purpose partnerships were expected to undertake in return of per capita central state funding. MPPs could choose to adopt three mandatory local government functions out of four: public education, health care, social care, spatial development. By offering unequal financial incentives to undertake these functions, this regulation largely contributed to the devaluation of spatial developmental functions in MPPs and a shift towards public service provision tasks of local governments. Since membership in MPPs was limited to local governments in the majority of the cases, MPPs volunteered to undertake public service provision tasks either leaving spatial development priorities unattended to or contracted out to an NGO.

All in all, the regulation on MPPs narrowed local actors’ space to frame their cooperation in several ways. By providing more per capita funding, the regulations gave financial incentives for local governments to transform their existing voluntary associations into MPPs. In practice, this often meant the reduction of institutional diversity in micro-regions. Receiving more money for local governmental functions, the central state gave

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<sup>21</sup> There are over 3000 local municipalities in a small country like Hungary, whose tasks in providing public goods are numerous, while their resources are limited.

incentives to neglect spatial developmental functions in MPPs. In the case of those MPPs that voluntarily adopted spatial developmental tasks the functions of the micro-regional developmental council were automatically transferred to them. Although the regulations guaranteed non-governmental actors' consultative rights within MPPs, in practice the transformation of the micro-regional developmental council into MPPs meant a major loss for societal actors.

Due to the financial incentive of per capita funding by the end of 2004, 44 (6%) of micro-regions had been (re)-organized (Juhász, 2004) and by the end of 2005 the whole territory of Hungary was covered by MPPs in statistical-administrative micro-regions. The institution of the MPP challenged existing micro-regional institutional solutions and posed a dilemma for local actors how to transform their institutional system. In some cases local actors used the institution of the MPP to supplement the existing institutional system of micro-regional associations. In other cases, however, with reference to the importance of per capita funding of MPPs, local actors terminated their existing associations or transformed them into MPPs. This latter institutional solution meant the exclusion of non-governmental actors from decision-making procedures. The institutional system of MPPs redefined the boundaries of the service area of micro-regional associations everywhere. Since developmental resources after 2004 concentrated mainly on MPPs, cross-municipal institutional relations outside the statistical-administrative micro-region – and the MPP – and the county became difficult to maintain. This meant that even in non-MPP micro-regional associations, settlements that administratively belonged to another statistical micro-region, to another MPP and to another county, sooner or later left the organization of which they had been members for some time. This way the institutional system of the MPP often broke up organic cross-municipal cooperation that had functioned over the decade.

## **5.7.2. Development programs for micro-regions after accession**

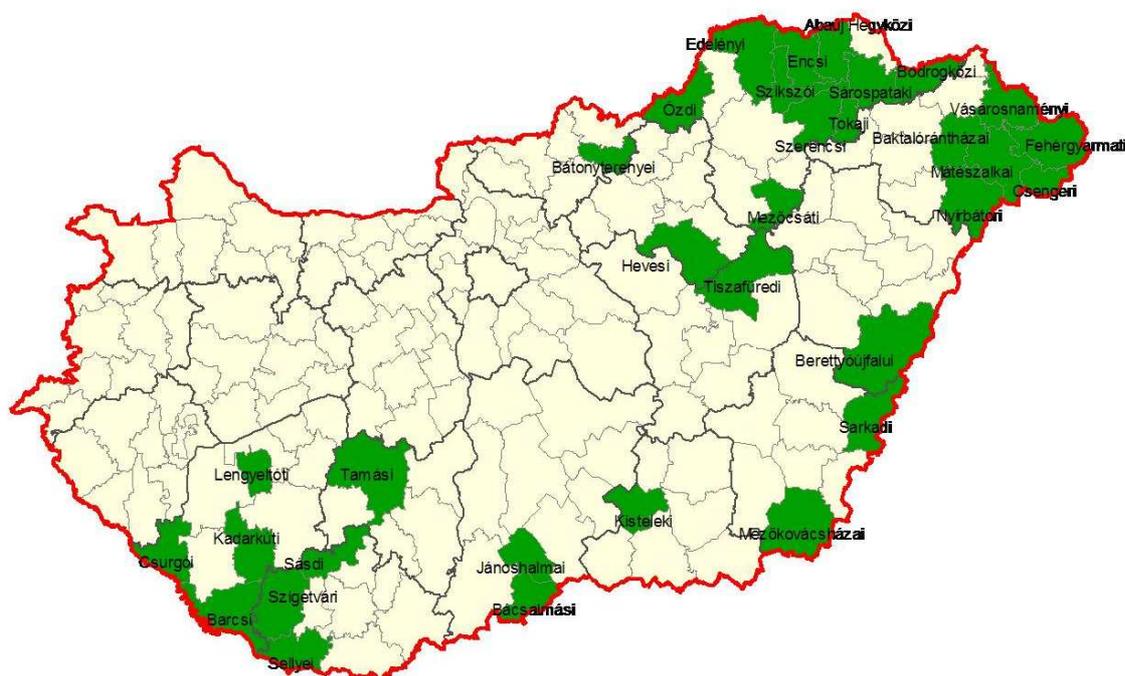
### **Classification systems of development status**

The overall principles of the system of domestic development funding have not changed since the late 1990s. Targeted appropriated decentralized development funds are reconsidered annually by the budget of the central government and eligibility for different types of funding schemes is defined on the basis of statistical data on the developmental status of administrative micro-regions. A list of preferential beneficiary micro-regions was drawn up by *Government Decree 64/2004 (IV. 15.)*, which defined 95 micro-regions as “beneficiary” and within this group 47 as “most disadvantaged” on the basis of their socio-economic

developmental status. The 95 beneficiary micro-regions enjoyed preferential treatment in accessing domestic development funds and the Structural Funds (SF) in the first programming period between 2004 and 2006. The overall evaluation of the program, however, indicated that more developed micro-regions, such as Debrecen, Eger, Gárdony and Pécs, were over-funded in the program relative to their developmental status, while almost all of the “most disadvantaged” micro-regions did not manage to access funds.

With the aim of compensating for these anomalies, the central government re-defined the enlisting of micro-regional developmental categories in *Government Decree 311/2007 (XI. 17)*. Re-drawing the boundaries of micro-regional units increased the number of statistical-administrative micro-regions from 168 to 174 and defined 33 of them as “most disadvantaged.” Most disadvantaged micro-regions cover “traditionally backwards” areas of northeast, southwest and, in some cases, south Hungary, mainly areas that had been under-funded in the 2004-2006 SF period.<sup>22</sup>

**11. Figure: Map of 33 most disadvantaged micro-regions in Hungary**



Source: VÁTI, 2008

<sup>22</sup> Three out of six micro-regions in the case studies of this research are listed within the first 8 of the 33 most disadvantaged micro-regions. The micro-regions of Abauj-Hegyköz is first on the list, followed by the micro-region of Sellye as third and the micro-region of Encs as eighth on the list of 33.

Subsequent central state regulations<sup>23</sup> established a separate funding scheme for the 33 “most disadvantaged” micro-regions in the programme “Funding for the catching up of mostly disadvantaged micro-regions.”<sup>24</sup> The priorities of this decentralized fund includes: human infrastructure development to reduce burdens in service provision of local governments, community water supply development, tourism and environmental protection development, developing the system of community work.

It is on the basis of this classification system that the “Most Disadvantaged Micro-Regions”<sup>25</sup> program in the 2007-2013 programming period of the Structural Funds intends to finance economic and human resource development in the 33 micro-regions. Between 2009 and 2013 these micro-regions can access 100 billion HUFs for investment activities, training programs and healthcare development. They are expected to prepare their own development programs for tendering that will be evaluated by the National Development Agency. At the end of 2008, programming was at least 18 months behind and several anomalies were reported regarding the planning procedure both at the micro-regional and central governmental levels. The system of independent experts delegated by the National Development Agency from Budapest to “help generate projects and prepare tender documentation” has been much criticized. A similar practice of “micro-regional coordinators” delegated by other central state agencies to support the distribution of information can be seen in the organization of several networks referred to as “micro-regional consultants or coordinators.”

### **Consultant networks**

The system of consultant networks delegated by the central state at the micro-regional level is not a new phenomenon of the post accession era. In 2000 the Ministry of Agricultural and Spatial Development (MASD) had set up the *network of rural development managers* to assist micro-regional associations in drawing up their SAPARD development programs. This consultant network was first reorganized in 2003 by the Ministry of Local Governmental and Spatial Development (MLGSD) into the network of “micro-regional managers.”

There were some fundamental differences between the two types of “micro-regional managers” from the perspective of the organization of micro-regional governance. Rural

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<sup>23</sup> 67/2007 (VI. 18) Parliamentary Decision and 47/2008 (III. 15.) Government Decree.

<sup>24</sup> In Hungarian: Leghátrányosabb helyzetű kistérségek felzárkóztatásának támogatása (LEKI)

<sup>25</sup> In Hungarian: Leghátrányosabb helyzetű kistérségek (LHH)

development managers of the MASD network were directly employed by their own micro-regional associations. Their territorial responsibilities extended to the functional service area of the association regardless of the boundaries of the statistical micro-region established in 1996. The MASD only defined basic requirements for the competencies of spatial development managers and some basic responsibilities. The terms of employment contract, however, were left to micro-regional associations, who had the right to hold their managers accountable to the local community. As opposed to this decentralized system, “micro-regional managers” of the MLGSD network were employed by the ministry itself, “deployed” in the statistical micro-regions with a specific list of responsibilities and competencies defined centrally by the ministry.

The practice of “deploying” a centrally employed consultant to micro-regions defined by central government decrees escalated especially after accession, as micro-regions became instruments of resource allocation of SF programs. The various networks of “micro-regional consultants” that have come about since 2005 are all based on direct central state supervision. These managers are directly employed by central state organs or their local agencies (e.g. by Regional Development Agencies that are local bodies of the National Development Agency). Micro-regional actors often see them as envoys of the central state rather than their own equal partners with a local identity and a genuine interest in supporting the local framing of micro-regional development. This has done considerable damage to trust-building in micro-regions in addition to having diminished horizontal accountability. As “micro-regional consultants” are employed by the central state, they cannot be held accountable by micro-regional associations whose interests they were deployed to serve originally. The diminishing of trust-based relations and horizontal accountability was further intensified by the frequent practice of centralized selection procedures of “micro-regional managers”. This meant that although applicants for micro-regional managers’ positions had to run at official public tenders, their final selection was rather based on clientalistic network relations than professional merits and competencies.

One of these networks was established by the National Development Agency (NDA) in 2006 to assist micro-regions in their preparation for the 2<sup>nd</sup> National Development Program and to disseminate information and knowledge regarding the programming period between 2007 and 2013.<sup>26</sup> Consultants were expected to collect and generate project ideas and consult micro-regional actors on implementation. At the same time they were also responsible for

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<sup>26</sup> The network was set up by the decree of the Prime Minister’s Office 15/2006 (XII. 25.)

providing feedback for the NDA on the local implementation of national development programmes. Consultants in the so-called *National Development Plan Comes to Your Home Network* were contracted employees of the NDA while their selection took place at the regional level by Regional Development Agencies after public tendering. In almost all the 12 micro-regions where preliminary interviews had been conducted for case study research, micro-regional actors expressed their serious concerns about the professional qualities and competencies of “their National Development Plan Comes To Your Home manager.” Many of these managers took the position as part-time employees, which naturally made it harder for them to gain insights about their area of responsibility or to develop some capacities for genuine interest representation of their micro-region. In fact, micro-regional actors’ frequent complaints in the 12 micro-regions were about “their” managers’ neglect of the micro-region and their professional competence. In this vein, micro-regional actors often expressed their concerns about the political neutrality of the public tendering procedure and that of the final selection.<sup>27</sup>

In 2006, the Ministry of Interior also set up its own network of “local governmental and area-based coordinators” whose role was to assist local governments, MPPs and spatial developmental local governmental partnerships in finding funding resources and generating development projects in line with national and European funding priorities. In 2007 MASD established the network of “spatial development consultants” whose task was to provide assistance for micro-regions in preparing for the agriculture and rural development programs of the European Agricultural and Rural Development Fund in the 2007-2013 period.

In order to prevent further overlapping functions of the three central state networks at the micro-regional level, in 2007 the central government decided to standardize the system of centrally delegated micro-regional consultants by integrating them under the name of *Micro-Regional Coordination Network*.<sup>28</sup> The role of the network is similar to the previous ones in the sense that it coordinates and implements information dissemination (both top-down and bottom-up) and assistance in project generation.

Yet in the same year another separate central state network was established by the Ministry of Agricultural and Rural Development (MARD)<sup>29</sup>. The *Network of Local Rural Development Offices (HVI)* was set up as a decentralized body of MARD to organize

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<sup>27</sup> The few exceptions where micro-regional actors had no such complaints about “their micro-regional consultant” were the micro-regions of Mórahalom, Zalaszentgrót and Sümeg, where existing developmental organizations – the HLGAs in Mórahalom, the ZKA in Zalaszentgrót and the FA in Sümeg – had successfully lobbied for the position and managed to have one of their employees appointed to the position.

<sup>28</sup> The network was set up by Government Decree 344/2007 (XII. 19.)

<sup>29</sup> 79/2007 (X. 1.)

local/micro-regional state and non-state organisations into networks for a cost-effective implementation of the LEADER program. The offices were expected to take the role of information hubs in micro-regions, to motivate the formation of LEADER LAGs and to assist in the preparation of LAG development strategies. Local Rural Development Offices were delegated the competence to manage applications for LEADER and other European Agricultural and Rural Development Fund EARDF funding and to participate in decision-making about eligibility and the final selection. 10% of the total budget of the fourth priority axis of the New Hungary Rural Development Strategy was planned to be spent on setting up and coordinating the support job of the Network of Local Rural Development Offices.

The establishment of the network caused storms of indignation in all micro-regions. The criticism of many non-state and local state micro-regional actors that I encountered during interviews concerned the method of selection of the heads of offices. In compliance with European and domestic regulations, public tenders were invited by the Ministry for the position. According to the official principles of tendering, the goal was to avoid the overwhelming power of local governments in programming and in project selection, therefore non-state organisations (associations, foundations, non-profit companies, private entrepreneurs) and MPPs (?) enjoyed preferential treatment in selection. Below the surface, however, political, clientalistic network relations seemed to have provided sources of selection rather than professional merits. In several micro-regions, the applications of micro-regional associations that had proven over the years their capacity to organize diversity for developmental purposes, were turned down in favour of private entrepreneurs from an entirely different field, such as dentistry. Micro-regional actors expressed their concerns about future project selection mechanisms for the LEADER and other EARDF financed programs given the political embeddedness of the heads of these offices.

Ironically, the *Network of Local Rural Development Offices* was not accredited as the local institutional framework of the LEADER program. Domestic policy-makers eventually did not take responsibility for the network in the light of the political implications of office team selection procedures. Therefore, the *Network of Local Rural Development Offices* was not even presented to the Commission as the intended institutional framework of the LEADER program. As a result, Local Rural Development Offices have been established in each micro-region and equipped with all necessary organizational means but without specific institutional goals and unclear competencies. Without accreditation the coordination of the LEADER programme has been undertaken by a central government agency, the Agricultural and Rural Development Agency. The failed implementation of a locally accountable

decentralized local rural developmental network has strengthened vertical clientalistic networks vis-à-vis local horizontal relations. As the majority of my interviewees pointed out, this has contributed to the fragmentation and – in some cases – to the disintegration of micro-regional developmental communities.

The establishment of various consultant networks at the micro-regional level since accession has reflected creeping centralization of micro-regional governance.<sup>30</sup> Firstly, these networks served purposes of further institutional homogenization of the micro-regional level. Secondly, the general practice of tendering and selecting micro-regional network consultants seemed to have been tainted by political biases and centrally defined criteria. Delegating its employees to monitor programming and project development in micro-regions, the central state gained greater control over local/micro-regional developmental processes. Monitoring and consulting often mean that consultants enjoy the priority of making decisions about which project may be considered for further development and funding and which may not. These decisions are often made not on the basis of professional evaluations but of political network ties of the potential applicant, the consultant, the Regional Development Agency and the NDA. This implies that European financial instruments of rural and spatial development policies have been captives of a local redistributory system of clientalistic network that instead of strengthening community building has increased fragmentation in micro-regional governance.

### **5.7.3. LEADER+ (2004-2006) and LEADER (2007-2013)**

The success of the “experimental” LEADER before accession had generated considerable interest in Hungary’s first EU funded LEADER program in the 2004-2006 programming period. Out of 186 applications, 70 action groups could eventually implement their LEADER strategy. Funding was available in three action programmes:

1. Integrated, bottom-up experimental spatial developmental strategies;
2. Cooperation among rural areas;
3. Network building.

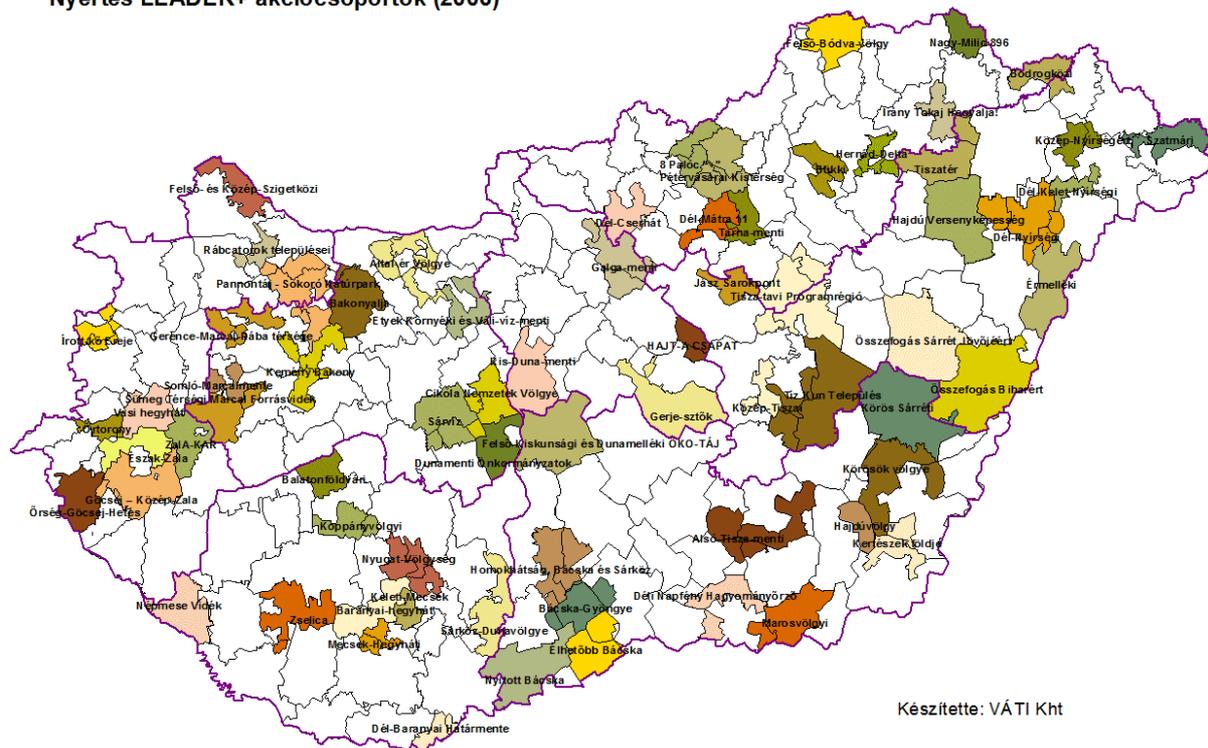
Similar to the overall programme principles of LEADER, the goal was to encourage the bottom-up associations of heterogeneous local actors to serve the sustainable development of rural communities and to build synergies in rural areas through networks. In this vein,

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<sup>30</sup> The failure to establish locally accountable development networks for rural and spatial development indicate that the definition and management of (rural) development policy is also centralized in the hands of central state agencies.

LEADER-type projects were planned and implemented through the association of local governments, enterprises and NGOs. In the 2004-2006 programming period 4,8 billion HUF was available for micro-regional actors within the framework of the LEADER+ programme. Projects were implemented by local action groups in five of the seven NUTS2 regions in Hungary.

**12. Figure: Granted LEADER LAGs (2006)**  
**Nyertes LEADER+ akciócsoportok (2006)**



Source: VÁTI, 2007

Two of the micro-regional associations in the case studies of this research participated in the LEADER+ programme. In the case of the micro-region of Zalaszentgrót, the old organisation of Zala-Kar Association organized the action group and managed the program at the local level (*Zala-Kar Action Group*), similar to the Experimental LEADER in 2001. Being one of the oldest micro-regional associations in Hungary (since 1992), participation in the two LEADER programmes helped to strengthen the ZKA's position in the developmental field.

In the case of the micro-region of Sümeg, the LEADER+ programme played a fundamental role in the coming about and empowerment of the first non-state actor based micro-regional developmental association (Famulus Association). In the *For the Development of Sümeg and Marcal Spring-head Area Action Group* the Famulus Association managed to bring together for the first time local governments, SMEs and small local NGOs to plan and to

implement development projects. Coordinating this bottom-up, LEADER programming process empowered the organization both in terms of local social networks and human capital. The success of the LEADER+ programme in the micro-region also strengthened the FA's position within the developmental field such that it is now impossible to bypass the organization when making binding developmental decisions. The social, financial and cultural capitals that the management of the LEADER+ programme provided the FA with enabled it to bring about a new cognitive frame based on bottom-up planning by heterogeneous local actors.

In the new 2007-2013 programming period, LEADER is the fourth priority axis of the New Hungary Rural Development Strategy that contains measures on the development of the quality of life in rural communities. Intervention measures in this priority axis include:

- The diversification of rural economies through micro-enterprise and tourism development;
- Improving access to basic services and the protection of village heritage;
- Supporting local/micro-regional capacity building.

These goals are thought to be supported by improved modes of micro-regional governance. In this vein 17% of the total 1300 billion HUFs allocated to Hungary from the EARDF is separated to serve the third priority axis and within this 71 billion HUF is made available for improving micro-regional governance.



## **5.8. Summarizing the transformation of the institutional framework**

The institutional transformation of framework conditions of micro-regional associations can be broken down into three periods. The transformation can be described by changes in the institutional logics of the institutional context. Over the three periods, two competing institutional logics have emerged that have supported diametrically-opposed institutional structures for micro-regional associations.

In the first period (i.e. the beginning of the 1990s) regulations and financial instruments (various development programs) within the institutional environment encouraged flexible institutional structures that provided room for *voluntary* cooperation among a variety of local actors. The institutional logics of the first period did not set prescriptions or limitations on the composition of various associating actors and on decision-making mechanisms in the association. The regulations and development programs of this period gave room to local actors to organize their associations endogenously at their own discretion and supported institutional solutions that included heterogeneous actors and distributed authority among them. Micro-regional associations that came about in this period were organic associative institutions with the goal of finding remedies for socio-economic problems; they were called forth by strong local patriotism in areas most severely hit by the socio-economic crisis of the systemic change.

In the second period (from 1996 up to the early 2000s) the institutional logics of the framework began to put restrictions on local actors' room for manoeuvre in organizing their micro-regional associations. Regulations and financial instruments began to prescribe specific institutional solutions expressed as recommendations for micro-regional actors to organize developmental associations in order to access development funds. Subsequent acts in 1996 and 1997 increased the number of micro-regional associations; from sporadic organisations in areas most severely hit by the socio-economic crisis they had grown to cover almost the whole country. The composition and modes of association in most cases followed the prescriptions that were set exogenously by central state regulations. This meant an increase in the number of local governmental partnerships and the exclusion of non-state actors from decision-making in micro-regional associations.

Transnational funds, especially EU pre-accession funds (PHARE and SAPARD) and community initiatives (LEADER) throughout the three periods supported the institutional logic of micro-regional associations composed of heterogeneous actors with a distributed authority. Nevertheless, towards the end of the second period, a new priority appeared in the

organizing principles of the single major European financial instrument, PHARE. This new priority was about ensuring the “safe transfer” of the Structural Funds after accession, which was seen to be manageable only at the level of the central state. Thus, many of the PHARE programmes began to focus on strengthening central state level administrative capacities rather than building further capacities at the sub-national levels (both micro-regional and regional) (see also: Hughes et al., 2003, Bruszt, 2005).

Consequently, by the time of accession, the central state with its strengthened administrative capacities could shape framework conditions in a way that limited micro-regional actors’ room to define developmental priorities and the institutional structure of their associations. In the third institutional period, central state regulations related to accessing domestic and European funds limited micro-regional actors’ capacities to mobilize resources outside the *mandatory* institutional structure of MPPs that excluded non-state actors from associations and distributed authority within the micro-regional field asymmetrically favouring local governments. In addition, the institutional framework of the MPP is built on centrally defined dimensions and mechanisms of micro-regional governance. Although it was domestic regulation that elevated MPPs to be the single instruments of spatial and rural development policy, this took place within the Commission’s shifting discourse on strengthening financial and technical accountability (i.e. ensuring safe transfer of EU funds).

Subsequent national regulations in the post-accession era regarding the use of transnational funds (ERDF, LEADER) have also introduced institutional mechanisms that display rigorous central state control over micro-regional development governance. Setting up various – and overlapping – networks of consultants employed by central state ministries to assist micro-regional actors in planning, programming and conducting micro-regional development programs is a prime example of the centralization and bureaucratization of central state controlled micro-regional development policy.

It is important to draw the line between micro-regional consultant networks established before and after 2004. The position of “micro-regional managers” financed by the NEF program between 1995 and 1997 and the network of “rural development managers” established by the MASD to support the development of local SAPARD programs in 2001 provide examples for a decentralized, non-hierarchical system of consultant networks. In the case of these two micro-regional consultant networks, managers were directly employed by micro-regional associations that had the discretionary rights to select and to specify the responsibilities and competencies of “their” managers on the basis of some basic framework criteria. This ensured the accountability of these micro-regional consultants to their

organizations and their development communities. On the other hand, consultant networks established by the NDA, the Ministry of Interior and MARD in 2006 and 2007 reflected increasing central state control over micro-regional developmental governance. Employed directly by various organs of the central state and often selected upon political rather than professional criteria, these consultant networks could be seen as the arms of the central state that intends to control the (re)distribution of development funds by favouring particular actors over others and enabling them with capacities to shape the scope and mode of micro-regional governance.

Over the three periods micro-regions have been transformed from flexible developmental communities with organic socio-economic and cultural ties into administrative sub-national units. Parallel to this, micro-regional associations have evolved from *voluntary* and ad hoc associations of heterogeneous local actors into mandatory organisations of local governments. These transformations were shaped by competing spatial developmental and statistical-administrative institutional logics that envisioned different functions for this sub-national unit and micro-regional associations. Regulations and development programs conceived in the spatial developmental logic in the first period have incrementally become influenced by a statistical-administrative logic in the second and third institutional periods. The victory of the latter is reflected in the current institutional framework of MPPs.

**Institutional context of domestic regulations**

	<b>1989 Rights of Association</b>	<b>1990 Government Act</b>	<b>Local Government Act</b>	<b>1996 Spatial Dev. Act</b>	<b>1997 LG Association Act</b>	<b>2004 LXXV Act</b>	<b>2004 CVII Act</b>	
<b>Institutional logic of association</b>	<b>Organizational</b>	Free association of organizations into any organizational form	Free association of LGs into any organizational form (e.g.: association, partnership)	Voluntary Developmental Partnership of Governmental	Spatial Local	Free association of LGs with each other and any other organizational form	Micro-regional development council accountable to the State Treasury  MPP	
	<b>Sectoral</b>	Free association of citizens regardless of sectoral identity	Free association of LGs with each other	Exclusively LGs		Free association of LGs with governmental and non-governmental organizations	LGs and non-governmental organizations  Exclusively LGs	
	<b>Functional</b>	Free association in any functional domains	Free association of LGs in any functional domains	Integrated planning and programming coordinated in cooperation.  Interest representation at county development councils		Free association of functions in service provision, institutional/organizational maintenance, employment	Coordination of MR development with upper state levels  Preparer and supervises MR spatial development program	Specific functions in LG public service provision in education, health and social care, public education, infrastructure development, employment, spatial development
	<b>Territorial</b>	Free association without territorial prescriptions	Free association of LGs without territorial prescriptions	LGs within one statistical micro-region defined by the NSO  Multiple affiliations are possible across counties		Free association of LGs without territorial prescriptions	Statistical micro-regional boundaries	LGs within one statistical-administrative micro-regional unit defined by 244/2003 (XII.18) Govt Decr.
	<b>Decision-making</b>	Defining freely the terms of decision-making	Defining freely the terms of decision-making	Defining freely the terms of decision-making		Defining freely the terms of decision-making	Decision-making rights for LGs  Non-governmental actors with consultative rights	Making decisions based on proportion of population, unless defined differently by the MPP

**Institutional context of domestic development programmes**

	<b>Dimensions</b>	<b>Spatial Development Fund 1990-1994</b>	<b>Spatial Development Target Appropriation 1994-1997</b>	<b>Spatial Development Target Funds 1996 -</b>	<b>NEF 1992-1997</b>	<b>ÖAR-MVA/PHARE</b>
<b>Institutional logic of association</b>	<b>Organization I</b>	Without prescriptions encouraging joint development efforts in any organizational form	Without prescriptions encouraging joint development efforts in any organizational form	Voluntary Spatial Developmental Partnerships of Local Governments (LGPs)	Without prescriptions encouraging joint development efforts in any organizational form	Without prescriptions encouraging joint development efforts in any organizational form
	<b>Sectoral</b>	Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation	Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation	Prescribing exclusively local governmental cooperation	Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation	Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation
	<b>Functional</b>	Economic development (job creation, enterprise development) and crisis management programmes	Infrastructure and employment investment	Spatial development, spatial balance, economic development, tourism development, labour market fund, agrarian support, environmental development/reconstruction, road maintenance/reconstruction, water supply	Financing the employment of “micro-regional managers” who were responsible for: Resource generation, Organizing cooperation of diverse local actors, Micro-regional marketing, Information management	Tourism, agriculture, small scale industry, renewable energy resources, community development, job creation and cross-settlement cooperation
	<b>Territorial</b>	Municipalities mostly in “privileged” areas: crisis-stricken counties of Szabolcs-Szatmár-Bereg and Borsod-Abaúj-Zemplén; and areas with highest unemployment and in acute crisis	Municipalities mostly in “privileged” areas: crisis-stricken counties of Szabolcs-Szatmár-Bereg and Borsod-Abaúj-Zemplén and Hajdú-Bihar	Backwards and disadvantaged micro-regions as defined by the NSO through county development councils	Micro-regional associations of any kind across Hungary without territorial restrictions	Most disadvantaged counties: Baranya, Borsod-Abaúj-Zemplén, Hajdú-Bihar, Szabolcs-Szatmár-Bereg
	<b>Decision-making</b>	Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors	Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors	Prescriptions on decision-making mechanisms in LGPs not hindering the strengthening of local governmental representation	Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors	Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors

### Institutional contexts for transnational development programmes I.

Dimensions	PHARE 1992, 1995	PHARE 1996-97	PHARE 1998-99-	PHARE 2000/01	PHARE 2002-2003
<b>Organizational</b>	Without prescriptions encouraging joint development efforts in any organizational form	Without prescriptions encouraging joint development efforts in any organizational form	Prescribing the National Spatial Development Concept as reference framework for local partnerships	Without prescriptions encouraging joint development efforts in any organizational form	Without prescriptions encouraging joint development efforts in any organizational form
<b>Sectoral</b>	Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation	Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation	Prescribing the National Spatial Development Concept as reference framework for local partnerships	Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation	Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation
<b>Functional</b>	Monofunctional: Economic development for job creation and innovative technologies, tourism development, entrepreneurial capacity building	Multiple functions: SME development, integrated rural development, institutional capacity building at sub-national levels	Preparation of public administration for the management of SF and focus on local job creation	Integrated rural and regional development	Integration of multiple functions: rehabilitation of industrial and military sites for job creation, regional infrastructure development to improve public transport, employment
<b>Territorial</b>	Most disadvantaged counties of Szabolcs-Szatmár-Bereg, especially Borsod-Abaúj-Zemplén	Northern and Southern Great Plains, Northern Hungary, South Transdanubia	All of Hungary	Northern and Southern Great Plains, Northern Hungary, South Transdanubia	All NUTS II regions
<b>Decision-making</b>	Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors	Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors	Prescribing the National Spatial Development Concept as reference framework for local partnerships	Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors	Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors

Institutional logic of association

**Institutional contexts for transnational development programmes II.**

<b>Dimensions</b>	<b>SAPARD 2000-2004</b>	<b>Experimental LEADER 2001-2004</b>	<b>LEADER 2004-2006</b>	<b>LEADER 2007-2013</b>
<b>Organizational</b>	Without prescriptions encouraging joint development efforts in any organizational form	Without prescriptions encouraging joint development efforts in any organizational form	Without prescriptions encouraging joint development efforts in any organizational form	Without prescriptions encouraging joint development efforts in any organizational form
<b>Sectoral</b>	Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation	Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation	Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation	Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation
<b>Functional</b>	Multifunctional: Rural development including entrepreneurial capacity building in rural communities	Multifunctional: rural development, community building, entrepreneurial capacity building in rural communities	Local capacity building in rural communities, diversification of rural economic development, public service development in rural communities,	The diversification of rural economies through micro-enterprise and tourism development, Improving access to basic services and the protection of village heritage, Supporting local/micro-regional capacity building.
<b>Territorial</b>	The entire territory of the country	14 LAGs	70 LAGs	Potentially 150 LAGs (as of 2008)
<b>Decision-making</b>	Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors	Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors	Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors	Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors

**Institutional logic of association**



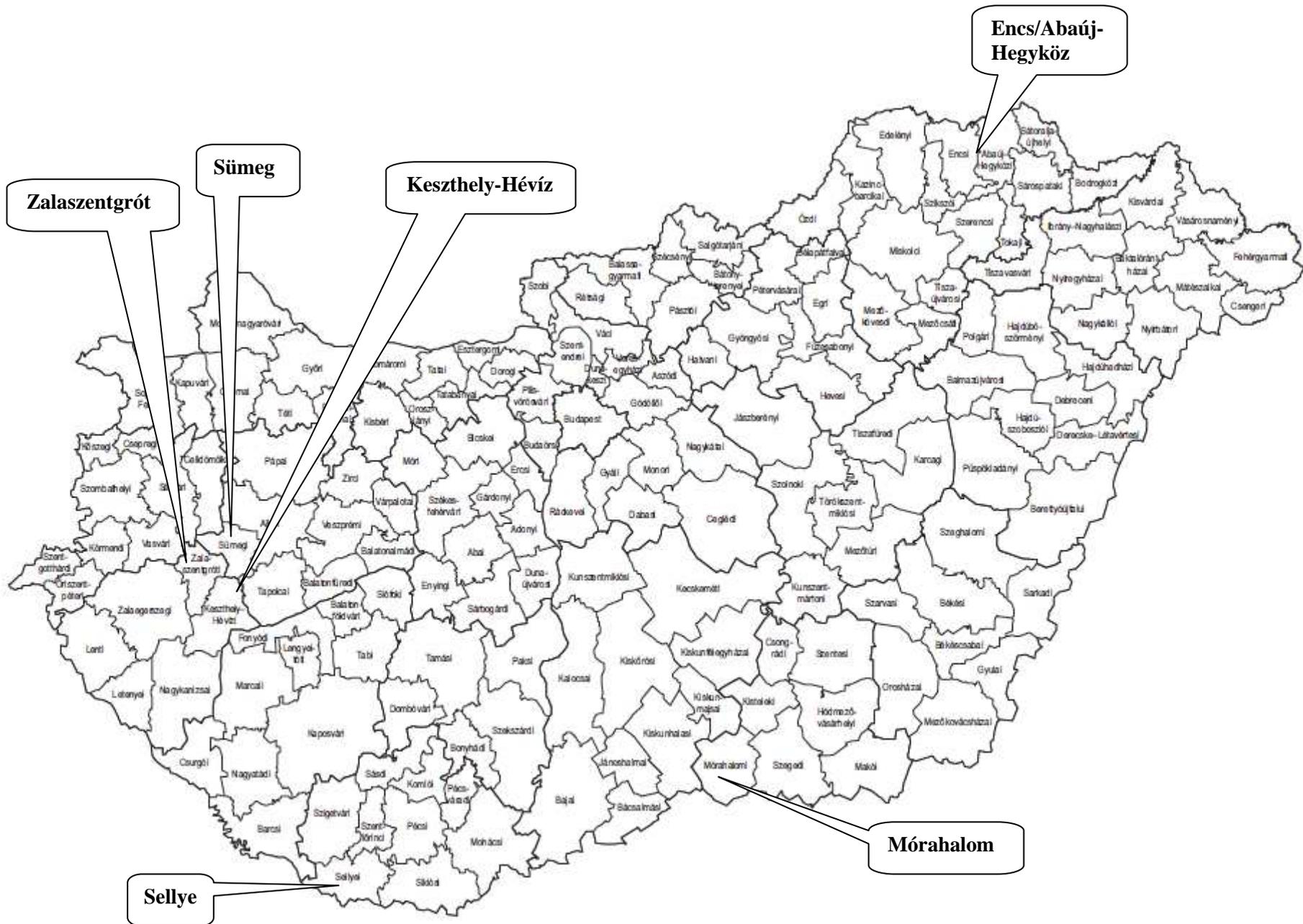
## 6. Case Studies

This chapter introduces the case studies of governance transformation in six Hungarian micro-regions between the early 1990s (T1) and 2006/07 (T2). The transformation of micro-regional governance is studied here from the perspectives of the patterns and the dynamics of institutional change.

The first section of the case studies thus provides a description of the starting situation in the early 1990s followed by the description of changes by the 2000s. It presents the main features of micro-regional governance, separately at T1 and T2 measured by the organizational, functional, sectoral and territorial scopes of association and the mode of association in terms of formal vs. informal, and centralized vs. distributed decision-making patterns.

Following the description of what individual micro-regions looked like at the beginning and at the end of the period of examination, the second section analyzes the way these transformations took place overall in the cases. This section discusses major turning points in the institutional history of the six micro-regions and the context of any major changes in terms of the presence/absence of social entrepreneurs, the transformation of the cognitive framework, and the mechanisms and modes of institutional change across the period.

The studies present and analyze governance in six micro-regions situated in four different NUTS II regions of Hungary. The geographical location of the six micro-regional cases is illustrated in the map below.



## **6. 1. The micro-region of Mórahalom/Homokhátság**

The area of Homokhátság is located at the southern periphery of Hungary, west of the county seat of Szeged, at the Yugoslav border. The area is homogeneous from the perspective of its geographical and geological features: an area of plain with sandy soil. These geological characteristics have been the main determinants behind the region's homogeneous social and economic structure, which has an overwhelmingly agrarian economic production system built on soil and climate-specific agrarian goods. Settlements in the area share a homogeneous settlement structure in so far as they consist of farm-houses located at large distance from one another.

In the area of Homokhátság (Sandy Ride), which includes most of the current developmental-statistical micro-region of Mórahalom, and partly of Szeged and of Kiskunhalas, the roots of developmental associations date back to 1989. Local council presidents (mayors after the first democratic elections) spontaneously began to hold ad hoc informal meetings to discuss local developmental needs amidst economic and political change. Following the first democratic elections in 1990 these discussions became regular meetings and the informal association of the Mayors' Club was established. The organization grew into a cross-sectoral NGO in 1994 (Homokhát Local Governments' Micro-Regional Spatial Developmental Association).

### **6.1.1. The micro-region of Mórahalom/Homokhátság in the early 1990s**

The institutional starting point was characterized by hierarchical and non-hierarchical as well as fragmented and integrated associations. On the one hand, the institutional field contained a single organization with monodimensional developmental goals (fragmented) and a diversity of local actors covering the traditional territory of the Homokhátság (integrated). The limited distribution of authority in the organization was balanced by non-hierarchical institutional elements of consensus-based, informal conciliation practices.

#### **Organisational form**

The Mayors' Club incrementally evolved into a formal association that was established in 1994 by local governments under the name of the Homokhát Local Governments' Micro-Regional Spatial Developmental Association (*Homokháti*

*Önkormányzatok Kistérségi Területfejlesztési Egyesület*). The legal form of this organisation was a non-governmental and non-profit association and it included representatives of 12 local governments, private persons, entrepreneurs, the Csongrád County Local Government, and the Foundation for Entrepreneurial Development.

**Homokhát Local Governments’ Micro-Regional Spatial Developmental Association (HLGA) Homokháti Önkormányzatok Kistérségi Területfejlesztési Egyesülete (1994 - )**

Organisational type	Association (NGO)
Functional scope	Environmental protection, promotion of equity of disadvantaged social groups, employment and training of disadvantaged social groups, coordinating micro-regional projects specific to local socio-economic problems, making use of advantages of mutual planning, supporting a unified and effective micro-regional management
Inter-sectoral association	Local governments, NGOs, private persons, Csongrád county local government
Spatial boundaries	From 12 settlements to 15; this includes the territory of the statistical-developmental micro-region of Mórahalom (9 settlements), 4 settlements of the Szeged micro-region (all within Csongrád county) and 2 settlements of the Kiskunhalas micro-region (neighbouring Bács-Kiskun county)
Decision-making	Simple majority voting at general assembly

**The scope of functional association**

The functional orientation of the organization was rather narrow in the initial period, as the HLGA had monodimensional developmental goals. Its creation was prompted by a single-issue based public infrastructure development project of the 12 municipal governments. Although the discussions in the Mayors’ Club covered necessary multiple developmental needs of the local society in transition, the emphasis was laid on public service infrastructure development as a first step.

**The scope of sectoral association**

Following the initial homogeneous composition of the Mayors’ Club, sectoral representation became more diverse in the HLGA, whose membership consisted of private persons, NGOs and business organizations (supportive members) besides local governments (regular members).<sup>31</sup>

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<sup>31</sup> This is a frequently-used legal distinction concerning the membership of NGOs in order to differentiate between founding members and adjoining members who support the organisation in one way or another.

### **The scope of territorial association**

The unfavourable natural conditions of the Homokhátság – plain area with yellow soil and scarce water resources – have contributed to the evolution of a network of farm-houses connected to the largest settlement, Mórahalom, through functional needs. The 12 founding municipalities of the HLGAs in 1994 – and those three that joined a year later – all belonged to the area of Homokhátság. In this sense, territorial integration was realized through the service area of the HLGAs covering municipalities of the traditional Homokhátság region.

### **The mode of association in T1**

The initial period of institutional development displayed both informal and formal decision-making mechanisms. The Mayors' Club naturally was based on informal mechanisms regulated by conventions and norms. Decision-making mechanisms became formal in the HLGAs, where binding decisions could only be made by regular members – that is, by local governments. Supportive members of the HLGAs only had consultative rights at the assembly – the decision-making body of the HLGAs – although they also retained the right to hold the President and the management committee accountable. In this sense, decision-making mechanisms distributed some authority to non-governmental actors in the HLGAs but hindered them from making binding decisions about developmental goals and means. This limited distribution of authority was somewhat balanced by consensus-based, informal conciliation practices between governmental and non-governmental actors.

### **Governance pattern in T1**

The pattern of governance in T1 was closer to the hybrid ideal-type as it contained both integrated, non-hierarchical and hierarchical mechanisms and some proactive concertation of developmental goals. On the one hand, the organization of the development field initially displayed a homogeneous organizational and sectoral representation of local governments and a single-issue based functional orientation of the HLGAs. In this sense, the scope of association was rather fragmented in this period. On the other hand, the HLGAs created balances between governmental and non-governmental actors by inviting non-governmental actors to join the organization. In spite of this integrated sectoral association, non-governmental members only had consultative rights at the assembly and in this sense the distribution of authority was limited.

### 6.1.2. The micro-region of Mórahalom/Homokhátság in the 2000s

This initial mixed institutional setup had changed by the 2000s towards the first ideal-type of heterarchy. The institutional field developed an integrated, non-hierarchical character, where a great diversity of actors was associated through a development coalition of four organizations to design and implement multidimensional development goals and needs. The mode of association evolved to distribute authority more evenly – compared to the initial period – by retaining lots of informal, consensus-based mechanisms within the development coalition. By distributing authority more or less evenly among the four organizations, local actors could accommodate diverse interests in developmental planning and hence implement multidimensional development projects.

#### Organizational form

By the early 2000s a developmental coalition of various organizational forms had emerged. The coalition, without a formal organisational entity, is called the Micro-Regional Developmental Agency and it comprises the HLGAs, two local governmental partnerships and a public company that had been established over the period. The organisational ecology since the early 2000s has thus been the following:

#### Homokhát Local Governments' Micro-Regional Spatial Developmental Partnership (HLGP)

##### Homokháti Önkormányzatok Kistérségfejlesztési Társulása (1996 - )

Organisational type	Association (local government)
Functional scope	Interest representation of local governments at county and regional development council in developmental planning and decision-making
Inter-sectoral association	13 Local governments
Spatial boundaries	Territory of 13 municipalities, of which 9 is within the Mórahalom micro-region and 4 in the Szeged micro-region; all within the same county of Csongrád
Decision-making	Simple majority voting at the associational council + qualified majority voting within member local governments

Encouraged by the Act on Spatial Development and Planning in 1996 to acquire representation at the county spatial development council, the same local governments established the Homokhát Local Governments' Micro-Regional Spatial Developmental Partnership (*Homokháti Önkormányzatok Kistérségi Területfejlesztési Társulása*) in order to

access decentralized state funds. The HLGA and the HLGP had ever since been coordinating their activities in order to conduct developmental projects in synergy.

### **Homokhát Eurointegration Micro-Regional and Economic Development Public Benefit Company (HPBC)**

#### **Homokhát Eurointegráció Kistérség- és Gazdaságfejlesztési Szolgáltató Kht. (1997 - )**

Organisational type	Public benefit company
Functional scope	Interest representation of local governments at county and regional development council in developmental planning and decision-making
Inter-sectoral association	Initially 11, later 15 local governments (member municipalities of the NGO association) + Csongrád county local government + Csongrád county spatial development council + Csongrád county chamber of commerce + Csongrád county chamber of artisan + Csongrád county agro-chamber + Progress Entrepreneurship Development Foundation + Duna-Tisza Regional Development Co. + Mórahalom Regional ÁFÉSZ
Spatial boundaries	Territory of 13 municipalities, of which 9 are within the Mórahalom micro-region and 4 in the Szeged micro-region
Decision-making	When half of equity capital is present at the general assembly. Members vote according to their share in equity capital (after each 10 000 HUF 1 vote).

In 1997 more or less the same local governments established the Homokhát Eurointegration Micro-Regional and Economic Development Public Benefit/Non-Profit Company (*Homokhát Eurointegráció Kistérség- és Gazdaságfejlesztési Szolgáltató Kht.*), in association with local businesses and non-profit organisations. The capital stock of the public company is shared equally between the three sectors (local governmental, business and non-profit-non-governmental).

### **Homokhát Multi-Purpose Micro-Regional Partnership (HMPP)**

#### **Homokhádi Többcélú Kistérségi Társulás (2004 - )**

Organisational type	Multi-purpose local governmental partnership
Functional scope	Coordinating micro-regional resources, coordinating service provision of local governments, public administration services, coordinating settlement and micro-region development
Inter-sectoral association	9 local governments
Spatial boundaries	9 settlements of member local governments
Decision-making	Simple majority weighted with the proportion of population of the majority

In 2004 under pressure from the central state for mandatory micro-regional institutionalization, two organisations were formally established: the Micro-regional Developmental Council (*Kistérség Fejlesztési Tanács*) and the Homokhát Multi-Purpose Micro-Regional Partnership (*Homokháti Többcélú Kistérségi Társulás*). The creation of the former was encouraged by the central state to promote the integration of local governmental, non-governmental and business sectors within the territory of the new spatial developmental-statistical micro-region. Since in terms of its functions this type of cross-sectoral association had already existed in this micro-region, the Developmental Council came about without a formal organisational entity.

The association of organisations takes place through loose coupling so that organisations would preserve their institutional logics and thus mobilize their own sectoral ties for development projects. Loose coupling denotes durable forms of informal association in the development coalition that is bridged by passage points such as local governments, some NGOs and the core team of social entrepreneurs that are members in all or many organisations. Local governments are members in all organisations, while other organisations such as the Foundation for Entrepreneurial Development and the county local government have membership in more than one of the micro-regional organisations. The core team of the three LEADERS represents a set of stable core relationships based on professional values. Two of the LEADERS interviewed for the research pointed out that it had taken them 15 years to accumulate trust through this core triangle of LEADERS by consistently providing professional values in the community. This core team acts as the heart and brain of a community in practice: while juggling several different private interests, it manages to translate these individual perspectives into a common language, identifying common local interests and values. Such cross-organisational and inter-personal ties provide stability in loosely coupled informal relations and durable forms of association for development projects.

### **The scope of functional association**

In synergy with this increasing organisational heterogeneity, a diversification of functions has also taken place over the years. Functional diversification evolved as partly driven by local financial needs and partly encouraged by the widening of financial opportunities for micro-regional development projects in the external environment. Following the adoption of the function of coordinated socio-economic development of micro-regional settlements by the HLGA, the HLGP was established with the specific goal of providing interest representation for the micro-region in the County Spatial Development Council as

required by the Act of 1996. Yet again driven by local needs for additional resource mobilization (local governments were unable to provide own resources for development projects), a new function emerged at the creation of the HPBC. The main function assigned to this organisational form was the implementation of development projects relying on the capital resources of the company's members. Finally, in 2004 directly promoted by external institutional conditions the emergence of the HMPP brought along yet more new functions; i.e. the coordination of local government provision of public services and public administration functions.

This functional diversity was organized into the development coalition of the Micro-Regional Development Agency. The Agency associates four types of developmental organisations and provides a forum for horizontal concertation of functions. This denotes a system of shared competencies among the organisations where the HLGA is responsible for decisions on planning and strategy building; the HLGP is responsible for the political representation of the micro-region's developmental interests and for the coordination of inter-municipal developments; the HPBC is responsible for the implementation of strategic programmes and the HMPP is responsible for public service-type local governmental functions.

This distribution of responsibilities ensures flexibility in the adaptability of the development field as a greater diversity of funding and information resources can be mobilized through the association of various organisational forms. Such horizontal concertation of functions also ensures synergies of developmental goals without any of the functions (organisations) gaining priority over others. Here the coming about of the HMPP did not entail the reduction of organisational and functional diversities as many other micro-regions. The functions of HMPP were accommodated with the existing system of Micro-Regional Development Agency.<sup>32</sup> Micro-regional programme managers interviewed for the research explained the evolution of this system by a conscious strategy to maximalise the mobilisation of various development funds (EU, national decentralized development funds, and other transnational funds) often available for specific organisational forms and functional competencies. In this "hunt for more money" micro-regional actors decided to bring about "more arms to rely on in making money" rather than to promote a single organisation with its functions.

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<sup>32</sup> Rather than the other way around as in other micro-regions, where existing organisational functions were curtailed and adjusted to the new MPP. As discussed in the following case studies, it has been more often the case that the MPP had the power to "contract out" certain functions to independent organisations that became subsidiaries of the MPP this way. See case studies of Abaúj-Hegyköz and Encs.

### **The scope of sectoral association**

In a similar way to the HLGA, cross-sectoral association of heterogeneous actors took place in the HPBC, whose ownership was shared by inter- and intra-micro-regional NGOs, enterprises, interest representative organisations and local governments. The members of the HPBC are the following:

<b>Owners</b>	<b>Capital contribution (HUF)</b>
Csongrád County Local Governmental Assembly	120.000
Csongrád County Spatial Development Council	120.000
Csongrád County Chamber of Commerce	360.000
Csongrád County Agro-Chamber	120.000
Progress Foundation for Enterprises Development	120.000
Duna-Tisza Regional Development Co.	360.000
Mórahalom Regional Producers' Association for Trading and Marketing	120.000
Local Government of Mórahalom	360.000
Local Government of Ásotthalom	120.000
Local Government of Zákányszék	120.000
Local Government of Üllés	120.000
Local Government of Bordány	120.000
Local Government of Röszke	120.000
Local Government of Domaszék	120.000
Local Government of Öttömös	120.000
Local Government of Zsombó	120.000
Local Government of Forráskút	120.000
Local Government of Szatymaz	120.000
Local Government of Balotaszállás	120.000
Local Government of Pusztamérges	120.000
Local Government of Ruzsa	120.000
Local Government of Kelebia	120.000
<b>Total</b>	<b>3.000.000</b>

Source: *The Homokhát Micro-Region*, 2002

The two organisations that have retained homogeneity in their membership are the HLGP (1996) and the HMPP (2004). In these organisations local governments remained exclusive

members, even though non-governmental actors are invited with consultative rights to the decision-making forum (the partnership council) of the HMPP.

Despite the cross-sectoral composition of the HLGAs and the HPBCs, the dominance of local governments in membership is clearly visible. Local governments are formal decision-making members of the HLGAs and even in the HPBCs local governments hold nearly 2/3 of the capital base, which could give them leverage in decision-making compared to all other owners. The integrative character of the developmental alliance of the micro-region, however, can be seen in the fact that although local governments have been the engines of development activities in all organisations, their role has been balanced by two cross-sectoral organisations in which non-governmental actors bore rights to participate in developmental decision-making. Both of these cross-sectoral organisations were established following local initiatives, unlike the HLGAs and HMPPs that came about under central state incentives and whose sectoral composition has been regulated by central governmental regulations (1996, 2004).<sup>33</sup>

### **The scope of territorial association**

In the course of the institutional evolution of the micro-region the various organizations had different functional service areas. In spite of varying territorial extension of organizations and the assignment of some settlements to neighbouring statistical micro-regions due to central state regulations (1994, 1996, 2003), the territorial integration of the Homokhátság – an area of a homogeneous group of farm-houses – had been retained through synergies with functional and sectoral associations until 2006.

### **Modes of territorial association in T2**

Institutional rules regulating decision-making mechanisms had become more or less formalized in the micro-region by the early 2000s. Although de jure local governments dominate formal decision-making in all organizations, these informal decision-making mechanisms provide non-state actors with de facto rights to participate in making binding developmental decisions. In the HLGAs, for example, binding decisions can be made by regular members; i.e. by local governments. Supportive members (non-governmental actors) only have consultative rights in the assembly although they have the right to hold the current President and the management committee accountable. In the HPBCs, owners are entitled one vote after each 10.000 HUF of the capital stock they invested in the company. The biggest

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<sup>33</sup> Similar local governmental partnerships were established in all micro-regions across the country, but their exclusionary sectoral membership and thus the leverage of local governments in developmental affairs was not balanced by other inter-sectoral organisations at the initiative of local actors.

capital stock owners are the Csongrád County Chamber of Commerce, the Duna-Tisza Regional Development Co. and the Local Government of Mórahalom, each contributing with 320.000 HUF to the capital stock of the company. Nevertheless, on the whole it is local governments – each owning 120.000 HUF in capital stock, plus Mórahalom holding stock with a value of 320.000 HUF – that have leverage in decision-making over non-governmental capital stock owners.

Nevertheless, much of the daily practice utilizes informal mechanisms. Interviews with micro-regional development managers revealed that informal decision-making mechanisms are typically employed when consensual decisions are sought by micro-regional actors. Sometimes they use it as a tool in the preparatory stage of decision-making (i.e. before the formal agreement is passed as a form of agenda setting), at other times they rely on it in order to avoid formal cumbersome legal procedures. Barter agreements between coalition members and/or other actors within the micro-regional network are typical informal institutional solutions. Other mechanisms include: daily contacts and verbal agreements, targeted, scheduled preparatory meetings and workshops for programme planning.

The annual 3-day weekends of local mayors provide another example of informal mechanisms. These had been initiated by the Mayor of Mórahalom, the central character in a triangle of three socially skilled entrepreneurs in the micro-region. Mayors of member settlements meet in remote resorts to spend some free time together playing chess, cards, football, etc. During these informal free-time activities they discuss matters of the micro-region, inform one another about new events within their own or shared networks (political and/or informal) and informally agree on developmental needs of each settlement and of the whole micro-region. This is the time is thus characterized by intensive informal information and knowledge exchange among the most powerful political players in the micro-region.

A similar mechanism is the informally scheduled regular planning procedure for programme development. It is the HLGA that organizes annual forums for the population at each settlement and workshops for NGOs in the micro-region to generate developmental ideas for the following year's development programme and to receive feedback and opinions on ongoing developmental activities. What is said at these forums and workshops is collected and evaluated in a SWOT analysis by a core developmental team of the three micro-regional LEADERS.

The core team translates local developmental needs into a practical developmental framework for the micro-region and *vice versa*: it interprets the institutional framework of the external development environment (programmes, requirements, mobilizable resources, etc)

and overall trends in development matters. There is an ongoing “communicative thickness” within this team that involves continual clarifications, modifications and deflection (Grabher, 2006) of local developmental needs to external opportunities and requirements. In this process of interpretation three sectoral logics are perpetually present as the three members of the core team are responsible for their respective organisational networks: the HLGA for vertical and horizontal NGO relations; the HLGP and HMPP for the management of diverse governmental ties and the HPBC for business and entrepreneurial relations. Such concertation of developmental logics in the core team is guaranteed by a consensual decision-making system based on a rotating leadership that distributes intelligence and interrupts routines of the past (Grabher, 2006).

### **Governance pattern in T2**

In the micro-region of Mórahalom, governance patterns at T2 developed an integrated and non-hierarchical character including a diversity of actors within individual organisations and in the development coalition of the four developmental organisations. The integration of heterogeneous actors in the development coalition has been taking place in a way that distributes authority between governmental and non-governmental actors more or less evenly. The dominance of local governments in the two local governmental organisations is balanced by an encompassing membership in the HLGA and the HPBC, where non-governmental actors have retained their de facto rights to participate in decision-making one way or another. The organization of associations in the development coalition allowed the accommodation of the diverse interests of governmental and non-governmental actors as well as the institutional and functional logics of their organisations. As the accommodation of such diversity has in recent years been taking place through non-hierarchical relations – even amidst the strong presence of local governments in development matters – the governance patterns of the 2000s can be called heterarchic and closer to the first ideal-type.

**13. Figure: Summary of governance patterns in the Mórahalom area**

<b>Dimensions</b>			
<b>Organisational</b>	<b>Functional</b>	<b>Scope of association</b>	<b>Mode of association</b>
<b>Organisational</b>	<b>Functional</b>	<b>Sectoral</b>	<b>Territorial</b>
<b>I/F<sup>34</sup></b>	<b>C/D<sup>35</sup></b>	<b>I/F<sup>34</sup></b>	<b>C/D<sup>35</sup></b>
Initial homogeneity with informal mayors' club expanding into a stable development coalition of heterogeneous organisations loosely coupled in the Micro-Regional Development Agency.	Initial single-issue based ecology growing into a multidimensional functional association where various functions are organized in concertation.	Initial homogeneity of local governmental actors growing into a heterogeneous representation of businesses NGOs and local governments.	Traditional boundaries of Homokhátság and integrity of the area retained through organisational diversity.
			organic of consensus-based decision-making retained in development coalition in addition to new formal institutions. These informal mechanisms support the distribution of authority and intelligence in planning and implementation.

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<sup>34</sup> Informal v.s. Formal

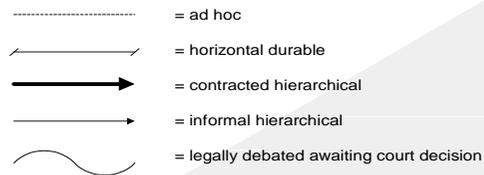
<sup>35</sup> Centralized v.s. Distributed

# MÓRAHALOM MR

## INSTITUTIONAL PERIODS

SNL	'90	'94	'96	'97	2004-
COUNTY					
AREA					
MICRO-REGIONAL					
LOCAL					

MC= Mayors' club  
 HMRA= Homokhát Local Governments' micro-Regional Spatial Development Partnership  
 LGP= Homokhát Eurointegration micro-Regional and Economic Development public foundation  
 MRA= micro-Regional Development Agency  
 MPA= Homokhát multi-Purpose micro-Regional Association



### 6.1.3. The mode of institutional change in Mórahalom: change amidst institutional stability/continuity

In the micro-region of Mórahalom patterns of governance have developed from a hybrid to a heterarchic model. That is, the institutional equilibrium of a single organisation in 1994 has been transformed into a flexible system of four associated organisations that combine heterogeneous local sectors in a way that distributes authority more or less evenly among them. The flexibility of the institutional design is provided by the loose coupling of these organisations that allows each organization to preserve its organizational autonomy and logics of action. At the same time, the organizations are equally embedded in the Homokhát Development Agency, an informal functional coalition of the four organisations.

The transformation of the informal Mayors' Club into the formal cross-sectoral and multifunctional HLGA in 1994 was the first attempt to *convert* an existing institution to serve new goals and functions. This *institutional conversion* took place as an unintended consequence of local actors' experimentation with designing institutions that could best serve the developmental purposes of the micro-regional community. The same transformative strategy of conversion took place at the coming about of the HLGP in 1996, the HPBC in 1997 and the HMPP in 2004. At the establishment of the HLGP, which came about as a result of the domestic institutional framework in the 2<sup>nd</sup> period, the functions of both the existing HLGA and the new HLGP were recalibrated to fit the requirements of the external institutional context and to suit the local environment, as well as to best serve the developmental needs of the micro-region.<sup>36</sup> Further specifications and conversions of existing institutional elements of the two organisations took place at the creation of the HPBC, whose functions<sup>37</sup> were adapted to the existing association of the HLGP and the HLGA.

The sectoral association of the HPBC introduced yet another mode of institutional transformation, which although it took place in the background was still significant from the perspective of the evolution of trust-based relationships within the micro-region. One of the members of the HPBC is the Mórahalom Regional ÁFÉSZ, which is a producers' association of local SMEs and micro-enterprises. Similar cooperatives were established in the agricultural sector (Mórákert Producers' Association) to unite the production and marketing efforts of local farmers. The institution of producers' association was rediscovered and reactivated by

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<sup>36</sup> The HLGA specified its developmental function in coordinating socio-economic development programs and projects for the entire micro-region, while the HLGP was established with the specific goal to provide interest representation for the micro-region in the County Spatial Development Council as required by the Act of 1996.

<sup>37</sup> To implement development projects with the help of the capital stock of joined organisations.

local social entrepreneurs with considerable efforts made to convince the community about the usefulness and necessity of cooperation in different sectors of economic production. Producers' associations had been popular organizational forms in the agricultural sector before World War II based on the voluntary cooperation of farmers. Socialist cooperatives on the other hand, introduced as mandatory associations, nationalized these farmers' private property. Hence the resistance of local businesses and farmers to any form of production-based association in the mid-'90s was understandable. In spite of their difficulties in individual marketing and production, associations were resisted and the institution was suspended for a long time. Its reactivation towards the end of the 1990s was due to the active cultivation of this institution by social entrepreneurs who managed to convince local SMEs and farmers of the utility of cooperatives and the new logic of action behind this institutional form based on bottom-up reciprocity among partners. This was an incremental transformative process of *displacement*.

The adaptation of the institution of MPP in 2004 provides further evidence of institutional transformation through stability and continuity in the Mórahalom micro-region. The transformation took place through a bottom-up interpretation process as local actors, seeing the new institutional element at odds with their prevailing institutional practices, tried to find leeway to adjust the framework institution of the MPP to the existing system of micro-regional governance. They therefore defected from the original MPP institution. In practice, this meant that the HMPP only adopted the mandatory public service provision tasks of the original model. At the same time, the prevailing system of associations and institutional practices were somewhat recalibrated (converted) so as to fit the MPP into the system. This meant that HLGP from then on only concentrated on resource mobilization from the County Development Council, and gave room to the HMPP to manage public service provisions in local governmental cooperation. Hence, the adoption of the MPP here was a process of *institutional conversion* and *displacement* through *resistance to the invasion* of the micro-regional field and *defection* from the one-to-one transposition of the MPP's logics.

The fact that the establishment of the HMPP here did not entail a simple institutional transposition of the institutional logics of MPPs (institutional monocropping) was due to the presence and activity of three social entrepreneurs who comprised a developmental cabinet as heads of the HLGA, of the HLGP and HMPP as well as the HPBC. The three entrepreneurs established a coalition through which they organized and shaped the micro-region's institutional ecology over the period by creating and maintaining collective frames even in the face of internal and external challenges.

At the centre of the coalition stands the Mayor of Mórahalom who can be regarded as a Fligsteinian socially-skilled strategic actor in the sense that he has generated and maintained collective frames for a developmental coalition of associations through which he helped local actors to attain their preferred ends. He achieved this by sharing responsibilities and rights with his own coalition partners at the personal level. In the coalition each one of the strategic partners represented different institutional logics (NGO, LGP/MPP, non-profit company) and was responsible for tending to different sets of networks. The sharing of competencies and tasks within this core team guaranteed the distribution of intelligence and authority at the personal as well as the organisational level.

The procedure of micro-regional developmental planning provides evidence of this system. The three entrepreneurs prepare the development strategy of the micro-region annually together by taking into account information provided by the Mayor of Mórahalom about external conditions and opportunities and moulding them with the HLGA's manager's and the HPBC's director's deep knowledge of current local issues, ongoing projects and/or problems and needs. A system of opportunities and constraints is then presented at public forums to the governmental, business and civil sectors. These public forums outline more specific local needs within the matrix of opportunities, and the three entrepreneurs use these in the finalization of the strategic micro-regional development plan. Since external conditions may change any time during the year, the core team always leaves room in the strategy to make adjustments. The communication of these modifications to each sector is the responsibility of each entrepreneur vis-à-vis his/her own networks.

It was not only the creation of cognitive frames for distributed forms of authority that made the Mayor of Mórahalom a Fligsteinian socially-skilled entrepreneur, but his capabilities to maintain these frames even in the face of competing challengers and new external conditions shifting the balance of power. One of such internal challenges was a political conflict in 2000 in which his dominant position in the field was challenged by some mayors who doubted the transparency of his management and raised the possibility of his "impeachment." His reaction to the challengers was that he was "careful not to undermine the existing order by direct confrontation with the other principal dominant group;" (Fligstein, 2001) he ordered a detailed evaluation on the transparency and management of development projects in the HLGP. The external evaluators did not find irregularities in the management of funds, thus the position of the Mayor of Mórahalom was confirmed and trust was re-affirmed in the institutional field.

Another challenge for the integrated, non-hierarchical governance system came from the external environment in the form of the institutional logic of the LGP in 1996 and the MPP in 2004. Although he represented the incumbent group of local governments as the Mayor of the largest settlement in the micro-region, he generated a cognitive frame which deflected these logics and prevented local governments from taking advantage of their alternative resource mobilization opportunities by excluding non-governmental actors from associations. This in the long run entailed the maintenance of trust-based relations and non-hierarchical associations within the developmental community. These frames also provided leeway for micro-regional actors to modify their institutional context according to their own understanding in a way that fitted with the external environment and compromised heterogeneous local interests.

His strategic partners in the core team played an important role in supporting these frames for collective action. A large part of their “managing their sectoral networks” has been about acting as interpreters between the local developmental community and the external opportunity structure. This interpretation process was based on two basic entrepreneurial activities. Firstly it was about permanent monitoring of external events and “translating” them into the “local vernacular” in a way that accommodates heterogeneous local interests. At the same time, it also involved the active mobilization of local intelligence; i.e. information of various resources from the community about developmental needs and their “translation” into the “high dialect” of domestic and EU developmental trends; i.e. adjusting local needs to the opportunity structure. This system of distributed intelligence also generated trust in the community through the core team’s stable set of core relationships. They generated trust-based relationships by juggling heterogeneous interests in diverse sectors, which they managed to translate into a common language of shared local interests and values.

This is illustrated by the organisation of the informal coalition within the Homokhát Development Agency. The four organisations are loosely coupled, which means that they have retained their institutional independence while sharing office space. In the Agency the cooperation of the four organisations is organized through non-hierarchical relations, where none of the organisations has a monopoly on institutional logic. In practice, everybody is doing what their functional profile permits them to do, with a rotating leadership depending on current program criteria. This is a system of distributed intelligence and authority, where no single organisation, person or institutional logic can dominate the decision-making field. Decision-making, rather, is organized into a flexible system of improvisation where solo and support roles are evenly distributed among participants and are rotated upon a change of

criteria in the external and internal conditions. This system enables the micro-region to react swiftly and adapt easily to institutional logics of any emerging opportunity structure.

## **6. 2. The micro-region of Sellye (Ormánság)**

The Ormánság is a marshy region that is an important drainage for the Dráva River. The early inhabitants of this boggy terrain could only build their homes on the mounds of earth that rose above the swampy land. In Hungarian these mounds are called "ormák". Since there are quite a few villages in this area built on these mounds, the entire region was named Ormánság. Ormánság is a small but historically significant part of Hungary. This area is well-known for its natural beauty, architecture and ethnographical values. In this area, there are 47 small municipalities, with approximately 18 000 Hungarian, Croatian and Roma inhabitants. During the socialist regime this was a "border area,"<sup>38</sup> socially and economically separate from the rest of the country. Nowadays its population is ageing and the unemployment rate is higher than the average in the rest of the country, sometimes it even reaches 34 - 36 %. After the change of the regime, the industrial and agricultural capacities of the area were severely damaged.

### **6.2.1. The micro-region of Sellye (Ormánság) in the early 1990s**

In the micro-region of Sellye the 1990s was about intensive experimentation with bottom-up institutional solutions for coordinating the cooperation of diverse actors with various developmental goals. These institutional solutions were about the non-hierarchical integration of different sectors over a territory historically belonging to the area called Ormánság. Non-hierarchical institutional elements were based on consensus-seeking, informal conciliation practices to accommodate diverse interests, and the more or less even distribution of authority between governmental and non-governmental actors.

#### **Organisational form**

The first developmental organisation, the Ormánság Foundation (*Ormánság Alapítvány*), was established in 1990 by a social entrepreneur from the county seat, Pécs. The goal of the organisation was to provide know-how for the sustainable economic development of the area, the unique environmental and socio-cultural heritage of which had been neglected during state socialism. The Ormánság Foundation (OF) gathered young, educated people from

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<sup>38</sup> The border with Yugoslavia was closely patrolled in these years. Being a border area also meant that industry could not be placed in the region and that moving to the area was restricted.

the area who organized training for human resource development in cooperation with local schools and also developed alternative rural development methodologies-technologies.

### **Ormánság Foundation (OF)**

#### **Ormánság Alapítvány (1990 - )**

Organisational type	Foundation
Functional scope	Self-sustained economic development based on regionally organic farming, technologies, micro-enterprises. Trainings and consultancy in complex community sustainable development strategies.
Inter-sectoral association	Founder: Tamás Lantos (scholar, social entrepreneur from Pécs), in informal network with young local entrepreneurs in the area, Small Bench Foundation (for a while), schools, local governments, private persons
Spatial boundaries	Ormánság
Decision-making	Board of trustees

With a similar rural developmental mission in mind, an employee of the Ministry of Environmental and Regional Policy established the Small Bench Foundation (*Kispad Alapítvány*) in 1992 to promote rural development by organising local communities and providing methodology for training. Prior to moving to the region she had worked in the Ministry of Environmental and Regional Policy on associative spatial development strategies which know-how she had acquired at a course on sustainable development at Schumacher College in the UK. Her work in the Ministry also enabled her to be one of the initiators of the complex micro-regional development pilot project of the ÖAR/MVA programme.<sup>39</sup> In 1998 the Small Bench Foundation (SBF) established formal cooperation with the Baranya County Village Warden Service Association (*Baranya megyei Falugondnokok Egyesülete*), the local branch of the national Association for Village Development<sup>40</sup> to organize training for the

<sup>39</sup> The overall goal of the project was to contribute to job creation in disadvantaged regions and to foster cross-settlement cooperation for the drawing up of developmental potentials and their means of implementation; the planning, preparation and implementation of micro-regional development programmes. The programme was co-financed by the Austrian party, the MoERP (by 1 HUF 1 million), the Ministry of Finance and the local government(s). Details of the programme see in chapter 4 on external factors of micro-regional governance.

<sup>40</sup> The Association for Village Development was established in 1989 by 38 social scientists with the aim of developing village communities and protecting the socio-cultural heritage of villages and rural ecologies. The Association played an important role in the coming about of several cross-settlement associations in the early 1990s, such as the Cserehát Association, the Association for the Villages of Zala County and the Small Bench Foundation. In 1990 the Association in cooperation with the Ministry of Social Welfare gave birth to the national network of the Village Warden Service, which having its county branches covers the entire country today. The role of village wardens is to maintain personal contacts with village and farm dwellers often living in secluded, remote and peripheral settlements and to provide services (transport in health- and social care, etc) for them. The

supervisors of village wardens. Along with the OF, the SBF served as an intellectual workshop on alternative rural development strategies for the local community.

### **(New) Small Bench Foundation (SBF)**

#### **(Új) Kispad Alapítvány (1992 - )**

Organisational type	Foundation
Functional scope	Initial goals were to promote complex community development, the (re)-organisation of local communities and associations, the provision of methodology in trainings and human resource development for the sake of the sustainable economic development of the area. Since 1998 until 2003 its function also covers the organisation and management of the village warden service in the area; mainly providing trainings for supervisors in the warden service.
Inter-sectoral association	NGOs, scholars, private persons, founder of Ormánság Foundation (for a while), local governments
Spatial boundaries	Baranya county
Decision-making	Board of trustees

The creation of the Ormánság Development Association (*Ormánságfejlesztő Társulás Egyesület*) in 1994 was initiated by a number of local intellectuals (mayors, teachers, priests), including the Ormánság Foundation. The Ormánság Development Association (ODA) covered the territory of the traditional Ormánság incorporating 52 settlements, several NGOs, private persons and entrepreneurs from the area. Between 1994 and 1999/2000 the ODA was the engine of developmental activities in the area with the leadership of the Mayor of a single town in the Ormánság: Sellye.

### **Ormánság Development Association (ODA)**

#### **Ormánságfejlesztő Társulás Egyesület (1994 - )**

Organisational type	Association (NGO)
Functional scope	Infrastructure (service provision) development, to coordinate cross-sectoral development activities, enterprise development, nature protection, self-sustained economic development based on small scale organic farming, mobilization of local NGOs
Inter-sectoral association	Membership (1994): 52 local governments of settlements; 10 organisations, 43 private persons; approximately 100 members  Membership (2004): mostly local governments remained; a few private persons; approximately 30-40 members

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Small Bench Foundation in Baranya County and the Association for the Villages of Zala County are two examples of the warden service.

Spatial boundaries  
Decision-making

Territory of local governments (Ormánság)  
General assembly

The association of these organisations was based on one-to-one coupling: i.e. on the one hand an ad hoc informal association of the SBF and the OF; on the other a durable informal cooperation between the ODA and the OF. The latter association lasted for 3-4 years and was an extension of the role the OF's President had played in the establishment of the ODA. The OF also maintained ad hoc informal ties with the SBF but the exclusion of the latter from the OF-ODA coalition not only created tension and instability but also meant the absence of full integration.

This imbalanced associational setup was related to the inter-personal ties of the leaders of the three organisations. Since the two foundations did not have a membership base, cross-organisational passage points were provided by individuals, mainly by the President of the OF. He was the central nod in organisational ties between the OF, SBF and the ODA, having drafted the first informal development strategies for the area around 1992 with the President of the SBF and having initiated the establishment of ODA in 1994. This resulted in the weakness of social embeddedness of organizations, which was further aggravated by the exclusion of the SBF. According to some interviewees it was the inter-personal conflict of the presidents of ODA and SBF that led to this situation (the President of the ODA got offended by not having been invited to be board member of the SBF). Yet again others argued that the real reason behind the SBF's marginalization was that its President was originally an outsider from Budapest. All in all, the exclusion of SBF from this informal coalition of the ODA and OF had long-term effects on the fragmentation of micro-regional governance.

### **The scope of functional association**

The developmental functions of the three organisations represented some degree of diversity. The OF and SBF shared a multidimensional functional mission of sustainable and complex rural development that was the basis of their ad hoc, informal cooperation. An output of this cooperation was the first development strategy of the area from around 1992. Beyond general overlaps in the profile of the two organisations the SBF rather focused on human development of villages. The OF put more emphasis on alternative sustainable economic development strategies, such as organic farming, new technologies and micro-enterprise development. These functional differences, however, were not treated strategically; i.e. they were not organized into a concerted division of labour.

The first organisation that deliberately organized micro-regional cooperation as a division of labour was the ODA. Adopting the role of an umbrella organisation it organized cooperation across human, infrastructural, environmental and economic developmental lines among NGOs, local governments, and other local organisations. In this, the ODA heavily relied on the OF's network of local intellectuals. The ODA-OF informal coalition was based on a concertation of functions: the OF focusing on practical rural development matters (e.g.: bio farming, plant repatriation), while the ODA functioned rather at the political level by drawing up a strategic programme development.

### **The scope of sectoral association**

It was due to the skills of two social entrepreneurs (the Presidents of the OF and the ODA) that a diversity of actors became represented in the early years of micro-regional development. The OF and the SBF were foundations and thus their organisational form disabled them from including a diversity of actors, yet the President of the OF generated a network of diverse local intellectuals and managed to get these people on board for the development of the Ormánság. Many of these people later became members of the ODA or participated in its development projects. In the initial period the ODA integrated a considerable number (100) of members representing diverse sectors of local governments, NGOs, private persons and businesses. Although decoupled from the ODA and the OF, the SBF also built an extensive network of partners with local governments, schools, the Reformist Church, and NGOs in this phase. These partnerships often extended beyond the boundaries of the micro-region or the Ormánság as the organisation was responsible for the village warden service in the whole county of Baranya.

### **The scope of territorial association**

Historically, the main source of territorial integration over the centuries has been the religious affiliation of the population,<sup>41</sup> and the dominant rural character of small villages and towns and consequent specific forms of farming based on the special flora and fauna of the area, due to the characteristics of the river Dráva crossing the region.<sup>42</sup> These cultural,

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<sup>41</sup> The territory of Ormánság has been inhabited by Catholic Croats and a “diaspora” of Hungarian Lutherans distinguished by exclusively Hungarian and Croat settlements next to one another.

<sup>42</sup> The area by the river Dráva had originally been a marshy region, which determined the orientation of agricultural activities concentrating on forestry and animal husbandry. Since the 19th century the original conditions of the Dráva area have changed, partly due to geological changes and partly to those induced by man. On the one hand, the sinking of the bottom of the river has caused the severe drying of the land. Political and social changes have further contributed to the deprivation of traditional agricultural ecologies of the Ormánság.

geological and social characteristics of the area gave impetus to functional integration in the three organisations in the early developmental years.

In this period the functional service area of all the three organisations covered the historic region of the Ormánság including 52 settlements. Due to its organisational segregation the SBF began to expand its territorial scope by widening its functional service over the entire county.

### **The mode of association in T1**

The initial period of institutional development displayed lots of informal mechanisms in decision-making as many cross-organisational decisions were simply regulated by conventions and norms based on inter-personal relations.

On the other hand, decision-making within organisations was regulated by formal rules. In the two foundations this meant the boards consisting of a few private persons, and in the ODA it referred to the assembly of the association. All members of the ODA enjoyed the same status<sup>43</sup> and rights in decision-making. In this vein, each member had one vote in the assembly where binding decisions were made by simple majority voting (50%+1). Thus, in the ODA decision-making mechanisms were discretionary as authority was distributed to non-governmental actors as well to have rights to make binding decisions on development matters.

### **Governance patterns in T1**

The pattern of governance at T1 was closer to the first ideal-type of micro-regional governance mode – integrated and non-hierarchical – as it integrated a diversity of actors and distributed authority among them more or less evenly. This heterarchic organization of governance allowed the accommodation of the interests and values of local governments and non-governmental actors through non-hierarchical relations.

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In the 19th century the population was forbidden from participating in forestry and during state socialism traditional small household farming was banned, being replaced by mandatory cooperatives. The destruction of the area was intensified by employing aggressive technologies and deploying the kinds of trees for forestry that disturbed the natural ecology and biodiversity of the area. These ecological changes had long-term negative effects on the demographic composition of the Ormánság. The restrictions of the 19th century led to the general practice of bearing one child per family (*egykezés* in Hungarian), which became a burning issue in the 20th century when during and after state socialism young people left the Ormánság migrating to nearby towns or to Budapest in the hope of employment opportunities. The current socio-economic situation is startling: educational attainment and along with it employment is the lowest in the country, traditional forms of animal husbandry have extinguished leaving pastures uncultivated, the natural endowments of the Dráva river still lay unused. The initiative of the Ancient Dráva Programme launched in the early 2000s by the ODA and the cooperation of relevant authorities in Croatia and in Slovenia with the Hungarian Regional Development Office, intends to rehabilitate the socio-economic and ecological status of the Ormánság.

<sup>43</sup> I.e. there was no distinction of “regular” and “supportive” members of the association.

## 6.2.2. The micro-region of Sellye (Ormánság) in T2

The initial heterarchic institutional setup moved by the 2000s towards the fragmented and hierarchical ideal-type. The institutional field has gradually lost many organizations and has become fragmented by the marginalization of non-state actors and the subsequent reduction of development goals. The mode of association has become characterized by hierarchical institutional mechanisms with contracted, formal inter-organisational ties that have centralized decision-making in the hands of local governments.

### Organisational form

Towards the early 2000s the diversity of organisations participating in micro-regional development had further increased. In 2004 there were two foundations, two associations and two local governmental partnerships – including the three organisations from the initial period – in the new micro-region of Sellye. Between 1995 and 2004 the following organisations were also additionally established:

#### **Ormánság Spatial Developmental Local Government Partnership (OLGP)**

#### **Ormánsági Területfejlesztési Önkormányzati Társulás (1997 - 2007)**

Organisational type	Local governmental partnership
Functional scope	Interest representation at county development council
Inter-sectoral association	Founders in 1996: 39 local governments in the area of Ormánság. In 1999 membership has been extended to 52 local governments.
Spatial boundaries	Territory of 39, after 1999, 52 local governments (Ormánság)
Decision-making	Qualified majority voting at partnership council

Encouraged by the Act on Spatial Development and Planning in 1996 the Ormánság Local Governments' Spatial Developmental Partnership (*Ormánság Területfejlesztési Önkormányzati Társulás*) was established by more or less the same local governments that had founded the ODA. By 1999 all 52 local government members of the ODA became members of the LGP as well. The goal of the organisation was to gain access to decentralized state funds at the county development council. The legal form of this organization was a “local governmental (spatial developmental) partnership” as specified by the Act as a requirement for accessing state funds.

### **Drávazúg Association (DA)**

#### **Drávazúg Társulás Egyesület (1999 - 2005)**

Organisational type	Association (NGO)
Functional scope	It was established for the preparation and management of the area's SAPARD programme
Inter-sectoral association	6 local governments: Bogdása, Drávafok, Drávaiványi, Drávakeresztúr, Felsőszentmárton, Markóc villages at the initiative of the Ormánság Foundation, Small Bench Foundation, National Park of Duna-Dráva, Roma and Croatian minority governments
Spatial boundaries	The 6 villages on the northern side of the river Dráva within the current Sellye micro-region
Decision-making	General assembly

The Drávazúg Association (*Drávazúg Társulás Egyesület*) was established in 1999 by six local governments located on the northern side of the river Dráva in the Ormánság at the initiative of the OF, and the SBF. The DA maintained loosely coupled partnerships with the National Park of Duna-Dráva, and Roma and Croatian minority governments. The local governments of the DA also intended to establish a durable form of cooperation with the ODA but this eventually fell through due to diverging developmental goals.

The creation of the DA was prompted by the specific incentive of the SAPARD pre-accession programme in Hungary. Between 1999 and 2005 the Ministry of Agrarian and Rural Development provided annually fixed central state funds for micro-regions that prepared a SAPARD rural development programme and employed a rural development manager. In this way, the DA was an important source of financial resources for local governments. In the absence of SAPARD resources, the DA was terminated in 2005.

### **Sellye Micro-Regional Multi-Purpose Partnership (SMPP)**

#### **Sellyei Kistérségi Többcélú Társulás (2004 - )**

Organisational type	Local governmental partnership
Functional scope	Public service provision in social services, educational services, transport services, environmental protection, spatial development
Inter-sectoral association	35 Local governments
Spatial boundaries	Current territory of the Sellye micro-region of 35 settlements
Decision-making	Partnership council. In spatial development matters 1 vote per settlement; in service provision matters in proportion of population. For quorum in spatial development matters simple majority voting through 1/3 of the population of settlements present at meeting.

In 2004, under pressure for mandatory micro-regional institutionalization of the central state, the Sellye Multi-Purpose Micro-Regional Partnership (*Sellyei Többcélú Kistérségi Társulás*) was established by those 35 local governments that had become assigned to the new spatial developmental-statistical micro-region of Sellye. As instructed by new regulations the same local governments brought to life the Micro-regional Developmental Council (*Kistérség Fejlesztési Tanács*) that, supposedly, was to encourage the integration of local governmental, non-governmental and business sectors within the territory of the new spatial developmental-statistical micro-region.<sup>44</sup> In the micro-region of Sellye the SMPP adopted the functions of the Development Council, which therefore exists without being a formal organisational entity.

The association of the six organisations took in the form of a one-to-one structure that was inherited from the initial period. In general, cross-organisational relations were either based on ad hoc informal one-to-one ties or on decoupling. As one of the interviewees put it, “durable forms of formal cooperation would require lots of energy, which people don’t have in this region where we constantly have to fight with the central government that has made us ‘disadvantaged’. We are not a disadvantaged region, they made us one.” Parallel coexistence without collaboration characterized the majority of cross-organisational ties, such as between the DA-ODA, the OLGP-SBF, the OLGP-OF, the OLGP-DA, the SMPP-SBF, and the SMPP-OF. Durable forms of association had come about between the ODA and the OF and after 1996 between the OLGP and the ODA.

The ODA and the OLGP were formally separate entities but in reality they shared a management unit and office. As the current manager of the ODA explained in the interview, the OLGP only came about “because of legal necessity; the County Development Council only accepted project applications of micro-regions if they were submitted by this specific organisational form (a local governmental partnership).” As the two organizations were mutually dependent on each other a degree of horizontal division of labour evolved between them. As the manager of ODA put it, “they complemented each other:” the OLGP brought financial resources for programmes prepared by the ODA. The organisational collision between the two organizations towards the end of the decade transformed the ODA. Having the same local governmental members as the OLGP, the ODA also began to promote infrastructural projects.

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<sup>44</sup> Act 2004 LXXXV: According to the regulations, MPPs could undertake the functions of Micro-Regional Development Councils in order to avoid organisational redundancies.

According to the President of the OF, the ODA's shift in development functions to public infrastructure development from multidimensional developmental goals played a fundamental role in the decoupling of the two organisations in 1998. Others, however, argued that the real source of tension between the presidents of the two organisations was about political disagreements and related issues concerning the distribution of resources. In fact, the dysfunctional nature of their relationship was probably due to the two entrepreneurs' inability to combine the institutional logics of bottom-up developmental mobilization – originally the mission of both the OF and the ODA – with the logic of the new institutional framework after 1996. In other words, they were unable to create a new frame for micro-regional development in the micro-region.<sup>45</sup>

The few ad hoc and durable informal organisational ties were based on inter-personal relations among organisational leaders. The durable association of the OF and the ODA was also based on inter-personal passage points of the two leaders. The only coalition that had a common membership base was the one between the ODA and the OLGP. In the extreme case of the DA and the ODA, the two organisations had more or less the same membership; nevertheless at the organisational level they remained decoupled.<sup>46</sup>

In 2004 the SMPP took over the functions of the OLGP, which was terminated. The formal institutional status of the ODA remained intact but it became an ad hoc “partner” of the SMPP. Its previous horizontal association with the OLGP (based on mutual dependence), was turned into informal hierarchical association with the SMPP. The per capita funding that the SMPP receives makes it financially more stable than the ODA, which continues to live on the resources it generates through its projects. Such imbalances create hierarchies between the two organisations and enable the SMPP to “use the ODA as its NGO branch, which card it can pull out when an NGO is needed on the partnership list of a project application.” Unclear institutional relations between the two organisations further increase hierarchies: the spatial development manager of the SMPP also works as the manager of the ODA voluntarily. On behalf of the ODA he prepared the cooperation agreement between the two organisations on the community work programme of the micro-region, but the SMPP is not paying its share of his salary, arguing that he is employed by the SMPP. The SMPP is also using the office of the ODA for its spatial development unit but it does not pay rent, even though the two organisations are institutionally independent.

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<sup>45</sup> I.e. they could not agree on a development coalition, like the one in Mórahalom that is characterized by a division of labour between the new LGP and the old association.

<sup>46</sup> The six local governments of the Drávazúg Association were also members of the ODA but the two associations had no cross-organisational ties.

Soon after 2004 the organisational ecology of the micro-region more or less collapsed. In 2005 it was the DA that was first terminated, followed in 2007 by the LGP. By 2006/07 the ODA had been degraded from its central developmental position to a support unit of the SMPP. Currently the scope of organisational associations is considerably reduced and displays fragmentation as a result of hierarchical relationships (between the ODA and the SMPP) and complete decoupling (the SBF is decoupled from the OF, the ODA and the SMPP).

### **The scope of functional association**

Until the end of the decade the multidimensional functional character of the initial period remained more or less the same. However, this coordination of functions between the ODA and the OLGP existed only for a short period; the development efforts of the DA and the ODA, despite similarities in their original mission, remained decoupled and fragmented. In the early 2000s the development efforts of the six organisations remained fragmented due to their decoupled relationship. For instance, as a result of its marginalization, the SBF had shifted in order to function as the local county branch of the village warden service. Unlike its sister organisation in Zala County, the Association for the Villages of Zala County, the SBF never managed to organize as an umbrella organisation and by 2007 it has mostly given up functioning as a supplier of development strategies for the Ormánság/Sellye micro-region.

The organisational collision between the ODA and the OLGP did not encourage the coordination of functions through a clear division of labour. The ODA gradually shifted towards single-issue infrastructural projects leading to the termination of its coalition with the OF. Between 1996 and 2003 the OLGP -ODA coalition mainly carried out infrastructure development projects, such as the introduction of a landline telephone and gas network in the entire micro-region. According to the current manager of the ODA, the organization's success was due to the political lobbying of local governments of the ODA and LGP at the County Development Councils.

Since 2004 the SMPP has overtaken the entire functional ecology of the micro-region. Firstly it adopted the functions of the OLGP (leading to its organisational termination). Secondly, under legal provisions, it adopted the function of the Micro-Regional Development Council, the role of which would be to associate diverse local sectors. Thirdly and as a result of the above, it “cornered” the ODA so that it had become a single-issue (non-profit project proposal writing) organisation and the “NGO-manager right hand” of the SMPP. Although in theory the latter retained its functional orientation in sustainable development, in practice it

has become the umbrella organisation of local NGOs, with the task of assisting them in project proposals and acting as the NGO partner of the SMPP in EU tenders.

### **The scope of sectoral association**

By 2007 the wide variety of participating actors of the initial period has been reduced to a few active local citizens, mostly local representatives, teachers, priests and entrepreneurs. As explained by the ODA's manager: "NGOs and private persons have become disillusioned by the stagnation of micro-regional development over the years coupled with increasing over politicization and centralization of developmental issues. Most of them have turned away from micro-regional development. The SMEs that once were active partners in the ODA on the other hand, have gone bankrupt."

At the same time organisational disintegration between the OF and ODA marginalized many sectors and disrupted the network of micro-regional developers. As the representative authority of local governments grew – with the OLGP, and later on with the SMPP – the number of private persons, NGOs and local businesses that were members of the ODA was gradually reduced. Compared to the initial period when the ODA involved 52 local governments, 10 organisations, 43 private persons – approximately 100 members in total – in 2007 its general assembly comprised only 30-40 members out of which 35 were local governments of the new Sellye micro-region and only 5 private persons.

The current monosectoral developmental ecology of the micro-region is also reflected in the formality of the representation of the NGO sector. According to the ODA's manager sectoral representation works only on paper: NGOs are invited to meetings of the Development Council – i.e. to the SMPP – but "they never come and so local governments make decisions without them." In addition, the monthly meetings of the SMPP have become substitutes for the general assemblies of the ODA, given the overwhelming role of the same local governments in the ODA. ODA assemblies used to be held once a month and now they are held only 1-2 times a year. As the ODA's manager put it "it would be exhausting for the members of the ODA to have two meetings in a month. Anyway, they are mostly the same local governments that would meet in the SMPP. At the general assemblies we now don't do much, just vote on administrative issues. Anyway, money is not in here but in the SMPP."

### **The scope of territorial association**

Towards the end of the decade a variety of territorial scales could be identified in relation to the diversity of organisations: the OF, the ODA and the OLGP functioned across

the whole territory of the Ormánság; while the SBF covered the whole county and DA operated in a smaller area of six villages located within the historic region of Ormánság.

The spatial boundaries of the historic region of Ormánság were first recomposed in 1997 when 17 settlements of the Ormánság were assigned to the new neighbouring statistical micro-region. Since the 1996 Act only defined the statistical spatial boundaries of micro-regions it left room for municipalities' membership in multiple associative organisations, they retained their memberships to the organisations (OF, ODA, DA, SBF) that had been functioning over their territories since the early '90s.

The Act on MPPs in 2004 restricted the municipalities to a single membership in micro-regional associations, yet it also provided the possibility for settlements to request their re-placement to another (neighbouring) micro-region within six months after local elections. Hence, in 2005 five villages requested their re-placement from the Siklós micro-region to the micro-region of Sellye, claiming organic historical ties to the region of Ormánság. Since then, the boundaries of the Sellye micro-region extend to 35 settlements out of the original 52 municipalities in the territory of the historic region of Ormánság. The rest of the settlements now belong to the neighbouring micro-regions of Siklós and Barcs. In the absence of cross micro-regional cooperation, territorial integration of the 52 settlements of the Ormánság is not possible.

### **The mode of association in T2**

According to interviewees, since 1996 their freedom of action to introduce endogenous institutional solutions for micro-regional cooperation has become increasingly constrained as the central state has "taken over" the micro-regional development field. The mandatory establishment of the MPP is seen by local actors as an example of direct central state intervention in micro-regional developmental affairs. The institutional framework of per capita funding and tendering provide examples of the way in which the central state interferes indirectly with micro-regional development. Even though this framework formally follows some bottom-up developmental reasoning, in practice it is about top-down, centrally defined development priorities and goals.

Decision-making has thus become almost entirely formalized, leaving informal mechanisms behind. Informal agreements are sometimes sought at preparatory meetings. Within ODA decision-making, the mechanisms have remained discretionary with non-governmental actors having both the de jure and de facto right to make binding decisions on development matters of the organisation. Naturally, the current proportions of non-

governmental and governmental members – 5 to 35 – prevents the former from influencing decision-making effectively.

A major change, however, has taken place in the frequency and agenda of assembly meetings. What used to be regular monthly assembly meetings of the ODA are now held only once or twice a year, and mostly for the purposes of administrative decision-making. Monthly ODA assemblies since 2004 have been “substituted” by the partnership council meetings of the SMPP. These meetings have become the sole forum for developmental decision-making in a micro-region where decisions are reached by qualified majority voting (QMV) on the basis of the population. Non-governmental actors are invited to these meetings and they have consultative rights. As explained by the manager of the ODA, NGOs’ opinions and perspectives, however, are generally neglected by local governmental members given their lack of social and economic power. In the same vein, ODA general assemblies have become reduced to yearly meetings at the decision of local governments that are members of both organisations. Instead local governments have promoted monthly MPP meetings “to substitute for ODA meetings.” In this local governments have enjoyed the institutional support of the MPP regulative framework, which assigned the majority of development funds specifically to this organisational form.

These changes in decision-making indicate that the mode of association has become centralized in the hands of local governments. Supported by the institutional framework, they all have discretionary rights to make decisions regarding financial resources. Non-governmental actors are de jure involved in these processes but de facto have no means with which to influence the course of events in the development field of the micro-region.

## **Governance pattern in T2**

In the development ecology of the micro-region of Sellye, governance patterns at T2 are closer to the fragmented, top-down ideal type, as non-state actors are marginalized in the micro-regional developmental field. Decision-making over development matters is centralized in the hands of local governments that have the institutional capacity to reorganize representation vis-à-vis non-state actors in hierarchies.

**14. Figure: Summary of governance patterns in the Selye area**

<b>Dimensions</b>					
<b>Scope of association</b>			<b>Mode of association</b>		
<b>Organisational</b>	<b>Functional</b>	<b>Sectoral</b>	<b>Territorial</b>	<b>I/F<sup>47</sup></b>	<b>C/D<sup>48</sup></b>
Initial diversity with ad hoc and decoupled ties further expanding across 90s but reduced by T2.	Initial multidimensional but fragmented functions remain the same across 90s but narrow down by T2 (functional deprivation)	Initial diversity of developmental actors reduced to the representation of a single sector.	Traditional organic boundaries of Ormánság and integrity of the area could not be retained.	Initial distributed forms of decision-making mechanisms (formal and informal) turned into centralized non-discretionary mechanisms marginalizing non-state actors.	

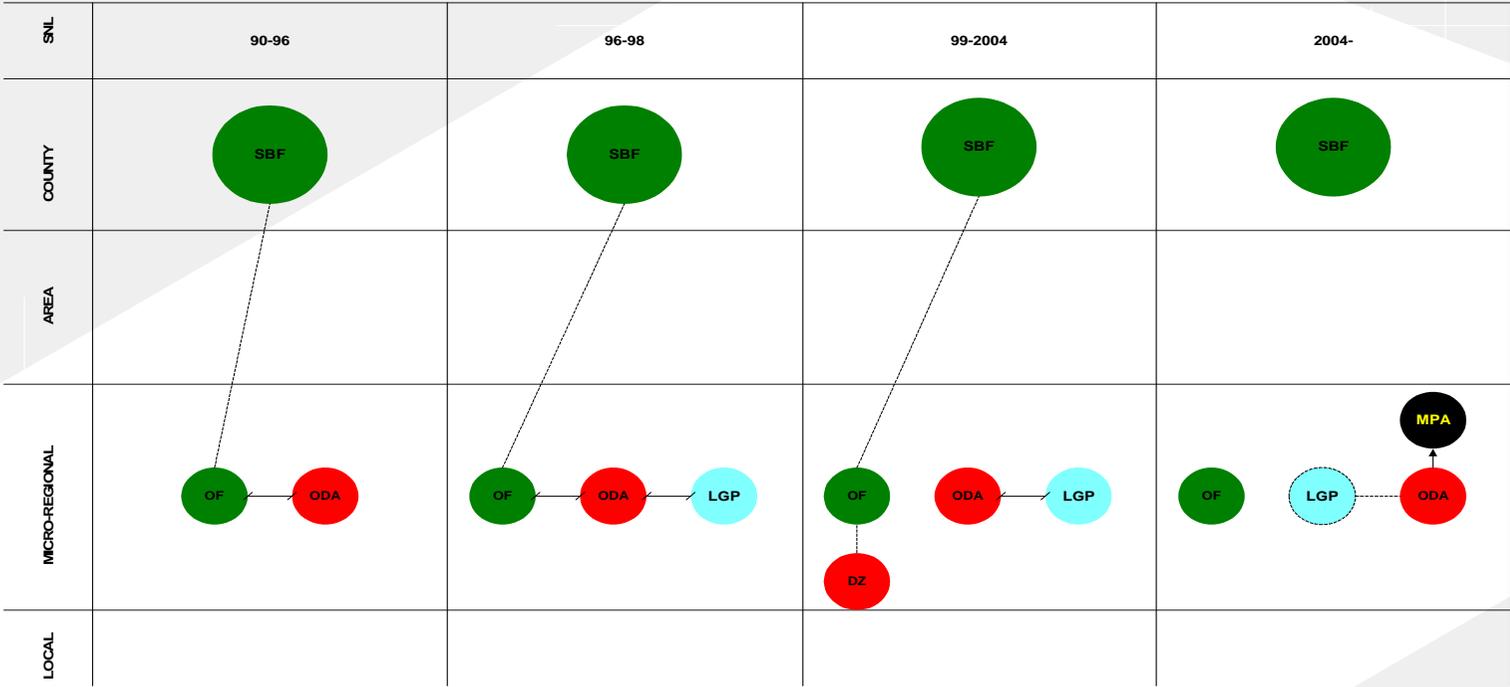
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<sup>47</sup> Informal v.s. Formal

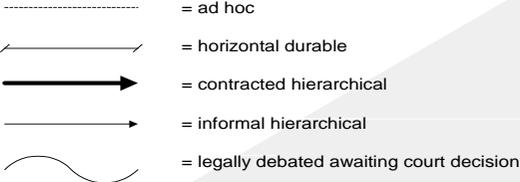
<sup>48</sup> Centralized v.s. Distributed

# SELLYE mR

## INSTITUTIONAL PERIODS



OF= Ormánság foundation  
 SBF= Small Bench foundation  
 ODA= Ormánság Development Association  
 LGP= Ormánság Saptial Developmental Local Governmnet Partnership  
 DZ= Dávazúg Association  
 MPA= Sellye micor-Regional multi-Purpose Association



### 6.2.3. The mode of institutional change in the micro-region of Sellye: collapse and discontinuity

In the micro-region of Sellye, the integrated non-hierarchical patterns of governance of the early '90s were transformed into fragmented, hierarchical modes by 2007. The more or less heterarchic organization of governance in the initial period, which accommodated the interests of various local actors has become exclusionary, as non-state actors gradually became marginalized in the development field while decision-making has become centralized in the hands of local governments.

From an historical perspective, institutional changes within the micro-region can be divided into three phases: 1990-1998, 1999-2004 and 2004 to the present. The period between 1990 and 1999 was characterized by bottom-up experimentation with new institutional forms in response to new external conditions of institutional arrangements. The dynamics of institutional changes that have taken place between 1990 and 2007 demonstrate discontinuity and fragmentation in the modes of association. The transformation of the internal institutional framework on the one hand has been about the introduction of new organizations, such as the ODA in 1994, the OLGP in 1997, the DA in 1999 and the SMPP in 2004. On the other hand, these transformations often set in motion dynamics which over time led to the termination or marginalization of old organizations and the abandonment of institutional forms through institutional layering, institutional drift or exhaustion. In other words, the absence of the active cultivation of existing organizations and the local institutional system has led to the erosion of a heterogeneous micro-regional ecology and the emergence of permanent developmental bottlenecks that homogeneous institutional arrangements cannot overcome.

The creation of the first three organizations – the OF, the SBF, and the ODA – was about the introduction of new institutional elements. It was the establishment of the ODA that had the first significant transformative impact on micro-regional ecology. Adopting functions of an umbrella organization, it organized cooperation across human, infrastructural, environmental and economic domains among NGOs, local governments, and other local organisations. Through these means it progressively supplanted some of the existing functions of the OF that enabled the ODA to become the fundamental developmental organization of the micro-region. This *institutional layering* was less beneficial for the SBF, which became marginalized early on in the fact of the informal coalition of the ODA and the OF.

The ODA-OF coalition began to erode following the establishment of the OLGP and its coalition – rather collision – with the ODA. The genesis of the OLGP was an act of *institutional conversion* that resulted in the recalibration of the functions of both the ODA and the new OLGP as an unintended consequence of institution-building. Indirectly, it was this shift in the functional focus of the ODA and the disagreement over it that led to the disintegration of the association between the ODA and the OF. Directly, however, it was rather *institutional drift* that took place here. The absence of effort to maintain the ODA-OF association and the “active” non-decision-making about renegotiating the terms of functional association between the two organisations finally led to their separation. The obstructionism of the ODA’s leadership played an important role in this institutional drift, as it abdicated its previous functional responsibilities.

The same transformative strategy of *institutional drift* and non-attendance took place with regard to the DA, which had emerged in 1999 to provide organizational support for the SAPARD plan of the micro-region and which was terminated in 2005. Following an unsuccessful SAPARD program tender, the institutional logic of the DA was not reorganized and redeployed to face new challenges, rather it was left functionally “empty,” which led to the withering away of the organisation. Although on the surface actors rationalized the termination of the organization with the lack of additional financial resources, in reality the inability to decide about redeployment caused the gradual destruction of the organisation.

The establishment of the mandatory organization of the SMPP in 2004 was a final blow to coalition- and institution-building for two reasons. On the one hand, mandatory requirements about the MPP in this micro-region were enacted through *institutional transposition* of the core institution. This, on the other hand, set in motion dynamics that resulted in the *institutional exhaustion* of the OLPG, and in the long run, these might induce the same process in the case of the ODA as well. The institutional transposition of the institution of MPPs refers to the way the SMPP came about without the recalibration of the terms of functional and organizational association. Having the same local governments on its membership board, the SMPP “automatically” adopted the functions of the OLGP. This and the provision of per capita funds for the SMPP made the OLGP look redundant in the micro-regional institutional ecology that led to its termination in 2007.

According to the manager of the ODA, the only reason why local governments have not terminated the ODA as they have the OLGP is that “it comes in handy for them to have an NGO at hand with an impressive project history when it comes to tendering. In fact, they treat it as a property of the SMPP, as an NGO sub-branch of the ‘official organization’ of the

SMPP.” Thus, it is not seen as redundant but is considered inferior to the main resource mobilization source, the SMPP. As a result of shifts in the external institutional framework that equip local governments with alternative routes of resource mobilization, local governments no longer recognize mutual dependencies and diffuse reciprocity between themselves and non-governmental actors. Better positioned in the (re)-distributive system of the sub-national development field, they have begun to change the rules of the game of cooperation unilaterally, taking advantage of non-governmental actors in many ways in order to bring about distributional outcomes favouring their own interests.

The relationship between the ODA and SMPP provides examples of this. Although the ODA is an independent organisation, local governments – which are members in the SMPP too – bearing majority in membership nowadays generate opaque institutional relations between the two organizations in order to highlight the existence of hierarchies. Such unclear institutional contacts are illustrated by the way the person employed by the SMPP as its spatial development manager is treated for voluntarily undertaking the management of the ODA along with its functions as project generator for local NGOs. On behalf of the ODA he prepared the cooperation agreement between the two organizations on the community work program of the micro-region but the SMPP is not paying its share on his per diem arguing that he is employed by the SMPP. The SMPP is also using the office of the ODA for its spatial development unit but it does not pay rent even though the two organizations are institutionally independent. This *institutional erosion* of the ODA is an ongoing process putatively leading to its withering away (institutional exhaustion).

The modes of institutional change that have taken place between T1 and T2 demonstrate local actors’ lack of respect for institutional redundancies and the absence of a cognitive frame that can promote the cultivation of diverse institutional logics through non-hierarchical associations. This is related to the absence of an interpretative field actively cultivated by social entrepreneurs who, although they had been present in the micro-regional field, could not find ways to create frames for collective action in a development coalition.

These three social entrepreneurs were the heads of the OF, the SBF and the ODA, who instead of establishing a developmental team preferred to establish one-to-one personal relations. This resulted in the fragmentation of organizational associations and the marginalization of the SBF. For some years the head of the OF was the central node in these fragmented associations maintaining ad hoc, informal ties with the head of the SBF and durable informal ties with the leader of the ODA. Incrementally, the ODA’s President took over this central coordinator role, supported by the ODA as an umbrella organization that

organized and coordinated development efforts of various actors in the micro-region. Nevertheless, neither one of them succeeded in creating frames through which they could convince the community to maintain integrated, non-hierarchical associative ties even in the face of new institutional logics challenging a more or less even opportunity structure. In this context, there were no means to prevent local governments from taking advantage of the new opportunity structure of the post-1996 institutional framework.

Although by 1996 the ODA's President had become the central node of developmental relations in the micro-region, the strengthening of the role of vertical political networks towards the end of the decade was too big of a temptation for her as the Mayor of the largest settlement in the area. As head of both the ODA and the OLGP, and thus representing the micro-region at the County Development Council in the distribution of decentralized funds, she soon realized the utility of vertical (political) networks and began to pay less attention to her previous responsibilities towards horizontal non-governmental partners in the micro-region. In this sense, the Mayor of Sellye cannot be regarded a socially skilled entrepreneur since she was unable to maintain collective frames in the face of the short-term interests of her own constituents. The institutional drift of the coalition between the ODA and the OF was a result of this, as she realized that short-term opportunities could generate resources more easily for the ODA.

Therefore, although on the surface the source of conflict between the ODA's and OF's leaders was the change in the ODA's functional profile, the direct cause of cleavages between them was an increasingly unequal distribution of resources in spatial development policy. In their conflict of interests, the two social entrepreneurs challenged each other and the associated institutional logic, but neither one of them managed to create a cognitive frame that would accommodate heterogeneous interests in diverse sectors by finding a common language and common local interests and values. Not having the social skills to recalibrate the terms of cooperation and to face challenges from the OF (a non-incumbent group), the Mayor of Sellye left the micro-region around 2000 for political reasons, and went to work in the County General Assembly at the county seat. She left behind a fragmented micro-regional institutional ecology with decreased inclusion of non-governmental actors.

It was in this cognitive framework, based on fragmented relations, that the MPP was introduced in 2004. The institution of the MPP reinforced the unbalanced distribution of power between local governments and non-governmental actors and raised further constraints on integrated, non-hierarchical modes of association. The institutional logic of the MPP does not advance entrepreneurship but favours passive participation in the national redistributive

system, acquiescence in hierarchical dependencies, and the futility of any autonomous action promoting associational developmental governance.



### **6.3. The micro-region of Encs/Abaúj-Hegyköz**

In 2005 the micro-region of Encs became was into two micro-regions. After the secession of 13 settlements the separate micro-regions of Encs and Abaúj-Hegyköz were established. The area of the once integrated micro-region of Encs is located in the valley of the river Hernád in the Cserehát region, in the north-east corner of Hungary at the Slovakian border. The area is characterized by a settlement structure of micro villages and small towns with an ageing population, a very high unemployment rate and a critically low level of educational attainment.<sup>49</sup> Since the early 1990s the area has been identified as one of the two most underdeveloped and disadvantaged regions in Hungary.<sup>50</sup> The origins of this backwardness are manifold: the loss of its organic economic centre Kassa (Kosice, SK) after the Trianon Treaty in 1921, and the aggressive and large scale heavy industrialization of the socialist system in the urban centres (Miskolc, Ózd, Kazincbarcika), which required masses of unskilled labour, thus leaving rural areas to decay. Some basic indicators of the backward status of the area are that, in the early 1990s 33% of the settlements were dead-end streets (a single road village); 98% of the settlements had no running water; 100% had no sewage system; 78% had no kindergarten; and 61% had no schools. Nowadays there are still twice as many people at the age of 60+ than of 14-, the rate of the Roma population is on average 20% in the area, but in some villages it is over 50%. Their level of education attainment is often below the 8<sup>th</sup> grade.

#### **6.3.1. Encs in the early 1990s**

It was in the micro-region of Encs that the first cross-settlement bottom-up developmental organizations was established as early as 1988. The Cserehát Alliance and the Abaúj Alliance represented the intensive experimentation with non-hierarchical, integrated institutional solutions in this region, which served as a template for others across the country. The integration of diverse sectors with multiple developmental goals was supported by non-hierarchical, consensus-based, informal conciliation practices, which distributed authority more or less evenly between state and non-state actors and accommodated their diverse interests in development matters.

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<sup>49</sup> These regional characteristics are very similar to those identified in the region of Ormánság and the micro-region of Sellye.

<sup>50</sup> The other region is that of Ormánság in the south-west of Hungary.

## Organisational form

The Cserehát Settlement Alliance (CSA) was created by a geographer and social scientist in order to support the development of the backward north-eastern region. In its extended neighbourhood of the Cserehát region, including the micro-region of Encs, the Cserehát Alliance functioned as a regional umbrella organisation generating the emergence of other developmental organizations and development projects.

### Cserehát Settlement Alliance (1989 - ) (CSA)

#### Cserehát Településszövetség

Organisational type	Association (civil)
Functional scope	Economic development, tourism development, community services, trainings, environmental development, consultancy for local governments, information and knowledge management
Inter-sectoral association	<b>Initially</b> 52 local government, 67 private persons, 4 economic organisations <sup>51</sup> , 6 entrepreneurs, schools, NGOs; <b>currently</b> 46 local governments, 44 private persons, 4 economic organisations, 2 entrepreneurs, schools, NGOs
Spatial boundaries	Cserehát
Decision-making	Simple majority voting at the assembly of delegates when 50%+1 is present

The Abaúj Alliance for Regional Development (AARD) was also established in 1989 by private persons, local governments, businesses, cooperatives and local public institutes mainly from the area around the town of Encs.

### Abaúj Alliance for Regional Development (AARD)

#### Abaúj Szövetség a Regionális Fejlesztésért (1989 – 1998)

Organisational type	Association (civil)
Functional scope	Coordinating socio-economic development projects, interest representation, supporting local governments in service provision, consultancy for local governments
Inter-sectoral association	52 local governments+ private persons+ cooperatives
Spatial boundaries	52 settlements
Decision-making	Simple majority voting at the assembly of delegates when 50%+1 is present

The Abaúj Foundation for Regional Economic and Enterprise Development (AF) was established in 1994 by NGOs, companies and banking cooperatives over the territory of 78

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<sup>51</sup> According to the legal definition of the Civil Code the following organizations may count as economic organizations: state owned companies, cooperatives, Ltds, shareholdings, non-profit companies, subsidiaries, private entrepreneurs.

municipalities to provide know-how in spatial development strategies for local actors. The AARD, along with the CSA, a newly established entrepreneurial club and the county-level deconcentrated body of the National Enterprise Development Foundation played an important role in the establishment of the AF. The AF came about to provide business consultancy and micro-credits for local entrepreneurs and governments and to develop an information and knowledge network between these actors.

**Abaúj Foundation for Regional Economic and Enterprise Development (AF)**  
**Abaúj Térségi Gazdasági- és Vállalkozásfejlesztési Alapítvány (1994 –)**

Organisational type	Foundation
Functional scope	Promotion of coordinated regional development, help in own-resources generation, business consultancy for SMEs, micro-credit, environmental development, information management, networking
Inter-sectoral association	Founders: 4 NGOs + 2 companies + 3 cooperatives (1 in banking)
Spatial boundaries	<b>Initially</b> 78 settlements  <b>Currently</b> 82 settlements of 3 statistical-administrative micro-regions (Encs, Szikszó, Abaúj-Hegyköz)
Decision-making	Board of trustees

The collaboration of the three organisations was characterized by ad hoc informal and loosely coupled ties with an informal division of labour.

**The scope of functional association**

The CSA and AARD each had a multidimensional functional orientation, concentrating on the social, economic and environmental development of their area. Recognizing the difficult situation of having newly-independent local governments in a region that had a large proportion of unskilled workers and a damaged environment, both organisations provided consultation and practical support for local governments. In fact, the idea of the AF emerged from these consultations, which made it clear that the AF should specialize in generating resources and capital for project funding. In this sense, the AF was the only organisation with a specific functional profile.

The association of multiple functions in the two alliances and the specialized function of the AF provided ample synergies in developmental matters. According to the ex-President of the AF, strategic concertation of these synergistic functions was not necessary then because, “at that time we all knew of one another, hence even if there were duplications in

membership or functions we didn't have to regulate it formally, we just sat down and agreed verbally. At that time there was no political lobby like now, then everybody was working on development and not on making politics.”

### **The scope of sectoral association**

The CSA and the AARD were two of the first bottom-up developmental organizations in the country comprised of a diversity of local actors: schools, local governments, NGOs, private persons, entrepreneurs. They were real bottom-up organisations that were initiated by local people and which included more or less all segments of the local community. The logic of this all-encompassing association was to get as many people as possible on board working for the development of the area. This also generated actors' cross-organisational memberships which served as important passage points in associations.

Given its organisational profile, the AF was the only monosectoral organisation in the area at that time. Yet, from the perspective of the circumstances of its establishment, it can be regarded multisectoral as it associated local governments, businesses and interest representative non-governmental organisations (e.g. the entrepreneurial club, the county enterprise development foundation). In this way, it provided representation for diverse sectors.

### **The scope of territorial association**

The extended region of Cserehát comprises a number of smaller areas<sup>52</sup> that have different histories and legacies in terms of economic, agricultural and social development. In this sense, it displays a diversity of territorial scales. This diversity played an important role in the creation of various organisations.

The CSA had the broadest territorial scale, covering the whole of the region of the Cserehát; its membership thus in some cases overlapped with the membership of the AARD and the AF. The territorial scale of the AF was somewhat smaller, focusing specifically on the area around the town of Encs (currently three micro-regions are situated over its service area: Encs, Abaúj-Hegyköz and Szikszó). The AARD had the narrowest territorial extension, focusing as it did specifically on the immediate neighbourhood of Encs (i.e. the current micro-regions of Encs and Abaúj-Hegyköz).

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<sup>52</sup> In Hungarian “tájegység” that are smaller than regions and counties but larger than micro-regions.

Overlaps in the territorial scales of the three organisations induced synergies in spatial development programmes that reinforced territorial integration. Although a degree of fragmentation had always been present in the territorial dimension of governance of the Cseréhát area (several micro-districts existed within the region), “as long as local/regional actors did not have much to lose (i.e. they had more to win), they cooperated” and preserved territorial integration (interview with President of the Abaúj Spatial Developmental Local Governmental Alliance).

### **Mode of association in T1**

The initial period of institutional development largely displayed informal decision-making mechanisms. In a period of mainly ad hoc, bottom-up developmental activities, decisions were delivered by informal discussions and meetings that were supported by cross-organisational memberships providing passage points for informal agreements on projects and strategies.

The formal mode of decision-making in the two alliances was simple majority voting with one vote per member, despite the central role of local governments in generating development activities. Given the encompassing representation of various sectors in both organisations and the equal de jure and de facto rights of governmental and non-governmental actors, the mode of decision-making in this period was evenly discretionary.

### **Governance pattern at T1**

The pattern of governance in T1 was closer to the first ideal-type – integrated and non-hierarchical – micro-regional governance mode as it integrated a diversity of actors and distributed authority among them more or less evenly. Such heterarchic organization of association allowed the accommodation of the interests and values of both local governments and non-governmental actors through less hierarchical relations. Although local governments acted as engines of the association, non-governmental actors had the right to hold them accountable through their equal membership in the organisation.

## **6.3.2. The micro-region of Encs-Abaúj-Hegyköz in the 2000s**

By the 2000s, the initial heterarchic institutional setup has shifted towards the fragmented and hierarchical ideal-type. The institutional field has gradually lost many organizations and became fragmented by the marginalization of non-state actors and the

subsequent reduction of development goals. The territorial disintegration of the micro-region represents the volume of fragmentation in the area. The mode of association has become characterized by hierarchical institutional mechanisms with contracted, formal inter-organisational ties that centralized decision-making in the hands of local governments.

### **Organisational form**

By the early 2000s a development coalition had emerged within the territory of the “old” micro-region of Encs. The coalition, without a formal organisational entity, was called the Abaúj Development Centre and it comprised the AF and the Abaúj Local Governmental Alliance (ALGA). Between 1997 and 2007 the organisational ecology of micro-region(s) evolved as follows:

#### **Abaúj Spatial Developmental Local Governmental Alliance (ALGA)**

##### **Abaúj Területfejlesztési Önkormányzati Szövetség (1997 – )**

Organisational type	Association (civil)
Functional scope	Strategic documents, planning, resource mobilization, database development, SME training and consultancy, promotion of NGO networks, environmental programmes, promotion of rural development
Inter-sectoral association	<b>Initially</b> 56 local governments of the old Encs micro-region; <b>since 2004</b> 35 local governments
Spatial boundaries	Initially the territory of 55 settlements of the old Encs micro-region; currently 35 settlements of the new (2004) Encs micro-region
Decision-making	Simple majority voting with 1 vote per settlement at general assembly + gestor council between two general assemblies

The AARD, the CSA and the AF played an important role in the establishment of the ALGA in 1997. The new organisation associated 56 local governments and their settlements that comprised the statistical micro-region of Encs, as defined by the 1996 Act on Spatial Development.

### **Gergelyhegy Settlement Alliance (GA)** **Gergelyhegyi Településszövetség (1998 – )**

Organisational type	Association (civil)
Functional scope	Interest representation of the area, information and knowledge management, programming and planning, resource mobilization for the endogenous development of the area, mobilizing and coordinating inter- and intra-settlement partnerships
Inter-sectoral association	<b>Initially</b> 13 local governments + private persons + entrepreneurs +NGOs; <b>after 2004</b> only the 24 local governments of the micro-region
Spatial boundaries	24 settlements of the Abaúj-Hegyköz micro-region
Decision-making	50%+1 vote at the general assembly + in executive matters the presidency

In 1998 13 local governments, local entrepreneurs and NGOs in the north-eastern corner of the statistical micro-region of Encs established the GA with the goal of representing this group of settlements in SAPARD development tenders. The organizing principle of the GA was a geographical, demographical and historical distinction of the area from the other side of the river Hernád where the rest of the settlements of the micro-region of Encs were located.

Between 1998 and 2004 the two alliances coexisted in the micro-region of Encs with a formal agreement on information and knowledge exchange and in tendering. The relationship between the two organizations was based on a durable formal association, mutual support and a territorial distribution of competencies: the ALGA was responsible for the whole micro-region while the GA was to implement projects specific to its smaller area.

### **Encs Multi-Purpose Micro-Regional Partnership (EMPP)** **Encsi Többcélú Kistérségi Társulás (2004 – )**

Organisational type	Multi-purpose local government partnership
Functional scope	Public service provision in education, social care and employment and spatial development
Inter-sectoral association	35 local governments
Spatial boundaries	Current micro-region of Encs
Decision-making	Qualified majority voting (QMV)

### **Abaúj-Hegyköz Multi-Purpose Micro-Regional Partnership (AMPP)**

#### **Abaúj-Hegyközi Többcélú Kistérségi Társulás (2005 – )**

Organisational type	Multi-purpose local government partnership
Functional scope	Public service provision in education, social care, environmental protection and spatial development
Inter-sectoral association	24 local governments
Spatial boundaries	Current micro-region of Abaúj-Hegyköz that is the northern part of the old (1996) micro-region of Encs.
Decision-making	QMV

The institutional framework of the 2004 Act on MPPs induced major transformations in the organisational ecology of the micro-region. The mandatory organisation of the EMPP was established over the territory of the 56 local governments. The framework of MPPs gave room for local governments to review their membership in an MPP within a time from of six months after local elections. On the basis of these provisions, the 13 local governments that had been members of the GA requested their separation from the micro-region of Encs to establish the new spatial developmental-statistical micro-region of Abaúj-Hegyköz. Thus since 2005 the EMPP comprises 35 local governments (a few additional settlements joined from other neighbouring micro-regions); while the AMPP associates 24 local municipalities.

In the late 1990s and early 2000s, several types of organisational associations could be found in the “old” micro-region of Encs. The CSA had informal, ad hoc, ties to all organisations in the area. The association of the AF and the ALGA was organized into a development coalition, called the Abaúj Development Centre, which loosely coupled the two organisations. The informal durable association was strengthened by passage points of local governments that participated in the foundation of both organisations and were members of the ALGA, as well as businesses and NGOs that had maintained informal ties with the ALGA.

Prior to 2004 the coalition had also loosely coupled formal ties to the GA. The formal agreement of cooperation between the GA and the ALGA served financial goals: they could stand as each other’s financial partners in tenders. Otherwise both organisations retained their functional and territorial independence: i.e. ALGA focused on the spatial development of the whole territory of the old micro-region of Encs, while the GA functioned only over the territory of its 13 founding local municipalities.

After 2004, in the new micro-region of Encs organisational heterogeneity was preserved. The coalition of the AF and the ALGA continued functioning while the EMPP established formal hierarchical (contracted hierarchical) association with the ALGA.

According to this, the ALGA undertook the spatial development functions that the EMPP had adopted and as its subcontractor it received the portion of standard state funds for this work. In 2006 the EMPP terminated the contract with the ALGA and withdrew spatial developmental functions for its own organisational unit. Since then the two organisations have coexisted decoupled from each other, maintaining ad hoc informal ties. Similar decoupled association exists between the AF and the EMPP.

Over the other side of the river Hernád, in the territory of the new micro-region of Abaúj-Hegyköz, the 11 additional municipalities that were assigned to be part of the statistical-developmental unit also joined the GA so that the two organisations covered the territory of the same 24 municipalities. For the GA this meant that local governmental members became an absolute majority in the organisation. The shared territorial extension enabled the AMPP to make a formal contract of cooperation agreement with the GA, to contract out some of its spatial developmental functions. In this vein, the GA received the sum of standard state funds for undertaking the AMPP's functions. These transformations induced major changes in the institutional logics of the GA. In order to secure local governmental management of central state funds, local governmental members formally excluded non-governmental actors from the organisation. As a result, by 2006 the GA had become an entirely local governmental association similar to the AMPP with which it had contracted hierarchical ties.

### **The scope of functional association**

In the late 1990s, as in the initial period, functional diversity evolved in synergy with territorial scales of organisations. In addition to very specific economic developmental functions of the AF over the territory of the micro-region of Encs, in 1997 the ALGA adopted multidimensional functions of interest representation and spatial development. Originally it had been established to provide interest representation for the micro-region in the County Spatial Development Council, yet it also adopted some functions, such as the generation of entrepreneurial skills for diverse sectors (SMEs, local governments and NGOs), the promotion of NGO networks, and environmentally conscious rural development strategies. The GA also adopted the function of interest representation for the specific area of the 13 member municipalities. Its spatial developmental goals with a multidimensional perspective mainly concentrated on information and knowledge exchange and the management of inter- and intra-settlement partnerships for resource mobilization of the area.

Prior to 2005 the association of developmental goals was organized in a concerted manner in the Encs micro-region in the form of the Abaúj Development Centre (AF and ALGA) and in the formal cooperation between the GA and the ALGA. In the Development Centre the AF and the ALGA established a division of labour where the ALGA supported the micro-credit and consultancy services of the AF by offering trainings for SMEs, NGOs and local governments to generate entrepreneurial skills. In addition, the ALGA also functioned as the external resource mobilization channel of the Centre and of the GA at the County Development Council.

The establishment of the MPPs in the two new micro-regions induced a reorganization of developmental functions. As the MPPs' subcontractors, the ALGA and the GA received the standard per capita funds for undertaking mandatory functions of their respective MPPs. These functional associations were based on a hierarchical orchestration of spatial development functions and an uneven distribution of resources and intelligence given that the MPPs in both cases "employed" the organisations as their subcontractors. Standing between the central state and the subcontracted organisations, thus being the local source of money, the MPPs had the authority to direct developmental functions and to demand concessions of the ALGA or the GA that it would not itself initiate (e.g.: unilateral termination of cooperation). In the case of the micro-region of Encs, hierarchical orchestration has become fragmented as the EMPP and ALGA decoupled; while in the micro-region of Abaúj-Hegyköz, hierarchical orchestration has remained intact.

### **The scope of sectoral association**

The representation of diverse local sectors that characterized the organisations of the initial developmental phase was still present at the end of the decade. In fact around the year 2000 it was only the ALGA that had a monosectoral membership composition. The GA then still comprised diverse local actors and the AF reached out to diverse local actors through its financing programmes. Despite its monosectoral membership the multidimensional functional profile of the ALGA also enabled it to mobilize a diversity of sectors.

The coming about of the AMPP in the new micro-region of Abaúj-Hegyköz induced the transformation of sectoral composition of the GA. By excluding non-governmental members from the organisation the scope of sectoral association became narrow. This monosectoralization affected the distribution of intelligence in the development field and meant the overwhelming representation of a single sector in defining the goals and means of micro-regional development.

Back on the other side of the river, in the new micro-region of Encs, local governments that were already members of the ALGA became members of the EMPP too (by law). Ironically though, since 2006 the cross-organisational passage points that local governments provide has not supported cross-organisational ties. Since the termination of the contract between the two organisations the ALGA has continued to pursue its spatial developmental functions. The President of the EMPP explained this as, “some local governments really like the ALGA and its director. That’s because they probably have some business together. These local governments saved the ALGA and voted in favour of continuing the organisation after we took over spatial development in the micro-region.”

### **The scope of territorial association**

The story of the micro-region(s) of Encs (and Abaúj-Hegyköz) provides an example of the way the different dimensions of micro-regional associations are synergistically related. Diverse territorial scales became integrated through functional, organisational and sectoral associations in both of the new micro-regions. Existing organisations at the end of the 1990s had three different territorial scales in terms of their service area. The AF covered the territory of 78 municipalities, while ALGA, its coalition partner, functioned in the territory of 56 municipalities of the “old” micro-region of Encs. Between 1998 and 2004 the services of the GA extended over the territory of its 13 founding local governments. In this period the integration of these diverse territories took place through the association of the three organisations.

The institutional framework of the MPPs transformed this territorial diversity of the old micro-region of Encs. Some of the original 56 settlements were assigned to the neighbouring new micro-region of Szikszó while the 24 settlements in the northeast corner of the old micro-region of Encs established their own micro-regional district (Abaúj-Hegyköz). In sum, the territorial heterogeneity of the organisational ecology of the old micro-region of Encs (and that of the Cserehát) in the long run turned into territorial disintegration by 2007.

### **Mode of association at T2**

In comparison with the largely informal planning and decision-making mechanisms of the initial period, the micro-regional development field became regulated by formal agreements of cooperation or contracts towards the end of the 1990s. Formal cooperation agreements were prepared between the AF and the ALGA as well as between the ALGA and the GA. According to the Managing Director of the ALGA, formal institutional rules of

cooperation between these organisations were introduced just to serve financial means; i.e. for cross-financing each other in projects and tender preparations.

Within the ALGA decisions have been made at the general assembly with qualified majority voting and between two assemblies at the council of the Alliance. In the GA, between 1998 and 2004 decisions were made in the general assembly, where both local state and non-state members had one vote.

After 2004, the distributed decision-making mechanisms within the organisations of the coalition of the ALGA and the AF were left intact. The short-lived contracted association of the ALGA and the EMPP, however, represented a hierarchical relationship, as the EMPP enjoyed financial privileges of per capita central state funds that the ALGA did not. Despite the shared monosectoral local governmental membership in both organisations, decision-making during the two years of contracted association was centralized in the hands of the EMPP. The clash which eventually led to the termination of the contract here occurred between the institutional logics of two organisational forms.<sup>53</sup>

In the new micro-region of Abaúj-Hegyköz, the organisational and sectoral transformations of the GA induced changes in decision-making mechanisms. Due to the exclusion of non-governmental actors from the organisation after 2005, making binding decisions concerning developmental goals and the means of achieving them became centralized in the hands of local governments. Although the institution of the Micro-Regional Development Council de jure provides non-governmental actors with decision-making rights, other provisions de facto limit their participation in developmental decision-making. According to Act LXXV 2004, the MPP has the right to take over the functions of the Development Council in order to avoid organisational redundancies if member municipalities agree. In the micro-region of Abaúj-Hegyköz, similar to as in Sellye, this provides leeway for local governments to assemble the Micro-Regional Development Council only sporadically and to use the Partnership Council of the MPP as the main forum of decision-making. In the latter however, non-governmental actors can only participate with consultative rights.

All in all, the mode of association in the micro-region of Abaúj-Hegyköz could be regarded unevenly discretionary. In the micro-region of Encs decision-making mechanisms still distribute some authority through the ALGA, which inhibits the complete centralization of decision-making in the hands of the EMPP.

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<sup>53</sup> Ultimately this was a clash between the institutional logics of the developmental frameworks of 1990-2004 and post-MPP institutional periods.

## **Governance patterns at T2**

In the developmental ecology of the two new micro-regions of Abaúj-Hegyköz and Encs, governance patterns at T2 exhibit different characteristics. In the micro-region of Abaúj-Hegyköz, they display exclusionary institutional practices (hierarchical orchestration of sectors) as non-state actors are excluded from micro-regional developmental decision-making. In the micro-region of Encs, however, governance patterns are rather hybrid in nature, in the sense that some organisational ties (AF-ALGA) display durable horizontal features and a proactive concertation of functions and sectors, while other organisational ties (EMPP-ALGA or EMPP-AF) rather indicate the existence of decoupling – or a contracted hierarchical modes of association. All in all though, heterarchic governance modes in the old micro-region of Encs have been transformed to be closer to fragmented and hierarchical patterns of governance.

**15. Figure: Summary of governance patterns in the Encs/Abaúj-Hegyköz area**

<b>Dimensions</b>					
<b>Scope of association</b>			<b>Mode of association</b>		
<b>Organisational</b>	<b>Functional</b>	<b>Sectoral</b>	<b>Territorial</b>	<b>I/F<sup>54</sup></b>	<b>C/D<sup>55</sup></b>
Initial heterogeneous organisational ecology developing into a durable development coalition. In T2 contracted hierarchical cross-organizational ties in Abaúj-Hegyköz and partly decoupled, partly integrated ties in Encs.	Initial multidimensional ecology of 3 organisations growing into a multidimensional functional association of 2 organisations where functions are organized in concertation, limited and fragmented by territorial differentiation.	Initial diversity of sectoral representations transformed into the monosectoralization of development ecology in the Abaúj-Hegyköz micro-region.	Territorial diversity of the Cserehát integrated in T1 and most of T2 with some fragmentation by organisations leading to disintegration in 2005 with two new organisations (MPPs)	Initial informal mechanisms for consensus-based decision-making became formalized in T2. Introduction of new institutional rules of the MPPs created hierarchies in both micro-regions at the end of T2 and centralization in Abaúj-Hegyköz.	

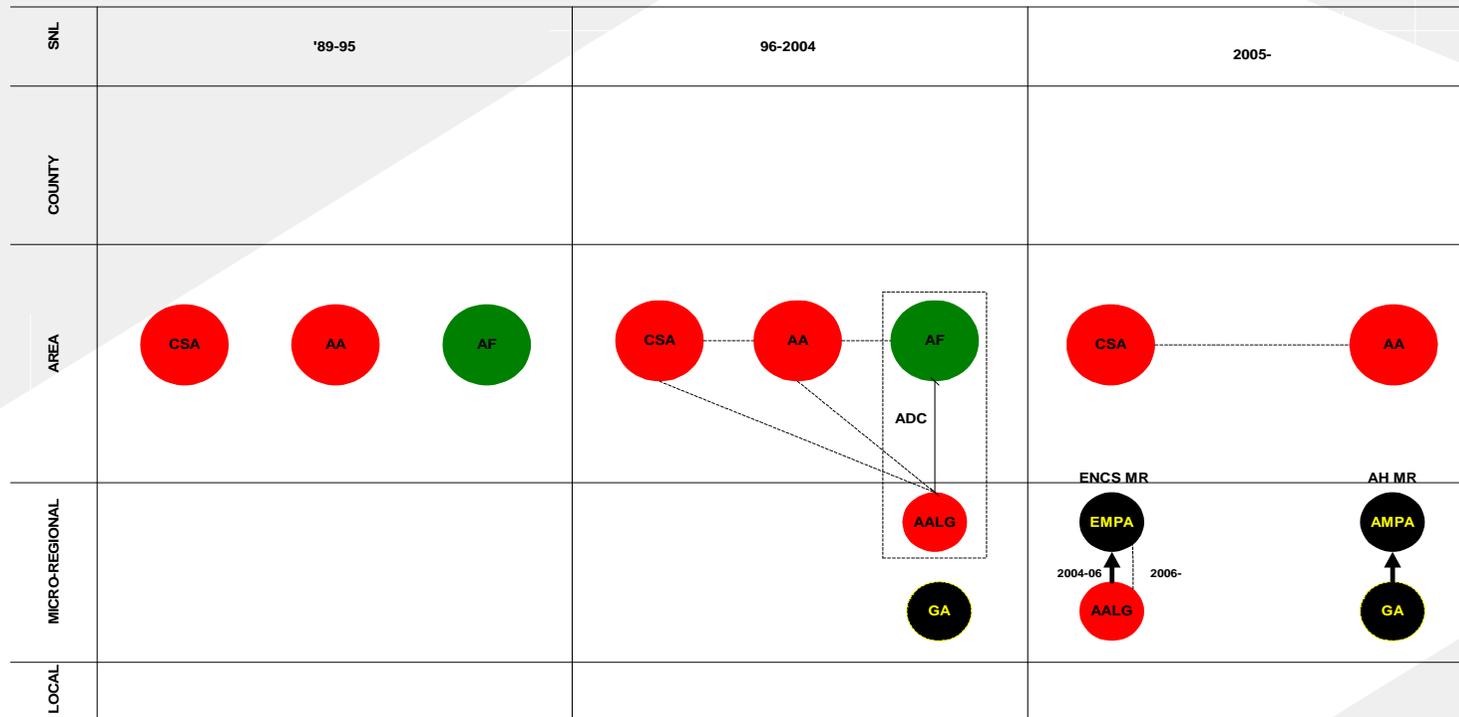
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<sup>54</sup> Informal v.s. Formal

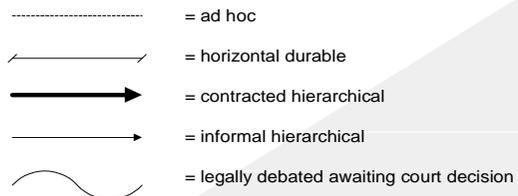
<sup>55</sup> Centralized v.s. Distributed

# ENCs/ABAÚJ-HEGYKÖZ MRS

## INSTITUTIONAL PERIODS



CSA= Cserehát Settlement Alliance  
 AA= ABAÚJ Alliance for Regional Development  
 AF= ABAÚJ foundation for Regional Economic and Enterprise Development  
 AALG= ABAÚJ Spatial Development Alliance by Local Governemts  
 GA= Gergelyhegy Settlement Alliance  
 ADC= ABAÚJ Development Center  
 EMPA= Encs multi-Purpose micro-Regional Association  
 AMPA= ABAÚJ-Hegyköz multi-Purpose micro-Regional Association



### **6.3.3. The mode of institutional change in Encs/Abaúj-Hegyköz: “free fall” - from associated diversity to disintegration**

In the old micro-region of Encs, which included the area of the currently separate micro-region of Abaúj-Hegyköz, integrated and non-hierarchical modes of governance emerged early on in the 1990s. These more or less heterarchic modes of governance have transformed by 2007 into top-down, fragmented governance patterns in the Abaúj-Hegyköz micro-region and into hybrid governance ecology in the micro-region of Encs. By this time fragmentation and disintegration have taken place in all areas of governance. Following the territorial disintegration of the old micro-region, in Abaúj-Hegyköz governance patterns had soon become exclusionary as non-state actors became excluded from developmental organizations and decision-making. In the new Encs micro-region, some organizational ties retained durable horizontal features and a mix of functions and sectors, while others have disintegrated, thus displaying hierarchical patterns of governance.

From an evolutionary perspective, the process of institutional change can be divided into three phases: 1989-1998, 1998-2004, and 2005 up to the present. The period between 1989 and 1998 was characterized by intensive bottom-up institution-building with the coming about of various organisational and institutional forms. The dynamics of the institutional change that has taken place between 1989 and 2007 demonstrate creeping institutional fragmentation in the modes of association. The transformation of the endogenous institutional context in the first period of institutional evolution was about the introduction of new organizations, such as the CSA and AARD in 1989, the AF in 1994, the ALGA in 1997 and the GA in 1998. The evolution of these multiple organizations in some cases set in motion dynamics which, over time, led to the abandonment of previous institutional patterns and practices through institutional monocropping and layering. In the absence of a socially-skilled entrepreneur in subsequent institutional periods, the diversity of institutional logics in the territorial and organizational, then incrementally in the sectoral and functional dimensions of governance also, induced fragmentation and disintegration rather than encompassing association.

In this vein, the coming about of the organizations in the initial institutional period was about the introduction of new institutional elements. The CSA and the AARD represented the institutional logics of the 1989 Act on the Rights of Free Assembly promoting discretionary association of private citizens and any types of organizations. The AF was conceived in the

institutional framework of the second PHARE program that provided €10 million for bottom-up organisations (!) in BAZ County alone, in order to improve micro-regional capacity building in SME and economic development. The ALGA was embedded in the institutional context of the 1996 Act on Spatial Development, and its informal, durable coalition, with the AF in the Abaúj Development Centre representing local actors' experimentation with the existing set of institutions.

Similar to the Homokhát Development Agency in the micro-region of Mórahalom, the Abaúj Development Centre also combined different – seemingly redundant – institutional logics, based on the sharing of authority in development functions, representational roles and knowledge-information management. This meant that both organisations retained their independent status but shared staff and office space under the umbrella of the Abaúj Centre. There were no sharp margins between local governments and the private sector in this case: their financial resources included a 25% membership fee and fees for the services they offered, such as preparing programs to mobilize external sources of funding, grant applications and loan applications (Loncsár, 1999).

The GA joined this coalition in 1998 through its formal agreement of cooperation with the ALGA on reciprocal support and a territorial distribution of competencies. The creation of the GA and its reciprocal sharing of functional tasks and representational roles with the ALGA at that time seemed to be just one of the institutional experiments of a group of actors within the framework of the micro-regional ecology of Encs. At the same time, however, it paved the way for a new institutional logic of territorial fragmentation that over time crowded out the old micro-regional system and led to the territorial disintegration of the old micro-region of Encs.

This process of *institutional layering* in the territorial dimension of governance then – after 2004 – continued and spilled over to other institutional domains, such as organisational, sectoral and inevitably to functional associations. The institutional transposition of the MPP led to the secession of 13 local governments and the establishment of the new micro-region of Abaúj-Hegyköz with its own MPP (AMPP). This act of institutional monocropping in both new micro-regions was then followed by the emergence of formal, durable associations between the new MPPs and existing micro-regional developmental organisations. In the micro-region of Abaúj-Hegyköz, this contracted coalition of the AMPP and the GA, however, destroyed the original non-hierarchical association of diverse sectors and functions in the GA. In the footsteps of the logic of fragmentation, non-governmental actors came to be excluded from the organization, which eventually became a sub-contractor in functional provision of

the AMPP. There was an element of *institutional exhaustion* in this process as well, since the logic of fragmentation might not have become dominant if changes in the external institutional framework had not created the regulative context for it.<sup>56</sup> The interaction of previous endogenous processes of territorial fragmentation and external transformation of rules set in motion dynamics that did not reinforce beliefs about integrated, non-hierarchical associations, which over time undermined other locally enacted associative institutions in the Abaúj-Hegyköz area (e.g. the non-hierarchical associations within GA and the potential for an integrated, non-hierarchical association between the GA and the AMPP).

In the new micro-region of Encs the contracted association of the EMPP and the old developmental organisation of the ALGA did not destroy the original non-hierarchical association of diverse sectors and functions in the ALGA and in its coalition with the AF. The contracted coalition between the ALGA and the EMPP existed for 2 years. Between 2004 and 2006 two types of coalition existed parallel in the micro-region of Encs: an informal durable between the ALGA and the AF, and a formal durable between the ALGA and the EMPP. Having the same local governments on board as members in both organisations it was impossible to reorganize the membership of ALGA the same way as it happened to the GA in Abaúj-Hegyköz, nevertheless typical of the hierarchical mode of association of a contracted coalition the EMPP unilaterally terminated the agreement of cooperation in 2006.

The termination of the contracted coalition of the EMPP and ALGA in Encs and the hierarchical modes of association in Abaúj-Hegyköz can be traced back to three factors. Firstly, the new institutional framework of MPPs was primarily embedded in the institutional logic of public administration. In this vein it reduced slack, displayed no tolerance for institutional diversity and did not support organisational/institutional redundancies. This also entailed the lack of its respect for experimentation. Secondly, the logic of fragmentation that had been introduced to the micro-regional ecology of the old micro-region of Encs by the coming about of the GA in 1998 set in motion dynamics that progressively shrank the domain of integration. Reinforced by the monosectoral, public administrative logic of MPPs, this fragmentation spread over to other institutional domains as well. These two factors were necessary but not sufficient causes of the complete disintegration of the old micro-regional developmental ecology of Encs. In order for them to induce the above processes the local

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<sup>56</sup> The institutional context of the regulation on MPPs generated new potential for “defection” as it allowed local governments “to change micro-regions” within six months after general elections. Due to this aspect of the regulation several territorial changes have taken place in micro-regions since 2004. For further examples, see the micro-regions of Keszthely-Hévíz, Zalaszentgrót.

context had to bear some particular features, such as the absence of a socially skilled entrepreneur.

Social entrepreneurs did in fact exist in the area. The founder of the CSA, for instance, was a Fligsteinian social entrepreneur in the sense that she created a frame for collective action in the Cserehát area from the scratch at the beginning of the systemic change, and has maintained it for over 20 years now. Besides surviving several modifications of the institutional environment and facing opposition groups from the area, her most apparent Fligsteinian quality has been the ability to disseminate practices and ideas of collective action and through this to get large numbers of heterogeneous actors on board to advance complex spatial development strategies, not only in the Cserehát area but also across the country. She has become an indispensable character within spatial development policy-making, and the CSA has served as template for other associations in the country.

Within the territory of the Encs/Abaúj-Hegyköz micro-region, however, no Fligsteinian socially skilled entrepreneur could be identified among the three social entrepreneurs who worked in the area. The three social entrepreneurs, the head of the ALGA, the head of GA and the President of the EMPP have been unable to create frames for collective action and distribute forms of authority/intelligence that they could maintain in the face of external constraints and/or challenger groups. Thus, none of them could deflect constraining effects of the logics of fragmentation, which in the long run has led to the disintegration of the old Encs micro-region.

Nevertheless, according to the logics of their own institutional background all three entrepreneurs had some social skills with which to mobilize social network resources. For instance, the ALGA's Director's mission was to generate encompassing cooperation among local governments, businesses and local civil society. Over the years he has tried to produce interpretations for diverse local actors on the external opportunity structure and has acted as an interpreter of his community's needs at the County Development Council. His and the ALGA's efforts to translate between the local vernacular and the high dialect of framework conditions, however, were not as successful as that of the team in the micro-region of Mórahalom. Public forums, workshops targeting specific local sectors, and trainings in diverse areas were largely unattended. In this sense, his mission to help others in the micro-region to attain ends has been only partially successful. On the other hand, the Abaúj Development Centre – based on the distribution of intelligence and authority – was created and has been coordinated by him since 1998.

In the face of external and internal challenges in 2004 he was yet unable to create frames that would maintain the territorial integrity of the micro-region and the distribution of authority. One of the internal challenges emerged from one of the ALGA's coalition partners: the GA's President, relying on the fragmented institutional logic that had generated the creation of the organization, put forth a frame of the secession of the northern municipalities of the Encs micro-region. As a social entrepreneur he rode the waves of the emerging institutional framework of the MPP. From the perspective of his own organization he indeed had social skills in the sense that he created a cognitive frame that turned the constraints of the MPP into opportunities for 13 northern municipalities. Moreover, he managed to get additional municipal actors on board of this project as 11 municipalities from adjacent micro-regions also joined the new Abaúj-Hegyköz micro-region. This framework, however, was not based on the distribution of authority and intelligence. Coming from the incumbent local governmental group – as the Mayor of the largest settlement (Gönc) in the area – he created a frame in which local governments could take advantage of the MPP institutional framework and exclude non-governmental partners from the GA.

The third internal challenge that the ALGA's head had to face was the erosion of distributed forms of authority in micro-regional development affairs generated by the institutional logic of the EMPP. This logic was based on public administrative and service provision functions of local governments rather than developmental tasks and it was represented by the President of the EMPP. This logic of action dates back to the mid-1990s when several cross-municipal local governmental associations had emerged in the area to provide services in education and social care. The latter President of the EMPP had acted then as a socially skilled entrepreneur by generating collective frames for local governmental cooperation in public education service provisions in a highly fragmented local administrative system. The entrepreneur retained this “habitus” and institutional identity even as the head of the EMPP in 2004.

The competition that evolved between the two social entrepreneurs (ALGA and EMPP heads) and the erosion of distributed forms of authority, however, was not the necessary outcome of the fragmentation between the logics of public administrative and developmental functions of local governments. The fact that the public administrative logic of the EMPP became a challenge for the ALGA was due to uneven distribution of resources between developmental and public administrative functions within the institutional framework of the MPP. The 1<sup>st</sup> and 2<sup>nd</sup> institutional periods of micro-regional governance were tolerant of institutional diversity and friction between strictly sectoral and developmental orientations of

local governmental associations. In practice this meant that local governmental membership in two separate educational and developmental associations was respected and thus local governments could operate simultaneously along two logics in two different institutional contexts. The institutional framework of the MPP, however, empowered local governments within MPPs with institutional means that non-governmental actors did not receive. This provided greater authority for the EMPP to claim advantages in the micro-regional field vis-à-vis other local organizations.

It also played into the hands of the EMPP's President to organize a strictly single sector oriented MPP and advance the EMPP's dominance in the micro-regional field by riding the waves of the MPP institutional framework. Having an upper hand in alternative resource management, the EMPP's President opted to take advantage of the constraining MPP framework for his own sectoral institutional logic and organization. Instead of generating frames for collective action and the distribution of authority between the EMPP and the ALGA, he pushed for the dominance of the EMPP and made concessions on the ALGA without returning them (e.g.: unilateral decision on the termination of contract).

All in all, neither the President of the new EMPP, nor that of the ALGA were capable of framing an alternative story encompassing integration and distributed intelligence within the micro-regional field in the third institutional period. Instead, they challenged each other and engaged in a political rivalry that induced organisational and functional disintegration within the micro-region of Encs.



## **6.4. The micro-region of Zalaszentgrót (Zala-Kar)**

The current micro-region of Zalaszentgrót – previously named Zala-Kar – is located in the northeast corner of Zala County bordering on the neighbouring counties of Vas and Veszprém. Similar to the settlement and demographic structure of the rest of the county, this area is characterized by a high density of small settlements,<sup>57</sup> a decreasing and ageing population, and primarily agricultural economic activities. The micro-region is listed as “disadvantaged” due to the low level of economic activity, its demographic indicators and the density of public infrastructure facilities. Relatively poor socio-economic conditions are balanced by good environmental conditions and a heterogeneous fauna and flora that offer strong opportunities for tourism.

The average small size of settlements had generated mutual interdependencies among settlements in the area, which made settlement leaders realize the necessity of cooperation early on in the years of transition. In fact, the oldest cross-settlement associations with an encompassing developmental vision evolved in this county parallel to the Cserehát Alliance in the northeast county of Borsod-Abaúj-Zemplén.<sup>58</sup> The bottom-up association of the Association for the Villages of Zala County (AVZC) played a decisive role in incubating a number of associations in the area and providing best practice for organizations across the country for over a decade.<sup>59</sup>

### **6.4.1. Zalaszentgrót (Zala-Kar) in the early 1990s**

The institutional starting point was characterized by a mix of hierarchical and non-hierarchical as well as fragmented and integrated institutional solutions. On the one hand, the institutional field contained a single organization (fragmented) with multidimensional developmental goals (integrated) and local governments as single agents in development matters. In spite of the fragmented representation of local governments in the ZKA, non-hierarchical institutional solutions containing informal deliberative decision-making practices distributed some authority to non-state actors over issues pertaining to development.

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<sup>57</sup> The centre of the micro-region, Zalaszentgrót has a population of 18 477. Out of the 23 settlements of the micro-region seven villages have less than 100 inhabitants, eight settlements have less than 500 citizens and six villages have less than 1000 registered citizens.

<sup>58</sup> See the case study on the micro-region of Encs for further details.

<sup>59</sup> According to a study on cross-settlement (micro-regional) associations between 1990 and 2000 in Zala county the intensity of the coming about of such organisations in the 90s was the highest in Zala County within Hungary (Andróczy, 2000). Between 1992 and 1996 10 micro-regional associations of diverse territorial scale were established, and by 1999, 23 micro-regional associations were functioning (Andróczy, 2000).

## Organisational form

In the county of Zala the roots of developmental associations date back to 1990 when the Association for the Villages of Zala County (AVZC) was established. The AVZC was the second encompassing cross-settlement and cross-sectoral organisation in Hungary following the Cserehát Alliance (CSA) in Borsod-Abaúj-Zemplén County.<sup>60</sup>

### Association for the Villages of Zala County (AVZC)

#### Zalai Falvakért Egyesület (1990 - )

Organisational type	Civil Association
Functional scope	Spatial and rural development, village warden service, coordinating the cooperation of NGOs, equity/equality in the county, Voluntary Centre (since 2006)
Inter-sectoral association	143 Local governments, 22 NGOs, 110 private persons including village wardens
Spatial boundaries	The county of Zala
Decision-making	The board entrusted with decision-making rights in all matters pertaining to the Association (except for those basic organisational matters that are entrusted exclusively with the general assembly) for 4 years. Simple majority voting

As in the case of the CSA, the AVZC contributed to the dissemination of bottom up development strategies not only in the county but in the extended region of Transdanubia.<sup>61</sup> The AVZC was initiated and founded by the ex-Mayor of Túrje – a small town in the region – who became a decisive and indispensable protagonist within spatial development policy-making in the area and in the West-Transdanubian NUTS2 region. Her initiatives to organize associations in specific ways were decisive in the emergence and maintenance of heterarchic institutional solutions in the area.

### Zala-Kar (Micro-)Regional Innovation Association (ZKA)

#### Zala-Kar Térségi Innovációs Társulás (1993 - )

Organisational type	Civil Association
Functional scope	Employment programmes and trainings, coordinating micro-regional projects specific to local socio-economic problems, bringing about new organisations and making use of advantages of mutual planning, supporting a unified and effective micro-regional management, employment and training programmes for the Roma population (1993-2004)  Since 2004 as multi-purpose association: local governmental provisions in education, social and health care, spatial

<sup>60</sup> See case study on the micro-region(s) of Encs-Abaúj-Hegyköz.

<sup>61</sup> The entire region west of the river Danube.

	development, environmental protection public safety, employment, equity programs
Inter-sectoral association	14 Local governments as founders of association (1993) 18 local governments as members (until 2004) 24 local governments (since 2004)
Spatial boundaries	The spatial boundaries of 14 local governments (1993) The spatial boundaries of 18 local governments (till 2004) The spatial boundaries of 24 local governments (since 2004)
Decision-making	Qualified majority voting at general assembly when 50% of the population of the micro-region is represented

The AVZC and the ex-Mayor of Túrje played an important role in the creation of the Zala-Kar Association (ZKA), which had begun to take shape through ad hoc informal meetings of local mayors initiated by the ex-Mayor in 1992. At these spontaneous conversations mayors discussed the problems they all faced in the socio-economic crisis of transition. As the ex-Mayor of Túrje pointed out, “as newly elected mayors of an incredibly autonomous local governmental system, we needed to share and compare our problems with the neighbours. We had no experience in this “new world” and we all needed support to generate ideas to resolve our own problems that always touched upon issues of neighbouring settlements.” The first step towards the formalization of these informal “conversations” was the 2-day training for mayors in the micro-region organized by the AVZC and funded by the Ministry of Social and Welfare Affairs as part of an experimental programme called “Micro-regional conversations.”

As a consequence of these micro-regional conversations four micro-regional developmental associations were established in the next year in the county,<sup>62</sup> one of them being the ZKA established by 14 neighbouring local governments. The legal form of the organisation was a civil association of local governments as provided by the Act of 1990 on the free associational rights of local governments. The ZKA was brought to life with the goal to solve developmental bottlenecks of its member settlements as a team. In this institutional period the ZKA was the single developmental association at the micro-regional level that collaborated with the AVZC informally through loosely coupling.

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<sup>62</sup> Besides the ZKA, the Tátika-Rezi Micro-Regional Association was also established in 1993. The institutional history of the Tátika-Rezi Association is discussed in depth in the case study on the micro-region of Keszhely-Hévíz, a part of the territory of which Tátika-Rezi Association used to cover.

### **The scope of functional association**

The creation of the ZKA was prompted by multidimensional developmental problems of local communities in the area. As early as 1992, at the formal establishment of the organization, the ZKA employed one person as “micro-regional manager” to manage the first project applications of the new organisation. The functional scope of ZKA, mainly generated by the availability of funds, extended to multiple domains, such as social-care service development (senior-care, children-care), tourism, partnership generation, etc.

### **The scope of sectoral association**

The homogeneous local governmental composition of the ZKA did not entail the overwhelming representation of a single sector in developmental planning. As the President of the ZKA explained it, “our organizing principle was to help the coming about of non-governmental initiatives in the micro-region. There was nothing like that here at that time, we had to create them.” In practice this meant bottom-up management practices in planning at workshops where diverse local actors were invited to deliver developmental decisions in collaboration with one another. As with the Abaúj Spatial Development Local Governmental Alliance (ALGA) in the micro-region of Encs, the ZKA mobilized and associated various local actors through its development programmes. Thus the association of various sectors de facto extended beyond local governments and indirectly involved a diversity of sectors.

### **The scope of territorial association**

The territorial composition of the micro-region has always reflected homogeneity in terms of its overwhelmingly rural character and fragmented geographical structure, where hills and valleys separate small villages from one another. In the initial period it was Túrje (with its population of 1860, the second largest settlement) that played a central role in organizing associations of neighbouring settlements. Soon after its emergence around four additional settlements joined the ZKA, whose territorial scale remained the same throughout the decade. The largest settlement of the neighbourhood, Zalaszentgrót, at this time refused to join the Association.

### **Mode of association at T1**

The initial period of institutional development displayed both formal and informal decision-making mechanisms. Spontaneous micro-regional conversations among local mayors were regulated by informal conventions and norms. At the formal establishment of the ZKA

the institutional rules of decision-making became formalized, although they retained several informal mechanisms. The President of the ZKA defined these as “non-governmental mechanisms” that were less strictly regulated by framework regulations than those for budgetary organizations.<sup>63</sup> Similar to the Managing Director of the Abaúj Spatial Development Alliance of Local Governments,<sup>64</sup> the President of the ZKA pointed out that in this period “it was enough to talk to each other and to make verbal promises (barter agreements), we knew of each other and we knew each other, we did not have to create strict rules for ourselves.” Through these informal institutional mechanisms the ZKA collaborated with a variety of non-governmental actors in defining the goals and means of micro-regional development. Considering the cross-sectoral reaching-out of the ZKA, which distributed intelligence across sectors, the mode of association was not centralized despite the dominance of local governments in the development field.

### **Governance patterns at T1**

The pattern of governance at T1 was closer to the third ideal-type micro-regional governance mode – the hybrid – as it contained both fragmented and non-hierarchical institutional mechanisms. The sectoral homogeneity of a single organisation was balanced by its multidimensional functional orientation through which the ZKA reached out to a diversity of local actors. In the planning workshops organized by the ZKA intelligence was distributed more or less evenly among participating actors.

#### **6.4.2. The micro-region of Zalaszentgrót in the 2000s**

The initial mixed institutional setup has moved by the 2000s towards the first ideal-type of a heterarchy. The institutional field has been enriched by various non-governmental developmental organizations associated with one another in a development coalition. In this coalition a diversity of actors were integrated to draw and implement multidimensional development goals. The mode of association has preserved its non-hierarchical character by retaining lots of informal, consensus-based mechanisms within the development coalition. Hence the more or less even distribution of authority in the coalition could accommodate diverse interests in developmental planning.

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<sup>63</sup> These are governmental organisations that are responsible for the management of the state budget one way or another.

<sup>64</sup> In the micro-region of Encs.

## **The scope of organisational association**

Similar to the Cserehát Association in the north-east of the country, the ZKA “incubated” a number of organisations, coordinating their work until they became “self-sustainable.” Generating organisational diversity was driven by a developmental frame that suggested that spatial developmental programs and projects could be implemented by a single organisation. This frame was created by the President of the ZKA, who added that during the interview that “our goal was soft policy: to enable these organisations to generate their capabilities and to provide them with experience where they can learn to be independent and as such equal partners to the ZKA.” With this web of “satellite” organizations, the ZKA secured a development coalition of six organisations where functions and responsibilities were distributed and shared across several sectoral networks.

### **Zala-Kar Association of Village Hoteliers (1997 - ) (ZKVH)**

Organisational type	Civil association
Functional scope	Interest representation of village hoteliers
Inter-sectoral association	Private persons, local enterprises
Spatial boundaries	Spatial boundaries of
Decision-making	One vote per member

In this vein, the ZKA contributed to the creation of the Zala-Kar Association of Village Hoteliers in 1997, which was a civil association of 13 private persons. The goal of the ZKVH was to advance the development of tourism, and professional interest representation, and to create a region-specific collective marketing for the members’ products and services supported by professional quality control. The ZKVH later expanded beyond the micro-region of the ZKA, growing into a county-level organisation.

**Zala-Kar Social Service and Production Non-profit Ltd. For Farming Families (ZKFF)  
Gazdálkodó Családokért Zala-Kar Szociális Szolgáltató és Termelő Közhasznú  
Társaság/Non-Profit Kft.<sup>65</sup> (1997 - )**

Organisational type	Public benefit company (1997-2007) Non-profit Ltd. (2007 - )
Functional scope	Self-sustaining farm land programme, roma employment integration, environmental protection and awareness raising
Inter-sectoral association	1 local government, 1 knowledge dissemination and training association, Zala county representation of the Hungarian Red Cross, ZKA
Spatial boundaries	The functional service area of Zala-Kar Micro-Regional Innovation Association
Decision-making	Members vote according to their share in equity capital

In the same year the ZKA assisted in the establishment of the Zala-Kar Social Service and Production Public Benefit Company for Farming Families (*Gazdálkodó Családokért Zala-Kar Szociális Szolgáltató és Termelő Közhasznú Társaság/Non-Profit Kft.*) whose specific goal was to implement the Social Land Program of the Ministry of Social and Family Affairs. The purpose of the program was to support self-sustaining employment in agriculture for disadvantaged families in the micro-region. The company provided benefits in kind for families to help self-sustainable and self-sufficient agricultural production.

**Zalakar (micro-)Regional Child-Care Service Public Benefit Company  
TÉGY (Zalakar Térségi Gyermekjóléti Szolgálat Kiemelten Közhasznú Társaság)  
(1998-2003)**

**Employment Zala-Kar Public Benefit Company/Non-Profit Ltd.<sup>66</sup> (ZKCC)  
Foglalkoztató Zala-Kar Közhasznú Társaság (2003 - )**

Organisational type	Public benefit company (1998-2007): between 1998 and 2003 child-care service public benefit company, between 2003-2007 employment public benefit company. Non-profit Ltd. (2007 - )
Functional scope	Employment Pact (?)
Inter-sectoral association	Local governments; owner of the company is ZKA
Spatial boundaries	The functional service area of Zala-Kar Micro-Regional Innovation Association
Decision-making	Members vote according to their share in equity capital

<sup>65</sup> See above.

<sup>66</sup> By January 2008 national regulations required the transformation of public benefit companies into non-profit Ltd. Thus, the profile of the company remained the same, only its legal status was changed.

In 1998 the ZKA established a second public benefit company, Zalakar (micro-) Regional Child-Care Service Public Benefit Company (*TÉGY, Zalakar Térségi Gyermekjóléti Szolgálat Kiemelten Közhasznú Társaság*), whose functional focus was the provision of child care services in the micro-region. In 2003 this company changed its profile to coordinate and implement communal work programmes in the micro-region. Along with its function, the name of the company also changed to Employment Zala-Kar Public Benefit Company/Non-Profit Ltd.<sup>67</sup> (*Foglalkoztató Zala-Kar Közhasznú Társaság*).

### **Zala County Wine Route Association (1999 - ) (ZWRA)**

Organisational type	Civil association
Functional scope	Promote the preservation of the heritage of Zala wine district, protecting and handing down its tradition and improve the region's tourism
Inter-sectoral association	64 private persons including winegrowers, 10 local governments, 5 enterprises, 7 professional organisations
Spatial boundaries	The wine growing region of the neighbourhood of the Lake Balaton
Decision-making	Simple majority voting in general assembly of members

The contribution of the ZKA to the creation of the Zala Wineroute Association (*Zalai Borút Egyesület*) was also initiated by a specific programme on region specific “wine routes” in 1999.<sup>68</sup> The managing organisation of the programme was the Villány-Siklós Wineroute Association, and its partner in Zala County was the ZKA. The ZWRA evolved in the course of the programme as an entrepreneur in the winery sector of the area, receiving interest free loans as infrastructure facilities of the wine route were established. Eventually, the ZWRA, a civil association became a self-sustaining independent organisation.

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<sup>67</sup> By January 2008 national regulations required the transformation of public benefit companies into non-profit Ltd. Thus, the profile of the company remained the same, only its legal status was changed.

<sup>68</sup> This one was a Phare programme of the Southern Transdanubian region in cooperation with Western Transdanubia.

**Zalavölgye Micro-Regional Developmental Partnership (ZVLGP)  
Zalavölgye Kistérségfejlesztési Társulás (1996 – 2004)**

Organisational type	Partnership (local governmental)
Functional scope	Interest representation of local governments in county and regional development council in developmental planning and decision-making
Inter-sectoral association	9 Local governments
Spatial boundaries	Spatial boundaries of 9 local governments
Decision-making	Simple majority voting in the associational council + qualified majority voting within member local governments

In 1993 the largest settlement of the area, the town of Zalaszentgrót, refused to join the ZKA. Encouraged by the spatial developmental Act in 1996 the town established “its own” LGP in order to have access to decentralized funds at the County Development Agency. The organisation, Zalavölgye Micro-Regional Developmental Partnership (*Zalavölgye Kistérségfejlesztési Társulás*) between 1996 and 2004 existed parallel to the ZKA over the territory of the statistical micro-region established by the Act. Between 1996 and 2005 the ZKA had generated a number of projects over its own functional service territory, while the ZVLGP had only managed to upgrade its office facilities and employ one “area manager.”

16. Figure: Zalaszentgrót area: the settlements Zala-KAR Association in 2000



Consequently, local governmental members of the ZVLGP began to join the ZKA. By the end of the decade the ZKA also included local governmental members of the ZVLGP –

except for Zalaszentgrót – that this way had dual membership in both organisations.<sup>69</sup> Nevertheless, the two organisations co-existed decoupled from each other between 1996 and 2004, when the ZLGP was finally terminated.

**Celodin Foundation (CF)**

**Celodin Alapítvány (1999 - )**

Organisational type	Foundation
Functional scope	Project preparation consultancy, education-trainings, resource mobilization, partnership development and information management in micro-regions for rural development.
Inter-sectoral association	Founders: Local governments, NGOs, private persons, businesses, county local government
Spatial boundaries	The county of Zala and the Western Transdanubian Region, primarily the micro-region of Zalaszentgrót
Decision-making	Board of trustees

It was the decoupled relationship between the ZVLGP and the ZKA within the same statistical micro-region that prompted the idea of establishing an organisation that could cover the whole territory of the statistical micro-region and this way the obstruction of Zalaszentgrót could be circumvented. The founder of the ZKA and the founder of the Cserehát Settlement Association<sup>70</sup> – two decisive characters in micro-regional developmental policy since the early 1990s – thus established the Celodin Foundation (CF) in 1999. The service area of the CF covered the county of Zala but its office, the Celodin Resource Centre of Zala, has been in the largest defecting settlement, Zalaszentgrót. This office space then provided ample opportunities for the ZKA and its satellite organisations to share and distribute intelligence when organizing development projects and programmes.

In 2004, under the pressure for mandatory micro-regional institutionalization, the Zalaszentgrót Multi-Purpose Micro-Regional Partnership (ZMPP) was established, covering 24 settlements within the spatial developmental-statistical micro-region. Legal provisions ordered the town of Zalaszentgrót to be the centre of the micro-region. This forced the town to negotiate the terms of association with the most important associational actor of the micro-region, i.e. the ZKA. Eventually, it was Zalaszentgrót that joined the ZKA since the latter already covered the entire territory of the new micro-region. The negotiations between

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<sup>69</sup> It was not until 2004 with the introduction of the institution of multi-purpose micro-regional associations that local governments were required to have single membership in one micro-regional association. The Act of 1997 on the Association of Local Governments institutionalized the modes and mechanisms of associations but gave green light to local governments to join unlimited numbers of associations.

<sup>70</sup> In Borsod-Abaúj-Zemplén county, in the northeast of Hungary.

Zalaszentgrót and the ZKA led to the Mayor of Zalaszentgrót becoming the President of the ZMPP. The ZMPP was only formally established, in practice the ZKA adopted its functions and “annexed” the organisation. The seat of the “new” ZKA was thus translocated to Zalaszentgrót. At the same time, the founder of the ZKA was almost unanimously – except for the one vote of Zalaszentgrót – voted to be the Managing Director of the ZKA/ZMPP. This in effect meant that she could continue organizing diversity into associations in the micro-region. Obligated by law, the Micro-Regional Development Council was also formally established but without an organisational entity, similar to in the case of the micro-region of Mórahalom.

The association of the ZKA and the five “satellite” organisations (ZKVVH, KZFF, KZCC, ZWRA and CF) has taken place through informal loose coupling (durable ties). Their development coalition has been ensured by several passage points. One such passage point was provided by the office building of the Celodin Zala Resource Centre, which was shared by the ZWRA the ZKFF, the ZKCC and after 2004 with the ZKA. The common office space provided ample occasions for the staff of these organisations to have daily informal contact and to share information, knowledge and resources. Local governments, members of the ZKA, and committee members of NGOs and of the non-profit companies, provided additional cross-organisational passage points.

An essential passage point has been the ex-Mayor of Túrje and the current Managing Director of the ZKA, who had initiated the foundation of several organisations. This socially skilled entrepreneur has created a developmental frame in the micro-region in the period since 1990 that is based on organizing associations of diverse local actors. Unlike in the micro-region of Mórahalom, where a core team of social entrepreneurs co-ordinated associations, here she has been the central node in cross-organisational collaborations. In order to be able to provide these passage points, she has played multiple roles – President and Managing Director of the ZKA, the secretary of the CF, a private entrepreneur.

The developmental frame she has created has been based on the principle that a single person or an organisation is unable to have the expertise to handle complex socio-economic problems of the micro-region. Complex problems need a complex team of different organisations with a heterogeneous sectoral background and a diversity of viewpoints that may generate innovative ideas. Her goal to enable “satellite” organisations to be independent partners of one another and of the ZKA has resulted led to the integration of different developmental functions in order to create synergies.

This developmental coalition was unaffected by the creation of the ZMPP in 2004. Rather than “annexing” existing organizations, the organisational form of the MPP became integrated into the existing organisational ecology (just like in the micro-region of Mórahalom). Unlike the MPP in Mórahalom, the ZMPP was not established as an independent organisational entity; rather, the ZKA “annexed” it by adopting its functions.

### **The scope of functional association**

The organisations the ZKA had established composed its functional satellites. They were all established as specific programmes with specific functions. Although individual organisations focused on specific issue-areas, their functional profiles were combined through co-ordination, which generated a multidimensional developmental framework. An overview of the functional profile organisations in the development coalition can be found in the following table:

<b>Organisation</b>	<b>Function</b>
Zala-Kar Association for Village Hotelier (ZKVVH)	Tourism, interest representation, collective marketing
Zala-Kar Social Service and Production Public Benefit Company for Farming Families (ZKFF)	Sustainable self-employment of disadvantaged families in farming
Zala-Kar (micro)-Regional Childcare Service Public Benefit Company/Zala-Kar Employment Public Benefit Company (ZKCC)	Childcare services, to implement the Employment Pact of the micro-region
Zala Wineroute Association (ZWRA)	Interest representation of wineries in Zala county, tourism
Celodin Foundation (CF)	To promote rural development through supporting bottom-up strategies, umbrella organisation for NGO networks
Zala-Kar (Micro)-Regional Innovation Association (ZKA)	Strategic planning and management of complex, bottom-up micro-regional development programs, umbrella organisation for its satellite organizations
Association for the Villages of Zala County (AVZC)	Umbrella organisation for local associations, village warden network

The purpose of co-ordinating functional diversity across organisations was to maximize resources. In practice this meant that each organisation had its own programmes and projects that had been planned with coalition partners. Projects were also implemented in a way that their expected outcomes would be linked to other ongoing or planned projects. In

this mixture of heterogeneous functions, the governmental service provision functions of the ZMPP in 2004 simply meant an additional task.

### **The scope of sectoral association**

The majority of the organisations whose emergence was assisted by the ZKA shared governmental and non-governmental members. In spite of the homogeneous local governmental composition of the ZKA and the dominance of local governments in other organisations, the developmental ecology of the micro-region was based on the inclusion of diverse sectors through various networks behind the organisations.

### **The scope of territorial association**

The territorial composition of the micro-region has always reflected its homogeneous rural character. With the exception of Zalaszentgrót and Túrje, all other members are villages of different size, and before 1996 territorial integration was based on the socio-economic homogeneity and mutual interdependencies of these settlements.

The institutional context of the Act on Spatial Development in 1996 defined the statistical micro-region so as to include the service area of the ZKA and half a dozen other settlements in the immediate neighbourhood of Zalaszentgrót. Due to Zalaszentgrót's reluctance to join the ZKA between 1996 and 2004, the territorial integrity of the micro-region was broken by having two cross-municipal associations parallel to but entirely decoupled from each other.

In 2004 the Act on MPPs re-scaled the territory of the statistical micro-region again and inscribed two member settlements of the ZKA to the neighbouring spatial developmental-statistical micro-region of Zalaegerszeg. Since the Act restricted the membership of municipalities to one MPP, these settlements had to leave the ZKA in spite of their organic ties to the micro-region and its development coalition. Currently, only informal cooperation exists between the two settlements and the ZKA. The settlements are actively lobbying to rejoin the micro-region of Zalaszentgrót after the next elections. All in all, the territorial integration of the micro-region of Zalaszentgrót is only partially fulfilled. From the viewpoint of the statistical micro-region (1996), territorial integration has been achieved but from the perspective of the ZKA, the ZMPP-era has brought with it territorial disintegration.

## **Mode of association at T2**

Institutional rules regulating decision-making became more formalized by the beginning of the 2000s. The institutional framework introduced in 1996 externally defined regulations on cross-settlement cooperation. According to the President of the ZKA, these restricted autonomous institutional mechanisms of existing micro-regional organisations in so far as they required them to adopt mechanisms for budgetary organization. Nevertheless, from the perspective of the modes of cooperation organisations could easily retain informal, “community developmental methods” (interview with the President of ZKA) and in this sense there was no significant change in the modes of decision-making between 1993 and 2007. So called “community development methods” of cooperation refer to mechanisms of distributed authority that provide de jure and de facto rights for diverse actors to participate in developmental decision-making. Specific “methods” of this kind were informal daily contacts, verbal agreements, workshops where the social entrepreneur generated deliberative processes for planning and decision-making.

These deliberative mechanisms became more difficult to hold on to towards the end of T2, after 2004. The institutional framework of the MPP (the system of per capita funding, mandatory functions, prescribed decision-making mechanisms) forced micro-regional actors to transform the system of their developmental field entirely. As the President of the ZKA explained: “with this necessary transformation we tried to preserve our ‘original self’ and maintain as many of NGO-mechanisms (i.e. deliberation) as possible. But it is very difficult to combine the new functions with these because the regulations really tie us down. In most of the other micro-regions the MPP ‘swallowed’ other organisations, but not here! We preserved our existing packages and added one more package to it, the ZMPP.” This also meant that many of the informal, deliberative elements “inherited” from T1 have also been retained in the post-MPP period. However, these distributed forms of authority could only be held on to through local actors’ conscious efforts.

## **Governance patterns at T2**

Governance patterns at T2 have developed an integrated and non-hierarchical character including diverse actors in the development coalition of six organisations. The association of diverse actors has been taking place in a way that distributes authority between governmental and non-governmental actors more or less evenly. The homogeneous local governmental composition of the ZKA is balanced by the encompassing membership of other organisations and deliberative decision-making mechanisms that allow non-governmental

actors de facto and de jure to participate in decision-making. The organization of associations in the development coalition allowed the accommodation of diverse interests of governmental and non-governmental actors. Since the accommodation of this diversity has been taking place through non-hierarchical relations – even amidst the strong presence of local governments in development matters – the governance patterns of the 2000s can be regarded as heterarchic and closer to the first ideal-type.

**17. Figure: Summary of governance patterns in the Zalaszentgrót area**

<b>Dimensions</b>					
<b>Organisational</b>	<b>Functional</b>	<b>Scope of association</b>	<b>Mode of association</b>		
<b>Organisational</b>	<b>Functional</b>	<b>Sectoral</b>	<b>Territorial</b>		
Initial homogeneity expanding into a stable development coalition of heterogeneous organisations loosely coupled.	Initial multidimensional ecology developing into a sophisticated system of functional concertation.	Initial homogeneity of local governmental actors growing into a heterogeneous representation of businesses NGOs and local governments through the development coalition.	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <b>I/F<sup>71</sup></b>                      Initial informal mechanisms for consensus-based decision-making retained in development coalition in addition to new formal institutions. These informal mechanisms support the distribution of authority and intelligence in planning and implementation.                 </td> <td style="width: 50%; vertical-align: top;"> <b>C/D<sup>72</sup></b>                      Statistical boundaries fragmented between 1996 and 2004. Traditional organic boundaries of the neighbourhood retained until 2004, disintegrating after 2004.                 </td> </tr> </table>	<b>I/F<sup>71</sup></b> Initial informal mechanisms for consensus-based decision-making retained in development coalition in addition to new formal institutions. These informal mechanisms support the distribution of authority and intelligence in planning and implementation.	<b>C/D<sup>72</sup></b> Statistical boundaries fragmented between 1996 and 2004. Traditional organic boundaries of the neighbourhood retained until 2004, disintegrating after 2004.
<b>I/F<sup>71</sup></b> Initial informal mechanisms for consensus-based decision-making retained in development coalition in addition to new formal institutions. These informal mechanisms support the distribution of authority and intelligence in planning and implementation.	<b>C/D<sup>72</sup></b> Statistical boundaries fragmented between 1996 and 2004. Traditional organic boundaries of the neighbourhood retained until 2004, disintegrating after 2004.				

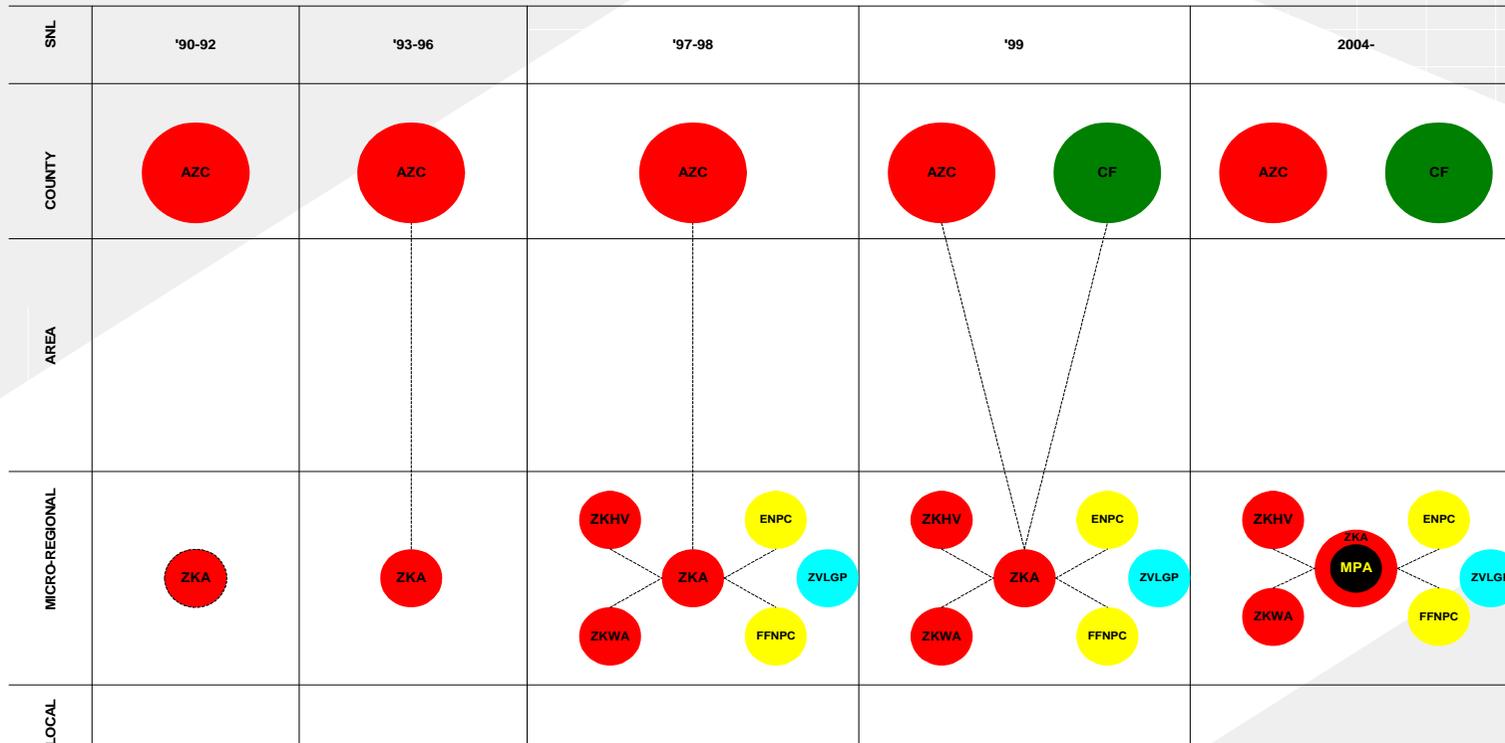
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<sup>71</sup> Informal v.s. Formal

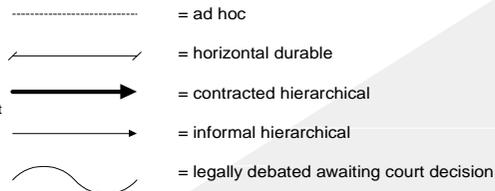
<sup>72</sup> Centralized v.s. Distributed

# ZALASZENTGRÓT MR

## INSTITUTIONAL PERIODS



AZC= Association for the Villages of Zala County  
 ZKA= Zala-Kar Association  
 ZKWH= Zala-Kar Association of Village Hoteliers  
 ZKWA= Zala-Kar Wine-Route Association  
 ZVLGP= Zalavölgye micro-Regional Developmental Partnership  
 ENCP= Zala-Kar Regional Childcare Service Public Benefit Company/Zala-Kar Employment Public Benefit Company  
 FFNPC= Zala-Kar Social Service and Production Public Benefit Company for Garming Families  
 CF= Celodin foundation



### 6.4.3. The mode of institutional change in Zalaszentgrót (Zala-Kar): change amidst institutional continuity

In the micro-region of Zalaszentgrót hybrid patterns of governance developed into an integrated and non-hierarchical developmental ecology by 2007. That is, the institutional equilibrium of a single organisation in 1993 has been transformed into a flexible system of several associated organisations that combine heterogeneous local sectors in a way that distributes authority more or less evenly among them. The flexibility of the institutional design is provided by the loose coupling of these organizations which allows each of them to preserve their autonomy and logics of action while embedded in an informal functional coalition.

From an evolutionary perspective, the dynamics of the institutional changes that have taken place between the early 1990s and 2007 demonstrate continuity in the modes of association. This refers to the way the organizational ecology and the original heterarchic institutional pattern remained intact amidst several changes in the external and internal local institutional framework. The dynamics of institutional changes demonstrate five evolutionary phases: 1992-1993, 1993-1995, 1995-1997, 1998-2002, and 2003/04 – to the present.

The first three institutional periods were about continuous testing of new institutional cross-settlement cooperation by first establishing informal conventions of association, then institutionalizing them within the formal organisation of the ZKA, and introducing an additional informal Mayors' club to further strengthen cooperation across municipalities. These institutional elements were not entirely new to the governance scheme of the area: all of them had existed in some form already during the 1980s within centrally directed cross-settlement districts (*járások*) and their regular council meetings for presidents. The reactivation of these dormant elements was a process of *institutional displacement* that was initiated by some local actors who were ready to test new approaches in tentative response to novel external conditions (e.g.: local effects of socio-economic transition, national and transnational development programs that provided resources).

The active search for and introduction of dormant institutional elements was due to a social entrepreneur – the founder of the AVZC and the ZKA – who managed to create a frame for collective action based on the idea that “alone you cannot make it in the new world.” As early as 1989, she had initiated informal “regional discussions” among local mayors about how to improve socio-economic conditions in the area. Through its network of the village

warden service, it reached out to and organized various local actors into associations while disseminating ideas about non-hierarchical and inclusive governance practices.<sup>73</sup> In this vein, she managed to get disparate actors on board a “micro-regional project” by demonstrating to them that resolving their own individual settlement-level problems always touches upon similar issues of neighbouring settlements.

Her vision of an integrated micro-region of cooperating settlements was challenged in the third institutional period by the new organization of the ZVLGP and its fragmented territorial institutional logic. Conceived in the institutional framework of the 1996 Act on Spatial Development, this logic existed parallel to the integrated framework of the ZKA in the statistical micro-region until 2004. Despite the long period of institutional coexistence, this fragmented institutional logic could not set in motion dynamics that would have led to the disintegration of the ZKA’s non-hierarchically organized micro-regional association. This was due to the social entrepreneur’s ability to generate the coming about of new organizations, which strengthened the integrated logic of action within the micro-regional community.

In this vein, between 1998 and 2000 five new organizations were introduced to the micro-regional field: the ZKVH (1997), the ZKFF (1997), the ZKCC (1998), the ZWRA (1999) and the CF (1999). These organizations – with the exception of the CF – were sector-specific and came about due to the institutional support of various development programs of the external environment. The ZKA “incubated” these organizations by coordinating their work until they became self-sustainable. At the same time the ZKA – and personally the social entrepreneur – organized the association of the five satellite organizations with the ZKA and with one another in a way that distributed authority evenly among them and concerted their diverse developmental functions so that the micro-region would have a multidimensional developmental framework and an opportunity structure with multiple mobilisational resources.

The introduction of diverse institutional elements generated a transformation of the developmental field through *institutional layering*. The integrated institutional logics of the new organizations set in motion dynamics which over time crowded out the fragmented framework of the ZVLGP while progressively increased the field of the integrated framework of the ZKA and its satellites. The process of institutional layering continued until the last

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<sup>73</sup> The case study of the micro-region of Keszthely-Hévíz where some other early associations of the AVZC will be presented, also gives account of the way most of these associations have been terminated towards the early 2000s. The ZKA is probably the single survival of these.

institutional period, when in 2004 the institutional logic of the MPP forced Zalaszentgrót to formally associate with the other settlements in the micro-region. By this time, however, the logic of the ZVLGP had become crowded out entirely by the ZKA's, which was illustrated by the way settlements in the ZVLGP progressively began to join the ZKA. Thus, the developmental inertia of the ZVLGP and the parallel success of the ZKA's satellite coalition played an important role in strengthening the process of institutional layering and the central position of the ZKA in the micro-regional developmental field.

These trends played a decisive role in the mode of institutional change that the MPP's mandatory introduction induced in the micro-region. The introduction of the MPP – similar to all other cases – was an act of *institutional transposition*. However, the dynamics that it set in motion was *displacement* through “*resisted invasion*”. Similar to the case of the Mórahalom micro-region, actors here considered their interests to be at odds with the new institution of the MPP, therefore they “tested new behaviour inside old institutions” (Streeck-Thelen 2005) instead of actively or less actively letting the older ones collapse and the new MPP prevail. In Mórahalom this experimentation took place as institutional conversion where the functions of the HMPP became converted during its enactment into an association of sheer public service provision to fit into the local institutional system of the development coalition. In the micro-region of Zalaszentgrót, this institutional experiment was an act of displacement as the ZKA's central position in the development coalition was reactivated in a way such that it “annexed” the MPP rather than the other way around.

In other words, in Mórahalom both organisational and functional dimensions of the MPP were enacted by establishing a formal organisation of the HMPP. In the micro-region of Zalaszentgrót, on the other hand, only the functional dimension of the MPP has been adopted by the ZKA. Due to the social entrepreneur's resistance and efforts, the institutional logic and *modus vivendi* of the organisation has remained the same while it has adopted some mandatory MPP mechanisms in decision-making. In the end, the current organisation of the ZKA displays a combination of institutional logics. Adopting the MPP's functions and supplementing its own institutional framework with that of the MPP, the ZKA has furthered the institutional heterogeneity of the micro-region and strengthened the integrity of the developmental ecology.

Thus, in the cases of both Mórahalom and the Zalaszentgrót, the new institutional form of the mandatory MPP was enacted to suit the existing institutional framework of the development field without dominating old institutional forms. Combining different institutional logics in both cases was an outcome of local actors' resistance to an institutional

form the logic of which was at odds with their well-functioning local system. Resistance in both places was a deliberate effort of local actors. Without such deliberate strategies, the institutional collapse of Sellye or the fragmentation of Encs/Abaúj-Hegyköz could have easily taken place.

Relying on such deliberate strategies in the micro-region of Zalaszentgrót was due to the (ex-)Mayor of Túrje, who, as a socially skilled entrepreneur, created frames for the association of diversity throughout the years. She also managed to re-create and sustain non-hierarchical institutional elements even in the face of institutional logics challenging the integrated local system. Similar to the founder of the CSA in the extended territory of the Encs micro-region, the social entrepreneur of the ZKA and AVZC demonstrated her social skills during the early 1990s by creating a framework in the whole of Zala county that advanced bottom-up cross-municipal associations with an integrated view on development based on non-hierarchical relations. Contrary to the micro-region of Mórahalom where a team of three organisational leaders organize heterarchic associations providing passage points across institutional logics, in the micro-region of Zalaszentgrót a single central link coordinated the concertation of various logics of action.

Providing the single central node, the socially skilled entrepreneur has successfully juggled many interests and translated for diverse local groups the lingua of the institutional opportunity structure. It is not that she did all the work alone. The management team of the ZKA provided help in organizing diversity into heterarchy. Nevertheless, it did not function as a “developmental cabinet” (as in Mórahalom). Therefore, the social entrepreneur of the ZKA organized development networks from a single centre (the ZKA and her) in order to diffuse authority and intelligence. In the absence of the checks-and-balance system of the development coalition of the Mórahalom model, she has been the prime source of intelligence and coalition building. Thus, ultimately it has been her personality (as a person that does not hold ultimate answers and can best work in a team of multiple actors where different viewpoints can be encountered) and her social skills that have enabled her to share and maintain authority in the micro-regional field.

Her social skills for maintaining a framework of heterarchic governance was illustrated by the way she managed to recreate/recalibrate associative and integrated frames in the face of challenges. One of these events took place in 1996 when the decoupled organization of the ZVLGP challenged the integrity of the ZKA micro-region. The socially skilled entrepreneur of the ZKA managed to reproduce the power of her group of local governments by finding means to keep them together – e.g. by establishing new satellite

organizations in the micro-region that involved these local governments. She managed to get even more diverse actors on board of the micro-regional developmental program. By diversifying the micro-regional ecology in this way she strengthened her integrated framework vis-à-vis the fragmented logic of the ZVLGP.

Another challenge to this integrated framework emerged with the transposition of the hierarchical logic of the MPP in 2004. Coming from incumbent local governmental groups – as the ex-Mayor of the second largest settlement in the micro-region – she could have taken advantage of the privileges local governments in MPPs received and could have switched to hierarchical governance practices, limiting the involvement of non-governmental actors in decision-making. But she instead made deliberate efforts to maintain non-hierarchical institutional practices and recalibrated the institutional structure only to the extent that would allow the ZMPP to fit into the existing pattern. Defeating shifts in the balance of power this way she turned constraints of the MPP framework into opportunities as the micro-regional development field grew stronger by an additional alternative route of resource mobilization.

The diffusion of authority and intelligence from a single centre has been the only weak point of the institutional design of the micro-region. Recognizing this shortcoming of the coalition, the social entrepreneur began to advance intra-coalition capacity building by directly connecting organisational members with one another, demonstrating yet again her social skills in order to spread the distribution of authority beyond her own and her organization's particularistic interests.

## **6.5. The micro-region of Sümeg**

The micro-region of Sümeg is situated in the region of Central Transdanubia, in Veszprém County. The beautiful landscape covered by hills embraces 21 settlements that are mostly small villages of typical agricultural nature. The main attractions of the region are the richness of its built, natural and cultural heritage and the diverse programs organized around them as well as its catering facilities and accommodation. Sümeg is the largest town of the area (population: 6683) and it is often called the gateway to Lake Balaton. With the dominance of Baroque and Romantic buildings, the whole internal area of this small town is protected as a public heritage. The rich historical heritage of the town and its surroundings include a Franciscan church and cloister, the Bishop's Palace, and several castles including the castle formerly belonging to the Esterházy family. In addition, the wine produced on the Somló hills is one of the most valuable assets of the region.

### **6.5.1. The micro-region of Sümeg in the early 1990s**

The micro-region is the odd-man-out among the case studies from the perspective of the transformation of its governance between T1 and T2. In the early 1990s its institutional field had a fragmented and hierarchical character. In this period – when all other micro-regions were busy experimenting with ever newer institutional solutions – local governments monopolized the development field that was characterized by single-issue based development functions and a single local governmental association. Decision-making in development matters was entirely centralized in the hands of local governments.

#### **Organisational form**

The single micro-regional organisation in the initial period was the Association of Local Governments in the Neighbourhood of Sümeg (ALGS). The organisation was established in 1994 by 14 local governments following the example of the Zala-Kar Association of neighbouring settlements in Zala County. Urgent developmental bottlenecks in the region – the lack of basic infrastructural facilities such as gas and water pipes, electricity and telephone – prompted the coming about of the association. With the promise of approaching EU accession the 14 local governments hoped that their ability to lobby for development funds would improve with the association. The example of spatial

developmental associations that some of the mayors saw during their trips to EU15 countries<sup>74</sup> and the success of the AVZC and ZKA in neighbouring Zala County encouraged municipal actors to establish similar alliances. The ALGS, however, did not establish organisational, functional and sectoral diversities and was less successful in mobilizing resources.

### **Association of Local Governments in the Neighbourhood of Sümeg (ALGS) Sümeg környéki Önkormányzatok Szövetsége (1994-1996)**

Organisational type	Association (local governmental)
Functional scope	Local governmental infrastructural development (gas, sewage, electricity, phone line, etc)
Inter-sectoral association	14 Local governments
Spatial boundaries	Spatial boundaries of 14 local governments
Decision-making	Simple majority voting at the associational council + qualified majority voting within member local governments

#### **The scope of functional association**

The lack of organisational diversity in the initial period affected the functional ecology of governance. The single local governmental organisation produced a single-issue based ecology with an exclusive focus on local governmental infrastructure development. Even this single-issue based function of the ALGS remained a distant goal without projects.

#### **The scope of sectoral association**

In this period local governments monopolized the micro-regional development field. Although a few non-governmental organisations were also established early on in the decade their functional scope did not go beyond free-time activities at the settlement level. In the absence of a frame that would encourage the coming about of non-governmental actors, these organisations remained monosectoral NGOs decoupled from one another or from the ALGS.

Besides the general weakness of non-governmental actors in terms of organizing developmental associations at the micro-regional level, the hostility of local governments towards the non-governmental sector also inhibited the development of cross-sectoral associations. Unlike in the neighbouring micro-region of the ZKA, here local governments did not “incubate” non-governmental organizations. As the President of the Famulus Association (see in section on T2) explained it, the majority of local governments in the

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<sup>74</sup> These study trips were organized by central state agencies in collaboration with their counterparts in EU15 countries.



### **Mode of association at T1**

The initial period of institutional development displayed mostly formal decision-making mechanisms with occasional informal agreements between local governments about the rotation of settlements in tendering for development projects. Given the homogeneous character of organisational and sectoral ecologies, the mode of association was centralized in the hands of local governments.

### **Governance pattern at T1**

The pattern of governance in T1 was closer to the second ideal-type – the fragmented and top-down micro-regional governance mode. In this period non-state actors were entirely excluded from micro-regional developmental decision-making, thus the mode of governance could be described as centralized exclusionary.

## **6.5.2. The micro-region of Sümeg in the 2000s**

The initially fragmented and hierarchical institutional setup had by the 2000s moved towards hybrid governance patterns. In the institutional field new organizations representing non-state actors have emerged, which have begun to challenge the dominance of local governments. Although the integration of diverse sectors and complex development goals has taken place in the backyard of the FA, on the systemic level of the micro-region the lack of a development coalition still indicates fragmentation. This seems to be balanced by new non-hierarchical institutional solutions, such as consensus-based, deliberative decision-making mechanisms that accommodate diverse developmental interests of governmental and non-governmental actors and distribute authority more evenly between them.

### **Organisational form**

The only organisational transformation between 1994 and 2005 was the termination of the old and the creation of a new local governmental association. This, however, left the homogeneous organisational ecology of the micro-region unchanged; diversity and associationalism in the micro-region did not begin to evolve until the 2000s.

In 1996 the Spatial Development Act defined the territorial scale of the micro-region of Sümeg as extending beyond the boundaries of the 14 founding members of the ALGS and including an additional seven neighbouring settlements. The 14 settlements of the ALGS initiated the establishment of an LGP of the 21 municipalities within the framework of the

ALGS. Refusing to join the existing ALGS the seven new settlements insisted on establishing a completely new organisation for the LGP.<sup>75</sup> Consequently, the ALGS was terminated and the Spatial Developmental Partnership of the Local Governments of the Sümeg Area (LGPS) was established in the same year.

### **Spatial Developmental Partnership of the Local Governments of the Sümeg Area (LGPS)**

#### **Sümeg Térségi Önkormányzatok Területfejlesztési Társulása (1996-2004)**

Organisational type	LGP
Functional scope	Local governmental infrastructural development (gas, sewage, electricity, phone line, etc)
Inter-sectoral association	21 Local governments
Spatial boundaries	Spatial boundaries of 21 local governments
Decision-making	Simple majority voting at the associational council + qualified majority voting within member local governments

The LGPS existed until 2004 and its single function was to implement public infrastructure development projects with the decentralized funds of the County Development Council. In this institutional period new forms of developmental association did not evolve. Similar to its predecessor the ALGS, the LGPS did not encourage the creation of other developmental organisations and it monopolized the access to resources.

2004, the year of the mandatory establishment of the MPP, signified the beginning of a new phase in the institutional development of the micro-region. A diversity of new organisations was established at the micro-regional level, which began to build cross-organisational associations for developmental purposes.

### **Multi-Purpose Partnership of Local Governments in the Micro-Region of Sümeg (MPPS)**

#### **Sümegi Kistérségi Önkormányzatok Többcélú Társulása (2005 - )**

Organisational type	Multi-purpose association
Functional scope	Public service provision in education, social care and spatial development
Inter-sectoral association	21 Local governments
Spatial boundaries	Spatial boundaries of 21 local governments
Decision-making	QMV

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<sup>75</sup> The opposition of the seven new settlements to the ALGS was rooted in the historical tension between the two largest settlements of the area, Sümeg and Csabrendek. Sümeg had been one of the founding members of the ALGS

The MPSS was established by the same local governments that had been members to the LGPS for almost a decade. At the foundation of the MPPS, the LGPS was terminated, its functions adopted by the new organisation, similar to the organisational dynamics in the micro-region of Sellye after 2004.

In the same year, the Public Foundation for the Micro-Region of Sümeg (PFS) was established by a group of local governments in the micro-region that felt the need to step out of the developmental inertia of the past decade. The organisation intended to improve the attractiveness of the area for tourism and to develop alternative energy resources for its environmental protection.

### **Public Foundation for the Micro-Region of Sümeg (PFS)**

#### **Sümeg Kistérségéért Közalapítvány (2004 - )**

Organisational type	Public Foundation
Functional scope	Tourism development, environmental protection, alternative energy resources.
Inter-sectoral association	8-10 local governments in the micro-region
Spatial boundaries	Spatial boundaries of the 21 settlements of the micro-region of Sümeg
Decision-making	Simple majority in the board

In the next year, the Famulus Association for the Micro-Region of Sümeg was established by 17 young private persons living in the micro-region. The organisation came about to coordinate rural, economic and community development of the area, and to provide information and knowledge management services for civil organisations and enterprises. At the same time, it also provided consultancy services for local governments in spatial development project management.

## **Famulus Association for the Micro-Region of Sümeg (FA)**

### **Famulus Sümeg Kistérségéért Egyesület (2005 - )**

Organisational type	Association (NGO)
Functional scope	Preparing and coordinating rural, economic and community development of the area information and knowledge management for civil organisations and enterprises, consultancy for local governments, interest representation of the area
Inter-sectoral association	17 private persons
Spatial boundaries	Spatial boundaries of the 21 settlements of the micro-region of Sümeg
Decision-making	Simple majority voting at general assembly

As explained by the founder of the organisation, a young social entrepreneur who had previously worked as the spatial development manager of the MPPS, the 17 young local intellectuals had the goal of “finally doing something for the micro-region.” Since its establishment, the FA has generated and assisted the creation of 10 NGOs that are spatial developmental associations at settlements with an encompassing micro-regional focus. The FA has also prepared the first complex spatial development plan of the micro-region and has won two consecutive LEADER programmes.

The association of organisations takes places through various forms of loosely coupled ties. The relationship between the two most significant micro-regional organisations, the FA and the MPPS is mostly based on ad hoc informal contacts where the FA often feeds project ideas into the MPPS that has its own spatial developmental coordinator. Following the success of the first LEADER program in the micro-region some mayors have proposed the establishment of durable formal ties between the organisations based on a contract. In this institutional scenario the FA would have been assigned to undertake the spatial developmental functions of the MPPS as its “subcontractor.”<sup>76</sup> The FA, however, turned down the offer, insisting on its organisational and functional independence which it believed enhances the efficiency of its spatial developmental work. The only institutionalized form of cooperation between the two organisations is in fact in the two LEADER (LEADER and LEADER+) programmes where the FA is the managing organisation. Similar ad hoc informal links have characterized the relationship between the FA and the PFS with formal agreements on cooperation occurring on a project-by-project basis.

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<sup>76</sup> The same contracted hierarchical relationship existed between the Abaúj Local Governmental Alliance and the MPP in the micro-region of Encs for two years and is currently exists between the Gergelyhegy Alliance and the MPP in the micro-region of Abaúj-Hegyköz.

The relationship between the FA and the spatial development NGOs, the establishment of which it had also contributed to, can be described as ad hoc, informal links. The FA voluntarily functions as an umbrella organisation for NGOs in the area. This prompted the initiative on the part of the FA to establish a forum for loose cooperation among local NGOs. Thus, the Sümeg Regional Civil Forum was formed in 2006 to provide an associative field for the integration of civil associations in the micro-region of Sümeg and in its neighbourhood. It is an institutionalized agreement on ad hoc cooperation among civil associations without a formal organisational entity.

### **Sümeg Regional Civil Forum - formal association of civil associations in the region**

<b>Organisational type</b>	Inter-sectoral association without legal entity
<b>Functional scope</b>	Communication and cooperation of a diversity of micro-regional actors, capacity development of organisations, interest representation, strengthening the role of social and civil participation in decision-making
<b>Inter-sectoral association</b>	Organisations from all sectors within the micro-region
<b>Spatial boundaries</b>	Micro-region of Sümeg
<b>Decision-making</b>	General assembly: simple majority voting + executive body

### **The scope of functional association**

For about a decade (circa 1996-2004) the development ecology of the micro-region was characterized by single-issue based local governmental functions of basic public infrastructure development. This period lacked any strategic developmental planning; the projects that the LGPS carried out were determined by the calls for tender for public infrastructure development from the County Development Council. There was an informal agreement among local governments about applying together for the funds through the LGPS but distributing the lump sum they received to those settlements most in need of developmental resources. The informal agreement also contained the stipulation that local governments should take turns in receiving these resources for their settlements. During interview the Mayor of Sümeg, who was the President of the LPGA and is currently on the MPPS, proudly gave an account of the infrastructural developments at the settlements that had taken place due to the orchestration of individual local governments' public infrastructure projects.

It was only after 2004 that some diversification of functions began to take place as new organisations appeared in the development field. The creation of the MPPS had dual

effects in this sense. On the one hand, it diversified local governmental functions since it institutionalized local governmental cooperation in areas beyond public infrastructure, such as education, social care and spatial development. On the other hand, the MPPS alone still meant a monopoly of local governmental functions in the development field.

The diversification of functions was generated by the FA that has a multidimensional functional approach to micro-regional development. With similar overall goals but narrower functional scope the PFS also contributed to functional diversity by specializing on environmental protection and tourism development. The “satellite NGOs” of the FA represent territorially defined functional diversification (focusing on complex micro-regional development from the perspective of settlement-development).

Prior to 2004 the association of functions simply meant the orchestration of the single-issues of individual local governments in their settlements. After the creation of the MPPS and the FA new modes of functional association were introduced. Firstly, along with the diversification of local governmental functions within the MPPS, new practices of strategic planning were introduced due to legal requirements on MPPs. This meant that local governments now had to coordinate governmental functions and planning. Secondly, the coming about of the FA as well as its goal to incubate various “satellite” associations to supply developmental functions also generated functional diversification. To associate these diverse functions the FA employed horizontal management mechanisms; i.e. the orchestration of various developmental functions (consultancy, associating, coordination, spatial development, knowledge management, etc). At the same time through loosely coupled informal associations the FA has coordinated the integration of the various functions of the settlement-NGOs at the micro-regional level in the Sümeg Civil Forum. The Civil Forum combines functions of capacity building, interest representation, social participation in decision-making for civil associations across the micro-region (and beyond if they are linked to the micro-region in any way). In the LEADER programmes the FA has generated the concertation of the development goals of the MPPS with that of NGOs’ to implement an encompassing micro-regional development programme. In the framework of this programme the organized sharing of developmental tasks between the FA and the MPPS has evolved.<sup>77</sup>

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<sup>77</sup> Compare it to the hierarchical concertation of functions in the association of the MPP and the Gergelyhegy Alliance in the Abaúj-Hegyköz micro-region; or in the micro-region of Sellye.

### **The scope of sectoral association**

The diversification of organisational forms and functions also introduced new actors to the developmental field. Some of these actors had already been present in the micro-region prior to 2004 but local governments' fear of challengers had marginalized them.

The social entrepreneurial skills of the founder of the FA played a decisive role in the emergence of sectoral diversification and integration. She not only encouraged the creation of several NGOs, including the FA itself, but also facilitated their association through the Civil Forum. The Forum provided a field for cross-sectoral association of a network of micro-regional non-governmental (for-profit and non-profit) actors. It organized ways of strengthening the dialogue between micro-regional governmental, business and civil actors and generated a programme to encourage investment by business and the civil sector in the micro-region. It was also her social skills that brought together local governments of the MPPS with the NGOs and the FA in development programmes, which included of a diversity of sectors in micro-regional development affairs.

In comparison to the sectoral monopoly of local governments only 5-6 years ago, the micro-region of Sümeg now<sup>78</sup> comprises a variety of sectoral actors. Although the field level-power of these non-governmental actors is not equal to that of local governments, it is now not possible to circumvent them. Non-governmental actors have become active participants in micro-regional development affairs linked in partnership to local governments in some programmes (LEADER programmes). Contrary to the micro-regions of Sellye, Encs/Abaúj-Hegyköz and Keszthely-Hévíz in the Sümeg area, diverse actors have come to be organized parallel to the MPP in this institutional period.

### **The scope of territorial association**

The territorial distribution of the micro-region of Sümeg has been stable since 1996. This territory is characterized by a homogeneous rural landscape with a settlement structure of small villages and two small towns<sup>79</sup>.

The single occasion of re-scaling micro-regional boundaries was in 1996 when the Spatial Developmental Act re-defined the concept of the micro-region according to statistical criteria of the National Statistical Bureau. This entailed that the two largest settlements in the

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<sup>78</sup> In 2009.

<sup>79</sup> The largest town in the micro-region is Sümeg with a population of 6683, followed by Csabrendek with 3011. The population of small villages is between 64 and 770 ([www.vati.hu](http://www.vati.hu)).

area now belonged to the same micro-regional district. Their traditional conflict of interest generated some fragmentation in the micro-region and led to organisational restructuring.

The LGPS served the territorial integration of 21 settlements. This territorial integration seemed rather stable – despite opposition from the towns – which was displayed by the fact that between 1996 and 2004 none of the settlements joined another cross-municipal association outside this statistical micro-region. This was partly due to general inertia, and partly to the personality of the President of the LGPS, who has been the Mayor of one of the smallest villages and was partial to compromise, handling well the opposition of the towns along with some issues raised by the small villages.

A new logic of territorial integration was introduced by the FA which framed a micro-regional “story” of development instead of several settlement-based logics of individual interests. The difference between the two types of territorial integration is of endogenous versus exogenous mobilization of resources. The territorial integration that the LGPS provided served as just the means for accessing financial resources for individual settlements; while the territorial integration of the FA has been the ends that can generate further mobilization of financial resources.

### **Modes of association at T2**

The centralized mode of association of T1 continued throughout most of the institutional period T2. Between 1996 and 2004, the overall patterns of decision-making remained the same: i.e. based on formal decision-making mechanisms with occasional informal agreements between local governments about rotation in the use of funds. Making binding decisions was centralized in the hands of individual local governments with single majority voting at the associational council of the LGPS, *after* a formal decision by individual local governmental assemblies had been taken.

Unlike in some of the other micro-regional cases, more evenly distributed forms of decision-making mechanisms were introduced to the micro-regional field with the coming about of the MPPS in 2004. Firstly, the MPPS necessarily introduced institutionalized mechanisms of “collective planning” in various (mandatory) developmental functions among local governments. Despite its overwhelmingly public administrative logic, the institutional context of the MPPS “forced” local governments to define *collective goals* and to implement them through consensual decisions. Nevertheless, decision-making in the MPPS is centralized in the hands of local governments through formal rules and contracts.

Distributed mechanisms that grant *de jure* and *de facto* rights to several actors to participate in developmental decision-making were introduced by the FA. The FA has not only relied on distributed authority within its own organisational framework but has generated both informal and formal institutional mechanisms across micro-regional organizations in order to make developmental decisions in more discretionary ways. The FA has an assembly, an executive management body and ad hoc as well as regular members – in light of the all-encompassing membership of the organisation. In the FA both types of memberships entail consultative rights, conferring on their holders’ the ability to participate in assemblies and to make recommendations on developmental matters.<sup>80</sup> Binding developmental decisions are made by the executive management that consists of the President, the Vice-President and the Secretary. A similar decision-making logic characterizes the Sümeg Regional Civil Forum, where the executive management makes binding decisions upon the authorization of the general assembly, the main body of the forum.

The FA has also introduced several informal mechanisms to support a distribution of intelligence. Through its ad hoc and informal ties to the MPPS, to the PFS and to the “satellite NGOs,” the FA has managed to channel diverse views and representations of micro-regional development into the preparatory phase of decision-making in all these organisations. As the management organisation of the local LEADER+ programme, it has organized several preparatory forums and workshops for diverse sectoral representatives with the aim of defining developmental goals and means together.

### **Governance pattern at T2**

The pattern of governance at T2 was closer to the third ideal-type – the hybrid or mixed micro-regional governance mode – in which ad hoc, and non-hierarchical, as well as more hierarchical cross-sectoral relations can both be found. Examples of the former would be the FA and the integrated mechanisms it has introduced in micro-regional developmental governance including state and non-state actors. Examples of more hierarchical relations would be the institutional logic of the MPPS that displays the dominance of local governments and as an organisation holds a more stable position in the developmental field than other organisations due to central state per capita funding.

The hybrid governance patterns in the micro-region of Sümeg can be differentiated from the more or less heterarchic developmental governance of Mórahalom and Zalaszentgrót in the organisational and functional dimensions and in the mode of decision-making. Firstly,

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<sup>80</sup> Unlike in the Association of the Micro-Region of Mórahalom, where institutional rules differentiate between regular and supportive members, with the latter having only consultative rights in decision-making.

the association of diverse organisations takes place through a stable development coalition in the micro-regions of Mórahalom and Zalaszentgrót. In the micro-region of Sümeg, institutional ties between governmental and non-governmental organisations can only be identified in the LEADER programme. Otherwise the most significant non-governmental organisation (FA) maintains ad hoc, informal relations with the local governmental association (MPPS). In terms of functional association, the development coalitions in the two micro-regions organize developmental functions in strategic concertation, while in the micro-region of Sümeg it only takes place in an ad hoc manner. Finally, while distributive mechanisms of intelligence sharing and authority have been present on the systemic level in the development field of the micro-regions of Mórahalom and Zalaszentgrót, in Sümeg these mechanisms can be identified only occasionally within organisations.

**18. Figure: Summary of governance patterns in the Sümeg area**

<b>Dimensions</b>					
<b>Organisational</b>	<b>Functional</b>	<b>Scope of association</b>		<b>Territorial</b>	<b>Mode of association</b>
		<b>Sectoral</b>			<b>I/F<sup>81</sup></b> <b>C/D<sup>82</sup></b>
Initial homogeneity growing into a diversity of organisations. Instead of a Mórahalom-type development coalition organisations in Sümeg are loosely coupled.	Initial single-issue based ecology recently developing into a multidimensional system with ad hoc concertation of developmental functions. Cf. with the permanent concertation of functions in Mórahalom and Zalaszentgrót.	Initial homogeneity of local governmental actors growing into a heterogeneous representation of businesses NGOs and local governments.		Territorial integration remained intact since 1996. Since 2004 a micro-regional level framing of territorial integration	Initial formal and centralized mechanisms partially retained but new informal mechanisms that support the distribution of authority have been introduced recently. Unlike in Mórahalom and Zalaszentgrót where distributive mechanisms have been stabilized on the systemic level within development coalitions, in Sümeg they are initiated by a single organisation through ad hoc ties to balance centralization by the MPPS.

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<sup>81</sup> Informal v.s. Formal

<sup>82</sup> Centralized v.s. Distributed

# SÜMEG mR

## INSTITUTIONAL PERIODS

SNL	94-96	96-2004	2004	2005-
COUNTY				
AREA				
MICRO-REGIONAL	● LGA	● LGP	● MPA	
LOCAL				

LGA= Sümege Area Local Governments' Alliance  
 LGP= Sümege Area Local Governmental Spatial Development Partnership  
 MPA= Sümege micro-Regional multi-Purpose Association  
 FA= Famulus Association for the micro-Region of Sümege  
 SRCF= Sümege Regional Civil Forum  
 SPF= Public foundation for the Area of Sümege

- = ad hoc
- ↔ = horizontal durable
- = contracted hierarchical
- = informal hierarchical
- ~ = legally debated awaiting court decision

### 6.5.3. The mode of institutional change in Sümeg: from institutional inertia to diversified association

In the micro-region of Sümeg, the fragmented, top-down patterns of governance of the 1990s have been transformed into a hybrid mode by 2007. The initial period was characterized by institutional inertia and a centralized exclusionary mode of governance dominated by local governments. In the post-MPP period, however, several integrated and non-hierarchical institutional patterns have been introduced to the micro-regional field mostly by a single non-governmental actor (FA). Nevertheless, the developmental field still displays local governmental dominance given the overwhelming stability of the MPPS due to permanent central state funding.

From an evolutionary perspective, the process of institutional change can be divided into three phases: 1994-1997, 1997-2004, 2005- up to the present day. The periods between 1994-1997 and 1997-2004 were characterized by the domination of two subsequent local governmental organisations. Institutional dynamics in this period demonstrated stagnation in so far as the institutional change that transformed the ALGS (1994-1996) into the LGPS (1997-2004) did not introduce new institutional logics to the micro-regional field. This institutional change was an act of *conversion*; i.e. the minimal redirection of the goals of the old organisation to fit the interests of the seven new municipalities that were assigned to the statistical micro-region. Institutional stagnation was also demonstrated by the lack of emerging alternative institutional logics that could have challenged local governmental domination. The inertia of the system between 1997 and 2004 is clearly illustrated by the fact that these alternative logics did not evolve in spite of Sümeg having accommodated the development and innovation centre of the Hungarian Town and Urban Development Institute.

Institutional dynamics began to change in the third period with the coming about of the MPPS in 2004. The institutional transposition of the MPP in the micro-region of Sümeg on the one hand generated the *exhaustion* of the LGPS similar to the case of the micro-region of Sellye. Given decreasing returns in maintaining the LGPS with similar functions as the mandatory MPPS, the institutional logic of the LGP slowly began to wither away. Although the organisation formally still exists, its institutional content had been emptied out entirely and transposed to the MPPS. At the same time, the MPP here set in motion dynamics that contained less hierarchical decision-making mechanisms among local governments. In the MPPS local governments are now “forced” to define *collective goals* and to implement them

through consensual decisions. Despite the public administrative and centralized logic of the MPPS, this represents a major transformation of the mode of association in comparison to the individual planning of local governments in the LGPS. A central element of this logic of action is that it conceives micro-regional development at the appropriate level as a “micro-regional” programme, not as a rotating system between individual local governments. Another example of new mechanisms was the PFS’s establishment by a group of local governments that felt the need to overcome the developmental inertia of the past decade.

Truly bottom-up associative mechanisms and non-hierarchical decision-making modes, however, have been introduced to the micro-regional field by the FA only since 2005. The FA came about because a group of local actors saw their interests at odds with prevailing local governmental institutions and decided to test the viability of an alternative institutional form. Promoting multi-dimensional functional association and an inclusive cross-sectoral cooperation the FA has set in motion dynamics of *institutional layering* by assisting in the creation of various non-governmental organisations and their association in the micro-regional civil forum. Introducing new institutional elements based on inclusion and heterarchic distribution of authority, the FA’s institutional logic has progressively begun to balance the domain of the predominantly local governmental logic of the development field.

Alternative institutional logics in the external framework played an important role in empowering the FA with social, cultural and financial capital with which to challenge the local governmental monopoly of micro-regional development. The LEADER+ (2004-2006) program and its successful implementation by the FA in the micro-region provided the means and authority for FA to organize a coalition of NGOs in the micro-region (Sümege Micro-Regional Civil Forum). Partly this coalition and partly the cultural and financial capital behind it (strengthening cooperation among micro-regional actors, developing a network of economic actors in the micro-region, developing micro-regional non-governmental actors, and investing in development through the cooperation of businesses and NGOs) have provided the FA with considerable authority vis-à-vis the MPPS and local governments. Within one year the FA was elevated to a position in the micro-regional developmental field where local governments proposed to establish durable formal ties with the organization.

Even though the real effects of the transformations that have taken place since 2004 can only be seen on the long run, some processes are already indicative of tendencies. In this context, it is only possible to talk about institutional layering to the extent that the heterarchic institutional logic of the FA has begun to balance previous hierarchical local governmental modes of governance. By advancing the establishment of several other NGOs and organizing

their coalition, the FA challenged the old system the domain of which has consequently shrunk relative to its previous monopoly. But given the stable position and authority of local governments in micro-regional development guaranteed by permanent state funds and central state regulations, the “siphoning off of support of the new institution from the old one” (Streeck-Thelen, 2005: 31) might not be entirely feasible. In other words, the sustainability of the FA’s heterarchic institutional logic outside the LEADER programs depends on the way it comes to be associated with the politically fixed administrative logic of the MPPS. At the moment the single passage point of formal association between the two organisations is in the LEADER programme; outside this framework the two organisations maintain only ad hoc and informal ties.

The introduction of heterarchic modes of association to a fundamentally exclusionary and top-down system of governance was due to a socially skilled entrepreneur who has been a classic Fligsteinian character emerging from a challenger group of non-governmental actors. She has created frames for collective action and for the distribution of intelligence and authority by building niches and using the system in order to avoid dominant groups, while holding her own group together and keeping their hopes of challenging power alive (Fligstein, 2001). She “appeared” on the scene of the micro-regional field as the initiator and founder of the FA, although she had worked in the management unit of the LGPS before establishing the organization. Relying on her experience and non-governmental ties which she had acquired during her work at the LGPS, in around three years she has managed to build an informal network of micro-regional NGOs and to produce a frame for the accommodation of heterogeneous interests in the LEADER programme, one which has begun to diffuse inter-sectoral ties and informal passage points previously unknown to the micro-regional ecology.

Prior to 2004, during the period of institutional stagnation, no such socially skilled entrepreneur could be identified in the micro-regional field. Although the long-standing President of the LGPS could be regarded as a social entrepreneur from the perspective of the institutional logics of local governments, since he had produced in the mid-1990s frames for cross-municipal cooperation in settlement development, unfortunately, his attempts failed due to his lack of social skill at finding compromises with local governmental identities in a way that would enable non-governmental actors to come on board as well. The social skill that this social entrepreneur demonstrated was his ability to accommodate the conflicting interests of the two largest settlements in the micro-region after 1996, so as to enable the settlements of the micro-region to access resources from the County Development Council.

The emergence of more heterarchic modes of governance after 2004 is not only striking because of the absence of such mechanisms for over a decade, but also because in most of the other micro-regions (Sellye, Keszthely-Hévíz, Encs, Abaúj-Hegyköz) this institutional period brought with it the weakening of non-governmental actors vis-à-vis local governments and the introduction of hierarchical relations between them. In the micro-region of Sümeg, however, opposite trends have been visible. Organisational ecology has become richer and modes of association have begun to distribute more authority among different actors. The FA's President's social skills were demonstrated by the way she turned the constraining institutional environment of the MPP framework into opportunities for non-governmental actors by recognizing and making use of alternative opportunities offered by the LEADER+ program. The institutional period of the post-MPP era, which restricted the participation of non-governmental actors in micro-regional development policy, posed external challenges to all non-governmental micro-regional actors. The institutional logics of the LEADER program provided support for the social entrepreneur to gain the involvement of diverse people in order to establish the FA and the coalition of micro-regional NGOs. This group of young local intellectuals provided strategic partnership for her in interpreting the lingua of the external opportunity structure to the "local vernacular" for both governmental and non-governmental actors.

An additional Fligsteinian social skill can be seen in the way this social entrepreneur has managed to maintain the framework for distributed intelligence even in the face of some local governments' attempt to undermine the independence of the FA. Following the success of the LEADER+, some local governments offered the FA a contract to undertake the MPPS's spatial developmental functions. The contract in the short run would have provided the FA with permanent financial resources from per capita funds of the MPPS, however on the long run could have led to hierarchical relations between the two organizations and to the weakening of the principle of heterarchy in the micro-regional field. The future sustainability of the current hybrid pattern of governance will also depend on the ability of the social entrepreneur to adjust and reshape non-hierarchical, integrated modes of governance to changing external and internal circumstances.



## **6.6. The micro-region of Keszthely-Hévíz**

The area of the old micro-region of Keszthely-Hévíz is located in the western corner of the Lake Balaton in the Western Transdanubian region. The area has been famous for its rich natural endowments based on Lake Balaton, the marshy field of the Small Balaton area with its bio diverse birdlife, the Keszthely hills, the Zala valley and thermal water provenance. The historical heritage of the area – the Festetics Castle, the Tátika and Rezi castles, several ancient churches – has also made the area a popular destination for tourists. It is thus not surprising that the economic background of the area has mainly been built on tourism since the 1970s, making this micro-region one of the most developed and wealthiest by national comparison.

### **6.6.1. Keszthely-Hévíz in the early 1990s**

One of the richest developmental ecologies of the 1990s had emerged in the micro-region of Keszthely-Hévíz. The initial institutional setup of the micro-region was characterized by a mix of fragmented and integrated as well as hierarchical and non-hierarchical institutional elements. In this period the integration of various organizations and multiple development goals took place in a loosely coupled coalition of developmental organizations. This integration, however, remained fragmented due to the monosectoral representation of local governments in the coalition. Although the mode of association contained lots of informal, consensus-based mechanisms, making binding decisions was centralized in the hands of local governments.

#### **Organisational form**

The four organizations that evolved in the early 1990s in the area covered a significant territory of the eastern part Zala County, in the western corner of Lake Balaton. The creation of these organizations provide examples for the mobilizing functions of the Association for the Villages of Zala County (1990), which played a central role in encouraging the establishment of these bottom-up cross-settlement associations.

**Small Balaton Settlement Alliance (SBSA)**  
**Kis-Balaton Településszövetség (1989/90 – 1991)**

Organizational type	Civil association
Functional scope	Lobbying and interest representation of member local governments at the central government regarding the use of the military airport base in Sármellék not for military but for civilian traffic.
Inter-sectoral association	local governments
Spatial boundaries	30 neighbouring settlements across counties: 10 from Somogy and 20 from Zala county
Decision-making	Simple majority voting in member assembly with 1 vote per settlement

**Small Balaton Association (1993 – 2004) (SBA)**

**Kis-Balaton Társulás**

Organizational type	Civil association
Functional scope	Interest representation of the area in development projects on the water quality protection of the Balaton area, Local governmental infrastructural development (gas, sewage, electricity, phone line, etc), increasing employment
Inter-sectoral association	Local governments
Spatial boundaries	30 neighbouring settlements across counties: 10 from Somogy and 20 from Zala county
Decision-making	Simple majority voting in member assembly with 1 vote per settlement

The Small Balaton Settlement Alliance (SBSA) was one of the first formal associations formed in the county in 1989. It was created with the specific purpose of lobbying the central government for an ex-Soviet military airport in one of the settlements (Sármellék). The SBSA lost the tender competition, and without a redefinition of its functional goals it was terminated in 1991. Two years later the same local governments re-established their association in the organization of the Small-Balaton Association (SBA) with new developmental goals, such as environmental reconstruction and the protection of the fauna and flora of their area in the western corner of Lake Balaton.

### **Tátika-Rezi Region Local Governmental Association (1992 – 2004) (TRA)** **Tátika-Rezi Régió Önkormányzati Társulás**

Organizational type	Civil association
Functional scope	Tourism, local governmental infrastructure development, environmental protection, concerted projects for socio-economic development problems, increasing employment
Inter-sectoral association	Local governments
Spatial boundaries	15 neighbouring settlements
Decision-making	Simple majority voting in member assembly with 1 vote per settlement

In 1992 another group of local governments in the close neighbourhood of the Small-Balaton area decided to establish the Tátika-Rezi Region Local Governmental Association (TRA). Between 1992 and 1994 the TRA functioned as an informal consultative forum of local governments, without a legal entity. The formal organization of the TRA was established in 1994 by 15 local governments of neighbouring villages.<sup>83</sup> Its purpose was to provide a formal organization for the encompassing development of settlements, such as tourism, the environmental rehabilitation and protection of this historic area and the coordination of basic local governmental developmental functions (infrastructure: gas, sewage, and road reconstruction).

### **Keszthely-Hévíz Micro-Regional Development Association (1994 – 2004) (KHA)** **Keszthely-Hévízi Kistérségi Fejlesztési Társulás**

Organizational type	Civil association
Functional scope	Tourism development, local governmental infrastructure development, environmental protection of Balaton, increasing employment,
Inter-sectoral association	Local governments
Spatial boundaries	5 neighbouring settlements (1994) 11 neighbouring settlements (1999)
Decision-making	Simple majority voting in member assembly with 1 vote per settlement

In 1994 another cross-settlement organization came about in the area, the Keszthely-Hévíz Micro-Regional Development Association (KHA). The KHA was established by 5 neighbouring local governments with the immediate goal of rehabilitating and protecting the environment (especially Lake Balaton) and to reconstruct public infrastructure facilities in settlements.

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<sup>83</sup> Some of the area's settlements had dual membership in the Zala-Kar Association (ZKA) in the neighbouring micro-region.

The association of these organizations in the early '90s was generated by the necessity to create coalitions for the encompassing economic development of area. As the ex-President of the KHA (the Mayor of one of the small villages near Keszthely) explained it, “we saw that the organic socio-economic developmental area is bigger than the service boundaries of our organization. In the KHA we realized that the organic developmental terrain of our organization also extends to the areas of the neighbouring two organizations, the SBA and the TRA. Thus we initiated cooperation with them.” Organizational integration was thus driven by functional needs, namely to rehabilitate and to develop the adjacent area in the western corner of Lake Balaton. The ex-President of the KHA played an important role in framing this association – and later on several other associations also – as aimed at micro-regional development.

The cooperation of the three organizations was a loosely coupled formal association without an organizational entity. The presidents of the three organizations signed the cooperation agreement in 1995, which provided an institutional frame for dialogue, information exchange and the establishment of a common position in development matters. This developmental coalition was strengthened in the same year by the Főnix program, which provided an encompassing developmental vision for the area of the three associations.

### **The scope of functional association**

The Főnix program was the first attempt to generate the integration of organizational functions. The developmental orientations of the three organizations did not display much overall diversity (i.e. they all focused on more or less the same developmental goals) but were multidimensional in so far as the organizations concentrated on a variety of subjects, such as environmental protection, tourism, public infrastructure development, social protection, etc. These functions overlapped but were focused on the individual territories of the three organizations. It was the Főnix program that integrated these individual territorial functions and thus generated developmental synergies in the area.

### **The scope of sectoral association**

The initial institutional period was characterized by monosectoral representations of local governments in the three organizations. Nevertheless, all three local governmental organizations maintained ad hoc and informal ties with non-governmental actors in their respective area. Following the establishment of the coalition of the three local governmental associations, it was the duty of each organization to “bring along their NGOs” from their area

to the tenders of the coalition. In this sense, ad hoc and informal multisectoral representation of non-state actors was also provided in the West-Balaton Micro-Region.

### **The scope of territorial association**

The area that has become called the West Balaton Micro-Region in the early developmental period had a rich diversity of geological, natural and historical endowments. This heterogeneous heritage was integrated by homogeneous economic activities of tourism built on natural territorial endowments. This had synergistic effects on territorial integration. The Főnix program provided a developmental identity for this integrated territory by referring to it as the West Balaton Micro-Region.

### **Mode of association at T1**

The initial period of institutional development displayed both formal and informal decision-making mechanisms. Spontaneous conversations among local mayors about socio-economic and environmental problems were naturally regulated by informal conventions and norms. These mechanisms characterized the SBSA around 1991 and the TRA between 1992 and 1994.

The three organizations comprised only local governments, in their associational assembly binding decisions were reached through simple majority voting with each settlement having one vote. The associational agreement entailed that each organization had consultative rights at the assemblies of the partners. In addition, several informal mechanisms existed to regulate agenda-setting in these meetings and the rotation system among local governments, and the use of developmental resources for their individual settlements.<sup>84</sup>

Certain conventions also regulated the inclusion of non-governmental actors in decision-making within individual associations and in the coalition. These conventions allowed non-state actors to participate in agenda-setting during consultations with local governments prior to making formal decisions at the local governmental assemblies. These consultations were ad hoc and organized by local governments.

In this sense, the mode of association at T1 was centralized in the hands of local governments. Non-governmental actors were limited in their ability to participate in decision-making, as their participation was left to the discretion of local governments.

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<sup>84</sup> Similar to the practices of local governments in the micro-region of Sümeg following the Spatial Development Act of 1996.

## **Governance pattern at T1**

The pattern of governance at T1 was closer to the third ideal type – the hybrid or mixed micro-regional governance mode – as it displayed both hierarchical and horizontal institutional mechanisms and some proactive coordination of developmental goals. On the one hand, local governmental associations were organized using non-hierarchical institutional mechanisms that promoted the concertation of developmental goals through the Fónix program. On the other hand, the governance of the development field was characterized by imbalances between governmental and non-governmental actors with the former having exclusive discretion over the inclusion of non-state actors in development matters.

### **6.6.2. The micro-region of Keszthely-Hévíz in the 2000s**

The initial hybrid institutional setup shifted by the 2000s towards the fragmented and hierarchical ideal-type. The rich developmental ecology of several organizations fell apart as organizations were terminated, non-governmental actors marginalized and developmental functions became reduced to very small numbers. This fragmentation was further intensified by the territorial disintegration of the micro-region. The mode of association has become characterized by hierarchical institutional mechanisms with formal inter-organisational ties that have centralized decision-making in the hands of local governments.

#### **Organisational form**

The developmental framework of the West-Balaton Micro-Region was eventually implemented in the form of the Helikon Micro-Regional Office in 1997. Although the service area of the Office covered the entire West-Balaton region, including the territories of the TRA and the SBA, these organizations did not participate in its creation. The Helikon Micro-Regional Office was initiated by the President of the KHA, who managed to bring four additional organizations on board for association: the Balaton Regional Development Co., the Zala County Enterprise Development Foundation, and the Zala County Chamber of Commerce and the KHA. The four organizations shared office space in the Helikon Office and provided developmental services for local governments, NGOs and businesses in the West-Balaton Micro-Region.

**Helikon Micro-Regional Office** – informal association of diverse organizations in the region

<b>Organizational type</b>	Inter-sectoral association without legal entity
<b>Functional scope</b>	Communication and cooperation of a diversity of micro-regional actors, capacity development of organizations, interest representation, coordination of tendering
<b>Inter-sectoral association</b>	1 company, 2 non-governmental organizations, 1 micro-regional association (Keszthely-Hévíz)
<b>Spatial boundaries</b>	West-Balaton area embedded in county and region

In this vein, the TRA and the SBA could also expect to benefit from the intellectual and developmental assets generated by the Office. However, the two organizations were not invited to have representation in the office itself, despite their continuing formal cooperation with the KHA. This led to imbalances in the distribution of intelligence (information and knowledge) within the coalition of the three local governmental associations.

The establishment of the Helikon office characterized well the associational dynamics of the West-Balaton Micro-Region. It was a single central node – the KHA and its President – which played a decisive role in the “incubation” of several developmental organizations and their integration within the West-Balaton Micro-Region. Many of these organizations focused on specific developmental functions, such as regional marketing and entrepreneurship, development, tourism, interest representation of businesses. The list of organizations incubated by the KHA in the early 2000s can be found below:

**Area Marketing Non-profit Ltd. (2000 - ) (AM)**

**Térségmarketing Kht.**

Organizational type	Non-profit company
Functional scope	Touristic PR, study tours, database related to tourism for local governments, hotel catalogue and interest representation for entrepreneurs and gratis advertisements in local magazines.
Inter-sectoral association	7 local governments, 10 entrepreneurs
Spatial boundaries	West Balaton area
Decision-making	Number of votes depending on ownership shares

**Area Entrepreneurial Club (1998 - ) (AEC)****Térségi Vállalkozói Klub**

Organizational type	Civil association
Functional scope	Interest representation for entrepreneurs
Inter-sectoral association	Entrepreneurs
Spatial boundaries	West Balaton area
Decision-making	One vote per member

**Area Chamber of Commerce (ab.2000 - ) (ACC)****Térségi Vállalkozói és Ipar Kamara**

Organizational type	Civil association
Functional scope	Interest representation for entrepreneurs
Inter-sectoral association	Entrepreneurs
Spatial boundaries	West Balaton area
Decision-making	Simple majority voting in the assembly

**Association of Lodgers (ab. 1998 - ) (AL)****Szobakidók Egyesülete**

Organizational type	Civil association
Functional scope	Interest representation for entrepreneurs in tourism
Inter-sectoral association	Entrepreneurs
Spatial boundaries	West Balaton area
Decision-making	One vote per member

These organizations were integrated into a development coalition similar to the one in the micro-region of Zalaszentgrót, where “satellite” organizations became important partners to the ZKA. This coalition took the form of a new micro-regional development office, called the West-Balaton Micro-Regional Resource Centre, which was established in 2002. The six founding organizations of the Resource Centre and the sectoral organizations had informal and durable horizontal ties with one another.

**West-Balaton Micro-Regional Resource Centre – informal association of diverse organizations in the region**

<b>Organizational type</b>	Inter-sectoral association without legal entity
<b>Functional scope</b>	Communication and cooperation of a diversity of micro-regional actors, capacity development of organizations, interest representation, coordination of tendering, project generation, trainings, project consultancy
<b>Inter-sectoral association</b>	1 company, 2 non-governmental organizations, 1 micro-regional association (Keszthely-Hévíz), 1 non-profit company, 1 central state representative
<b>Spatial boundaries</b>	West Balaton area embedded in county and region

The Resource Centre was essentially the extension of the Helikon Micro-Regional Office with a membership broadened by the Balaton Integration and Development Agency.<sup>85</sup> The services that the Centre provided for local governments, businesses and NGOs in the West Balaton area included project generation and development, consultancy in tendering, organizing a regular mayors’ club, and informal workshops for consortial development. It also coordinated the services individual organizations provided for entrepreneurs. Similar to the Helikon Micro-Regional Office, the local governmental organizations of the TRA and the SBA did not participate in the Resource Centre although its services extended over their territories as well. According to the two ex-Presidents of the TRA and the SBA, their

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<sup>85</sup> The organization was established in 2000 by the Balaton Development Council as a public benefit (non-profit company) in order to undertake operative service provision in development programs and projects of the Council.

organizations had never received any of the official services of the Centre. The single passage point between the two local governmental associations and the Resource Centre was the KHA, which linked the two coalitions through ad hoc, informal relations.

In 2004/05 the Keszthely-Hévíz MPP was established as one of the last mandatory MPPs in the country. As the interviewees all noted, there was considerable resistance in the area against the mandatory MPP. Local actors – even those that did not directly participate in the Resource Centre – acknowledged that there was an efficient “multi-purpose” system in place that had been constructed more or less at local needs. The new organizational form of the MPP was seen as detrimental to existing organizational ties and institutional practices. These local fears partly came true: the Resource Centre was terminated soon after the creation of the MPP. The two local governmental associations – the TRA and the SBA – had exhausted their institutional capacities by 2004 and were terminated as soon as MPPs were established in the region.<sup>86</sup>

### **Keszthely-Hévíz Multi-Purpose Partnership (KHMPP)**

#### **Keszthely-Hévíz Többcélú Társulás (2004 - 2007)**

<b>Organizational type</b>	Multi-purpose partnership
<b>Functional scope</b>	Public service provision in social services, educational services, transport services, environmental protection, spatial development
<b>Inter-sectoral association</b>	Local governments
<b>Spatial boundaries</b>	27 local governments in the West Balaton area
<b>Decision-making</b>	QMV

In 2007, eight local governments of the Keszthely-Hévíz micro-region decided to separate from the Keszthely-Hévíz MPP. With the leadership of Hévíz, they established “their own” micro-region and the Hévíz Multi-Purpose Partnership. Additionally, four local governments decided to join the micro-region of Pácsa, and hence since 2007 the micro-region of Keszthely has comprised only 15 settlements.

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<sup>86</sup> The settlements of the TRA and the SBA were spread out to join various MPPs. Depending on their location they were assigned to different spatial developmental-statistical micro-regions.

### **Keszthely Multi-Purpose Partnership (KMPP)**

#### **Keszthely Többcélú Társulás (2007 - )**

<b>Organizational type</b>	Multi-purpose association
<b>Functional scope</b>	Public service provision in social services, educational services, transport services, environmental protection, spatial development
<b>Inter-sectoral association</b>	Local governments
<b>Spatial boundaries</b>	15 local governments in the West Balaton area
<b>Decision-making</b>	QMV

### **Hévíz Multi-Purpose Partnership (HMPP)**

#### **Hévíz Többcélú Társulás (2007 - )**

<b>Organizational type</b>	Multi-purpose association
<b>Functional scope</b>	Public service provision in social services, educational services, transport services, environmental protection, spatial development
<b>Inter-sectoral association</b>	Local governments
<b>Spatial boundaries</b>	8 local governments in the West Balaton area
<b>Decision-making</b>	QMV

### **Pacsa Multi-Purpose Partnership (PMPP)**

#### **Pacsai Többcélú Társulás**

<b>Organizational type</b>	Multi-purpose association
<b>Functional scope</b>	Public service provision in social services, educational services, transport services, environmental protection, spatial development
<b>Inter-sectoral association</b>	Local governments
<b>Spatial boundaries</b>	20 local governments from the previous micro-regions of Zalaegerszeg, Nagykanizsa and Keszthely-Hévíz
<b>Decision-making</b>	QMV

### **The scope of functional association**

The large scale diversification and association of organizations in the second half of the 1990s was driven by the functional need to induce a complex socio-economic development of the West Balaton area. The developmental ecology of the micro-region at this time contained organizations with both single-issue based (sectoral) and multidimensional functional orientations. Besides the three multidimensional local governmental associations, four single-issue organizations focused on different dimensions of economic development (AM, AEC, ACC, AL).

This diversity of developmental functions was organized through a process of coordination within the coalitions represented by the Helikon Office and the West Balaton

Resource Centre. The integration of developmental functions in these offices provided the embeddedness of micro-regional programs in the development trends of the county and the larger region of the Lake Balaton. The concertation of developmental functions denoted a system of shared responsibilities in which each organization provided developmental services in its own domain in consultation with the ongoing activities of partner organizations. This ensured a flexible system in which developmental goals were integrated in order to provide synergies without one gaining priority over the other.

On the other hand, fragmentation of developmental functions in the association was also present, as the TRA and the SBA were not represented in these coalitions. In practice this meant that their developmental needs were only indirectly represented through a single passage point, which was the KHA. This denoted a degree of hierarchy in the organization of developmental goals, as the TRA and the SBA did not have the means to channel their own developmental vision into the coalition, but depended on the KHA to do it.

The creation of the KHMPP in 2004 dealt a severe blow to functional diversity and ultimately led to the fragmentation of developmental functions in the micro-region. Firstly, the mandatory establishment of MPPs in the county cut across the service boundaries of the TRA and the SBA and placed their settlements in at least four different spatial developmental-statistical micro-regions. Both of the ex-presidents of the two organizations agreed that this “functionally emptied out” their organizations. Many local governments felt that the multi-purpose character of the new MPP would not only substitute for the multidimensional functional orientation of the old local governmental association but also would serve them better financially through per capita funding in the MPP.<sup>87</sup> Following the establishment of the KHMPP and the association of development functions in the West Balaton Resource Centre was also halted and the office was closed down. Some of the single-issue organizations have survived the change but are now decoupled from the KHMPP.

### **The scope of sectoral association**

Throughout the decade, the KHA played a central role in introducing ever newer non-state actors to the micro-regional development field. In the Helikon Office and the West Balaton Resource Centre it invited several non-governmental organisations from the wider

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<sup>87</sup> However, budget calculations of the KHMPP indicated that the encompassing spatial developmental functions of the organizations – provided by the institutional framework – were seriously limited due to per capita funding of the central state. An interview with the manager of the KHMPP revealed that only 1,4% of the KHMPP central state financed budget were left to the discretion of the KHMPP, the rest had been prioritized by annual central state targeting of general MPP public service functions (education, social care, infrastructure, etc)

region of the county and Lake Balaton. The numerous micro-regional non-governmental organisations the formation of which it had encouraged maintained loosely coupled informal relationships with the KHA and its wider coalition.<sup>88</sup> In this way, a multisectoral developmental ecology provided more or less balanced representation for diverse actors. In 2003 the President of the KHA initiated the establishment of the West Balaton Spatial Developmental Advisory Board, which was intended to integrate formally the diversity of governmental and non-governmental actors in the micro-region. The implementation of the organization, however, was somehow forgotten amidst the establishment of the mandatory KHMPP in 2004.

### **The scope of territorial association**

Local governmental associations, the TRA, the SBA and the KHA had different territorial scales but overlapping developmental orientations, which supported the integration of the three associations. In the same vein, the developmental organizations in the Helikon Office – and in the West Balaton Resource Centre – had different territorial scales but shared developmental functions with the KHA. These functional coalitions supported territorial integration.

The spatial integrity of the micro-region was retained until 2004. The establishment of spatial developmental-statistical micro-regions and MPPs, however, induced major transformations of territorial integration. Firstly, many settlements in the West Balaton area were assigned to different spatial developmental-statistical micro-regions. This reassignment cut across organic and historical cross-settlement ties and sliced the 55-60 settlements of the three local governmental associations into different administrative districts. Only 27 settlements of the original Keszthely-Hévíz (West Balaton) micro-region remained in the new spatial developmental-statistical unit. Some settlements of the TRA and SBA were assigned to four different spatial developmental-statistical micro-regions and MPPs.

All ex-Presidents of the three local governmental associations saw the mandatory establishment of the MPPs and new spatial developmental-statistical boundaries as the biggest failure in the history of the micro-region. In the case of the TRA and the SBA, even informal cross-settlement ties were destroyed with settlements that were lost to another spatial developmental-statistical unit.

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<sup>88</sup> The relationship between the KHA and the sectoral NGOs was similar to that of the ZKA's and its "satellite" organizations in the micro-region of Zalaszentgrót. This governance model was based on the monosectoral association of local governments that nurtured NGOs as their loosely-coupled associative partners.

The territorial disintegration of the original Keszthely-Hévíz (West Balaton) micro-region, however, did not stop there. In 2007, eight settlements of the new spatial developmental-statistical micro-region of Keszthely-Hévíz decided to establish their own micro-regional unit and MPP while four settlements decided to secede and join another micro-region. As a result, since September 2007 the 27 settlements of the Keszthely-Hévíz spatial developmental-statistical micro-region have terminated their association. Now they belong to three different micro-regions: eight settlements comprise the micro-region of Hévíz, 15 settlements remained in the micro-region of Keszthely and four settlements joined the neighbouring micro-region of Pacsa.

### **Mode of association at T2**

Although towards the end of the 1990s the Helikon Office and the West Balaton Resource Centre provided channels for informal decision-making mechanisms, most of these had ceased to exist from the new developmental ecology by T2. The shared office space in the Helikon Office and the West Balaton Resource Centre offered ample opportunities for agenda-setting through lunches, coffee breaks and “corridor chats”. In addition, the mayors of the three local governmental associations met on a regular basis “for a coffee” to discuss matters of the micro-region. The loosely-coupled association of the organizations in the Helikon Office and the Resource Centre with sectoral NGOs were also based on conventions. These mechanisms distributed some authority to non-governmental actors that were thus enabled to participate in agenda setting. On the other hand, binding developmental decisions were made in the KHA and in the Helikon Office/West Balaton Resource Centre. This was indicative of a degree of centralization of decision-making in the hands of the KHA and its stable coalition partners.

The institutional framework of the MPPs after 2004 introduced exclusively formal mechanisms for decision-making and seems to have limited the use of conventions. As the ex-Presidents of the old associations put it: since then, the MPP’s have been about nothing but money and power games among settlements with the aim of accessing more money. While in the local governmental associations decision-making was based on mutual recognition of interests, in the MPP it is about formal procedures that were created by the central state through regulations. This institutional framework has created imbalances in the distribution of authority among actors in the new micro-region(s). The termination of cross-sectoral institutions, such as the Resource Centre, and the decoupling of the KHMPP from sectoral

NGOs, are indicative of the institutional trend that marginalizes non-governmental actors from decision-making.

### **Governance pattern at T2**

By 2007 the development ecology of the original Keszthely-Hévíz micro-region was closer to the fragmented, top-down ideal type governance mode. Horizontal organizational ties have disappeared from the development field and decision-making has become centralized in the hands of single organizations, the MPPs. Non-state actors have become marginalized and developmental goals have become organized according to externally defined priorities. The most visible fact of fragmentation though is the complete territorial disintegration of the original Keszthely-Hévíz micro-region.

**19. Figure: Summary of governance patterns in the Keszthely-Hévíz area**

<b>Dimensions</b>					
		<b>Scope of association</b>		<b>Mode of association</b>	
<b>Organizational</b>	<b>Functional</b>	<b>Sectoral</b>	<b>Territorial</b>	<b>I/F<sup>89</sup></b>	<b>C/D<sup>90</sup></b>
Homogeneous organizational ecology in T1 developing into heterogeneous development coalitions over the decade that are diminished by T2	Multidimensional ecology of 3 organizations in T1 growing into concerted multidimensional associations over the decade that are reduced by T2	Monosectoral representation in T1 developing into a diversity of sectoral representations over the decade that is diminished by T2	Heterogeneous territorial composition integrated in T1 through functional and organisational associations, yet disintegrating entirely by T2	A balance of formal and informal mechanisms with slight imbalances in the distribution of authority favouring a single organisation became formalized and centralized in T2 leading to the marginalization of non-state actors.	

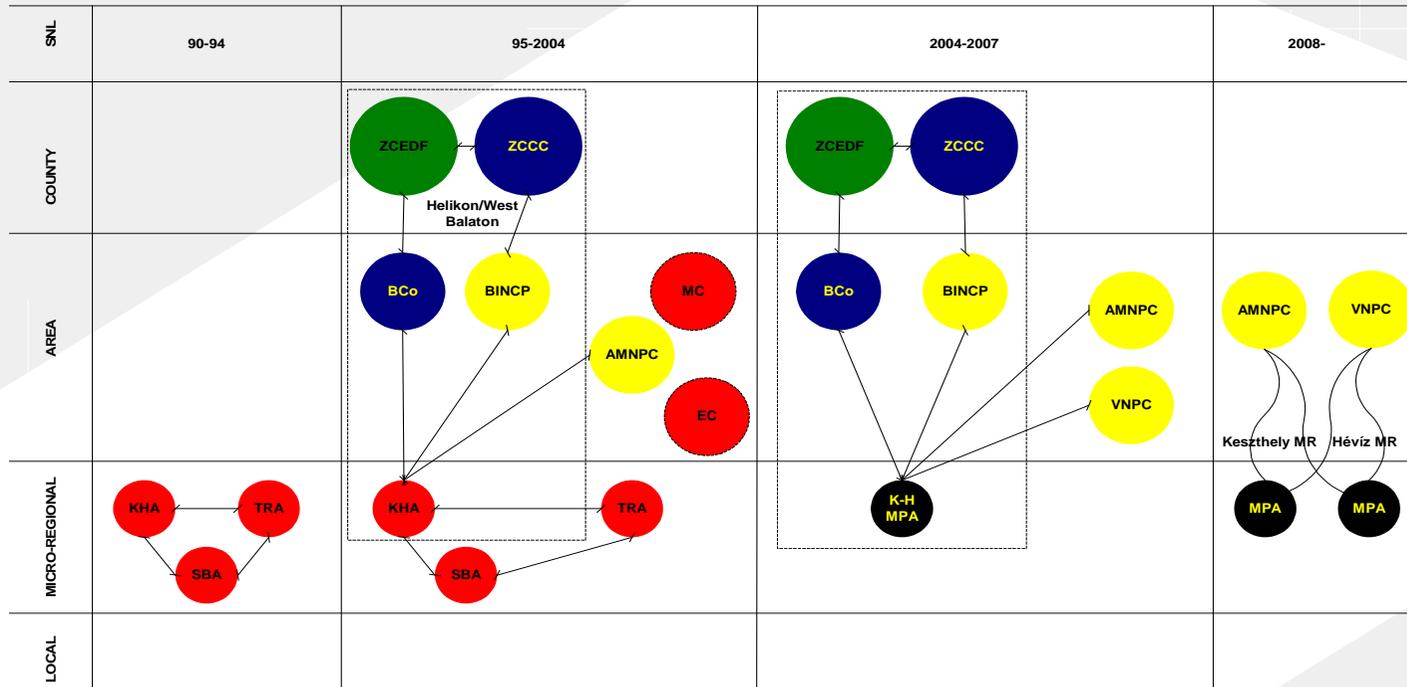
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<sup>89</sup> Informal v.s. Formal

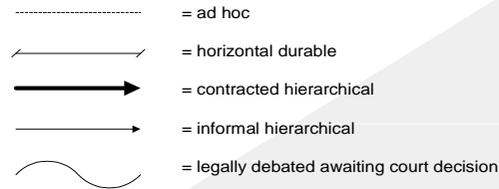
<sup>90</sup> Centralized v.s. Distributed

# KESZTHELY-HÉVÍZ MR

## INSTITUTIONAL PERIODS



KHA= Keszthely-Hévíz Micro-Regional Development Association  
 TRA= Tátika-Rezi Regional Local Governmental Association  
 SBA= Small Balaton Association  
 ZCEDF= Zala County Enterprise Development foundation  
 ZCCC= Zala County Chamber of Commerce  
 BCo= Balaton Regional Development Co.  
 BINCP= Balaton Integration and Development Public Benefit Company  
 AMNPC= Area Marketing Public Benefit Company  
 MC= Mayors' Club  
 VNPC= Valcum Balaton Integration Development Agency Public Benefit Company  
 MPA= multi-purpose association  
 Helikon/West Balaton= Helikon Micro-Regional Office/West Balaton Micro-Regional Resource Center  
 K-H MPA= Keszthely-Hévíz Multi-Purpose Association  
 MR= micro-region  
 SNL= sub-national level



### **6.6.3. The mode of institutional change in Keszthely-Hévíz: - from institutional richness to disintegration**

In the old micro-region of Keszthely-Hévíz, which included the area of the current micro-regions of Keszthely, Hévíz and Pács hybrid governance modes of the early 1990s have transformed into top-down, fragmented governance patterns by 2007. Hybrid micro-regional governance modes of the early institutional period referred to non-hierarchical institutional mechanisms promoting a mix of developmental goals through the Főnix program, and, on the other hand, imbalances in the distribution of authority between governmental and non-governmental actors. Behind the diversity of associational practices, one of the richest micro-regional developmental ecology of the 1990s evolved in the Keszthely-Hévíz area. The disintegration of associative governance denotes the disintegration of all governance dimensions in the post-MPP period. Following the territorial disintegration of the micro-region, horizontal organizational ties have disappeared from the development field and decision-making has become centralized in the hands of single organizations, the MPPs in all new micro-regions. Non-state actors have become marginalized and developmental goals have become organized according to externally defined priorities.

From an evolutionary perspective, the process of institutional change can be divided into four phases: 1990-1994, 1995-2004, 2004-2007 and 2008 up to the present day. The institutional periods between 1990 and 1994 and the between 1995 and 2004 were characterized by intensive experimentation and bottom-up institution-building, with the creation of various organisations and institutional forms. Dynamics of institutional changes however from the initial period demonstrated a creeping institutional fragmentation in the distribution of intelligence parallel to ongoing institutional experimentations. This institutional logic of fragmentation had ripened by the point of the transposition of the mandatory MPP, whose framework reinforced disintegrative and hierarchical rather than integrative and non-hierarchical modes of association.

The transformation of the institutional context in the first period of institutional evolution was about the introduction of new local governmental organizations, such as the SBA (1990/1993), the TRA (1992) and KHA (1994). The formation of these organizations took place within a frame of experimentation with institutional solutions that could support the socio-economic rehabilitation and development of the area in the western corner of the Lake Balaton. The formal developmental coalition of the three organizations and the Főnix

program were major steps in institutional experimentation. The program provided a framework for dialogue and the distribution and sharing of intelligence in development matters over the area covered by the three organizations. The framework derived from a social entrepreneur, the President of the KHA, who initiated the concept of the West Balaton area. The functional association of adjacent areas in the western corner of the Lake Balaton was about introducing an institutional coalition to the developmental field, which generated the evolution of hybrid patterns of governance. Hybrid patterns of governance denoted an organic, bottom-up concertation of developmental goals in the Fónix program, non-hierarchical decision-making mechanisms within the coalition of local governments but imbalances in the distribution of intelligence due to ad hoc, informal inclusion of non-governmental actors in development matters.

Hybrid patterns of governance also prevailed in the second institutional period, further strengthening a creeping fragmentation in the distribution of intelligence. This period was primarily characterized by an abundance of new organizations and institutional elements introduced to the micro-regional development field at the initiation of the KHA and its President. The creation of the Helikon Micro-Regional Office in 1997 and of the West-Balaton Resource Centre in 2002 introduced new institutional elements in the long run generated increasing fragmentation in the distribution of intelligence. At the same time, the period also demonstrated increasing institutional heterogeneity with the foundation of several new organizations and their associations in the development coalition of the Resource Centre.

The emergence of at least four new organizations – the AM (2000), the AEC (1998), the ACC (2000), the AL (1998) – and their association followed the Zala County model of incubated sectoral organizations. Hence, it was a single organization (KHA) that generated the establishment of sectoral “satellite” organizations which it then organized into a development coalition within the West-Balaton Resource Centre. In spite of the fact that the six founding organizations of the Resource Centre (a company, two non-governmental organizations, a non-profit company, a central state representative and the KHA) and the sectoral organizations shared informal and durable non-hierarchical ties, imbalances in the distribution of intelligence and authority increased as a result of the marginalization of the two local governmental associations in the Resource Centre.

A major difference between the micro-regions of Zalaszentgrót and Keszthely-Hévíz was that in the former the coalition of sectoral satellite organizations provided services for all municipalities in the entire micro-region, while in the Keszthely-Hévíz area the West Balaton Resource Centre only focused on the functional service area of the KHA. The TRA and the

SBA were marginalized in this sense in the development field of the West Balaton Region. This sort of fragmentation in the distribution of intelligence naturally created gaps within the territorial dimension of micro-regional governance.

This was a process of *institutional layering* in which the introduction of this fragmented institutional logic set in motion dynamics that in the long run progressively shrank the domain of the originally integrated idea of the West Balaton Micro-Region. In the first period fragmented institutional logics concerned “only” a few non-governmental actors in the three municipalities. In the second institutional period local governments of the TRA and the SBA also had a stake in the fragmented logic of the distribution of intelligence. Parallel to the increasing success of the institutional model of the developmental coalition within the Resource Centre, the domain of the TRA-SBA-KHA local governmental coalition progressively shrank. The process also contained an element of *institutional drift* as the local governmental coalition was not recalibrated or renegotiated to fit the new institutional structure with the leadership of the West Balaton Resource Centre. The lack of tending to the TRA-SBA-KHA coalition was more understandable from the point of view of the KHA that had alternative resources to turn to within the coalition of the Resource Centre. The lack of challenging these imbalances in the mode of association, however, was less conceivable from the viewpoint of the TRA and the SBA, which, as local governments in the functional service area of the Resource Centre, could have avoided the erosion of their coalition by renegotiating the terms of their cooperation with the KHA.

Three main factors behind this institutional drift could be mentioned. First, was the central position of the KHA in coordinating associational ties in the micro-region. Similar to the micro-region of Zalaszentgrót, the KHA and its President stood as the central node in both coalitions. They were the only source for ad hoc, informal links between the local governmental and the sectoral coalitions. Secondly, the President of the KHA appeared to be the only socially skilled entrepreneur in the micro-region capable of creating a frame for associations. Thirdly, the social entrepreneurs of the TRA and the SBA were unable to create alternative frames that challenged the central position of the KHA and its social entrepreneur in organizing associational ties across the micro-region.

The leaders of the three local governmental organizations had all acted as social entrepreneurs at the beginning of the 1990s when they recognized opportunities of cross-municipal cooperation amidst the constraints of a fragmented local governmental system. To varying degrees they were also socially skilled entrepreneurs in the sense that they were able to produce cognitive frames for organizing associations in their own areas. However, only one

of them had the Fligsteinian social skill to compromise identities through the accommodation of heterogeneous actors and their interests. This person was the President of the KHA, who was a skilled strategic actor as he managed to consolidate the power of his own group (the network around the KHA) in a way that he avoided direct conflict with other dominant groups (local governments) in the TRA and the SBA. He was able to do this by creating the frame of the concept of the West Balaton Micro-Region that generated two developmental coalitions in the micro-region: one local governmental between the TRA, SBA and KHA and another sectoral (business) within the Helikon Office and later on in the Resource Centre.

Managing both coalitions and providing informal links between the two required the entrepreneurial skill to juggling several balls at the same time. In addition, being the central node between the two coalitions, the President of the KHA also acted as interpreter for the micro-regional community. Similar to the social entrepreneurs of the Zalaszentgrót and Sümeg micro-regions, he did not have to do this alone; the management team of the Helikon Office and the Resource Centre helped him translate the lingua of the opportunity structure to “local vernacular,” and vice versa. In spite of the seemingly well-organized developmental ecology of the West Balaton micro-region, the President of the KHA was unable to maintain the frames of association in the face of external challenges of the institutional environment.

The disintegration of the two developmental coalitions and eventually of the West Balaton micro-region between 2005 and 2007 was due to his inability to create – and maintain – a cognitive frame based on the distribution of intelligence. Firstly, being the central node between the two coalitions, the President of the KHA did not encourage the creation of an overarching heterarchic association of the local governmental and the sectoral associations. Thus, unlike in the micro-region of Mórahalom, where direct cross-organizational passage points provided a system of checks and balances, in the West Balaton micro-region a single entrepreneur controlled the diffusion of information on resources. Although this could have still enabled him to distribute competencies and intelligence (like the Head of the ZKA in Zalaszentgrót did), he did not organize the local institutional framework accordingly. In the micro-region of Zalaszentgrót, the head of the ZKA deliberately tended to maintaining cross-organizational links within the coalition and thus distributed intelligence across organizations. In the micro-region of Keszthely-Hévíz the social entrepreneur’s preference for the (business) sectoral coalition vis-à-vis the local governmental was demonstrated by cultivating the former and neglecting the latter. In the absence of continued and valued rewards for the whole West Balaton community, cooperation within the micro-region came to be tainted with distrust and fragmented relations.

The shortcomings of the “single centre” model and, on the other hand, the significance of the social entrepreneurs’ personal skills to produce and maintain frames for heterarchic associations can be most clearly seen in the developments of the third institutional period. Despite the considerable resistance in the area against the mandatory establishment of an MPP, eventually it was still *institutional monocropping* that took place in the micro-region. Local actors – even the TRA and the SBA – acknowledged that there was a functional “multi-purpose” system in place that had been constructed more or less at local needs. The new organizational form and institutional mechanisms of the MPP were seen as detrimental to existing organizational ties and institutional practices. Under these circumstances one would have expected the *institutional displacement* of the MPP through *rejection to invasion* to take place. However, the establishment of the KHMPP in 2005 set in motion dynamics that further strengthened existing logics of fragmentation, which eventually led to the territorial disintegration of the old micro-region of Keszthely-Hévíz and to sectoral and functional disintegrations within the new Keszthely-Hévíz (since 2007 only Keszthely) micro-region. This was a process of *exhausting* existing institutional practices by the cognitive framework of the MPP, which did not reinforce associated behaviour but rather the belief in the one-to-one transposition of the institution of the MPP.

The institutional exhaustion of the associations of the West Balaton micro-region occurred as a result of fragmentation in the dissemination of intelligence and the inability of the single strategic entrepreneur to produce a frame that would counter the constraining effects of the MPP framework. Unlike the socially skilled entrepreneur of the neighbouring Zalaszentgrót micro-region, he did not see opportunities amidst constraints and thus he did not deploy deliberate strategies in order to maintain existing non-hierarchical patterns of governance by recalibrating the local institutional context to some degree. Upon retirement in 2006/07, the social entrepreneur left the developmental field entirely, as did his previous partners in the TRA and SBA.

## 6.7. A summary of case studies

This section has provided descriptions of patterns of micro-regional governance in the early 1990s (T1) and the mid-2000s (T2). Each case study focused on changing patterns of governance between T1 and T2 in two dimensions; the scope and mode of association. With regard to the scope of association features of cross-organizational and functional integration, the inclusion of diverse sectoral representatives and the territorial integrity of micro-regions have been discussed separately at T1 and at T2. Regarding the mode of association the case studies mapped out characteristics of decision-making mechanisms in terms of the degree of their institutionalization and the distribution of decision-making rights among different participants of the development field. Changes in each dimension of micro-regional governance between T1 and T2 are summarized in the figures below.

**20. Figure: Changes in the organizational form**

	<b>Mórahalom</b>	<b>Sellye</b>	<b>Encs/Abaúj- Hegyköz</b>	<b>Zalaszentgrót</b>	<b>Sümege</b>	<b>Keszthely- Hévíz</b>
<b>T1</b>	Homogeneous, single organization	Semi-heterogeneous with ad hoc and durable collaborations (fragmentation)	Heterogeneous organizations in loosely coupled informal coalition	Homogeneous, single organization	Homogeneous, single organization	Homogeneous, local governmental organizations
<b>T2</b>	Heterogeneous organizations loosely coupled in stable development coalition	Reduced diversity with informal hierarchical cooperation	Encs: Heterogeneous fragmented with decoupling Abaúj-Hegyköz: heterogeneous contracted hierarchical cooperation	Heterogeneous organizations loosely coupled in stable development coalition	Heterogeneous organisations loose coupled through ad hoc collaborations.	Loosely coupled informal coalition becomes decoupled

**21. Figure: Changes in the scope of functional associations**

	<b>Mórahalom</b>	<b>Sellye</b>	<b>Encs/Abaúj-Hegyköz</b>	<b>Zalaszentgrót</b>	<b>Sümeg</b>	<b>Keszthely-Hévíz</b>
<b>T1</b>	Single-issue based	Multidimensional partly fragmented, partly concerted	Multidimensional with some concertation	Multidimensional with some concertation	Single-issue based	Multidimensional with some concertation
<b>T2</b>	Multidimensional in permanent concertation	Fragmented multidimensional, deprivation of functions	Encs: Fragmented multidimensional Abaúj-Hegyköz: multidimensional in orchestration	Multidimensional in permanent concertation	Multidimensional with ad hoc concertation	Fragmented deprivation of functions

**22. Figure: Changes in the scope of sectoral associations**

	<b>Mórahalom</b>	<b>Sellye</b>	<b>Encs/Abaúj-Hegyköz</b>	<b>Zalaszentgrót</b>	<b>Sümeg</b>	<b>Keszthely-Hévíz</b>
<b>T1</b>	Monosectoral	Multisectoral	Multisectoral	Monosectoral	Monosectoral	Monosectoral
<b>T2</b>	Multisectoral	Monosectoral	Monosectoral	Multisectoral	Multisectoral	Multisectoral representation reduced to monosectoral by 2007

**23. Figure: Changes in the scope of territorial associations**

	<b>Mórahalom</b>	<b>Sellye</b>	<b>Encs/Abaúj-Hegyköz</b>	<b>Zalaszentgrót</b>	<b>Sümeg</b>	<b>Keszthely-Hévíz</b>
<b>T1</b>	Homogeneous integrated	Homogeneous territory and integrated scales	Heterogeneous territorial scales integrated	Homogeneous territory	Homogeneous territory	Heterogeneous territorial scales integrated
<b>T2</b>	Homogeneous territorial scales integrated	Heterogeneous territorial scales fragmented collaboration	Territorial disintegration	Heterogeneous territorial scales integrated	Homogeneous territorial scales integrated	Territorial disintegration

**24. Figure: Changes in the mode of decision-making**

	<b>Mórahalom</b>	<b>Selye</b>	<b>Encs/Abaúj-Hegyköz</b>	<b>Zalaszentgrót</b>	<b>Sümege</b>	<b>Keszthely-Hévíz</b>
<b>T1</b>	Formal hierarchy and informal distributed authority	Formal and informal distributed authority	Largely informal (some formal) distributed authority	Largely informal (some formal) distributed authority	Formal, centralized	Formal and informal distributed authority
<b>T2</b>	Formal and lots of informal distributed authority	Largely formal centralized	Formal Encs: some distribution of authority Abaúj-Hegyköz: centralized	Formal and lots of informal retained distributed authority on the systemic level in development coalition.	Formal and informal with occasional distributed authority	Formal centralized

The institutional status quo of the early 1990s in the majority of cases was characterized by the dominance of local governments in sectoral representation. That is, developmental associations were initiated by local governmental actors and, even in the micro-regions of Selye and Encs/Abaúj-Hegyköz where non-governmental actors played a central role in organizing associations, local governments remained important engineers of developmental cooperation. Despite the monosectoral representation of local governments in these early associations, the mode of association in the majority of the cases was characterized by more or less evenly distributed authority in decision-making, planning and implementation. This included a large number of informal mechanisms and common forums for dialogue and some form of strategic developmental planning covering the whole of the integrated territory of the micro-region. The single exception was the micro-region of Sümege where the mode of association was based on formal mechanisms and decision-making remained centralized by single local governments. The lack of real dialogue also indicated the absence of strategic developmental planning covering the entire territory of the micro-region. The developmental association was just used by individual local governments to serve their responsibilities in public service provision. This monodimensional functional ecology was also present at the founding moment of developmental associations in the micro-region of Mórahalom but local governmental actors soon after the successful implementation of their first public service developmental project initiated the establishment of an NGO with both

governmental and non-governmental members to manage developmental planning and implementation.

In this sense, more or less integrated non-hierarchical modes of governance could only be identified in the micro-regions of Sellye and Encs/Abaúj-Hegyköz in this period. The representation of multiple sectoral actors in the associations and their multidimensional functional ecology in these micro-regions could be contrasted with hybrid governance patterns in the micro-regions of Mórahalom, Keszthely-Hévíz and Zalaszentgrót. Displaying variations in hybrid forms of integrated non-hierarchical and fragmented hierarchical modes of governance among these micro-regions Mórahalom was closer to the fragmented ideal type than the other two, due to its single-issue based functional ecology. What still qualifies the mode of governance in Mórahalom as hybrid rather than fragmented-hierarchical – as in the micro-region of Sümeg – is the distribution of authority in decision-making and planning. The institutional status quo in all the six cases ensured territorial integration as organic territorial ties among settlements played an important role in generating developmental associations in the first place.

In terms of the transformation of governance patterns, varying degrees of institutional development has taken place in three micro-regions: Mórahalom, Zalaszentgrót and Sümeg. The micro-regions of Mórahalom and Zalaszentgrót have moved away from a hybrid mode of governance towards an ideal-type heterarchy. In both micro-regions durable development coalitions have been developed where a diversity of local actors are involved to share the definition of developmental goals and means. The distribution of authority among multiple actors at the same time also means that developmental goals have a multidimensional character generating capacities for quality growth. Similar institutional trends have developed in the micro-region of Sümeg but only recently, after more than a decade long institutional stagnation. The homogeneous organizational and sectoral representations of local governments with their single-issue developmental goals and centralized decision-making mechanisms began to be transformed just about 5 years ago. As a result, currently hybrid governance patterns display more diversity in the organizational flora with the participation of diverse non-governmental actors. The presence of multiple non-governmental actors in developmental planning conveys multidimensional developmental functions but the scope and mode of association still display ad hoc and formal institutional ties rather than stable developmental coalitions. Imbalances in the distribution of authority can also be identified as local governments still rely on their more extensive institutional capacities to further their own developmental goals and means.

On the other hand, varying degrees of institutional decline (de-institutionalization) has taken place in the micro-regions of Sellye, Encs/Abaúj-Hegyköz and Keszthely-Hévíz. In the micro-region of Sellye organizational diversity has become reduced to the monolithic rule of a local governmental organization that has a hierarchical, contracted relationship with the once dominant NGO. Similar hierarchical association can be found among decoupled organizations of the micro-regions of Encs/Abaúj-Hegyköz and Keszthely-Hévíz. In all three micro-regions the shift from multisectoral representations of a diversity of actors to the dominance of local governments in developmental planning has induced the deprivation of developmental goals to local governmental public service provision functions. In the same vein, developmental decision-making has become centralized in the hands of local governments that rely on formal mechanisms and retain all authority to define the goals and means of micro-regional development. Institutional disintegration is perhaps most visible in the territorial dimension in the micro-regions of Encs/Abaúj-Hegyköz and Keszthely-Hévíz that have fallen apart, so as to comprise several separate micro-regions.

**25. Figure: Changes in the patterns of governance between T1 and T2**

	Mórahalom	Sellye	Encs/Abaúj-Hegyköz	Zalaszentgrót	Sümege	Keszthely-Hévíz
<b>T1</b>	Hybrid	Integrated, more or less non-hierarchical	Integrated, more or less non-hierarchical	Hybrid	Fragmented top-down	Hybrid
<b>T2</b>	Integrated, non-hierarchical	Fragmented, top-down	Encs: hybrid Abaúj-Hegyköz: fragmented, top-down	Integrated, non-hierarchical	Hybrid	Fragmented, top-down



## 7. Transformation of micro-regional governance

The first section of the case studies described changes in patterns of governance, comparing this within each of the micro-regions at T1 and at T2. It presented the features of micro-regional governance separately at T1 and T2, measured by the organizational, functional, sectoral and territorial scopes of association and the mode of association (formal vs. informal and centralized vs. distributed decision-making patterns).

The following sections analyze the dynamics of change in micro-regional governance between the early 1990s and 2006/07. Patterns of governance in the case studies at T1 and T2 indicate that the evolution of varieties of associative governance patterns can be explained by the interplay between endogenous and exogenous factors, which contributed to altering the initial equilibrium and to moving institutional change in different directions. Going from the fringes of exogenous factors towards the core of endogenous changes, firstly, it was transformations in the institutional framework that introduced new logics of action into the micro-regional development field. Secondly, these logics induced shifts in the cognitive framework and in balances of power of micro-regional developmental governance. The ultimate direction of institutional change in the five dimensions of associative governance was also shaped, however, by other endogenous factors such as the presence and the strategies of social entrepreneurs.

The evolutionary history of Hungarian micro-regional governance can be summarized as increasingly prescriptive/restrictive over the three institutional periods, with progressive limitations on micro-regional actors' autonomy and ability to experiment, while reshaping the distribution of authority among them *within* micro-regions. The first section in this chapter will analyze transformations in the external framework from the perspective of what kind of resources they provided for micro-regional institutional change. As the institutional framework after 1996 increasingly grew more restrictive regarding the scope and mode of association, micro-regional actors' ability to experiment with different institutional solutions became more limited. This meant the increasing willingness and capacity of the central state to define the terms of association among micro-regional actors from the centre. Although in the 2<sup>nd</sup> institutional period the prescriptive cognitive framework of domestic rules was still balanced by the non-prescriptive institutional logics of transnational programs (PHARE, SAPARD, experimental LEADER), in the 3<sup>rd</sup> period transnational programs began to support the prescriptive logic of the central state. The shift in the institutional logics of EU pre-accession programs meant an emphasis of central state capacities in technical accountability.

This strengthened a domestic cognitive framework that encouraged centralization, hierarchical networks and strong central state authority to define the terms of micro-regional governance.

This, however, is only part of the story. Changes in institutional framework conditions also affected the logics of distributing authority within micro-regions. In the micro-regional field the domestic translation of the empowerment of the central state vis-à-vis sub-national actors was the strengthening of local governments' bargaining power vis-à-vis non-governmental actors. In other words, certain aspects of the external framework affected micro-regional governance *from within* by reshaping balances of power between micro-regional actors.

Yet the modes of institutional change in the six cases, analyzed in the third section of this chapter, indicate that resistance to increasingly restrictive/prescriptive institutional conditions was possible. Defeating rules that restricted experimentation and provided local governments with resources of increased bargaining power could take place in micro-regions where a socially skilled entrepreneur created cognitive frames of heterarchy. The fourth section thus analyzes the role agency (social entrepreneurs) played in the interpretation of changing framework institutions and the ways such socially skilled entrepreneurs generated frames for heterarchic modes of governance.

## **7.1. Sources of institutional change: transformations of the external framework**

### **7.1. 1. Social learning, external incentives and the transformation of the cognitive framework**

Hungarian micro-regional developmental governance has been conceptualized here as a regime that is embedded in various levels of a sub-national development field. These levels primarily include the regional development policy of the EU and the national development contexts that are interwoven by a complex set of rules. It consists of various development programs (e.g. PHARE, Soros, ÖAR/HDF), through their eligibility criteria, and the domestic legislation that embodies these rules. They shaped micro-regional governance in two interconnected ways: by providing external incentives and norms for local actors to organize their development field.

EU-level rules influenced micro-regional governance indirectly as the EU formally never paid attention to micro-regional institutional systems, either during accession negotiations or in the distribution of Structural Funds after 2004. In fact, micro-regional associations had had a rich institutional history of organic development already in the first years of the 1990s, before the establishment of NUTS 2 regional institutions under EU pressure. Yet, the influence of European regional development regime can be discerned in two dimensions of micro-regional institutional development.

Firstly, EU development programs throughout the first half of the 1990s (PHARE 1992, 1995, 1996-97) disseminated ideas and norms about integrated and non-hierarchical modes of developmental governance. This was a process of social learning through external incentives where the eligibility criteria of EU programs served as a system of formal and informal rules. These rules induced the transformation of the micro-regional institutional environment in a bottom-up manner through the dissemination of ideas, and cultural (know-how) and social (intra and inter-micro-regional cooperation) capital. Their dissemination also meant empowerment for lower level governmental and societal actors vis-à-vis the central state.

In fact, micro-regional associations had been popular instruments of spatial development policy. In the mid-1990s the central state saw these organisations as its potential new partners in sub-national development policy. Also in the hope of upcoming EU accession, it decided to create and to strengthen the micro-regional level alongside the

counties in order to prepare it for the management of the Structural Funds after accession. This required, however, a more homogenous institutional structure than the sporadic and/or ad hoc associations then predominant. The institutional system had to be transparent for the EU and for the central state to be held accountable in administrative and financial terms. Setting up a standardized unit of statistical micro-regions in the Act on Spatial Development in 1996 was the first attempt to homogenize the micro-regional institutional system.

The Commission, however, did not require the establishment of a formal micro-regional level; the fundamental requirements of EU accession were the consolidation of the medium-level institutions of spatial development – i.e. the NUTS2 regions. Nevertheless, the shift in the Commission's discourse on technical rather than political accountability weakened the principles of non-hierarchical and integrated governance in the entire sub-national developmental field. The new emphasis in PHARE programs on central state capacity building strengthened the central state's bargaining power vis-à-vis sub-national actors. Although PHARE programs continued to finance SME partnerships (2000) and integrated local development initiatives (2002-03), they were increasingly managed by the central state (after 2000 PHARE programmes were co-financed by Hungarian authorities up to 25-50%).

The Commission's new discourse transformed the cognitive framework of Hungarian sub-national development and enabled the central state to take advantage of its asymmetrically strengthened power in relation to sub-national actors. Indirectly therefore it affected the way micro-regional developmental governance was organized. A cognitive framework is comprised of institutional logics that refer to rules, conventions, and beliefs that structure cognition and guide decision-making in a field. The way institutional logics can shape institutional development is through structuring the cognitive field in which actors make decisions. Cognitive fields focus decision-makers' attention on a delimited set of issues and solutions leading to logically-consistent decisions that reinforce extant organizational identities and strategies. In this sense, the shift in the Commission's priorities introduced a new logic of action, which also reorganized the cognitive field in which domestic development programs and legislation were conceived.

Development programs and regulations were the two – soft and hard – instruments that the central state could rely on to assert its re-strengthened bargaining power vis-à-vis micro-regional actors. Before 1996 ad hoc development programs (e.g.: NEF, SDF) shaped the opportunity structure of micro-regional development rather than regulations. This was indicative of the absence of a deliberate spatial development policy of the central state that began to emerge with the Act on Spatial Development in 1996. This act was the first attempt

to shape micro-regional associations more directly through legislation by externally defined (prescribed) parameters of the central state.

The Act offered two kinds of rewards for micro-regional associations that complied with its framework: assistance through decentralized funds and institutional ties through delegation of micro-regional representatives to county development councils. The condition of receiving rewards was to adopt an organizational form (LGP), over a specific territory (statistical micro-region) and with a specific organizational composition (only local governments) as prescribed by the central state. These conditions changed the opportunity structure of the micro-regional development field in favour of local governments. The formation of large numbers of micro-regional LGPs across the country in 1996/97 reflected the mechanism of updating, in which micro-regional actors observing changes in the external framework of the domestic policy field transformed their institutional structures for the sake of increased returns.

Yet in the cognitive framework of the 1996 Act on Spatial Development, local actors could still retain their capacities of choice; i.e. *de jure* and *de facto* they had the right to voluntarily comply with the rule or defect from it. Consecutive pieces of legislation in the domestic policy field did not provide micro-regional actors with this opportunity; rather they restricted their room for manoeuvring in the course of updating. The modification of the 1996 Act on Spatial Development in 1999 reduced the number of micro-regional representatives and increased the number of central state agencies in county development councils. This reinforced the central state's encroachment on micro-regional actors' capacities to define the terms of their development. The Act on MPPs in 2004 strengthened local governments' bargaining power *vis-à-vis* societal actors at the micro-regional level and reasserted the central state's capacity to define externally the parameters of the governance of micro-regional governance. In both cases micro-regional actors were paid off by being offered to receive financial rewards. Without an opportunity for choice micro-regional actors had to comply with the single condition of receiving per capita funding: the adoption of the institutional structure of the MPP that defined the organizational form, the sectoral composition, the territorial extension of micro-regional collaboration on development functions orchestrated externally by the central state. Such restrictions on micro-regional actors' autonomy to determine the principles of their developmental governance reflected a stalemate between two logics of action in the evolution of micro-regional governance: the empowerment of micro-regional actors by early PHARE programs and the domestic development programs of the early 1990s, and the somewhat greater empowerment of the

central state by later PHARE programs as reflected in domestic development programs and regulations of the late 1990s and early 2000s.

All in all, the various institutions of the external framework introduced to the micro-regional developmental field between 1990 and 2007 represented different, sometimes contradictory and/or conflicting logics of action. Diverse institutional logics swayed micro-regional actors' attention towards different institutional solutions with the aim of organizing their association in the five dimensions of micro-regional governance. The summary of the logics of association of regulations and development programs indicates three periods that can be distinguished by the general cognitive framework their rules contained. Changes in the logics of action are indicative of the dynamics of institutional change in micro-regional governance between T1 and T2.

26. Figure: Institutional logics in micro-regional governance periods

Micro-regional governance periods

Dimensions	1990-1995	1996-2003	2004 -
<b>Organizational association</b>	Integrated heterogeneous forms at the discretion of local actors	Combination of prescriptions on preferential organizational form (LGP) and discretionary organizational form (PHARE, SAPARD)	Restricting choices on single organizational form as vehicle of development (MPP)
<b>Functional association</b>	Integrated multi-dimensional priorities at the discretion of local actors	Multidimensional concerted priorities but also prescribed local governmental functions	Top-down orchestrated, contracted development priorities
<b>Sectoral association</b>	Discretionary association of diverse sectors	Combination of prescription on preferential sectoral composition (LGs) and discretionary association of diverse sectors	Restricting membership, exclusively to LGs
<b>Territorial integration</b>	Free framing of territorial boundaries	Combination of prescriptions on territorial boundaries (statistical micro-regions, LGPs) and free framing of territorial boundaries (NEF, PHARE, SAPARD)	Top-down appointed territorial boundaries
<b>Mode of association</b>	Lots of informal, non-hierarchical mechanisms, left to the discretion of local actors	Combination of hierarchical and non-hierarchical mechanisms left to the discretion of local actors	Hierarchical, formalized mechanisms non-discretionary to local actors

Institutional logics of governance



## **7.2. Mechanisms of institutional change induced by the cognitive framework**

### **7.2.1. The process of updating**

The transformations of institutional logics affected micro-regional associations by framing ever newer cognitive structures through which micro-regional actors interpreted external conditions. The process of updating micro-regional institutional arrangements by monitoring the sequence of events in the external environment can be analyzed across two dimensions: micro-regional cases and institutional periods.

The micro-regional case studies suggest that micro-regions can be distinguished in two groups with regard to their updating practices. In the first group it was a deliberative learning process to make sure that local institutional arrangements match that of the environment's and select institutional solutions from the external framework that bring advantages of increasing returns for local actors as well. Taking a specific path of institutional adaptation was thus adjusted to institutional developments in the micro-region. This kind of updating strengthens the adaptability of the micro-regional unit.

Mutually adjusting local needs and external requirements to each other, however, was not the concern of all micro-regional actors. According to the founder of the Cserehát Alliance, in the majority of the cases it did not even occur to local actors to establish their own strategic visions and adjust them to the priorities of regulations and development programs. In these cases updating was not a deliberative process but rather the copying of a one best way prescribed by the environment. This type of updating is not concerned with the adaptability rather with the conformity of the micro-regional unit to external requirements.

In choosing either of the two strategies micro-regional actors were encouraged by financial resources, the most important mobilizing factors. In order to gain access to them micro-regional actors were ready to pro-actively adapt and/or passively conform to the changing environment. The difference between the two attitudes lays in the absence or presence of a self-guided strategic planning about the use of these resources. In the majority of micro-regions across the country the general attitude was to take whatever available financial resources without strategic adjustment of their own micro-regional goals. In these cases the attitude of conformity inhibited micro-regional actors to guide their own institutional development and on the long run resulted in stagnation or institutional decline.

The two distinguished updating mechanisms can be identified in the six case studies across T1 and T2. At T1 conformity only characterized the micro-region of Sümeg; of the rest

of the micro-regional cases, Zalaszentgrót, Mórahalom, Sellye, Encs/Abaúj-Hegyköz, Keszthely-Hévíz followed the strategy of pro-active adaptability. At T2, however, the micro-regions of Keszthely-Hévíz, Sellye and Abaúj-Hegyköz displayed the strategy of conformity, while the rest of the micro-regional cases, Zalaszentgrót, Mórahalom, Encs, and Sümeg opted for the path of institutional adaptability. Change in the institutional attitude in some of the cases between T1 and T2 display the choices local actors made when updating their knowledge about changes in the external institutional environment. The three institutional periods of the external institutional environment can be distinguished by the degree of autonomy it provided micro-regional actors with to experiment with alternative institutional arrangements.

In this sense, the first institutional period (1990-1995) provided the most flexible framework for local actors to have a choice on various institutional solutions. The diversity of organizational forms, functional orientations, sectoral compositions, associational modes and micro-regional territorial scales at T1 is indicative of the flexibility of rules that left the organization of associations to the discretion of micro-regional actors. The logics of these rules advanced the partnership of heterogeneous actors and the integration of diverse functions without prescribing or restricting choices on institutional solutions. In other words, this institutional period encouraged the attitude of adaptability by giving room for local actors to monitor changes in the external environment and combine adaptation for the sake of increasing returns with their own needs and endowments. This had led to a variety of deliberative institutional solutions in our case studies. In the micro-region of Sellye local actors considered foundations and a bottom-up cross-sectoral association the most appropriate institutional form to serve their developmental purposes. In the micro-regions of Encs/Abaúj-Hegyköz and Mórahalom similar cross-sectoral alliances were considered by local actors to best fit external and internal conditions. In the micro-regions of Keszthely-Hévíz, Zalaszentgrót, and Sümeg, meanwhile, local governmental associations with different decision-making patterns seemed to best serve developmental purposes.

In the second institutional period domestic rules began to provide prescriptions concerning preferential models of micro-regional associations. Nevertheless, transnational programs (PHARE 1996-97, 1998) and the overall domestic institutional framework still left some room for experimentation and choice-making at the micro-regional level. Domestic rules (1996, 1997) on the one hand specified preferences on the organizational form, functions and sectoral composition of micro-regional partnerships and directly restricted the territorial scale of micro-regional associations. On the other hand, they left it to the discretion of micro-

regional actors to decide the mode of association and the extent of their adaptation to these prescribed institutional arrangements. The specified functions of the LGP (access to decentralized funds) and the institutional logics that did not elevate this organizational form to be the exclusive channel of resource mobilization provided room for micro-regional actors to maintain their existing institutional arrangements while adjusting the newly adopted LGP to these local conditions. The diversity of ways micro-regional actors adopted their LGPs to the local institutional contexts in the case studies provide evidence of experimentation via monitoring. In Mórahalom and Encs, informal and durable coalitions were established between the LGP and the existing associations. In Sellye organizational conflict occurred between the LGP and the multi-sectoral, bottom-up association, while in Zalaszentgrót and Keszthely-Hévíz existing local governmental associations adopted the functions of the LGP without establishing a separate organization. In none of the cases did LGPs marginalize other existing institutional solutions in the micro-regions. This was due to the fact that transnational programs in this period (PHARE 1996-97, 1998) still generated a cognitive framework of bottom-up integration by encouraging modes of association that distributed authority. In this institutional environment, micro-regional actors updated their institutional arrangements on the basis of both sequences of events and combined the two logics in their local solution.

It is the third institutional period that provides the least flexible cognitive framework for micro-regional actors to experiment with associative institutional solutions through updating. Following EU accession and the establishment of the MPP system micro-regional actors as they monitored the external framework, found themselves in a situation where the Crouchian updating techniques made no sense any more. Institutional arrangements were mandatorily prescribed by domestic rules leaving little room for experimentation, while the logics of transnational development programs also supported more centralizing modes of association.

Rules on MPPs required micro-regional actors to adopt a single institutional model which restricted their capacities to experiment with alternative institutional solutions. The institutional logics of the MPP-rule made local governments the single depositaries of micro-regional development policy at the local level while restricting the composition, the territorial scale, functional orientation and associational mode of this organizational form. In this cognitive framework the entrepreneurship that the Crouchian updating mechanism would promote is not necessary. MPPs receive annual per capita funding from the central state budget for which they do not have to compete in tendering. This creates and enhances an attitude of free riding and conformity on the part of beneficiary local governments for two

reasons: first, without making choices, taking risks of experimentation or making much effort for resource mobilization, local governments gain access to financial resources from the central state. Secondly, per capita funding plugs this type of micro-regional association into the redistributive system of the central state and thus creates asymmetries at the local level between the MPP and other micro-regional organizations that do not receive state funds *per se*. Plugging local governmental associations into the national redistributive system also makes it easier for the central state to control the flow of funds at the local level. Since this system increases the dependence of lower-level state actors on the central state and the importance of hierarchical relations, the Crouchian updating mechanism that is built on deliberative choice-making of independent actors becomes irrelevant.

This transformation of the micro-regional institutional framework in 2004 was related to changes in the institutional logics of transnational development programs (PHARE 1998, 1999, 2000, 2001) and to the shift in the Commission's emphasis from extended political to technical accountability. By giving central states the prerogative to control regional policy making the Commission indirectly contributed to the strengthening of the central state vis-à-vis micro-regional state and non-state actors.<sup>91</sup> Technical accountability introduced a cognitive framework that stressed governmental channels of distribution, as these are easier to control and to hold accountable from the perspective of (re)distributive centres.<sup>92</sup> This institutional logic also increased hierarchical relations, the tangible evidence of which is the institution of the MPP at the micro-regional level. MPPs strengthened political (hierarchical) networks in micro-regions at the expense of local horizontal ones. The several devolved central state networks at the micro-regional level are instruments of this creeping centralization that favours institutional monocropping to experimentation with various institutional arrangements. The general practice of institutional monocropping of MPPs around 2004/05 in many micro-regions demonstrates the way domestic regulations had by the time of Hungary's EU accession come to restrict micro-regional actors' overall autonomy in developmental governance.

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<sup>91</sup> The "weaker societies-stronger states" constellation of the post-accession era as described by Bruszt (Policy Brief, no. 17).

<sup>92</sup> This was the principle behind the change in the Commission's discourse in the last phase of accession negotiations. Hughes et al. discuss in great detail how fear of the mismanagement of the Structural Funds in the post-socialist accession countries would occur if the decentralized and horizontal logics of action of the early PHARE programs were maintained.

### 7.2.2. Changing rules transforming power relations

Looking beyond the updating process one finds that changing institutional logics of the external framework influenced institutional development in micro-regions indirectly by empowering certain micro-regional actors but not raising the institutional capacities of others. Without coercion and actually restricting the actions of non-governmental actors the institutional framework of domestic regulations after 1996 gradually raised the institutional capacities of local governments. Reshaping the sets of alternatives in the micro-regional development field transformed the endogenous equilibrium of the distribution of authority. In particular, rules on MPPs changed the power of local governments in relation to local non-state actors to the extent that they have the ability to demand concessions from other local actors without making them in return while increasing their own distributional assets by delimiting or terminating the cooperation. The framework reshaped micro-regional actors' willingness to act in a trustworthy fashion. The evolution and transformation of institutions that is likely to occur as a result of changes in the power relationships between actors,

may have implications for trust between actors, insofar as they affect the willingness of actors to behave in a trustworthy fashion or the availability of information about the trustworthiness (or lack of same) of actors. In turn, changes in trustworthiness and in trust between actors are likely to lead to changes in the extent and form of cooperation between actors (Farrell-Knight, 2003: 545).

According to Sabel, trust can be studied through projects where actors discover new sources of vitality that can provide the ground for collective reorganization while they unlearn their past experiences and redefine their identities in relation to one another (1993). He argues that it is "by recognizing their mutual dependence that the actors can define their distinct interests and the government's role is to encourage the recognition of a collectivity and the definition of particularity" (Sabel, 1993). In the same vein, trust can be "unstudied" or damaged if the equal relationship of authority among actors is absent or not guaranteed by framework conditions.

At the initial phase of micro-regional institutional evolution, the shock of socio-economic crisis and the weak state-weak society equilibrium of the early 1990s (Bruszt, 2007) temporally opened the window of opportunity for local actors to experiment with collective problem-solving. The weak capacity of the central state (lack of resources, skills and level of coordination among ministries) to provide effective remedies for economic and social problems at the local level provided local actors with considerable liberty to experiment. The

micro-regional level as a potential site of collective problem-solving emerged as a result of the fragmentation of local governments and the weakness of the intermediary county level. According to some micro-regional actors of long standing reputation interviewed for the research, the institutional period between 1990 and 1996 in particular fostered and favoured the micro-regional level as a field of socio-economic coordination as opposed to the counties with bad reputation from communist times. Thus, the central state saw no harm in supporting collaboration among local governments and non-state actors, which was based on more or less equal horizontal relationships of authority.

Horizontally distributed authority among governmental and non-governmental actors reflected micro-regional actors' desire for efficiency gains to resolve problems of the economic crisis. Since neither local governments, nor non-governmental actors had sufficient sets of resources and skills to handle the magnitude of the problems, they were forced to realize their mutual dependences. This provided all of them with more or less the same alternatives and with relatively few asymmetries of power. With roughly symmetrical bargaining powers associations were set up voluntarily by various actors; in some micro-regions only by local governments, in others by a diversity of local actors. In these early associative institutions actors had to share certain benefits with other actors to ensure cooperative outcomes and from the hindsight actors evaluated the beginnings of their cooperation through the lenses of this rationale.

In all the studied micro-regional actors recalled that they had begun to cooperate deliberately and voluntarily because they "were all poor" and this general poverty brought them together. In some cases they ended up "trusting each other in ways that cannot be reduced to the direct effects of institution-induced expectations (Farrell-Knight, 2003), while in other cases although cooperation remained as a formalized institution the distribution of authority among actors had become reduced or diminished. Interestingly, the story recited by actors themselves about the causes of fragmentation in some associations by the end of the decade was the same as their interpretation of the initial success; i.e. poverty and hopelessness. This is what Keating (2004) and Sabel (1993) describe as framing stories about a tradition of commitment to cooperation in micro-regions with still-standing horizontal associations, where associations have reinforced beliefs and expectations about a trustful and cooperative community. On the contrary, in micro-regions where horizontal associations have degraded or collapsed, stories are about permanent failures and an inherent excessive individualism of local actors. In these cases beliefs and expectations did not get reinforced

about the worthiness of associations over time, which eventually led to the fragmentation of associations.

Changing framework conditions in the mid-‘90s began to transform the sets of alternatives and resources micro-regional actors had, leading to asymmetries in horizontal power relations over time (Farrell and Knight, 2003). The Act XXI on Spatial Development and Planning in 1996 provided local governments with alternative routes of resource mobilization by providing target appropriation from the central state budget for LGPs in the form of decentralized funds. Since only LGPs were entitled to apply for these funds and the eligibility criteria of tendering did not require the inclusion of non-governmental actors, local governments could more easily bypass non-governmental actors in developmental decision-making than before 1996.<sup>93</sup> It is not that prior to 1996 there was an ideal balance of power between local state and non-governmental actors; even though both of them were weak in terms of resources and mobilization skills at the beginning of the decade, local governments were still stronger players of the local developmental field, given their electoral legitimacy and capacities of cross-sectoral overview on local affairs. Being the single local organisation with direct access to higher levels of state authorities local governments could also be expected to play a coordinating role at the local and micro-regional levels in developmental politics. The permanent central state appropriation that individual local governments received for public service provisions also put them in a more advantageous position compared to non-governmental actors whose financial resources derived from successful tender applications.

However, in none of the micro-regional case studies of this research did I find the complete marginalization of non-state actors after 1996. In the micro-region of Sellye local governments did “usurp” their new privileges to some extent by pushing for public service developmental goals through the new LGP and abandoning multidimensional development plans with local NGOs. In the micro-regions of Sümeg, where the central developmental association comprised exclusively local governments such trends were obviously impossible.

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<sup>93</sup> The representatives of LGPs had voting rights in the County Spatial Development Council, which enabled them to participate in the definition of county level developmental priorities and in the distribution of decentralized funds (TEKI, TFC, CÉDE) through the assessment of project tenders. The representational incentive to form cross-municipal associations for spatial development created by the act was further strengthened by the Act CXXXV of 1997 on the Association and Partnership of Local Governments, which established a legal typology of existing micro-regional associations of local governments. Similar to Act XXI of 1996, the Act CXXXV of 1997 further strengthened the statistical-planning organizing principle of a micro-regional association by defining the mechanisms and participating actors exclusively of local governmental cooperation within the Associational Council. According to this, the decision-making body of the micro-regional developmental association was the Council, to which only local governments could delegate representatives. Although Act CXXXV of 1997 leaves room for free association – ad hoc or permanent – of local governments with other types of legal bodies as well, in the decision-making body of developmental micro-regional associations (council) the Act did not allow either for consultative or voting rights of non-governmental actors.

In the micro-regions of Keszthely-Hévíz, Zalaszentgrót, Encs and Mórahalom existing balances of power were unaffected by new local governmental privileges. Moreover, in the micro-region of Mórahalom the new LGP was deliberately developed to be the partner of the existing NGO in defining and implementing development goals. These differences in micro-regional actors' responses to the asymmetries of the 1996 Act could be explained by the relative freedom and room the institution of the LGP provided for local actors to experiment with alternative institutional solutions.

The most significant modification of the sets of alternatives among micro-regional actors was brought about by the Act on MPPs in 2004. MPPs provided local governments with additional routes of resources by guaranteeing per capita funding for each MPP after "voluntarily adopted mandatory functions." The bargaining powers of non-governmental actors vis-à-vis local governments were further weakened by the rule that allowed the automatic transfer of micro-regional development council functions to the local MPP if the latter had voluntarily adopted spatial developmental functions in its article of association. The institutional background of micro-regional development councils gave discretionary voting rights to non-governmental actors to participate in decision-making. These rights, however, were not guaranteed by the framework of MPPs that allowed exclusive local governmental participation in decision-making. The framework of the domestic development field after 2004 came to be built almost exclusively on MPPs as instruments of micro-regional development policy. The alternative sets of resources that local governments received in MPPs generated asymmetric bargaining power positions between them and non-governmental actors who were indirectly deprived of the same financial resources and authority. Being elevated to the position of single beneficiaries of financial resources, information distribution and of making binding decisions local governments could demand concessions from other actors without returning them.

The micro-regions of Sellye and Abaúj-Hegyköz provide evidence of such imbalances in demand formation. In both micro-regions cross-sectoral associations have become informal or contracted subsidiaries of MPPs. In Abaúj-Hegyköz, the originally cross-sectoral association of the GA has formal, contracted ties to the MPP to undertake the spatial developmental functions of the MPP as its subcontractor. Here the MPP provided sufficient institutional means and financial resources for local governments to exclude non-governmental actors from the GA without consequences on their capacities for financial resource mobilization. In the micro-region of Sellye similar asymmetrical power positions have emerged between previously roughly equal local governments and the few non-

governmental actors still active in development matters. Although here the cross-sectoral association of the ODA has no formal institutional ties to the MPP, local governments – members in both the MPP and the ODA – have the bargaining power to bypass their non-governmental partners in the decision-making assembly of the ODA without consequences. As the manager of the ODA put this, money these days goes to the MPP thus binding decisions must be made in the MPP rather than in the ODA which has been reduced to a consultative body of the MPP where administrative decisions are passed. In this case the MPP often passes demands on the ODA to prepare project documentation or the use of ODA office space without remuneration. All in all, the ODA although it has not become a formal subcontractor of the MPP, is fundamentally treated as its hierarchically inferior organisational unit.

These shifting power positions had implications for trust relations between these groups of actors. As newly privileged with access to financial and information resources, local governments after 1996 and especially after 2004 no longer had good reason to behave in a trustworthy fashion towards their partners. In the shadow of emerging intra-micro-regional hierarchies trust was no longer possible since local governments empowered by their concessions in many cases began to change the terms of cooperation to bring distributional benefits for themselves. As mutual dependencies between local governments and non-governmental actors weakened, the diffuse reciprocity that characterized the initial phase of associations disappeared. This entailed that voluntary compliance with informal institutions that often provided the basis of cooperation in the initial phase was neglected by local governments who were better positioned in the (re)-distributive system of the sub-national development field. Unilaterally changing the rules of the game of cooperation (especially after 2004) in order to bring about distributional outcomes favouring local governmental interests did not reinforce beliefs within the micro-regional field about the existence of a reciprocal associative community. On the contrary, as the rules of the game increasingly became organized in hierarchical and uneven terms reflecting the asymmetrical bargaining power of local governments, and forcing non-governmental organisations to accept associative terms highly unfavourable for them, trust between the two groups weakened and/or disappeared. These circumstances became interpreted by actors in the micro-regions of Sellye, Encs/Abaúj-Hegyköz and Keszthely-Hévíz and Sümeg as pre-existing culturally-given phenomena of general distrust and excessive individualism in the area.

Local governments found themselves in the same privileged position in the micro-regions of Mórahalom and Zalaszentgrót after 2004 as well. Nevertheless, in these two cases, local

governmental actors did not begin to demand one-sided concessions from other actors. In spite of the shadow of micro-regional asymmetries local governmental actors here did not use their privileged bargaining positions to bypass their non-governmental partners in decision-making. Instead of unilaterally redefining the terms of cooperation to establish hierarchies between themselves and their non-state partners, they strengthened horizontal coordination mechanisms. The two micro-regions provide examples of two distinct institutional solutions for the horizontal integration of the MPP into the existing institutional setup without changing the diffuse reciprocity between governmental and non-governmental partners. In the micro-region of Mórahalom, the MPP was established as one of several other partner associations in the Homokhát Development Agency. Without formal contracts the various developmental associations that comprise the informal institution of the Agency are more or less equal partners to one another. Local governments voluntarily comply with this informal institution and accept their mutual dependencies with the various non-state actors in the Agency. Similar voluntary compliance with informal horizontal institutions characterizes the associational field of the micro-region of Zalaszentgrót. Here the local governmental association of the ZKA has incorporated the MPP into its own organizational setup instead of creating a separate organization. Even though local governments retained their central position in organizing associations through the ZKA/MPP, they have not changed the terms of cooperation with other non-state associations.

On the whole, external institutional changes affected micro-regional actors' relationships have been an enactment of the endogenous institutional change model. The process can be seen to be set off by changes in the quasi-parameters<sup>94</sup> (or institutional logics) of the micro-regional development field. As long as external rules did not define dimensions of micro-regional associations in terms of preferable and/or mandatory organisational forms, sectoral composition, functional orientation, territorial extension and decision-making mechanisms, aspects of balances of power among actors remained non-recognizable. These gave room to mutual dependences and diffuse reciprocity between governmental and non-governmental actors. Once alternative resources emerged, they generated an asymmetrical increase in the bargaining power of local governments which enabled them to bring about distributional outcomes that favour their particular interests. From this point on local governments sought to take advantage of their powerful position to restructure relationships with non-governmental actors. Thus, they began to change the terms of exchange imposing increasingly hierarchical

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<sup>94</sup> Greif-Laitlin model: Quasi-parameters are aspects of a situation that affect externally the self-enforcability of the institution but influence institutional dynamics internally.

relations on non-governmental actors. Unilateral changes in the rules of the game in the long run affected actors' self-enforcing beliefs about cooperation leading to the disintegration of associations, weakened trusting relations and stories about a general failure. The case studies of the micro-region of Mórahalom and Zalaszentgrót, however, suggest that associated types of behaviour of the early 1990s were reinforced in some micro-regions despite the shadow of hierarchies in the external institutional framework. In these micro-regions trust among local actors has been strengthened as stories about a general success and positive attitude towards cooperation have spread in the community. Institutional entrepreneurs had an important role to play in the way these stories were framed and ultimately the way alternative institutional paths have been shaped.



### **7.3. Strategies of socially skilled entrepreneurship in micro-regions**

According to Fligstein, some social actors are simply better at attaining cooperation than others “because some people will be better at making sense of a particular situation and will produce shared meaning for others and bring about cooperation” (2001: 113). He argues that these social entrepreneurs are “more successful” in maintaining associative frames than others because of the specific “tactics” they use to attain cooperation within the field. These tactics are mechanisms that social entrepreneurs rely on to organize the distribution of authority and intelligence.

The evolution of micro-regional associations in the case studies indicates that socially skilled entrepreneurs rely on multiple strategies when framing collective action, depending on their position in the field and on institutional circumstances. The case studies demonstrate that the extent to which micro-regional socially skilled entrepreneurs *recognized the new parameters* of the institutional field – such as balances of power, institutional constraints and opportunities – and the way they *managed to tailor* their action to the new conditions shaped variations in the paths of micro-regional governance. The section below analyzes some tactics of socially skilled entrepreneurs in three micro-regions where institutional development has taken place between T1 and T2 with varying degrees of integrated, non-hierarchical modes of governance.

#### **7.3.1. Mórahalom**

In the micro-region of Mórahalom there have been three actors that have functioned as social entrepreneurs: the Mayor of Mórahalom, the Manager of the HLGAs and the Director of the HPBC. Among the three social entrepreneurs, however, only one can be regarded a strategic thinker capable of creating and maintaining frames for collective action. This central character has been the Mayor of Mórahalom since 1994.

The social skills of this entrepreneur are illustrated by the way he relied on the technique of *common collective identity building* in the initial period as he managed to produce an entirely new frame for collective action from the scratch. To get a number of actors on board to keep the bandwagon going, first he “convinced” the other two entrepreneurs who had been working respectively in the civil and the business sectors to follow and to bring along their networks. Once a number of actors were on board, others followed and this system was maintained throughout the period as the coalition of the three

entrepreneurs has managed to recreate a common collective identity for heterogeneous groups. They achieved this through a series of common micro-regional projects to which diverse actors could attach their divergent senses of their interest.

Part of the success of this “mass psychology” was that the Mayor of Mórahalom used an *illusionist*’s tactic of winning a few victories in tendering with some settlements and private actors that were enough to convince the others to come along. In a sense it was the material success of the HLGA that convinced others to join the association and the micro-region. An important part of his and his entrepreneurial team’s work was that they juggled lots of balls at the same time and managed to “convince others that their vision contains more reality than they think” (Fligstein, 2001).

After the introduction of the new institutional logic in 1996 the institutional field of micro-regional developmental governance became more complex. As a result the socially skilled entrepreneur and his team changed their strategies and began to use the tactics of *brokering* that enabled him to mediate within the complex web of governmental and non-governmental interests in a way that made him appear neutral. Brokering was an important strategy for the socially skilled entrepreneur not only at the local level but also in vertical inter-governmental relations. The strategy of brokering enabled him to appear transparent in the face of the pressure of particularistic interests of a group of local mayors, who challenged his authority and accused him of corruption. This strategy helped him during negotiations with the recalcitrant group that could not find a grip on the socially skilled actor who eventually managed to reintegrate them into the associations.

The most important strategy from the perspective of the maintenance of a cognitive frame for associative governance has been the use of *bricolage*. This Streeckian entrepreneurial skill is about turning constraints into opportunities by taking what the system offers at any moment even if it is not exactly what the actor or others might ideally want. Moreover, it is about the entrepreneurs’ ability to convince others who do not necessarily share interests that what will occur is consistent with their identity and interest. This can be done by selling them overriding values or convince them that what happens will serve their narrow interest (Fligstein, 2001). The permanent coalition of the three entrepreneurs played an important role in bricolaging as they have been devoting lots of time to convince local actors in their networks to recalibrate their developmental strategy in a way that enables them to live up to tender application requirements. In other words, they convinced people to take what the system offers (“to take the money or lose it”) without losing their vision on their own developmental needs.

### 7.3.2. Zalaszentgrót

The single social entrepreneur of this micro-region has been the ex-Mayor of the largest village (Türje) since 1990. Relying on the strategy of *common collective identity building* she had induced cooperation in the first half of the '90s not only in her own town but in the whole county of Zala. Having been able to *build a common identity* among newly independent local governments in a county with a fragmented settlement structure of micro-villages she can be regarded as a socially skilled entrepreneur who had created and has maintained cognitive frames for non-hierarchical association of various local actors.

The keynote of the common identity she generated has been the line “alone it doesn't work.” A part of this strategy was a *non-Machiavellian manipulation* skill that enabled her to convince local governments and mayors to believe that they can only be in control if they cooperate at their own initiatives. This strategy was complemented by *brokering* through which she mediated between groups and presented herself as not narrowly self-interested and managed to convince local governments, and later on local economic entrepreneurs that they will gain personally from joining associations and finding a negotiated solution with each other. In addition, her tactics of an *illusionist* in which she used the “success” of the Zala-Kar Association to convince other local governments to come along and join this organisation after 1996 enabled her to strengthen her position in the developmental field vis-à-vis the challenger Zalaszentgrót local government in the ZVLGP.

Similarly to the socially skilled actor in the micro-region of Mórahalom she has relied on the tactics of *bricolage* as framework conditions have become more complex and uncertain towards the end of the second and especially in the third institutional periods. In the tug-of-war with the central state, the social entrepreneur learnt to grab whatever opportunities the development field provided in spite of the uncertainties of the gains. With the help of this bricolaging technique she has turned constraints into opportunities and accumulated social and human capital that contributed to the sustainability of the heterarchic micro-regional governance frame even in the third institutional period when facing the new institutional logic of the MPP.

As the mandatory MPP was set up, past successes (part of the illusionist work is that people remember successes and not the failures) and the social networks around the ZKA helped the socially skilled entrepreneur to recalibrate the cognitive frame of non-hierarchical micro-regional governance in a way that did not induce the loss of the existing framework. It also enabled her to stem the tide against the challenges of the Mayor of Zalaszentgrót in the

new ZMPP who initiated her “impeachment” from her position as the Head of the management unit of the ZMPP/ZKA, in order to replace her with his own candidate. The Mayor’s proposal was voted down in the Associational Council by all the settlements with reference to the “community developer” skills of the social entrepreneur and the successes of the micro-region she had achieved in the past with the ZKA. Similar to the socially skilled entrepreneur in the micro-region of Mórahalom, part of her brokering strategy was that she appeared neutral and transparent in the face of the pressure of the particularistic interests of the Mayor of Zalaszentgrót. This helped the negotiations with the Mayor and to strike a deal with him according to which she would remain the head of the management unit of the ZMPP/ZKA, but the office of the ZMPP/ZKA would move from Túrje (her village) to Zalaszentgrót.

This distribution of intelligence and authority, however, was organized in a different way here than in the micro-region of Mórahalom. Unlike the “coalition cabinet” of the two entrepreneurs and the socially skilled Mayor of Mórahalom, here the socially skilled entrepreneur remained the central nod of the network of organisations in the micro-region. In this she relied on the strategy of “*going for the least different*” where she tried to include as many outlier local governments (after 1996) as possible and gain agreement on a collective identity (Fligstein, 2001). As a result she became the central source of information and coalition building (Fligstein, 2001) in the micro-regional developmental field. Despite her central position she did not centralize authority in the micro-region but diffused authority among satellite organisations of the network of ZKA.

### 7.3.3. Sümeg

A socially skilled entrepreneur capable of organizing heterarchic association of diverse local actors emerged in the developmental field of the Sümeg micro-region recently, in 2004/05. Previously having worked for the LGPS she returned to the developmental field in 2005 as an independent actor to challenge the dominance of local governments. Despite the short period of time she has had to reorganize micro-regional governance, this socially skilled entrepreneur has succeeded in introducing non-hierarchical and integrated governance mechanisms into a traditionally and overwhelmingly hierarchical and fragmented governance framework.

In a similar way to the other two skilled social actors in Zalaszentgrót and Mórahalom, firstly she used the tactics of *common identity building* to create a common collective

cognitive frame that could associate diverse local actors. To get a number of actors on board in order to keep the bandwagon going, first she “convinced” some other local actors with entrepreneurial skills to follow and in the next stage, to bring along their networks. This meant the establishment of the FA in 2005, where she managed to bring together many young local intellectuals enthusiastic about making a change in the micro-region. It is not that these young people had not been present in the micro-region prior to 2005; rather the lack of a cognitive frame had prevented the emergence of an association of young local intellectuals.

The institutional logic of the LEADER+ programme played an important role in empowering the socially skilled entrepreneur to generate this collective cognitive frame. The programme provided the opportunity to produce a tangible definition of the collective micro-regional frame built on the concept of the “the spring-head area of the Marcal River” to which diverse local actors could attach their divergent senses of interests. Once the socially skilled entrepreneur had a number of young intellectuals on board in the FA, other diverse actors also followed, which the FA staff had managed to convince under the cognitive frame of the LEADER+ project.

The successful association of governmental and non-governmental local actors under the frame of the “the spring-head area of the Marcal River” was due to the social skills of the entrepreneur by which she used the tactics of *brokering* to mediate between the groups and to present herself as not narrowly self-interested. With these tactics and as an *illusionist* she managed to convince local governments who had been dominating the development field that they will gain from joining the association and finding a negotiated solution with non-governmental actors in the consortium. A part of this strategy was a *non-Machiavellian manipulation* skill that enabled her to convince local governments and mayors to believe that they can only be in control if they share authority and cooperate.

At the same time, in order to keep the bandwagon rolling and to strengthen her own *hinterland* in the negotiations with local government, she – and the staff of FA – encouraged and actively generated the formation of several NGOs in the micro-region, both at the settlement and at the micro-regional levels. The same cognitive framework she had used with local governments also worked with non-governmental actors. Having a critical mass of non-governmental actors enabled her – and the FA – to challenge the dominant position of local governments in a way that convinced them about the necessity and utility of cooperation with non-governmental actors. The critical mass of non-governmental actors however was not just a quantitative issue. Her non-Machiavellian manipulation strategy was also about convincing non-governmental actors to associate and to establish the Sümeg Micro-Regional Civil Forum

in order to build niches and to provide a united hinterland “against” prevailing local governments.

As representative of a challenger group in a development field that reflects imbalances of power in favour of the MPPS, the socially skilled entrepreneur also uses the technique of *bricolage*, whereby she takes every institutional element the system can offer even if it is not exactly what she and others might ideally want. Moreover, she can convince both local governments, NGOs and businesses who do not necessarily share interest that what will occur is consistent with their identity and interest. With the help of this bricolaging technique she has turned constraints into opportunities and accumulated social and human capital within a relatively short period of time (3-4 years). This Streeckian entrepreneurial attitude of making a virtue out of a situation in which others would only see constraints contributes to the sustainability of a hybrid governance framework where the FA and its satellite NGO association (Civil Forum) can balance the administrative, top-down and fragmented institutional logic of the MPPS with non-hierarchical governance modes built on the integrated concept of micro-regional development. The production of elements of institutional heterarchy in the third institutional period of micro-regional governance, which limits entrepreneurship and experimentation and rather homogenizes the micro-regional institutional structure, is a major personal achievement of the socially skilled entrepreneur in Sümeg.

## **7.4. Summary of the transformation of governance dynamics**

### **The transformation of the environment and institutional logics...**

This chapter has analyzed the dynamics of the changes in micro-regional governance between the early 1990 and 2007. The transformation of patterns and dynamics of micro-regional governance in the six micro-regional cases can be explained by the interplay between endogenous and exogenous factors, which contributed to shaping institutional development in various directions in each micro-region from the initial period until 2007. Going from the fringes of exogenous towards endogenous factors, the transformation of the external institutional environment in the three institutional periods was first analyzed.

In this vein, studying the institutional framework of the first period has indicated that the institutional logics of both domestic regulations, development programs and the EU developmental framework not only provided unprecedented freedom for local actors to organize their cross-municipal associations, but actively encouraged the coming about of such associations through various financial incentives. Both domestic and EU institutions at the time followed the logics of extended political accountability based on the accommodation of heterogeneous interests in sub-national developmental policy. Therefore they left the way micro-regional associations should be organized in terms of the scope and mode of associations to the discretion of local actors. This was the period of classic bottom-up organization of micro-regional associations when the external framework left ample room for experimentation with forms, composition, function and territorial extension of micro-regional associations. As an interviewee described it, this period was characterized by the “bottom-up stumbling” of both micro-regional and central state actors without any deliberate policy framework for sub-national development.

In the second institutional period, micro-regional actors still had some room to opt for institutional experimentation although they increasingly had to face prescriptions from the central state concerning the scope and mode of micro-regional associations. Towards the end of the second period (by 2001-2003) both entrepreneurship and ability to experiment with institutional elements became increasingly limited as centralizing elements in the domestic institutional framework began to appear. Although PHARE programs (1996, 1997, 2000, 2001, 2002) still encouraged the logics of encompassing bottom-up micro-regional development and modes of governance based on heterarchic associations, giving discretion to actors to experiment with the ultimate form of governance. In the same vein, the domestically financed preparatory phase of the SAPARD and LEADER programs (2000-2003), following

the institutional logics of the original framework programs, supported experimentation by financing integrated micro-regional development projects. The discretionary logics of PHARE, SAPARD and experimental LEADER balanced the prescriptive logic of the Spatial Development Act (1996) on the territorial organization and sectoral composition of micro-regional associations and the restrictive logic of its modification (1999) on the limitation of micro-regional representatives at county development councils. In this period, combining the two logics of action was possible at the micro-regional level, although combining resources was still very difficult due to cumbersome procedures of payment.

By the beginning of the third institutional period prescriptions on institutional elements for micro-regional associations had turned into restrictions as the possibility of voluntary compliance with the external framework diminished and institutional adoption became mandatory (MPP). The institutional framework of MPPs elevated constraints for entrepreneurship and experimentation by mandatorily prescribing the organizational form, the sectoral composition, the functional scope and the territorial scale of the new micro-regional associations. These institutional constraints were part of the centralization of micro-regional and the entire sub-national development policy that had been creeping on the micro-regional institutional system since 1999. The deployment of several networks of micro-regional managers by central state agencies to the micro-regional level was a symptom of centralization where micro-regional developmental priorities and the organization of governance was defined and decided increasingly outside the micro-regions at the level of the central state.

The shift in the EU's emphasis from extended political to technical accountability played an important role in strengthening the central state's privileges in the making of micro-regional governance. The shift introduced a new cognitive framework based on the idea of safe money transfer that stressed the accountability of governmental channels. In this cognitive framework of overall financial control it is easier for the central state to control the redistribution of resources through local governments than through societal actors. Therefore, the empowerment of the central state by the Commission was translated in the domestic policy field by strengthening local governments vis-à-vis societal actors in micro-regional associations. Although PHARE 2000-01 and 2002-03 still provided room for experimentation and entrepreneurship through priorities on integrated rural and regional development, the parallel stress on central governmental capacities in technical accountability contributed to the centralization and the increased role of vertical and hierarchical networks in micro-regional governance.

### **... and its micro-regional implications: changing updating and power relations**

Increasing constraints on experimentation and entrepreneurship towards the end of the second and especially in the third institutional period induced a narrowing of micro-regional actors' room to combine adaptive and creative strategies of institution building by monitoring changes in the external environment. The Crouchian updating technique was most easily applied in the first institutional period, which provided the most flexible framework within which actors could make choices on various institutional solutions.

Domestic regulations in the second institutional period introduced prescriptions on the preferential scope and mode of micro-regional associations and in this sense they limited experimentation, yet they left room for micro-regional actors to make choices on the degree of adaptation. Establishing local governmental partnerships was optional although encouraged by financial and representational incentives. Prescriptions on the scope and mode of associations only concerned those who opted for adapting to the institutional form of LGPs. The relative flexibility of the second institutional period can also be seen in the diversity of ways micro-regional actors adopted the institution of the LGP, adjusting it to their local institutional contexts.

It was the institutional framework of the MPP in the third period that elevated ultimate constraints for updating by free choice through the mandatory requirement to adopt a single institutional model. This institutional model does not require entrepreneurship which – in the Crouchian updating model – fuels experimentation through active interpretation of the external environment. Receiving annual per capita funds without competition local governments in MPPs do not have to make choices or taking risks in tendering, while they still gain access to central state sponsored financial resources. This plugs MPPs into the redistributive system of the central state that increases the dependence of lower level state actors on the central state and the significance of hierarchical network relations, and on the other hand creates asymmetries among micro-regional actors (between state and non-state actors and between MPPs and other types of micro-regional organizations).

These asymmetries in access to alternative resources induced asymmetrical bargaining power positions between local governments and societal actors who do not receive similar types of per capita funds. As opposed to the first institutional period, in which horizontally distributed authority among governmental and non-governmental actors reflected their mutual desire for efficiency gains to resolve socio-economic problems, by the third institutional

period local governments had acquired such privileges that enabled them to increase their distributional assets by making concessions on other local actors without returning them. Since 2004 MPPs have become the single instruments of micro-regional development policy, which has empowered them to the extent that they can easily bypass or even entirely neglect non-governmental actors and other micro-regional organizations in developmental decision-making.

## **Variations on institutional changes**

The analysis of modes of institutional changes in the six case studies has demonstrated variations across micro-regions and institutional periods. In terms of the latter, the modes of institutional changes that have taken place between T1 and T2 indicate some degree of institutional experimentation with various local solutions for institutional transformation in the first two institutional periods of micro-regional governance while decreasing variations in institutional change in the last institutional period (after MPPs).

In this regard, the first two periods in most of the case studies – the only exception being Sümeg with a reversed evolutionary line – were about experimenting with the introduction of new institutional elements. The transformation of the local institutional context in these periods typically took place through conversion, displacement (Mórahalom, Zalaszentgrót), layering (Sellye, Keszthely-Hévíz, Encs/Abaúj-Hegyköz) – modes of institutional change that require varying degrees of activism from social entrepreneurs to cultivate transformations. In the third institutional period, the introduction of the logic of the MPP was an act of institutional transposition in all the six case studies.

However, local reactions to it can be distinguished as assuming two main forms: the institutional transposition of the MPP either induced exhaustion or drift of the existing institutions or through displacement local actors rejected and/or defected the one-to-one adoption of the MPP logic. Sümeg is an exceptional case in which MPP transposition rather generated a third-way evolutionary path with the introduction and layering of integrated and non-hierarchical institutional elements that have begun to supplant the old hierarchical system of governance. Institutional exhaustion and drift generally led to various degrees of disintegration of earlier non-hierarchical patterns of governance (in Sellye, Encs/Abaúj-Hegyköz, Keszthely-Hévíz). Institutional displacement on the other hand was about a degree of experimentation to adjust the mandatory MPP to the existing local institutional context in a way that would sustain existing non-hierarchical patterns of governance (Mórahalom, Zalaszentgrót).

Institutional displacement of the MPP logic with existing non-hierarchical institutional elements in Mórahalom and Zalaszentgrót and layering non-hierarchical patterns of governance in Sümeg required the active cultivation of institutional change by social entrepreneurs. The active cultivation of transformation (agency) meant the deployment of conscious strategies to resist the invasion of their local institutional field with hierarchical institutional elements of the MPP and to defect from the centrally prescribed re-organization of the local institutional field. In the case of Sümeg, it meant the organization of resistance from the scratch with the support of an alternative institutional logic of the LEADER program. All in all, active cultivation of change meant conscious search for and recognition of opportunities even amidst institutional constraints of the MPP framework, as opposed to exhaustion and institutional drift where transformation took place as a result of passive adoption of obligatory institutions or in absence of tending to the existing institutional context.

The constraints of the MPP framework concerned degrees of experimentation and entrepreneurship. Decreasing variations in the modes of institutional change in the post-MPP period indicate limitations on entrepreneurship and choices for institutional experimentation in framework conditions. In order to maintain existing non-hierarchical institutional elements of their earlier periods, deliberate strategies of tending had to be employed, including the creation of cognitive frames that could provide alternatives to the logic of the MPP. The example of Keszthely-Hévíz, for example, implies that creating a cognitive frame alone is not sufficient to maintain non-hierarchical elements, without supportive strategies that distribute the effects of no tending will lead to disintegration. Cognitive frames, on the other hand, must respect institutional redundancies and distributed forms of intelligence in order to support experimentation.

The case studies demonstrate the correspondence between modes of institutional changes, the nature of cognitive frames and the deployment of conscious associative strategies. In micro-regions where in the post-MPP period modes of institutional change were about exhaustion and drift (Sellye, Encs/Abaúj-Hegyköz, Keszthely-Hévíz), institutional diversity became curtailed and the distribution of intelligence limited. On the other hand, in micro-regions where modes of institutional change were about displacement and layering (Mórahalom, Zalaszentgrót, Sümeg), institutional diversity and an existing distribution of intelligence were deliberately developed.

## Variations on entrepreneurship

The recalibration and refreshment of cognitive frames for heterarchic governance in the face of hierarchical and fragmented institutional elements of the external environment in the Mórahalom, Zalaszentgrót and Sümeg micro-regions was carried out by three socially skilled entrepreneurs. It is not that social entrepreneurship was entirely missing from the micro-regions of Sellye, Encs/Abaúj-Hegyköz and Keszthely-Hévíz, but social entrepreneurs here could not provide strategies for the developmental community to defect from the one-to-one transposition of the external institutional framework. This implies variance in agency on the basis of local social entrepreneurs' skills to generate frames for collective action as well as to combine various entrepreneurial strategies and institutional logics. In the majority of the cases entrepreneurs with such social skills have been present since the early 1990s (Mórahalom, Zalaszentgrót), but for instance in Sümeg, it was only after 2004 that a socially skilled entrepreneur appeared in the developmental field. Yet again in others, social entrepreneurs' skills did not extend beyond the end of the 1990s to reproduce non-hierarchical associative frames at T2.

In this vein, the six cases indicate some characteristics that were more or less common to all social entrepreneurs in the micro-regions. Firstly, in each micro-region there were some actors already in the initial developmental phase who could be regarded social entrepreneurs in the sense that they used the strategy of common collective identity building to organize some kind of a cross-municipal association from the scratch to counter the effects of the socio-economic crisis. Secondly, these entrepreneurs interpreted the external environment with its constraints for their communities and this way they created frames for local developmental policy. The majority of these social entrepreneurs occupied some power position in the local institutional field: i.e. most of them were mayors (the President of ODA in Sellye, that of the ZKA in Zalaszentgrót, that of the LGPS in Sümeg, the Mayor of Mórahalom, the presidents of the TRA, SBA and KHA in Keszthely-Hévíz), or people who worked around local governments (social entrepreneurs in the Encs/Abaúj-Hegyköz micro-region, the President of OF in Sellye).

It was the substantially different cognitive frames and different kinds of associations that these actors generated which distinguished them from one another. Two patterns of social entrepreneurship can be outlined on the basis of the frames and associations they created. According to Fligstein (2001), those social entrepreneurs who can turn institutional constraints into opportunities not only for their own but for a collective community by

generating cooperation within the community are especially gifted with social skills. As an extension of Fligstein's definition of the socially skilled entrepreneur, the case studies indicate two main characteristics that additionally make an institutional entrepreneur socially gifted: her/his ability to create frames for specific forms of association with distributed authority and intelligence and her/his ability to maintain or recalibrate these forms of association through conscious efforts and strategies in the face of challenges (e.g.: external pressure for hierarchical modes of associations and/or internal defectors).

In practice this meant that the social entrepreneurs of the initial period in all micro-regions could "turn into" socially skilled actors if they had the ability to create opportunities out of increasing constraints of the environment throughout the decade in a way that provided benefits for a diversity of local actors – especially if they did this with the conscious effort of maintaining a more or less integrated, non-hierarchical local system of governance even at the price of institutional redundancies. Towards the end of the second and especially in the third institutional periods, the strategy of common collective identity-building was no longer sufficient. The institutional framework in these phases increasingly put constraints on entrepreneurship by limiting local actors' choices to experiment with institutions for associations. At this point they needed to develop new strategies, such as bricolage and brokering, through which they could mediate among various local groups and convince them to take what the new system offered even though they did not necessarily share interests in the new system. Social entrepreneurs who had the skills to use these strategies could, for instance, convince local governments that they will gain more from maintaining the distribution of authority and intelligence in local associations even though their interest and identity would have inclined them to do the opposite and to take advantage of the new institutional circumstances. These socially skilled entrepreneurs, thus, did more than create a cognitive frame and common collective identity; they managed to broker negotiated solutions between governmental and non-governmental actors by selling them overriding values even in circumstances that shifted balances of power in favour of local governments.

The application of these strategies outlined two main paths of micro-regional entrepreneurship in the six case studies that can be described collectively as *exit* and *voice* strategies (Hirschman, 1970). Voice strategies characterized those social entrepreneurs who maintained non-hierarchical frames of the first period while flexibly adjusting to changing conditions. In a permanent dilemma to what extent to follow the rules of the external environment local actors in the micro-regions of Zalaszentgrót, Sümeg and Mórahalom voiced their dissatisfaction with framework conditions by searching for new possibilities

amidst irremovable, politically fixed institutions and defected from them while using them. In this sense they took what the institutional system offered them and made a virtue out of situations where others only saw constraints. Other social entrepreneurs, however, opted for an exit strategy, which as the cases of Keszthely-Hévíz, Sellye and Encs/Abauj-Hegyköz demonstrate, was about passively abandoning (non-tending) existing non-hierarchical modes of association, and adopting hierarchical institutional elements of the environment without conscious efforts to shape them to local circumstances. A typical exit strategy meant that the social entrepreneur who was a Mayor let non-hierarchical associational practices erode (Sellye, Keszthely-Hévíz) upon new circumstances in the external environment and then exited from previous coalitional agreements. Another exit strategy represented abandoning existing non-hierarchical institutional practices as the social entrepreneur took advantage of new institutional elements that shifted the balance of power favouring his own group (Abauj-Hegyköz, Sellye) or a specific sector close to his own interests (Keszthely-Hévíz, Encs).

A social entrepreneur with a voice strategy, on the other hand, reorganized her/his integrated and non-hierarchical associations with non-governmental actors in a way that strengthened heterarchic patterns of governance, instead of taking advantage of their incumbent positions empowered by changing external conditions. In micro-regions of Mórahalom and Zalaszentgrót it was mayors who had taken the initiative of associating diverse local groups in a way that shared authority and intelligence between governmental and non-governmental partners.<sup>95</sup> Moreover, both actors made conscious efforts to maintain this heterarchic frame in spite of changes in the external environment which produced shifts in the balance of power in a way that privileged their own group. In other words, the relative power positions of the two mayors did not inflict a “habitus” (Bourdieu, 1977), a cognitive frame in these social entrepreneurs that would have generated changes in associative relations; i.e. where they would have narrowed the scope of and mode of association by marginalizing or excluding non-governmental actors from developmental decision-making. On the contrary, both mayors managed to reproduce cognitive frames that associated different notions of development, included diverse local groups and compromised their different logics and interests. The building of collective micro-regional identities in both cases took place in the face of the same external institutional framework that induced the exhaustion and/or erosion of deliberative associations in the micro-regions of Sellye, and the collapse of the territorial,

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<sup>95</sup> In the micro-region of Homokhátság, the largest settlement is Mórahalom, whose Mayor has served as the engine of integration. Similarly, in the micro-region of Zala-Kar, the Mayor of the largest village, Túrje initiated the formation of heterarchic associations in the early '90s. She fulfilled the role of integrator throughout her terms in office as Mayor of Túrje.

organisational, functional and sectoral integration in the micro-regions of Keszthely-Hévíz and Encs/Abaúj-Hegyköz.

## **Interplay between institutional change and development**

Contrasting these institutional dynamics with the developmental pathways of micro-regions seems to support heterodox development theories about the role heterarchic institutional solutions play in socio-economic development. On the basis of this development paradigm one would expect to find institutional heterarchies in micro-regions where either an average developmental status has been maintained or a jump to a higher developmental status has taken place. In the same vein, the preservation of a low developmental level would be expected to take place in micro-regions with institutional disintegration or stagnation. In the case of micro-regions where developmental decline has taken place from an average or above average developmental status the development paradigm would indicate institutional degradation (de-institutionalization) or at least stagnation.

The case studies of this research support these expectations. The micro-region of Zalaszentgrót, having moved from hybrid governance patterns towards integrated, non-hierarchical modes, has been able to maintain its developmental dynamics at an average level and improve its economic development dimension. The institutional upgrading in the micro-region of Mórahalom to heterarchy has generated capacities to improve its developmental dynamics in two dimensions (economic and infrastructural). On the other hand, the micro-regions of Sellye and Encs are examples of the impact of institutional disintegration on the stagnation of low developmental dynamics. Finally, the micro-regions of Sümeg and Keszthely-Hévíz provide examples of variations in developmental decline with institutional degradation and stagnation in the background. The average developmental status of the micro-region of Sümeg in the early 1990s has developed with below average dynamics in two dimensions (social and infrastructural). Nevertheless, the most visible developmental and institutional degradation has taken place in the micro-region of Keszthely-Hévíz whose above average developmental status in all three developmental dimensions in the early 90s has changed with below average dynamics in the economic and social dimensions and at an average rate in the infrastructural dimension. In the background the institutional disintegration of more or less integrated forms of governance of the 1990s has taken place.

The case studies indicate that the institutional status quo at T1 does not relate to the institutional status quo at T2. In other words, a heterarchy at T1, such as the ones I found in

the micro-regions of Encs and Selye, does not guarantee against institutional downgrading by T2. On the contrary, the heterarchies I found in the micro-regions of Mórahalom and Zalaszentgrót at T2 were not heterarchies at T1. These case studies confirm that explanations the link between socio-economic development of institutional endowments and social capital and a thickness of associations can be rejected.

## 8. Conclusions

### 8.1. Research question

This research has investigated variations in the patterns and dynamics of governance in Hungarian micro-regions between 1990 and 2006, a period in which multiple developmental opportunity structures were emerging in Hungary with which national and sub-national actors could frame the governance of their developmental needs and goals. Micro-regions have been defined as institutionalized forms of associations of neighbouring settlements that have displayed great diversity in the pattern and dynamics of institutional arrangements for cooperation across localities and over time. Variations in the patterns of governance have been studied in a comparative analysis of the static state of governance in two points of time within the same micro-region. Variations in the dynamics of governance have been analyzed in a comparative analysis of different institutional pathways between micro-regions.

The basic hypothesis of this research, which has been based on heterodox development theories, was that there is an interplay between associative governance and socio-economic development. In an unstable and swiftly changing political, economic and institutional environment one would expect to find heterarchies in communities that have been able to maintain their socio-economic development status or change their development path for better one. This approach suggests that in communities where a low level of socio-economic development is conserved institutional degradation or stagnation at a low level of institutional development is to be expected. In the same vein, in the case of developmental decline from an average or above average level one would expect to find institutional decline or stagnation at a low level of institutional development. These expectations are all supported by the cases of this research. Although the case studies do not comprise a statistically representative sample, the overall findings of the research give room to a simple hypothesis: In a politically and economically uncertain, swiftly changing institutional environment it holds that in developmental units that lack institutional heterarchies the saving of developmental achievements and/or the improvement of developmental positions is not possible

*The other question addressed in this research was why institutional change in some of these cases moved from a non-hierarchical and inclusive towards fragmented and hierarchical modes of governance, while in others change was in the opposite direction.*

These trends were mainly shaped by domestic factors, but the EU also influenced the process indirectly by providing the central state near the end of the decade with prerogatives to control sub-national development policy, including micro-regional governance. The EU affected the evolution of the mode of micro-regional governance by empowering domestic actors in asymmetrical ways through its development programs, placing stress on strengthening the prerogatives of central governments but opening up some new room for action for sub-national state and non-state actors.

This could be seen in the decreasing autonomy of micro-regional actors vis-à-vis the central state towards the end of the 1990s to organize local alliances in which they can define their own developmental priorities. In practice this meant increasing institutional constraints for micro-regional actors to experiment with various institutional forms and to organize the organizational integration, the functional scope, the sectoral composition and territorial scale of micro-regional alliances in non-hierarchical ways that distribute authority among diverse local actors. From the perspective of the central state, this meant the strengthening of its capacities to control the (re)distribution of developmental resources and the enforcement of central state incumbents' "unwillingness" to share power with non-state and lower state actors in controlling the developmental (re)distributive process. For the central state the best way to control resources was to make the formation of win-win alliances between local actors difficult and to foster asymmetrical power relations among local actors.

Thus, by the end of the decade it wedged its hierarchical institutional logic into micro-regional governance, which had been organized spontaneously by local actors in more or less non-hierarchical ways in the early 1990s, and elevated local governments to the position of having exclusive prerogatives to define and implement micro-regional development programs. By limiting experimentation and entrepreneurship it was easier for the state to control (re)distribution through a system of centrally defined organizational forms, functional scopes, sectoral composition and territorial scales of micro-regional associations. The case studies indicated that in many micro-regions this has generated the fragmentation and disintegration of heterarchic governance modes. At the same time, in spite of increasingly constraining institutional circumstances in other micro-regions associative institutions have been transformed in ways that contained non-hierarchical modes of governance and distributed authority among diverse local groups. Moreover, one case study even suggested that distributed forms of governance can evolve in a highly constraining and centralized institutional environment.

This chapter begins by summarizing the approach used to investigate the research puzzle. Next, methodological dilemmas considering case selection and sampling will be presented that were triggered by the unprecedented analytical framework in the research field of micro-regional developmental studies. This is followed by a review of the empirical findings of the research. Finally, the dissertation concludes by enumerating the contributions of this research.



## **8.2. Summary of approach**

The approach used in this research is developed from the combination of the literature from the New Regional Development paradigm with a new research approach in Sociology and Political Science on models of institutional change in contemporary political economies that conceives institutional change as an incremental but cumulative transformative process generated endogenously in the interaction of both internal and external factors. The intersection of these bodies of literature is provided by the approach in economic sociology which claims that “development is about building and transforming institutions” (Bruszt 2005) in a way that involves diverse types of stakeholders in their design and implementation. This approach emphasizes the role of institutional experimentation by entrepreneurial actors, and governing institutional change in a way that distributes authority and intelligence among these stakeholders.

On the basis of mainstream regional development studies, and especially that of the new regional development paradigm, the approach taken here assumes that regional development is an instituted and context-specific process. This view considers the economy as shaped by enduring collective forces that can mobilize regional capacities and resources through the integration of local actors in response to external incentives and challenges. The approach I take, however, goes beyond static explanations of mainstream regional development literature that sees the presence of associative institutions as results of fixed, culturally or historically inherited social capital endowments and the success of regional development strategies guaranteed by the cooperation of local actors. The approach in this research takes a critical view of this static notion of regional developmental governance where institutional change is always generated exogenously by the state, the market or by the EU. The critical reading of the new regional paradigm builds on three arguments, namely that the new regional development paradigm,

- neglects (more rural) areas outside the western (urban) developmental model;
- neglects the politics of diversity and focuses on culturally and historically fixed social capital endowments while taking unity and cooperation for granted in successful regional developmental strategies producing a win or lose dichotomic framework;
- focuses on institutional structures while neglects the role of agency in organizing strategies, that is local actors’ choices and interpretation of institutional framework conditions that they may try to make the most of as they enact institutions.

The approach I take instead draws on heterodox development theories and economic sociology in order to emphasize the evolutionary nature of social capital that is not fixed once and for all but can evolve in qualitatively different ways shaped by endogenous as well as external framework conditions that can hinder or foster particular qualities of social networks (Trigilia, 2001).

In this framework, instead of focusing on the success or the failure of developmental outputs and social capital endowments as their independent variable, this research has considered regional development more in the Schumpeterian sense of discontinuous change – a path that is grasped in terms of change in the path (dynamics) and level (complexity) of development. In this dynamic view, social capital is defined in terms of social networks rather than cultural heritage or pre-existing social endowments and it is not considered to be a sufficient condition for (local) development. Once the concept of social capital is not seen as shared culture it is possible to leave behind the contingent aspect of its presence rooted in history and to open the concept to denote “networks of social relations” rather “willingness to cooperate” (Trigilia, 2001). This definition emphasizes the evolutionary aspect of social capital which opens the concept to alternative evolutionary pathways where social capital can evolve in qualitatively different ways and bring different developmental outcomes this way. As Trigilia (2001) suggests, this definition of social capital implies that one should focus on framework conditions that can shape, and thus may foster or hinder particular qualities of social networks. This opens a new perspective for the analysis of the evolution and transformation of associative institutions. In this context, framework conditions – institutional structures or policy mechanisms – become important as they may favour the evolution of particular types of associative arrangements that can range from collusive coalitions and rent-seeking to heterarchic coalitions with a system of checks-and-balances, thus providing positive resources for local development (Trigilia, 2001). In other words, local actors’ capacity/authority to experiment with institutional arrangements and organize them in the course of institutional enactment (Streeck-Thelen 2005) in a way that distributes authority and intelligence among local stakeholders is partly affected by institutional framework conditions set up by politics and policies for sub-national development.

On the other hand, conditions provided by political action and policies offer constraints and opportunities that are always subject to interpretation and contestation by actors (Streeck-Thelen 2005). Drawing on models of endogenous institutional change, the approach here takes the view that while institutional framework conditions can influence the qualities of networks (through directly or indirectly setting balances of power), local actors

always retain a degree of capacity to interpret rules and bend them according to their needs as they construct associative institutions in reality (agency). Interpretation is an important element of the process that can be shaped by social entrepreneurs who have the capacity to create frames for association and convince people to join networks even if institutional framework conditions do not favour inclusive and encompassing networks/associations. Social entrepreneurs' capacity to experiment with associative arrangements is influenced by the conditions set up by politics and policies for sub-national development. Some institutional actors – which can be called socially skilled entrepreneurs – may be able to organize cooperation among others and to transform associative institutions in ways that distribute authority despite constraining conditions of the sub-national development regime. At the same time, other institutional actors may lack the skills, the interests or the capacity to do the same in the face of constraints, and thus either organize associations in fragmented ways or “exhaust” existing associations, leading to their complete disintegration.



### **8.3. Methodological dilemmas and case selection**

The analytical framework posed a number of methodological dilemmas for the research. Firstly, considering the interplay between associative governance and development on the basis of heterodox development theories the research assumed that institutional change in associative arrangements *may – but not sufficiently –* affect change in the development path. Thus, it expected to identify cases with variation in the interplay between institutional and developmental change. The ideal type would display a developmental “upgrading” with institutional upgrading in the background and vice versa. Developmental upgrading would mean the encompassing, multidimensional development of micro-regions; while institutional upgrading would denote changes in institutional arrangements in the direction of more inclusive, distributed forms of governance. This, however, posed the dilemma of how to measure the dynamics of developmental and institutional change in a way that leaves room to observe their interplay.

The lack of previous empirical work measuring change in developmental and institutional dynamics made it necessary for the research to design a particular methodological framework for the selection and analysis of cases. This methodological framework consisted of two parts: the definition and selection of cases, and the analysis of cases. The immediate methodological dilemma was the question of how to define the analytical unit of the research. Since over the timeframe of the research (1990-2007) the definition of what constitutes a micro-region and a micro-regional association has changed several times, for the sake of comparability I had to establish a standard analytical unit within which variation in associative governance and developmental dynamics can both be measured. In this I relied on the definition of 244/2003 (XII. 18.) Government Decree and its modification in 2005 that established 169 territorial developmental-statistical micro-regional districts in Hungary.<sup>96</sup> This offered the total pool of micro-regions within which territory changes in associative governance could be measured in the second part of the research.

The next dilemma was the selection of a small-N of cases for in-depth qualitative analysis from the large-N sample of 169 micro-regional districts. For the analysis of variations in institutional change within micro-regional districts, groups of micro-regions with diverging developmental dynamics had to be sampled. Therefore, a similar starting point for all 169 micro-regions had to be defined first, which could provide a comparative base for

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<sup>96</sup> The classification system has been modified again since 2005; in 2007 the number of micro-regional districts was 176.

variations in developmental dynamics. This was done by drawing homogeneous groups of micro-regions according to three criteria: similar developmental, institutional and human capacities measured along the urban-rural axis; similar socio-economic endowments measured along the structure of economy; similar socio-economic developmental status in the early 1990s measured by average, below average and above average.

Similar socio-economic developmental status was measured along 9 indicators. In order to acquire a multidimensional view on developmental status the indicators were selected from three developmental dimensions (infrastructural, social and economic). The same set of indicators was used to measure change in developmental dynamics whose goal was to identify the complex dynamics of the development process of micro-regions between 1990 and 2007 in comparison to the starting point of their development status in 1990. The quantitative method used to identify clusters of micro-regions with variations in developmental dynamics was aggregated cross-tabulations in SPSS.

On the basis of micro-regional clusters grouped according to “average”, “below average” and “above average” status and dynamics iteratively, first 12 and then six micro-regions were retrieved for case analysis. The goal was to identify examples of interesting and/or outstanding developmental dynamics both in terms of complexity and dynamism in micro-regions that shared similar geographical and socio-economic endowments in 1990 but have displayed diverging pathways over the 17 years. The micro-regions that were eventually selected for final case analysis represent well-comparable cases from the perspectives of their geographical location (three neighbouring and three in peripheral locations at country borders), their structure of economy, developmental status '90 and change in developmental dynamics.

The second part of the methodological framework concerned drawing the dimensions of qualitative analysis of institutional change in associative arrangements within the territories of these six micro-regions and conducting semi-structured interviews with representatives of micro-regional organisations. On the basis of preliminary empirical findings of desktop research and the analytical framework of the research I identified dimensions of micro-regional governance that have been contested and reshaped by various external and endogenous factors over the years. In order to be able to analyze institutional dynamics of associative arrangements each dimension was observed along two attributes of change: diversity and association. In a similar way to the quantitative method of measuring change in developmental dynamics, changes in diversity and associations were analyzed from a timeframe of a starting point in the early '90s and an endpoint of 2007.

## **8.4. Empirical findings of the research reviewed**

The empirical findings have identified three institutional periods of the evolution of micro-regional governance. It has been found that transformations in the institutional logics of the three periods generated changes at the micro-regional level in the cognitive framework, which induced various modes of institutional changes in the associations of micro-regional actors. Variations in institutional change have turned out to be related to differences in the strategies and tactics of micro-regional social entrepreneurs. The significance of these empirical findings is that they confirm an interplay between institutional change and the transformation of developmental pathways as well as the importance of agency; i.e. the role institutional entrepreneurs play in making change happen.

At the systemic level, the transformation of the institutional environment of micro-regional associations can be broken down into three periods. Over the three periods micro-regions have emerged from flexible geographical communities with organic socio-economic and cultural ties into fundamental units of public administration (statistical dimension) and spatial development (planning and programming dimension). Parallel to this, micro-regional associations have evolved from *voluntary* and ad hoc associations of heterogeneous local actors into mandatory associative organizations of mainly local governments.

Over the three periods, the logics of the institutional environment have supported dissident institutional structures for micro-regional associations. In the first period (i.e. beginning of 1990s) regulations and financial instruments encouraged flexible institutional structures that provided room for *voluntary* cooperation of diverse local actors in encompassing functional developmental domains. That is, institutional logics in this period did not prescribe preferential associational forms for organizations, did not privilege particular functional scope and sectoral composition, and did not limit the territorial scale of associations. By openly fostering encompassing associations, these institutional logics encouraged the distribution of authority among diverse actors within associations while providing them with opportunities to experiment with associational forms at their own discretion. This was the classic period of institutional experimentation and intensive entrepreneurship in which institutional entrepreneurs had enough room to interpret framework conditions at their discretion and choose solutions that best served their local interests and goals. Micro-regional associations that came about in this period were organic associative institutions with goals remedy socio-economic problems of transition, called forth by local patriotism in areas most severely hit by the socio-economic crisis of the systemic change.

These areas were characterized by small rural settlements at the peripheries and in the northeast of Hungary.

In the second period (from 1996 up to the early 2000s) logics of the institutional framework began to restrict local actors' room for manoeuvring when organizing their micro-regional associations. Domestic regulations and financial instruments prescribed preferential institutional solutions in the sectoral composition (local governments), the territorial extension (statistical micro-regions) and the organizational form (LGP) of associations when accessing domestic development funds. Thus, they limited experimentation with institutional solutions, but left room for micro-regional actors to make choices on the degree of adaptation. Establishing LGPs was optional although encouraged by financial and representational incentives. Prescriptions concerning the scope of associations only concerned those who opted for adapting to the institutional requirements of LGPs. The relative flexibility of the second institutional period can also be seen in the diversity of the ways in which micro-regional actors adopted the institution of the LGP, adjusting it to their local institutional contexts (see variations among all six cases in bringing about their LGPs).

On the other hand, the institutional logics of these domestic regulations broke the encompassing integrated micro-regional framing of development and fostered settlement-level development planning in which micro-regional associations were only instruments of acquiring funds and representational rights. That is, the institutional framework of the second period, instead of reinforcing micro-regional integration, encouraged fragmentation (settlement level development funds over a restricted territory) and exclusion (of non-governmental actors from LGPs) through prescriptive rules exogenously by the central state.

Transnational funds, especially EU pre-accession funds (PHARE and SAPARD) and community initiatives (LEADER) have over the entire course of the three periods supported the institutional logic of micro-regional associations composed of heterogeneous actors with a distributed authority. Nevertheless, towards the end of the second period, a new priority appeared in the organizing principles of pre-accession funds which was about ensuring the "safe money transfer" of the Structural Funds after accession. This was seen to be manageable only at the level of the central state. Thus, some PHARE programs began to focus on strengthening central state level administrative capacities rather than building further capacities at the sub-national levels (both micro-regional and regional) (see also: Hughes et al., 2003, Bruszt, 2005).

As a consequence, by the time of accession the central state with its strengthened administrative capacities could shape framework conditions in a way that limited micro-

regional actors' room to define developmental priorities and the institutional structure of their association. In the third institutional period, central state regulations prescribed *mandatory* institutional structures for micro-regional actors that often excluded local non-state actors from associations and distributed authority within the micro-regional field asymmetrically in favour of local governments. Thus, the shift in the EU's policy priorities by the end of the decade contributed to the increasing centralization and bureaucratization of micro-regional governance, reaching its apogee in the institutional framework of the MPPs in 2004.

The institutional framework of the MPP constrained the updating mechanism by free choice through the mandatory requirement to adopt a single institutional model. This institutional model did not require entrepreneurship that could fuel experimentation through active interpretation of the external environment. Receiving annual per capita funds without competition, local governments in MPPs do not have to make choices or to take risks in tendering and they still gain access to central state sponsored financial resources. This plugs MPPs into the redistributive system of the central state, which increases the dependence of lower level state actors on the central state and the significance of hierarchical network relations. At the same time, the MPP creates asymmetries among micro-regional actors by providing standard state funds for an exclusively local governmental organizational form without providing similar types of benefits for non-state actors and/or other types of micro-regional organizations.

These imbalances in accessing resources induced asymmetrical bargaining power positions between local governments and societal actors. In the first institutional period horizontally distributed authority among governmental and non-governmental actors reflected their mutual desire for efficiency gains to resolve socio-economic problems. However, by the third institutional period local governments had acquired such privileges that enabled them to increase their distributional assets by making concessions on other local actors without returning them. Since 2004 MPPs have become the most important instruments of micro-regional development policy, which empowered them to the extent that they can easily bypass or even entirely neglect non-governmental actors and other micro-regional organizations in developmental decision-making.

Subsequent national regulations in the post-accession era regarding the use of transnational funds (ERDF, LEADER) have introduced institutional mechanisms that display rigorous central state control over micro-regional development governance. Setting up various – and overlapping – networks of consultants employed by central state ministries to assist micro-regional actors in planning, programming and conducting micro-regional development

programs is a prime example of the centralization and bureaucratization of central state-controlled micro-regional development policy.

The transformations of the institutional environment in the first two periods induced experimentation and the introduction of new institutional elements; the only exception is Sümeg with a reversed evolution. Institutional change at the micro-regional level in these periods typically took place through conversion, displacement (Mórahalom, Zalaszentgrót) and layering (Sellye, Keszthely-Hévíz, Encs/Abaúj-Hegyköz). These modes of institutional change require a degree of activism from social entrepreneurs to cultivate transformations. In the third institutional period, the introduction of the logic of the MPP was an act of institutional transposition in all the six case studies. However, local reactions to it can be distinguished by two main patterns: the institutional transposition of the MPP either induced exhaustion or drift of the existing institutions or through displacement local actors rejected and/or defected the one-to-one adoption of the MPP logic. Sümeg is an exceptional case; here the transposition of the MPP generated the introduction and layering of integrated and non-hierarchical institutional elements that began to supplant the old hierarchical system of governance. Institutional exhaustion and drift generally led to various degrees of disintegration of earlier non-hierarchical patterns of governance (in Sellye, Encs/Abaúj-Hegyköz, Keszthely-Hévíz). Institutional displacement on the other hand was about a degree of experimentation regarding the adjustment of the mandatory MPP to the existing local institutional context in a way that would sustain existing non-hierarchical patterns of governance (Mórahalom, Zalaszentgrót).

The institutional displacement of the MPP logic with existing non-hierarchical institutional elements in Mórahalom and Zalaszentgrót and layering on top of it non-hierarchical patterns of governance in Sümeg required the active cultivation of institutional change by social entrepreneurs. The active cultivation of transformation (agency) meant the deployment of conscious strategies to resist the invasion of their local institutional field with hierarchical institutional elements of the MPP and to defect from the centrally prescribed re-organization of the local institutional field. Alternatively, in the case of Sümeg, it meant the organization of resistance from the scratch with the support of an alternative institutional logic of the LEADER program. All in all, active cultivation of change meant the conscious search for and recognition of opportunities even amidst institutional constraints of the MPP framework, as opposed to exhaustion and institutional drift where transformation took place as a result of passive adoption of obligatory institutions or in the absence of tending to the existing institutional context.

The constraints of the MPP framework concerned degrees of experimentation and entrepreneurship. Decreasing variations in the modes of institutional change in the post-MPP period indicate limitations on entrepreneurship and choices for institutional experimentation in framework conditions. In order to maintain existing non-hierarchical institutional elements of their earlier periods, deliberate strategies of tending had to be employed, including the creation of cognitive frames that could provide alternatives to the logic of the MPP. The example of Keszthely-Hévíz, for example, implies that creating a cognitive frame alone is not sufficient to maintain non-hierarchical elements without supportive strategies that distribute intelligence, the effects of no tending will lead to disintegration. Cognitive frames, on the other hand, must respect institutional redundancies and distributed forms of intelligence in order to support experimentation.

The case studies demonstrate the correspondence between modes of institutional change, the nature of cognitive frames, and the deployment of conscious associative strategies. In micro-regions in which the post-MPP period modes of institutional change were about exhaustion and drift (Sellye, Encs/Abaúj-Hegyköz, Keszthely-Hévíz), institutional diversity became curtailed and the distribution of intelligence limited. On the other hand, in micro-regions where modes of institutional change were about displacement and layering (Mórahalom, Zalaszentgrót, Sümeg), institutional diversity and an existing distribution of intelligence were preserved or consciously developed from scratch.

The best case scenarios of heterarchic micro-regional governance in the micro-regions of Mórahalom and Zalaszentgrót and a hybrid model in the micro-region of Sümeg demonstrated that “there is life after the MPP” if authority and intelligence is shared among diverse local actors in loosely coupled non-hierarchical coalitions that can “stand on more feet” in terms of functional scope, organizational identity and sectoral interests. This can provide the coalition with routes of alternative resources that restores balances of power and trust between governmental and non-governmental actors and preserves the embedded autonomy of the micro-region. The Zalaszentgrót and Sümeg models demonstrate that even an embryonic form of heterarchy – organized through a single nod (Zalaszentgrót) or in a hybrid form with hierarchies (Sümeg) – can create durable associative frames and support the embedded autonomy of the micro-region. These case studies thus prove that holding on to “embedded autonomy” is not an impossible venture even in a hierarchical and centralized regional development regime. What is needed, according to these case studies, is a diversity of organizations, sectors and functions organized in heterarchies that distributes authority and intelligence among partners.

At a more abstract level this directly connects the research to development studies in economic sociology by illustrating the instrumental role heterarchic forms of governance can play in maintaining and/or creating embedded autonomy for socio-economic development. The study of the evolution of micro-regional integrations in the six cases has displayed developmental phenomena that distinguish the developmental framework of CEE Member States from most EU15 countries. This is the lack of endogenous “own” resources of municipalities, which throughout the studied institutional periods made all micro-regions sensitive to external developmental resources and vulnerable to their institutional criteria. Empirical evidence has demonstrated that resource mobilization in a CEE is different from western European practices. In the latter case it is about planning and mobilizing own resources – as the new regional development paradigm has argued – and conducting planning maybe not entirely but largely a local consultative process. In this context the frames and procedures are shaped by local actors according to their own needs. In Hungary/CEE the lack of own resources for all sectors of local actors has meant that the mobilization of external resources is about application-based grants or per capita state funding.

Due to the vulnerability of micro-regions, coordination territorial development policies directly affected the organization of micro-regional associations through financial incentives. In the absence of endogenous resources “money” and information about where and how to get it have been the most important mobilizing forces of micro-regional governance. The trend that “money makes micro-regional associations go around” remained the same throughout the three institutional periods. Micro-regional actors always had to adjust their development plans to institutional requirements in order to get access to external development funds. In most cases this meant the one-to-one adoption of external priorities without local strategy building. In practice, this naturally entailed the absence of any consultative process since the single, short-term goal was “to get the money.” These micro-regional actors were disinterested in participating in the definition of priorities (e.g.: in the case of decentralized funds) and lacked the skills to recognize opportunities among constraints. Social entrepreneurs in the micro-regions of Mórahalom, Zalaszentgrót and Sümeg, on the other hand, demonstrated the possibility of adjusting their local developmental priorities to framework requirements in a flexible way through long-term strategy building and a local consultative process. Nothing demonstrates their social skills better than their ambition and ability to shape developmental priorities at higher levels of the state (lobbying at county development councils, regional development agencies, national development agency). This strategy somewhat decreased their

hierarchical dependence vis-à-vis the central state and enabled them to preserve or to create their embedded autonomy in order to define the parameters of their development.

Overall, the empirical findings have supported the central hypothesis of this research about the interplay between institutional change and the transformation of developmental pathways. It is only the two institutional “best practice” cases (Mórahalom and Zalaszentgrót) that have managed to maintain an average developmental status (Zalaszentgrót) and to jump developmental levels (Mórahalom). On the other hand, de-institutionalization or institutional stagnation goes in all cases (Sellye, Encs/Abaúj-Hegyköz, Keszthely-Hévíz) with developmental decline or stagnation at a lower level of development (Sümege). These trends in institutional transformation have indicated that neither socio-economic, nor institutional endowments can be preserved without the deliberate efforts of institutional agents. In other words, the findings of the research have shown that the institutional endowments of developmental associations in the 1990s are insufficient to indicate the direction of institutional change by the 2000s. Institutional upgrading could only take place in micro-regions in which social entrepreneurs deliberately made a series of institutional changes happen in response to the external environment.



## **8.5. Enumerating the contributions of the research and opening questions for further research**

In his article on *Social Capital and Local Development* (2001), Trigilia points out that research on the role of social capital in local development should provide answers to the question of whether politics favour the transformation of networks of social relations into positive resources for local development. One of the fundamental contributions of this research is that it has attempted to answer Trigilia's question by looking at whether and in what ways the politics and policies behind institutional frameworks of micro-regional development have contributed to the evolution of diverse modes of associative governance in Hungary. The research extended and through empirical analysis it has considered what Trigilia conceptually suggested in his article, namely to the need to rethink the role of the state in local development policies and in helping local actors "from above" mobilize their resources "from below" through specific sets of institutional arrangements that favour distributed authority among stakeholders in associations and thus provide positive resources for local development.

One answer that the study of Hungarian micro-regions and micro-regional associations offers to Trigilia's question is that in a centralized state it seems not to be in the interest of the state to promote win-win associations of local actors at sub-national levels. The empirical study of the transformation of micro-regional associations from the period of the overwhelming presence of encompassing, bottom-up associational logics in the early 1990s, to the dominance of exclusionary governmental (multi-purpose) associations supports Trigilia's point that the way central state policies – and the institutional logics behind them – are defined can encourage or restrain attitudes to collusion and rent-seeking or distributing authority in networks. The transformation of Hungarian micro-regional governance was about the way in which the central state wedged its hierarchical institutional logic into micro-regional development ecology that in the first half of the decade had been organized spontaneously in heterarchies by local actors. While in the first half of the decade public institutions at the non-local level (state, EU) helped micro-regional actors "from above" mobilize their resources "from below" through framework legislation and concerted policy mechanisms of development programmes, by the end of the decade the same state-level and transnational institutions strengthened hierarchical and asymmetrical sets of relations and fostered collusive coalitions among local actors.

These empirical findings extend those of Bruszt's ongoing research within the FP6 New Modes of Governance project at the EUI regarding the way the experimental period of the 1990s in sub-national developmental governance came to be halted by the end of the decade with the redefinition of the Commission's priorities in regional development policy. Changing its discourse to stress technical and financial accountability, the Commission left the issue of extended *political* accountability largely to the side and thus gave central states the prerogative to control regional policy making and implementation (Bruszt 2007). The "story" and individual case studies of Hungarian micro-regional developmental governance support the thesis about the way the EU proved to be a powerful player in rearranging the low equilibrium trap of territorial governance in the '90s by providing central states with prerogatives to control regional policy making and implementation in the name of financial accountability. The low equilibrium trap of the 1990s was about weak territorial problem-solving capacities of the central state and weak capacities of non-state actors to make demands on the central state. With the shift in the EU's policy priorities by the end of the decade, an asymmetrical equilibrium-model emerged with power constellations of "stronger societies and much stronger states" (Bruszt 2008). The increasing centralization of micro-regional governance starting in the second half of the decade (only LGPs in county development councils, after 1999 only one micro-region representing three in county development councils, etc) reaching its apogee in the multi-purpose association (centrally defined functions, organizational forms, sectoral composition and territorial scale) in 2004 illustrates this process well. The decreasing autonomy of micro-regional actors to organize/form alliances in which they define their own developmental priorities can also be seen in the way the integration of micro-regional diversity in organizational form, functional scope, sectoral composition and territorial scale became gradually narrower.

This dimension also provides a second extension to Trigilia's question about the role of the state in fostering specific modes of associative governance in local development. The Hungarian central state's presence within bottom-up micro-regional heterarchies by the second half of the 1990s was not just about the transformation of the qualities of micro-regional associations. It also concerned the "embedded autonomy" (Evans, 1995) of micro-regional development. The strengthening of the central states' and incumbents' capacities by the EU also meant the enforcement of *their unwillingness* to share power with non-state and lower state actors in controlling the (re)distribution of resources. The institutional framework that has been fostered by the central state since this period has the aim of finding institutional solutions that enable central state incumbents to best control the (re)distribution of resources

at the micro-regional level. Changing the scheme of representation for micro-regions in county development councils in 1999 was one way to control the (re)distribution of decentralized (!) resources to micro-regional actors. Another way to control the distribution of resources is to make the formation of win-win alliances between local actors difficult; i.e. to foster asymmetrical power relations among local actors. Elevating local governments to the position of having exclusive prerogatives to define and implement micro-regional development programmes in the institutional framework of the multi-purpose association has meant the perfection of a controlled system of channels to (re)distribute resources. From the perspective of the central state local governments are much more easily “controlled” through a system of centrally defined functional scopes and territorial scales than non-state actors whose alternative institutional logic “always challenges” the power of state actors.<sup>97</sup> Nothing can demonstrate the ultimate centralization of micro-regional governance better than statistics about the distribution of the types of standard resources provided by the central state for micro-regional associations. According to some calculations, from the overall allocated standard state funding for “voluntary” functions adopted by the micro-regional association, the MPA can autonomously decide about the allocation of approximately 1,4%, the functions to be sponsored by the overwhelming majority of funding is decided centrally by the Parliament (Huszti 2003).

The discussion on the role of the state in fostering or blocking non-hierarchical modes of association in micro-regional development also extends the arguments of the new regional development paradigm in two ways. Firstly, the argument of NRDP that regional development has become “a matter for regions themselves, in a context on which they are pitched into competition and cooperation in global markets, without the protective umbrella of the nation-state” (Keating, 2005) can be challenged by the case of Hungarian micro-regions that prove that sub-national development is indeed not just a matter for the regions or micro-regions. The state plays an important role in defining the parameters of the regional development regime in a country – and not necessarily as a protective umbrella. According to Bruszt, the Hungarian regional development regime is hierarchical and centralized in the sense that it contains some weak elements of regional decentralization, but the developmental priorities are primarily defined by central state agencies with some limited inclusion of non-state actors (2005). The evolution of Hungarian micro-regional developmental governance provides an excellent case study of this ideal-type regional development regime: institutional

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<sup>97</sup> This has been state actors’ general attitude towards non-state actors at the local and micro-regional levels, as well as at higher levels of the state.

experimentation had become scarcer by the end of 1990s and in many micro-regions the dynamics of institutional development has been “going from testing one centrally imposed institution to the testing of the other one” (Bruszt 2005), compared to intensive institutional experimentations of the first half of the decade. The scope for experimentation of micro-regional actors has become smaller and especially in the era of the multi-purpose association “some decentralized experimentations might be tolerated but their scope is limited” in the “shadow of the hierarchy” (Bruszt 2005). The case studies of the micro-region of Sümeg, Zalaszentgrót, and Mórahalom provide examples of such decentralized experimentations.

Studying these institutional experimentations at the micro-regional level also contributes to the literature on endogenous institutional change, as they highlight the role social entrepreneurs can play in initiating and maintaining institutional experimentations. Although models of endogenous institutional change emphasize the importance of agency in interaction with structure they do not elaborate on the nature and mechanisms of agency in assigning alternative institutional pathways. In the case of the three Hungarian micro-regions it was the presence of socially skilled entrepreneurs and the tactics they used to create and to maintain frames for encompassing association/integration that guided these micro-regional ecologies in diverging directions of institutional development from that of Keszthely-Hévíz, Sellye and Encs/Abaúj-Hegyköz. In this sense the research on the evolution of Hungarian micro-regional associations contributes to that emerging body of institutionalist approach that links institutional change to the idea of entrepreneurship.

With this approach, the research also contributes to existing Hungarian research body of micro-regional developmental dynamics that so far has concentrated on quantitative analysis of diverging developmental trends among micro-regions. Many of these works change in the “state of development” (Faluvégi 2008, Bihari-Kovács 2005), while others analyze changes in the dynamics of micro-regional development and the effects tangible factors – FDI, highway, clusters, and entrepreneurial activity – have had on developmental dynamics (Hahn 2005). Hahn’s thesis, although it calls attention to the fact that intangible factors such as institutional dynamics of micro-regional associations, and the entrepreneurial attitude of micro-regional leaders also affect the shaping of developmental dynamics in micro-regions, with the quantitative focus of his research Hahn only proposes this question for future research. In this sense, by studying variation in institutional dynamics of micro-regional associations, this research has followed Hahn’s suggestion and filled the gap left from his quantitative study on the dynamics of developmental indicators of micro-regions.

It is the exact strategies and mechanisms of micro-regional entrepreneurship and thus the comparative analysis of the entrepreneurial attitude of micro-regional leaders that both this research and Hahn's study leave untouched. Although this research analyzes the ways socially skilled entrepreneurs can affect the emergence of diverging institutional pathways in micro-regions by looking at the repertoire of some tactics socially skilled entrepreneurs in the three micro-regions used to generate and maintain associative frames, the focus of the research had to leave a more in-depth analysis of entrepreneurial strategies as a subject for future research. Such in-depth analysis could give room to studying mechanisms of micro-regional developmental entrepreneurship and could compare the transformation of entrepreneurial strategies across institutional periods. Such work might also analyze how different institutional framework conditions required different entrepreneurial strategies for micro-regional development.



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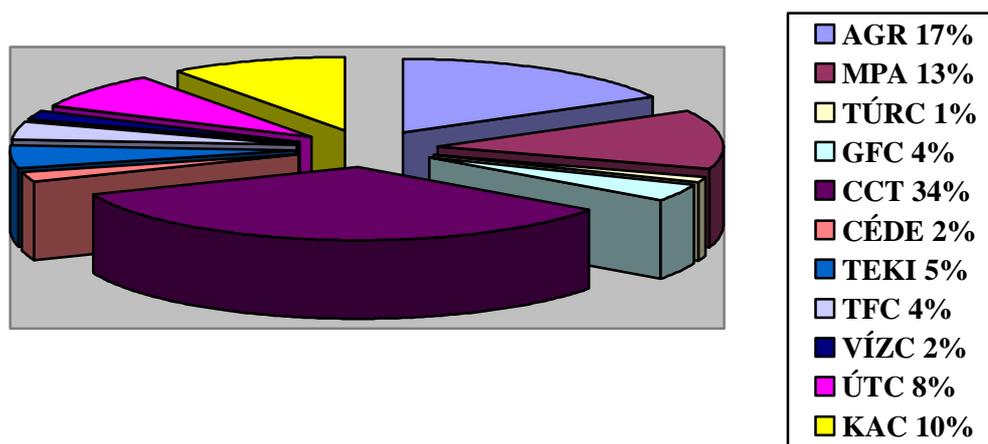
# Appendix 1

## Characteristics of NEF micro-regional manager program

Positive factors	Negative factors
Inducing micro-regional institutional development	50% own resources requirement was too high
Encouraging employment ethics	Fluctuation as a result of annual tendering
Supporting self-training	Restrictive criteria to employ an unemployed person
Acquiring skills of tendering	Low salary
Dissemination of micro-regional level cognitive frames	Annual tendering procedures weaken the logics of permanent employability
Encouraging professional micro-regional management	
Pointing out the importance of a permanent micro-regional manager	

Source: OFA, 2002

## Distribution of allocation of spatial development target-funds between 1996 and 1999 (for abbreviations see Table Centralized and decentralized funds 1996-2000)



Source: Regional Processes in the 1990's VÁTI Ltd. 2002.

<b>The extent of decentralised support 1998 – 2001</b>				
	1998	1999	2000	2001
<b>Total decentralised allowance for the County Development Councils</b>	<b>20 007,2</b>	<b>23 322,0</b>	<b>24 448,3</b>	<b>23 608,0</b>
Targeted Provisions for Spatial Development (TFC)	7 007,2	7 322,0	7 008,3	6 735,0
Support for Promoting Spatial Balance (TEKI)	9 000,0	10 000,0	10 900,0	10 573,0
Target-Oriented Decentralised Support (CÉDE)	4 000,0	6 000,0	6 540,0	6 300,0
<b>Total decentralised allowance for the Regional Development Councils (TFC)</b>	<b>542,6</b>	<b>1 100,0</b>	<b>940</b>	<b>5 519,0</b>
<i>Total decentralised resources</i>	<i>20 549,0</i>	<i>24 422,0</i>	<i>25 388,3</i>	<i>29 127,0</i>

Source: Regional Processes in the 1990's VÁTI Ltd. 2002.

### Centralised and decentralised target funds 1996-2000

<b>Support</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>1996-2000 Total</b>
<b>Targeted Provisions for Spatial Development (TFC in Hungarian)</b>	7,5	9,1	6,1	11,2	7,6	46,6
<b>Support for Promoting Spatial Balance (TEKI in Hungarian)</b>	8,5	10,4	8,4	11,2	11,3	55,8
<b>Target-oriented Decentralised Support (CÉDE)</b>	-	-	3,9	8,6	9,1	21,6
<b>Targeted and Earmarked Support (CCT in Hungarian)</b>	76,7	70,6	90,0	39,6	83,7	360,6
<b>Targeted Provisions for Economic Development (GFC in Hungarian)</b>	5,2	7,1	3,9	13,2	12,4	41,8
<b>Targeted Provisions for Tourism (TURC in Hungarian)</b>	2,0	1,7	1,7	6,9	3,7	15,8
<b>Labour Market Fund (MPA in Hungarian)</b>	25,6	32,3	32,2	25,6	30,6	146,3
<b>Agrarian Support (AGR in Hungarian)</b>	33,0	35,1	59,0	27,1	35,4	189,6
<b>Environmental Targeted Provisions (KAC in Hungarian)</b>	8,1	19,8	24,2	24,0	31,3	107,4
<b>Targeted Provisions for Road Maintenance and Construction (ÚTC)</b>	12,5	24,8	23,6	13,8	13,7	88,5
<b>Water Supply Targeted Provisions (VÍZC in Hungarian)</b>	2,7	3,1	4,4	5,7	5,7	21,5
<b>Total</b>	<b>186,8</b>	<b>217,4</b>	<b>260,0</b>	<b>186,9</b>	<b>244,5</b>	<b>1095,5</b>
<b>In % of GDP 1998</b>	1,4	1,7	2,0	1,4	1,9	8,4

Billion HUF at 1998 prices

Source: Regional Processes in the 1990's VÁTI Ltd. 2002.



## Appendix 2

### PHARE implemented projects 1992 - 2003

#### 1992

- Sütő- és hűtőipari kapcsolatrendszer az élelmiszeripari -agrárágazati termelésben (Miskolci Sütőipari Kft.)
- Borsodi termékpiaci stratégia kidolgozása (Miskolci Egyetem)
- Tender tréning megvalósítása (Régió Kft.)
- A falusi turizmus alapjai Kissikátorban (Kissikátor önkormányzata)
- Rézfúvós hangszerek fúvókáinak nemzetközi szabadalmi bejelentése és kifejlesztése (Nyíregyházi Művészeti Szakközépiskola és Zeneiskola)
- Ipari fejlesztések (PLES Járműalkatrész-gyártó, Szolgáltató és Kereskedelmi Rt.)
- Kábelkorbács üzem felállítása (Fehérgyarmati Ipari Kereskedelmi és Szolgáltató Kft.)
- Megyei turisztikai kiadvány elkészítése (Szabolcs-Szatmár-Bereg Megyei Tourinform Iroda)
- Szatmár-beregi turisztikai fejlesztések (Koncz Gábor, vállalkozó)
- A morotva, a tiszai holtág megmentése, tanulmány (Nyíregyházi Vízügyi Igazgatóság)

#### 1995

- Kistérségi és helyi gazdaságfejlesztési stratégiák megvalósíthatósági tanulmányok
- Tiszaújváros és térsége fejlesztési stratégiája Dél-Borsod komplex fejlesztési stratégiája
- Sajóbábonyi Ipari és Vállalkozói Park létesítése
- Ózd, Nádásd és Hangonyvölgyi mikrokörzet fejlesztési stratégiája

#### Kistérségi komplex fejlesztési programok, projektek

- Csereháti vendégfogadó rendszer kiépítése (Csereháti Településszövetség)
- Együttműködés Abaúj idegenforgalmának fejlesztéséért (Abaúj területfejlesztési Önkormányzati Szövetség)
- Galyasági falusi vendégfogadó hálózat fejlesztése (Galyasági Településszövetség)
- Kultúra és pihenés a Csereháton - Szikszó és Térsége Fejlesztési Társulás
- Kistérségi komplex faipari fejlesztési program (Sajó-Hernádvölgyi és Bükkvidéki Önkormányzatok Területfejlesztési Társulása)
- Esély közösségi ház és programja (Homrogd Község Önkormányzata)
- Romák lakta településeken képzetekkel összekötött vállalkozásfejlesztési és foglalkoztatási program (Fhralipe Független Cigányszervezet)
- Integrált kecsketenyésztés és Tejfeldolgozás (Abaúji Területfejlesztési Önkormányzati Szövetség)
- A Kesznyéteni Tájvédelmi Körzet komplex ökoturisztikai fejlesztése (Tiszatáj Környezet és Természetvédelmi Alapítvány)

## 1996

- Teleházakra épülő regionális kommunikációs rendszer kialakítása (Baranya Megyei Önkormányzatok Társulása)
- Vállalkozói inkubátorház Zalaszentgróton (Zala Megyei Vállalkozásfejlesztési Alapítvány)
- Borutak kialakítása és fejlesztése a Dél-Dunántúl történelmi borvidékein (Villány-Siklósi Borút Egyesület)
- A dél-dunántúli régió gyógyturizmusának fejlesztése (Dél-Dunántúli Regionális Egészségügyi Tanács)
- A dél-dunántúli régió vállalkozási övezeteinek marketing projektje (Mohács és Térsége Vállalkozási Övezet)
- A régió helyi önkormányzati tulajdonú termálvíz készletének idegenforgalmi hasznosítása (regionális mintaprogramok)
- "Fészek" regionális képzőközpont létrehozása és működtetése (Somogyi Területfejlesztő és Képzésszervező Kht.)
- Rádió-Régió-Marketing (Magyar Rádió Szegedi Körzeti Stúdió)
- Feszi járat működtetés az Ópusztaszeri Nemzeti Történelmi Emlékparkhoz (Tisza Volán)
- Orosházi térség idegenforgalmának fejlesztésére (Orosháza Önkormányzat)
- Élelmiszer inkubátorház Békéscsabán (Békés Megyéért Vállalkozásfejlesztési Alapítvány)
- A fűszerpaprika tradicionális és alternatív felhasználása (Szegedi Paprika, Fűszer és Konzervgyártó Rt.)
- Sertés mintafarm kialakítása (Bethlen Gábor SZKI)
- Hódmezővásárhely tisztított szennyvizének újrahasznosítása (Tisza-Marosszögi Vízgazdálkodási Társulat)

## 1997

### Ipari szerkezetátalakítás témakör

#### Észak-Kelet-Magyarország

- HU9705-0102-0001 Kiállítási infrastruktúra komplex működtetése Kelet-Magyarországon
- HU9705-0101-0001 Nyíregyháza Ipari Park előkészítése, befejező szakaszának programja
- HU9705-0103-0001 Kistérségi Innovációs centrumok regionális rendszerének megalapozása
- HU9705-0101-0002 Ipari park fejlesztés
- HU9705 0101-0003 Regionális Borászati Kereskedelmi Központ létesítése Tokajban
- HU9705 0101-0004 Ipari Park Fejlesztés, feltáró utépítés
- HU9705-0101-0005 Fehérgyarmat Ipari Park Fizikai Infrastruktúra kiépítése
- HU9705-0102-0003 Északkelet-Magyarország befektetés ösztönzési programja
- HU9705-0102-0004 Az északkelet-magyarországi vállalkozási övezetek összefogásán alapuló egységes megjelenítési program befektetések ösztönzése

- céljából
- HU9705-0103-0002 Az Egri Ipari Park területén létesítendő Innovációs és Technológiai Központ
- HU9705-0102-0005 Zempléni Vállalkozási Övezet befektetés-ösztönzési programja
- HU9705-0102-0006 "Egy táskában a régió"
- HU9705-0103-0003 RETINA- Regionális Együttműködésen alapuló technológiai és innovációs adat központ kialakítása
- HU9705-0102-0007 Heves Megye befektetési lehetőségei
- HU9705-0101-0007 Regionális Logisztikai Központ
- HU9705-04-04 Bihari térség gazdasági fejlesztési programja
- HU9705-0103-0004 A debreceni tudományos műszaki park regionális technológiai és innovációs központtá fejlesztése
- HU9705-0101-0008 Debrecen ipari park kialakítása és fejlesztése

### **Dél-Dunántúl**

- HU9705-01-03-0026 Innovációs és technológia központ Tamásiban
- HU9705-01-03-0027 Kapos Innovációs Transzfer Központ létrehozása a Dombóvár-Kaposszekcsői Ipari Parkban
- HU9705-01-03-0028 Innovációs és Technológia-fejlesztési Központ létrehozása

### **Humán erőforrás fejlesztés témakör**

#### **Észak-Kelet-Magyarország**

- HU9705-0203-0001 High-tech szakmák alapjait megteremtő és szolgáltató PLC bázis és nyelvi labour kialakítása
- HU9705-0201-0012 Távközponti hálózatfejlesztés
- HU9705-0201-0013 Észak-magyarországi régióban működő rendőr-főkapitányságok távközponti, EU-konform menedzserképzési pilot programja
- HU9705-0201-0001 Regionális Környezetvédelmi-környezetmérnöki felsőfokú képzés szakmai hátterének fejlesztése
- HU9705-0203-0002 Középfokú szakoktatási kínálat és kapacitás növelése
- HU9705-0203-0003 Az emberi erőforrások fejlesztése a siker kulcsa
- HU9705-0203-0004 A Mátra és a régió turizmusának fejlesztése - új idegenforgalmi szakképzési program bevezetése
- HU9705-0201-0002 Észak-magyarországi marketing oktató, tanácsadó és piaci információs bázisok létrehozása
- HU9705-0202-0003 Kutatási és továbbképzési program szocio-kulturálisan hátrányos helyzetű gyerekek számára
- HU9705-0203-0005 AIFSZ alapítása és indítása
- HU9705-0203-0006 Informatikus asszisztens akkreditált iskolai rendszerű felsőfokú szakképzés alapítása
- HU9705-0203-0007 Szakképzéssel összefüggő kezdeményezések támogatása
- HU9705-0201-0003 Humán erőforrás oktatási bázis létrehozása
- HU9705-0203-0008 Környezetvédelmi és jogi szakképzés fejlesztése

- HU9705-0203-0009 Akkreditált iskolai rendszerű felsőfokú villamos mérnök asszisztens
- HU9705-0201-0004 Északkelet-magyarországi régió 2000 után
- HU9705-0201-0015 A gazdaság és a képzés új típusú kapcsolódási pontjainak megteremtése távoktatás segítségével
- HU9705-0203-0012 Akkreditált területfejlesztési és gazdaságfejlesztési menedzserképző program
- HU9705-0203-0014 Területfejlesztési szakképzési program fejlesztése
- HU9705-0201-0016 Közgazdász képzés távoktatással
- HU9705-0203-0015 Az akkreditált iskolarendszerű felsőfokú szakképzés bevezetése
- HU9705-0202-0004 3H program
- HU9705-0201-0005 Gyakorlatorientált fordító- és tolmácsképzés
- HU9705-0201-0006 Új anyaginformatikai ágazat
- HU9705-0203-0016 Költséghatékonyság a szociális munkában, tanfolyami és főiskolai speciálkollégiumi képzés kifejlesztése
- HU9705-0202-0005 Példaértékű iskolamodell létrehozása családgondozással
- HU9705-0201-0007 Észak-Magyarországi bázis létrehozása a turizmus oktatására és fejlesztésére
- HU9705-0201-0008 A posztgraduális növényvédelmi szakmérnök képzés átalakítása, a regionális növényvédelmi továbbképzés feltételrendszerének fejlesztése
- HU9705-0201-0009 Angol nyelvterületek ország-ismerete, posztgraduális képzés beindítása a ME angol irodalom és nyelvészeti tanszékeinek vezetésével
- HU9705-0201-0010 A halászati oktatás vertikumának kialakítása az Északkelet-Magyarországi régióban
- HU9705-0201-0011 Felsőoktatási posztgraduális képzési csomag a regionális fejlesztés elősegítésére
- HU9705-0203-0019 Modern szakképzés és idegen nyelvi képzés feltételeinek javítása
- HU9705-0201-0017 Posztgraduális Környezetvédelmi referens képzés távoktatási formában

## **Dél-Dunántúl**

- HU9705-02-01-0027 Nyitott képzéssel az EU csatlakozás felé
- HU9705-02-01-0028 Az alkalmazott informatikai képzés regionális fejlesztése
- HU9705-02-03-0026 Mérnökasszisztens a geoinformatika területén
- HU9705-02-03-0027 Hulladékgazdálkodási technológus képzés
- HU9705-02-01-0033 Piacorientált Emberi Erőforrás Fejlesztés a Dél-Dunántúli régióban
- HU9705-02-03-0028 Multimédiafejlesztő felsőfokú szakképzés (OKJ) továbbfejlesztése
- HU9705-02-01-0035 Önkormányzati tisztségviselők, képviselők és köztisztviselők továbbképzése
- HU9705-02-01-0036 Az integrált egyetemek újszerű továbbképzési modellje (Felsőoktatási regionális együttműködés a továbbképzés terén)

- HU9705-02-01-0029 Régió-orientált gazdasági képzési struktúra fejlesztése a
- JPTE KTK-n, az üzleti képzés és az üzleti szféra kölcsönkapcsolatának
- megerősítése
- HU9705-0203-0010 Akkreditált iskolai rendszerű felsőfokú villamos mérnök
- asszisztens
- HU9705-0203-0011 Akkreditált iskolai rendszerű felsőfokú villamos mérnök
- asszisztens

## Vidékfejlesztés témakör

### Észak-Kelet-Magyarország

- HU9705-0303-0001 Minőségi tejtermelés a kisgazdaságban
- HU9705-0303-0002 A kisüzemi minőségi tejtermeléshez szükséges korszerű
- takarmányozás feltételeinek megteremtése
- HU9705-0302-0002 Az Alföld népi hagyományainak ápolására és a térség
- egészség-nevelésére központ létrehozása
- HU9705-0302-0003 Idegenforgalmi programfejlesztés és képzés a falusi turizmus
- tovább fejlődése érdekében
- HU9705-0302-0004 Regionális lovas idegenforgalmi képzési és koordinációs
- központ kialakítása
- HU9705-0302-0019 A Tiszatér-ökotérség komplex idegenforgalmi fejlesztése
- HU9705-0302-0006 Matyóföld gyógy- és termálvízre kulturális örökségre
- alapozott turizmus fejlesztése
- HU9705-0303-0003 Az első magyar aukciós Agrárbörze létrehozása
- HU9705-0301-0001 Védett eredetű exportképes minőségű borkülönlegességek
- előállítását a mátraaljai borvidéken
- HU9705-0302-0007 Barokk fürdőváros fejlesztési részprogram
- HU9705-0301-0003 A gombatermesztés fejlesztésének Északkelet-Magyarországi
- programja
- HU9705-0301-0004 A gombatermesztés fejlesztésének Északkelet-Magyarországi
- programja
- HU9705-0302-0008 Nyíregyháza-Sóstógyógyfürdő idegenforgalmára és a termál
- turizmusra alapozott komplex, térségi gasztronómiai turizmus...
- HU9705-0302-0010 Panzióépítés Polgáron, idegenforgalmi információs hálózat
- létrehozása
- HU9705-0302-0011 Termálturizmus fejlesztése
- HU9705-0302-0012 Hollókő Világörökség minőségi turizmusának fejlesztése
- HU9705-0302-0013 Túrkevei termál- és gyógyturizmus fejlesztése
- HU9705-0302-0014 Falusi turizmus minőségi fejlesztése Hejce-Regéc-Novajdrány
- községekben
- HU9705-0305-0002 Innovatív közösségfejlesztés a biohistoria kistérségében
- HU9705-0302-0015 Vízisport és szabadidőcentrum fejlesztése a Leveleki-tónál
- HU9705-0302-0016 Törökszentmiklós turisztikai szálláskapacitásának
- fejlesztése
- HU9705-0302-0018 "Az élet szép" palóc falvak rejtett értékeinek megőrzése
- HU9705-0304-0001 Debreceni Nagyerdő pihenőpark fejlesztése

- HU9705-0305-0001 A "Tiszatér Ökotérség" gazdaságfejlesztési programjának kidolgozása a civil vállalkozói és önkormányzati szféra együttműködésével
- HU9705-0303-0010 Halgazdálkodás fejlesztése az Északkelet-Magyarországi régióban
- HU9705-0302-0020 Sátoraljaújhely és Kistérsége turizmus komplex fejlesztése
- HU9705-0303-0007 Nagy kapacitású zöldség-gyümölcs szárító üzem kialakítása
- HU9705-0303-0005 A gombatermesztés fejlesztésének Északkelet-Magyarországi programja

## Dél-Dunántúl

- HU9705-03-01-0026 Tormási hústermelő szarvasmarha telep fejlesztése
- HU9705-03-04-0026 Erdősítési intézkedések
- HU9705-03-03-0026 A Robinia Pseudacacia (fehér akác) feldolgozási és értékesítési vertikum kapcsolatrendszerének kiépítése
- HU9705-03-02-0026 Komplex turisztikai termék kialakítása a Keleti-hegyháti térségben
- HU9705-03-04-0027 Öntözéses nyárfaerdő telepítése
- HU9705-03-05-0032 Honey Phare Konzorcium
- HU9705-03-02-0027 A falusi turizmus feltételeinek fejlesztése a Kelet-Mecsekben
- HU9705-03-04-0028 Drávamenti ormánsági falvak fásítása
- HU9705-03-04-0029 Feketevíz-menti ormánsági falvak fásítása
- HU9705-03-04-0030 Jóléti és parkerdők létesítése a Pogányvölgyben
- HU9705-03-02-0028 Ormánsági falvak építészeti rehabilitációja
- HU9705-03-05-0029 Dombóvári Innovációs Közösségfejlesztő Központ
- HU9705-03-03-0027 A vállalkozó méretű és a természetszerű nyúltartás EU-konform fejlesztése és szervezése
- HU9705-03-03-0028 Dél-Zselici térség biotermék előállítási, fejlesztési EU konform rendszer kialakítása
- HU9705-03-02-0029 "Zselici Faluhotel Hálózat"
- HU9705-03-01-0029 Gesztenye feldolgozás komplex programja az alapanyag előállításától az értékesítéséig
- HU9705-03-05-0030 A Baranyai kézművesek szövetsége az ördöggyel és más "mélyen emberi ügyek"
- HU9705-03-02-0030 A Drávai Kishajós Víziturizmus feltételeinek megteremtése
- HU9705-03-03-0029 Környezetkímélő gazdálkodási szisztéma megvalósítása a terméstől az értékesítésig
- A HU9705 program keretében jöhetett létre a Regionális Mikrohitel Program (RMHP), amely igénybevételeinek szabályai megegyeztek az Országos Mikrohitel Program szabályaival.

A RMHP keretében az Északkelet-Magyarországon és a Dél-Dunántúlon működő helyi vállalkozásfejlesztési központokon keresztül vehettek fel a kis- és középvállalkozások visszatérítendő támogatásként Phare és magyar kormányzati forrásból finanszírozott hiteleket.

## 1998

- Revitalizáció a Zalakanyarban (ZalA-KAR Térségi Innovációs Társulás)
- Termál Barlangfürdő öltöző és vendég útvonal korszerűsítése (MIVIZ Miskolci
- Vízmű Rt.)
- A Salgótarján-Bátonyterenye Vállalkozási Övezet fejlesztése, mint
- a gazdaságélénkítés eszköze (Salgó Vagyon Salgótarjáni Önkormányzati
- Vagyonhasználó és Ipari Park Üzemeltető Kft.)

## 2000

Támogatott területek:

- Kis- és Középvállalkozások közötti együttműködés a termékfejlesztés, a hatékonyság és a minőségjavítás és foglalkoztatás bővítésének területén.
- KKV-k menedzsmentképességeinek fejlesztésére irányuló programok, képzések támogatása
- Célrégiók infrastruktúrájának fejlesztése
  - HU0008-01 Regionális Felkészítő Program (Regional Preparatory Program)
  - HU0008-02 Szakképzés támogatása
  - HU0008-03 Foglalkoztatás Támogatása
  - HU0008-05 KKV-k együttműködésének támogatása
  - HU0008-04 KKV-k képzése
  - HU0008-06-03 Regionális kommunális hulladéklerakó építése Gyomaendrődön és
  - Vaskúton

## 2001

A 2000 után induló Phare programok területfejlesztési támogatási területei az infrastrukturális és környezetvédelmi beruházások, a régiók gazdasági bázisának megújulását szolgáló üzleti beruházások és humán erőforrás fejlesztési és szakemberképzési, munkahely teremtési programok.

- HU0105-01 Strukturális Alapok fogadására való felkészülés II.
- HU0105-04 E-kereskedelem
- HU0105-05 Baradla-barlang felújítása
- HU0105-06 Észak-magyarországi turizmus fejlesztése
- HU0105-07 Ibrányi szennyvíztisztító
- HU0105-08 Debreceni elkerülő út
- HU0105-09 Szolnoki ipari park
- HU0105-10 Termálgyűrű a Dél-Alföldön
- HU0105-11 Innováció a Dél-Alföldön

## 2002-2003

### South Great Plains

- Integrated rehabilitation of the city center of Mórahalom with the purpose of improving employment
- Integrated rehabilitation of the city center of Szarvas with the purpose of improving employment
- “South-East Gate” Phase II. Local Authority of Orosháza
- Szeged rehabilitation of the Szent István Square and its water tower

### South Transdanubia

- Count Apponyi guest house and community center, Bábaapáti
- Mill on the outskirts of the city, Bóly
- Open castle, open workshop, Dunaföldvár
- Mediterranean southern gate – Siklós
- The old splendor of the city center – rehabilitation of the Széchenyi Park and its architectural relics to promote economic growth
- Rehabilitation of the town center in Szekszárd
- Renovation of Jókai Park in Siófok and the construction of a cycle way along the Sió Canal starting from Jókai Park
- Integrated development of the former Hussar barracks in Tolna

### North Great Plain region

- Integrated development of Bocskai Square in Hajdúböszörmény
- Rehabilitation of a derelict area in the middle of the recreation center in Hajdúszoboszló
- Architectural realization of a union house, Local Enterprise Agency if Jász-Nagykun-Szolnok County
- Rehabilitation of the Báthory castle and its environment, Nyírbátor
- “Opportunity Center” – utilization of former barracks to promote equal opportunities for handicapped people, Nyíregyháza
- Development of the infrastructure background of the logistics center in Szolnok

### North Hungary region

- Rehabilitation of Szt. Miklós town part in Eger
- “Country house and promenade” reconstruction of the Grassalkovich country house and the main square of Hatvan
- Reconstruction of the old village of Hollókő
- Development of the Inter Europe house, Heves county
- Rehabilitation of the center of Miskolc, development of a regional management center
- Rehabilitation of the historic center of Szécsény
- Integrated development of Szikszó city center
- Establishment of a vine-dresser school and public center in the settlement of Tállya with the rehabilitation of the former reformed church school
- Tokaj conference city program
- “Space in the city – city in the space”, Salgótarján
- Rehabilitation and development of the center of the won of Aba

### **Central Transdanubia region**

- City centre development with the rehabilitation and utilization of the former Royal Riding School, Kisbér
- Rehabilitation of the Batthyány country house and surroundings in Enying
- Regional community house in Nyergesújfalu
- The gem of the Danube: establishment of a conference centre in the Jankovich Mansion

### **Central Hungary region**

- Rehabilitation of middle Józsefváros, VIIIth district of Budapest
- Rehabilitation of Ferencváros, IXth district of Budapest
- Rehabilitation of the traditional village centre of the settlement of Mogyoród
- Promotion of integrated local developments in Kismaros
- Nagymaros: Developing the environment and extending the functions of the main square
- Integrated regional development of Örkény, Hernád and Tatárszentgyörgy
- Rehabilitation of Törökbálint settlement centre
- Rehabilitation of the city centre, modernization of connecting roads
- Cultural centre in the old town of Pomáz
- Cultural park in the heart of the city, Szob

### **West Transdanubia region**

- Reconstruction of the main square and Rákóczi street in Kőszeg
- Reconstruction of army barracks for economic purposes in Lenti
- Rehabilitation of run-down town areas with the purpose of promoting job creation in Nagykanizsa
- Rehabilitation of Kossuth square in Sárvár
- Implementation of a historic-archeologic part in the city of Szombathely
- Reconstruction of the historic town centre of Vasvár



## Appendix 3

### Sectoral distributions 1990 and 2001

## Agriculture 90s

Micro-region	AGRI M90	AGRI F90	AGRI TOTAL90	TOTAL ACTIVE90	AGRI/TOTAL ACTIVE90
Abai	2150	761	2911	9293	31,32%
Abaúj–Hegyközi	1430	578	2008	5708	35,18%
Adonyi	1415	507	1922	9623	19,97%
Ajkai	2453	1069	3522	28282	12,45%
Aszódi	1075	777	1852	14487	12,78%
Bácsalmási	2832	959	3791	8148	46,53%
Bajai	6883	3104	9987	34392	29,04%
Baktalórántháza	2854	1802	4656	12198	38,17%
Balassagyarmati	2204	1377	3581	19290	18,56%
Balatonalmádi	868	383	1251	12219	10,24%
Balatonföldvári	749	262	1011	5237	19,30%
Balatonfüredi	792	274	1066	10510	10,14%
Balmazújvárosi	3743	1246	4989	12769	39,07%
Barcsi	2891	1490	4381	11579	37,84%
Bátonyterenyei	684	573	1257	11484	10,95%
Békési	4933	1878	6811	24459	27,85%
Bélapátfalvai	469	260	729	5716	12,75%
Berettyóújfalui	5385	1815	7200	21791	33,04%
Bicskei	2095	808	2903	14981	19,38%
Bodrogközi	1732	791	2523	6719	37,55%
Bonyhádi	1853	730	2583	14389	17,95%
Budaörsi	2601	1533	4134	51909	7,96%
Ceglédi	7535	3177	10712	49966	21,44%
Celldömölki	2092	893	2985	12467	23,94%
Csengeri	1348	470	1818	5188	35,04%
Csepregi	1168	355	1523	5007	30,42%
Csongrádi	1984	626	2610	10962	23,81%
Csornai	3261	1188	4449	15463	28,77%
Csurgói	1886	789	2675	7921	33,77%
Dabasi	3624	2286	5910	16879	35,01%
Derecske–Létavértesi	3121	990	4111	14531	28,29%
Dombóvári	2640	1202	3842	15897	24,17%
Dorogi	1258	1165	2423	17535	13,82%
Dunakeszi	1233	710	1943	24688	7,87%
Dunaújvárosi	1999	815	2814	37877	7,43%
Edelényi	2099	1195	3294	13553	24,30%
Encsi	1668	806	2474	8968	27,59%
Enyingi	2820	1133	3953	9551	41,39%
Ercsi	1475	706	2181	9379	23,25%
Esztergomi	918	458	1376	24553	5,60%
Fehérgyarmati	3728	1453	5181	14291	36,25%
Fonyódi	2058	927	2985	12162	24,54%
Füzesabonyi	2042	858	2900	15004	19,33%
Gárdonyi	1592	898	2490	9345	26,65%
Gödöllői	2652	1495	4147	39003	10,63%
Gyáli	3208	1972	5180	29875	17,34%
Gyöngyösi	3316	2040	5356	35305	15,17%

Gyulai	3186	1151	4337	22186	19,55%
Hajdúböszörményi	5164	1279	6443	24273	26,54%
Hajdúhadházi	3280	1594	4874	20430	23,86%
Hajdúszoboszlói	2757	873	3630	14287	25,41%
Hatvani	1933	1168	3101	25625	12,10%
Hevesi	2987	1267	4254	14490	29,36%
Hódmezővásárhelyi	4333	1524	5857	27527	21,28%
Ibrány–Nagyhalászi	2844	1218	4062	16876	24,07%
Jánoshalmi	2393	1085	3478	7579	45,89%
Jászberényi	6254	2540	8794	37366	23,53%
Kalocsai	6138	3069	9207	25680	35,85%
Kapuvári	1923	623	2546	11956	21,29%
Karcagi	4110	1163	5273	19588	26,92%
Kazincbarcikai	1010	719	1729	29642	5,83%
Keszthely–Hévízi	2068	824	2892	20216	14,31%
Kisbéri	2372	987	3359	9341	35,96%
Kiskőrösi	7822	4969	12791	26064	49,08%
Kiskunfélegyháza	4999	2133	7132	23218	30,72%
Kiskunhalasi	3759	1624	5383	20869	25,79%
Kiskunmajsai	2390	1277	3667	7701	47,62%
Kisteleki	2112	971	3083	8075	38,18%
Kisvárdai	2751	1359	4110	29629	13,87%
Komáromi	4009	2076	6085	19003	32,02%
Komlói	921	505	1426	18384	7,76%
Körmendi	1756	672	2428	10173	23,87%
Kőszegi	649	185	834	7861	10,61%
Kunszentmártoni	3488	1422	4910	16613	29,56%
Kunszentmiklósi	3140	1340	4480	12798	35,01%
Lengyeltóti	1324	487	1811	4997	36,24%
Lenti	2153	1200	3353	11325	29,61%
Letenyei	1149	893	2042	8177	24,97%
Makói	4192	1749	5941	22658	26,22%
Marcali	3013	1245	4258	14123	30,15%
Mátészalkai	4466	2335	6801	23899	28,46%
Mezőcsáti	1497	710	2207	6312	34,97%
Mezőkovácsháza	6553	3083	9636	20957	45,98%
Mezőkövesdi	2711	1333	4044	18940	21,35%
Mezőtúri	2793	841	3634	14249	25,50%
Mohácsi	4953	2045	6998	23307	30,03%
Monori	3042	1628	4670	33413	13,98%
Mórahalomi	3601	2096	5697	11301	50,41%
Móri	1341	749	2090	15538	13,45%
Mosonmagyaróvári	4710	1573	6283	32547	19,30%
Nagyatádi	2490	856	3346	13112	25,52%
Nagykállói	2966	1424	4390	17130	25,63%
Nagykanizsai	3476	1961	5437	38314	14,19%
Nagykátai	2432	1348	3780	23060	16,39%

Nyírbátori	3417	1526	4943	16043	30,81%
Orosházai	5719	2315	8034	29115	27,59%
Oroszlányi	882	379	1261	13098	9,63%
Ózdi	1034	607	1641	31291	5,24%
Őriszentpéteri	982	394	1376	3502	39,29%
Paksi	3789	1581	5370	21976	24,44%
Pannonhalmai	1341	639	1980	6974	28,39%
Pápai	4666	1961	6627	27133	24,42%
Pásztói	1508	1208	2716	15440	17,59%
Pécsváradi	851	378	1229	5814	21,14%
Pétervásárai	1243	784	2027	10508	19,29%
Pilisvörösvári	2119	903	3022	28537	10,59%
Polgári	1314	560	1874	6224	30,11%
Püspökladányi	7009	2777	9786	21394	45,74%
Ráckevei	5554	3305	8859	47272	18,74%
Rétsági	1260	901	2161	11424	18,92%
Sárbogárdi	2239	749	2988	11263	26,53%
Sarkadi	2300	691	2991	10361	28,87%
Sárospataki	2401	1298	3699	11352	32,58%
Sárvári	3147	1363	4510	17695	25,49%
Sásdi	1866	921	2787	6999	39,82%
Sátoraljaújhelyi	1118	536	1654	11142	14,84%
Sellyei	1826	736	2562	6151	41,65%
Siklósi	2761	1029	3790	16378	23,14%
Siófoki	1354	476	1830	16020	11,42%
Sopron–Fertődi	3627	1311	4938	40085	12,32%
Sümegi	1477	582	2059	7163	28,74%
Szarvasi	3728	1230	4958	13925	35,61%
Szécsényi	1114	644	1758	8731	20,14%
Szeghalomi	4340	1764	6104	18168	33,60%
Szentendrei	1553	846	2399	25694	9,34%
Szentesi	4616	1528	6144	21202	28,98%
Szentgotthárdi	942	275	1217	6837	17,80%
Szentlőrinci	1004	420	1424	6437	22,12%
Szerencsi	2428	1670	4098	18150	22,58%
Szigetvári	2726	1017	3743	12159	30,78%
Szikszói	1290	761	2051	7648	26,82%
Szobi	826	474	1300	5446	23,87%
Tabi	1619	613	2232	7279	30,66%
Tamási	4237	1509	5746	18388	31,25%
Tapolcai	2454	1354	3808	17131	22,23%
Tatai	1584	805	2389	17836	13,39%
Téti	1550	633	2183	7914	27,58%
Tiszafüredi	3655	1464	5119	17017	30,08%
Tiszaújvárosi	991	570	1561	15717	9,93%
Tiszavasvári	2540	1085	3625	14659	24,73%
Tokaji	1001	548	1549	6027	25,70%
Törökszentmiklósi	3212	1344	4556	20107	22,66%
Váci	2080	1104	3184	29236	10,89%
Váralotai	803	325	1128	17601	6,41%
Vásárosnaményi	2595	999	3594	11694	30,73%
Vasvári	1486	783	2269	5294	42,86%

Veresegyházi	726	532	1258	8527	14,75%
Zalaszentgróti	1563	704	2267	8538	26,55%
Zirci	1638	641	2279	9575	23,80%
					24,73%

## Agriculture 2000s

Micro-Region	AGRI M01	AGRI F01	AGRI TOTAL01	TOTAL ACTIVE01	AGRI/ OTAL ACTIVE 01
Abai	819	214	1033	8189	12,61%
Abaúj–Hegyközi	328	77	405	3215	12,60%
Adonyi	549	186	735	8737	8,41%
Ajkai	806	254	1060	22708	4,67%
Aszódi	359	159	518	12659	4,09%
Bácsalmási	1003	282	1285	5024	25,58%
Bajai	2089	653	2742	24896	11,01%
Baktalórántházai	463	88	551	7451	7,39%
Balassagyarmati	467	152	619	15212	4,07%
Balatonalmádi	223	69	292	10365	2,82%
Balatonföldvári	245	55	300	3827	7,84%
Balatonfüredi	162	59	221	8828	2,50%
Balmazújvárosi	1059	293	1352	8982	15,05%
Barcsi	954	254	1208	8037	15,03%
Bátonyterenyei	219	64	283	8185	3,46%
Békéscsabai	1079	311	1390	28500	4,88%
Békési	1527	421	1948	16889	11,53%
Bélapátfalvai	165	39	204	3927	5,19%
Berettyóújfalui	1696	377	2073	14591	14,21%
Bicskei	739	164	903	14105	6,40%
Bodrogközi	237	32	269	3706	7,26%
Bonyhádi	861	165	1026	10704	9,59%
Budaörsi	525	241	766	57729	1,33%
Budapest	2484	1392	3876	746018	0,52%
Ceglédi	2363	716	3079	40066	7,68%
Celldömölki	683	196	879	11024	7,97%
Csengeri	276	56	332	3105	10,69%
Csepregi	286	60	346	4613	7,50%
Csongrádi	911	429	1340	7960	16,83%
Csornai	1509	336	1845	14067	13,12%
Csurgói	636	157	793	5688	13,94%
Dabasi	748	283	1031	15285	6,75%
Debreceni	1131	368	1499	77470	1,93%
Derecske– Létavértesi	1092	309	1401	10062	13,92%
Dombóvári	1219	425	1644	12031	13,66%
Dorogi	219	67	286	15535	1,84%
Dunakeszi	172	77	249	26074	0,95%
Dunaújvárosi	1451	343	1794	32899	5,45%
Edelényi	358	91	449	8039	5,59%
Egri	674	236	910	31423	2,90%
Encsi	347	113	460	5201	8,84%
Enyingi	1138	319	1457	7698	18,93%
Ercsi	660	162	822	9104	9,03%
Esztergomi	279	113	392	21574	1,82%
Fehérgyarmati	560	93	653	8815	7,41%
Fonyódi	500	114	614	8854	6,93%

Füzesabonyi	891	265	1156	11185	10,34%
Gárdonyi	387	98	485	9451	5,13%
Gödöllői	600	273	873	39255	2,22%
Gyáli	937	510	1447	27569	5,25%
Gyöngyösi	964	391	1355	27185	4,98%
Győri	1619	607	2226	76145	2,92%
Gyulai	1156	390	1546	17705	8,73%
Hajdúböszörményi	2111	403	2514	18730	13,42%
Hajdúhadházi	822	229	1051	14445	7,28%
Hajdúszoboszlói	1165	283	1448	11491	12,60%
Hatvani	702	310	1012	19942	5,07%
Hevesi	925	230	1155	9644	11,98%
Hódmezővásárhelyi	1781	549	2330	21507	10,83%
Ibrány–Nagyhalászi	657	193	850	11141	7,63%
Jánoshalmi	899	331	1230	4781	25,73%
Jászberényi	2284	613	2897	29533	9,81%
Kalocsai	2318	660	2978	18825	15,82%
Kaposvári	2159	599	2758	44179	6,24%
Kapuvári	1006	189	1195	10446	11,44%
Karcagi	1241	262	1503	14308	10,50%
Kazincbarcikai	142	41	183	18268	1,00%
Kecskeméti	3268	1213	4481	64589	6,94%
Keszthely–Hévízi	645	202	847	18560	4,56%
Kisbéri	581	177	758	8346	9,08%
Kiskőrösi	3541	1905	5446	21130	25,77%
Kiskunfélegyháza	2304	1009	3313	19227	17,23%
Kiskunhalasi	1113	362	1475	16410	8,99%
Kiskunmajsai	1083	614	1697	6117	27,74%
Kisteleki	1373	696	2069	6222	33,25%
Kisvárdai	579	131	710	21074	3,37%
Komáromi	1177	662	1839	17590	10,45%
Komlói	316	79	395	12573	3,14%
Körmendi	491	113	604	9918	6,09%
Kőszegi	231	38	269	7183	3,74%
Kunszentmártoni	1015	395	1410	10593	13,31%
Kunszentmiklósi	1197	400	1597	10551	15,14%
Lengyeltóti	359	74	433	3463	12,50%
Lenti	628	139	767	8840	8,68%
Letenyei	514	107	621	6358	9,77%
Makói	1777	543	2320	15478	14,99%
Marcali	1004	212	1216	10533	11,54%
Mátészalkai	845	364	1209	16155	7,48%
Mezőcsáti	426	83	509	3437	14,81%
Mezőkovácsháza	2329	777	3106	12250	25,36%
Mezőkövesdi	765	264	1029	12937	7,95%
Mezőtúri	806	157	963	9317	10,34%
Miskolci	1164	433	1597	89383	1,79%
Mohácsi	2410	778	3188	17471	18,25%
Monori	748	249	997	32176	3,10%

Mórahalmi	2088	1190	3278	9005	36,40%
Móri	445	131	576	14751	3,90%
Mosonmagyaróvári	1952	535	2487	30830	8,07%
Nagyatádi	827	181	1008	9092	11,09%
Nagykállói	902	297	1199	11111	10,79%
Nagykanizsai	1294	431	1725	32605	5,29%
Nagykátai	804	309	1113	19829	5,61%
Nyírbátori	635	127	762	9976	7,64%
Nyíregyházai	1308	452	1760	51578	3,41%
Orosházai	2172	735	2907	21024	13,83%
Oroszlányi	329	124	453	10250	4,42%
Ózdi	273	74	347	18444	1,88%
Óriszentpéteri	209	61	270	2662	10,14%
Paksi	1418	348	1766	18635	9,48%
Pannonhalmai	520	182	702	6274	11,19%
Pápai	1963	553	2516	23660	10,63%
Pásztói	345	115	460	10997	4,18%
Pécsi	1004	365	1369	69472	1,97%
Pécsváradi	301	102	403	4255	9,47%
Pétervásárai	306	64	370	6735	5,49%
Pilisvörösvári	405	108	513	32363	1,59%
Polgári	332	74	406	4004	10,14%
Püspökladányi	2804	898	3702	15019	24,65%
Ráckevei	1056	431	1487	44670	3,33%
Rétságai	213	66	279	9484	2,94%
Salgótarjáni	263	67	330	22719	1,45%
Sárbogárdi	802	168	970	8667	11,19%
Sarkadi	574	149	723	6026	12,00%
Sáropataki	563	142	705	7768	9,08%
Sárvári	1002	243	1245	16309	7,63%
Sásdi	575	190	765	4375	17,49%
Sátoraljaújhelyi	179	42	221	8132	2,72%
Sellyei	407	89	496	3632	13,66%
Siklósi	1118	289	1407	11675	12,05%
Siófoki	452	138	590	13232	4,46%
Sopron–Fertődi	1496	354	1850	39416	4,69%
Sümegi	435	66	501	5922	8,46%
Szarvasi	1135	297	1432	10422	13,74%
Szécsényi	175	45	220	6075	3,62%
Szegedi	2339	1038	3377	77406	4,36%
Szeghalomi	1099	234	1333	12335	10,81%
Székesfehérvári	1200	365	1565	61832	2,53%
Szekszárdi	1958	556	2514	33301	7,55%
Szentendre	380	166	546	27668	1,97%
Szentesi	2586	950	3536	16596	21,31%
Szentgotthárdi	163	33	196	6132	3,20%
Szentlőrinci	369	97	466	4861	9,59%
Szerencsi	719	216	935	11057	8,46%
Szigetvári	829	206	1035	8076	12,82%
Szikszói	333	98	431	4419	9,75%
Szobi	240	48	288	4429	6,50%
Szolnoki	1369	467	1836	45729	4,01%
Szombathelyi	1514	486	2000	52902	3,78%

Tabi	569	142	711	5593	12,71%
Tamási	1377	287	1664	13237	12,57%
Tapolcai	542	228	770	13839	5,56%
Tatabányai	546	225	771	34512	2,23%
Tatai	673	274	947	16164	5,86%
Téti	431	110	541	7211	7,50%
Tiszafüredi	1107	256	1363	10162	13,41%
Tiszaújvárosi	272	91	363	11726	3,10%
Tiszavasvári	773	118	891	10078	8,84%
Tokaji	177	49	226	3575	6,32%
Törökszentmiklósi	1121	302	1423	13877	10,25%
Váci	306	87	393	26591	1,48%
Várpalotai	186	60	246	15280	1,61%
Vásárosnaményi	317	57	374	6961	5,37%
Vasvári	515	105	620	4093	15,15%
Veresegyházi	161	65	226	10261	2,20%
Veszprémi	550	165	715	36927	1,94%
Zalaegerszegi	1474	469	1943	44450	4,37%
Zalaszentgróti	442	71	513	6801	7,54%
Zirci	528	112	640	8406	7,61%

### Industry 1990

Micro-region	IND M90	M in CONSTR90	IND F90	F in CONSTR90	IND TOTAL90	TOTAL ACTIVE90	IND/TOTAL ACTIVE90
Abai	1392	615	1074	37	3118	9293	33,55%
Abaúj-Hegyközi	458	351	446	10	1265	5708	22,16%
Adonyi	2017	709	1671	83	4480	9623	46,56%
Ajkai	8778	704	5577	134	15193	28282	53,72%
Aszódi	2128	1596	1833	180	5737	14487	39,60%
Bácsalmási	771	297	1116	35	2219	8148	27,23%
Bajai	4991	1229	4784	201	11205	34392	32,58%
Baktalórántházai	1616	1070	907	55	3648	12198	29,91%
Balassagyarmati	3041	1645	2654	227	7567	19290	39,23%
Balatonalmádi	3161	550	2063	78	5852	12219	47,89%
Balatonföldvári	481	336	353	68	1238	5237	23,64%
Balatonfüredi	1367	383	651	54	2455	10510	23,36%
Balmazújvárosi	1523	642	1514	47	3726	12769	29,18%
Barcsi	1144	896	969	160	3169	11579	27,37%
Bátonyterenyei	3598	490	2159	91	6338	11484	55,19%
Békéscsabai	5859	1451	5136	287	12733	33727	37,75%
Békési	3908	1347	3748	180	9183	24459	37,54%
Bélapátfalvai	1830	243	986	63	3122	5716	54,62%
Berettyóújfalui	3249	689	1965	108	6011	21791	27,58%

Bicskei	2650	1262	1839	385	6136	14981	40,96%
Bodrogköz	789	332	807	4	1932	6719	28,75%
Bonyhádi	3203	1020	2757	107	7087	14389	49,25%
Budaörsi	10174	4252	7443	1018	22887	51909	44,09%
Budapest	133158	58797	107793	14581	314329	917748	34,25%
Ceglédi	7380	3219	6730	426	17755	49966	35,53%
Celldömölki	1647	368	1797	76	3888	12467	31,19%
Csengeri	827	183	741	51	1802	5188	34,73%
Csepregi	534	271	466	69	1340	5007	26,76%
Csongrádi	2005	444	1865	28	4342	10962	39,61%
Csornai	2624	922	1702	79	5327	15463	34,45%
Curgói	829	277	641	44	1791	7921	22,61%
Dabasi	1886	1267	1689	199	5041	16879	29,87%
Debreceni	15269	5224	12406	1196	34095	91683	37,19%
Derecske-Létavétes	2113	967	1580	181	4841	14531	33,31%
Dombóvári	1649	762	1721	172	4304	15897	27,07%
Dorogi	5734	700	3087	93	9614	17535	54,83%
Dunakeszi	4535	1653	3808	414	10410	24688	42,17%
Dunaújvárosi	11007	2296	7900	451	21654	37877	57,17%
Edelényi	3338	676	1287	37	5338	13553	39,39%
Egri	6439	2360	4180	601	13580	35889	37,84%
Encsi	1338	618	712	64	2732	8968	30,46%
Enyingi	1241	455	863	39	2598	9551	27,20%

Ercsi	1610	608	1290	72	3580	9379	38,17%
Esztergo mi	7291	1225	4900	248	13664	24553	55,65%
Fehérgy armati	1682	684	1292	87	3745	14291	26,21%
Fonyódi	944	607	955	128	2634	12162	21,66%
Füzesab onyi	2173	871	1881	81	5006	15004	33,36%
Gárdony i	1210	650	811	125	2796	9345	29,92%
Gödöllői	5980	2624	4890	463	13957	39003	35,78%
Gyáli	4826	2304	3748	440	11318	29875	37,88%
Gyöngy ösi	7573	2367	5111	388	15439	35305	43,73%
Győri	15874	5033	11109	1310	33326	78269	42,58%
Gyulai	4007	745	3097	65	7914	22186	35,67%
Hajdúbö szörmén yi	4590	1387	4410	161	10548	24273	43,46%
Hajdúha dházi	3527	1687	2857	132	8203	20430	40,15%
Hajdúsz obozslói	2304	488	1383	194	4369	14287	30,58%
Hatvani	5127	2300	4312	343	12082	25625	47,15%
Hevesi	1857	1368	1671	86	4982	14490	34,38%
Hódmez ővásárh elyi	5325	1661	5032	228	12246	27527	44,49%
Ibrány– Nagyhal ászi	2955	1629	2691	93	7368	16876	43,66%
Jánosha Imai	733	246	752	33	1764	7579	23,27%
Jászber ényi	6634	2853	6095	223	15805	37366	42,30%
Kalocsai	2887	1099	3056	153	7195	25680	28,02%
Kaposvá	7742	2977	6441	639	17799	54762	32,50%

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Kapuvári	2308	782	2114	64	5268	11956	44,06%
Karcagi	3345	530	2618	55	6548	19588	33,43%
Kazincbarcikai	11232	1037	5779	117	18165	29642	61,28%
Kecskeméti	11593	4367	9149	1035	26144	72794	35,92%
Keszthely-Hévízi	2198	1606	1426	227	5457	20216	26,99%
Kisbéri	1574	439	1009	136	3158	9341	33,81%
Kiskőrösi	2516	949	1898	106	5469	26064	20,98%
Kiskunfélegyházi	3345	1422	3168	121	8056	23218	34,70%
Kiskunhalasi	3107	793	2859	187	6946	20869	33,28%
Kiskunmajsai	1217	213	792	29	2251	7701	29,23%
Kisteleki	794	653	707	64	2218	8075	27,47%
Kisvárdai	3664	951	3099	137	7851	29629	26,50%
Komáromi	3216	802	2173	117	6308	19003	33,19%
Komlói	6345	610	3701	98	10754	18384	58,50%
Körmen-di	1621	536	1598	57	3812	10173	37,47%
Kőszegi	1678	469	1416	32	3595	7861	45,73%
Kunszentmártoni	2844	935	2725	94	6598	16613	39,72%
Kunszentmiklósi	1615	641	1488	73	3817	12798	29,82%
Lengyeltóti	396	378	417	68	1259	4997	25,20%
Lenti	2363	512	1340	84	4299	11325	37,96%
Letenyei	1857	762	939	81	3639	8177	44,50%
Makói	3790	1145	2784	148	7867	22658	34,72%

Marcali	1470	882	1404	71	3827	14123	27,10%
Mátészalkai	3641	1152	2552	117	7462	23899	31,22%
Mezőcsáti	1037	362	812	19	2230	6312	35,33%
Mezőkovácsházai	1874	607	1483	61	4025	20957	19,21%
Mezőkövesdi	3200	1547	2644	120	7511	18940	39,66%
Mezőtúri	1882	448	1978	40	4348	14249	30,51%
Miskolci	31452	6750	17189	1551	56942	126177	45,13%
Mohácsi	3316	1502	2592	199	7609	23307	32,65%
Monori	5573	2458	4169	424	12624	33413	37,78%
Mórahalomi	1144	378	821	20	2363	11301	20,91%
Móri	5543	436	2904	100	8983	15538	57,81%
Mosonmagyaróvári	6087	1820	4917	184	13008	32547	39,97%
Nagyatádi	1892	658	1816	104	4470	13112	34,09%
Nagykállói	3191	1593	2580	125	7489	17130	43,72%
Nagykanizsai	8387	1617	5835	229	16068	38314	41,94%
Nagykátai	3382	1931	2692	276	8281	23060	35,91%
Nyírbátori	2600	970	1990	54	5614	16043	34,99%
Nyíregyházai	9324	4296	6484	879	20983	58963	35,59%
Orosházai	6167	917	4335	211	11630	29115	39,95%
Oroszlányi	4559	460	2418	50	7487	13098	57,16%
Ózdi	12484	795	6038	268	19585	31291	62,59%

Óriszent péteri	401	223	362	98	1084	3502	30,95%
Paksi	4655	1627	3010	383	9675	21976	44,03%
Pannon halmai	1249	438	746	88	2521	6974	36,15%
Pápai	5344	1073	3897	87	10401	27133	38,33%
Pásztói	2637	2076	2520	199	7432	15440	48,13%
Pécsi	17682	4474	10772	991	33919	83115	40,81%
Pécsvár adi	1070	503	798	102	2473	5814	42,54%
Pétervás árai	2839	485	1838	54	5216	10508	49,64%
Pilisvörö svári	4631	2151	3588	339	10709	28537	37,53%
Polgári	1261	519	639	142	2561	6224	41,15%
Püspökl adányi	1914	626	1461	271	4272	21394	19,97%
Ráckeve i	9448	3057	7101	842	20448	47272	43,26%
Rétsági	2179	1025	1801	123	5128	11424	44,89%
Salgótarj áni	8181	2027	5287	508	16003	31505	50,80%
Sárbogá rdi	1643	771	1635	47	4096	11263	36,37%
Sarkadi	1975	450	1418	17	3860	10361	37,26%
Sárospa taki	1366	668	1086	114	3234	11352	28,49%
Sárvári	3966	416	2915	34	7331	17695	41,43%
Sásdi	965	366	650	47	2028	6999	28,98%
Sátoralja újhelyi	2659	154	1979	7	4799	11142	43,07%
Sellyei	804	392	631	54	1881	6151	30,58%
Siklósi	2690	950	1890	92	5622	16378	34,33%
Siófoki	1393	1642	1094	429	4558	16020	28,45%
Sopron–Fertődi	7586	1935	5632	257	15410	40085	38,44%
Sümegei	1236	390	848	88	2562	7163	35,77%

Szarvasi	1593	424	1867	57	3941	13925	28,30%
Szécsényi	1522	992	1448	77	4039	8731	46,26%
Szegedi	13702	5395	11329	964	31390	88836	35,33%
Szeghalomi	2549	1154	2537	94	6334	18168	34,86%
Székesfehérvári	14354	3991	11565	774	30684	64921	47,26%
Szekszárdi	6670	2635	5749	497	15551	40928	38,00%
Szentendre	4059	1968	2993	346	9366	25694	36,45%
Szentesi	3212	633	2946	66	6857	21202	32,34%
Szentgotthárdi	1591	386	1229	51	3257	6837	47,64%
Szentlőrinci	1155	398	701	57	2311	6437	35,90%
Szerencsi	3981	881	2478	59	7399	18150	40,77%
Szigetvári	1758	667	1548	51	4024	12159	33,09%
Szikszói	1410	418	579	37	2444	7648	31,96%
Szobi	757	202	576	28	1563	5446	28,70%
Szolnoki	9603	2818	6634	722	19777	56367	35,09%
Szombat helyi	8298	2771	7388	392	18849	55928	33,70%
Tabi	1004	431	938	31	2404	7279	33,03%
Tamási	2648	1134	2510	191	6483	18388	35,26%
Tapolcai	3002	618	1455	112	5187	17131	30,28%
Tatabányai	9795	2663	5148	578	18184	38865	46,79%
Tatai	2918	1561	2160	319	6958	17836	39,01%
Téti	1501	615	896	66	3078	7914	38,89%
Tiszafürédi	2946	767	2553	51	6317	17017	37,12%
Tiszaújvárosi	5193	987	3336	150	9666	15717	61,50%

Tiszavasvári	3089	802	2534	80	6505	14659	44,38%
Tokaji	978	169	628	21	1796	6027	29,80%
Törökszentmiklósi	3850	1275	3102	147	8374	20107	41,65%
Váci	5897	1530	4812	239	12478	29236	42,68%
Várpalotai	6219	754	3845	89	10907	17601	61,97%
Vásárosnaményi	1695	534	1178	115	3522	11694	30,12%
Vasvári	749	554	804	30	2137	5294	40,37%
Veresegyházi	1711	539	1235	99	3584	8527	42,03%
Veszprémi	6333	2150	4907	379	13769	38932	35,37%
Zalaegerszegi	10013	3057	7093	628	20791	49095	42,35%
Zalaszentgróti	1369	612	996	53	3030	8538	35,49%
Zirci	2157	353	1264	46	3820	9575	39,90%
							37%

### Industry 2000s

	IND M01	M in CONSTR01	IND F01	F in CONSTR01	IND TOTAL01	TOTAL ACTIVE01	IND/TOTAL ACTIVE01
Abai	1747	641	1173	26	3587	8189	43,80%
Abaúj–Hegyközi	321	154	276	8	759	3215	23,61%
Adonyi	2025	754	1327	45	4151	8737	47,51%
Ajkai	6464	991	4530	65	12050	22708	53,06%
Aszódi	1855	1473	1432	94	4854	12659	38,34%
Bácsalmási	609	186	639	3	1437	5024	28,60%
Bajai	3923	1201	2873	97	8094	24896	32,51%
Baktalórántházai	1302	491	837	17	2647	7451	35,53%
Balassagyarmati	2701	1208	1953	51	5913	15212	38,87%
Balatonalmádi	1796	739	1009	44	3588	10365	34,62%
Balatonföldvári	392	303	210	14	919	3827	24,01%
Balatonfüredi	870	540	262	48	1720	8828	19,48%
Balmazújvárosi	1609	747	1258	28	3642	8982	40,55%
Barcsi	1156	253	784	20	2213	8037	27,54%
Bátonyterenyei	2054	484	1388	18	3944	8185	48,19%
Békéscsabai	4097	1152	3081	167	8497	28500	29,81%
Békési	3039	1149	2185	75	6448	16889	38,18%
Bélapátfalvai	838	265	521	6	1630	3927	41,51%
Berettyóújfalui	1982	576	1443	29	4030	14591	27,62%
Bicskei	2178	1371	1567	77	5193	14105	36,82%
Bodrogközi	709	195	730	2	1636	3706	44,14%
Bonyhádi	2035	803	2101	45	4984	10704	46,56%
Budaörsi	7933	4638	4406	614	17591	57729	30,47%
Budapest	69806	38295	43849	6611	158561	746018	21,25%
Ceglédi	6326	2869	4463	185	13843	40066	34,55%
Celldömölki	2420	676	2420	55	5571	11024	50,54%
Csengeri	612	52	478	4	1146	3105	36,91%
Csepregi	946	222	533	15	1716	4613	37,20%
Csongrádi	1579	339	870	19	2807	7960	35,26%
Csornai	3016	1019	2070	52	6157	14067	43,77%
Csurgói	770	171	695	8	1644	5688	28,90%

Dabasi	2320	1252	1810	91	5473	15285	35,81%
Debreceni	9899	3519	6416	522	20356	77470	26,28%
Derecske– Létavértesi	1602	592	935	24	3153	10062	31,34%
Dombóvári	1649	558	1304	47	3558	12031	29,57%
Dorogi	4064	1285	3159	109	8617	15535	55,47%
Dunakeszi	3892	1715	2423	245	8275	26074	31,74%
Dunaújvárosi	8295	2206	4813	189	15503	32899	47,12%
Edelényi	1402	522	608	22	2554	8039	31,77%
Egri	4903	1557	2815	203	9478	31423	30,16%
Encsi	713	244	411	20	1388	5201	26,69%
Enyingi	1497	462	1240	22	3221	7698	41,84%
Ercsi	1459	739	781	67	3046	9104	33,46%
Esztergomi	5531	1373	3363	154	10421	21574	48,30%
Fehérgyarmati	1418	343	856	14	2631	8815	29,85%
Fonyódi	895	540	657	34	2126	8854	24,01%
Füzesabonyi	1814	715	1163	39	3731	11185	33,36%
Gárdonyi	1724	698	948	71	3441	9451	36,41%
Gödöllői	5454	2521	3428	280	11683	39255	29,76%
Gyáli	3866	2061	2651	203	8781	27569	31,85%
Gyöngyösi	6506	1517	3664	126	11813	27185	43,45%
Győri	14787	4402	9273	514	28976	76145	38,05%
Gyulai	2836	647	1872	49	5404	17705	30,52%
Hajdúböszörményi	3744	968	3337	55	8104	18730	43,27%
Hajdúhadházi	2782	1048	1622	31	5483	14445	37,96%
Hajdúszoboszlói	1576	701	948	64	3289	11491	28,62%
Hatvani	4187	1470	3139	68	8864	19942	44,45%
Hevesi	1662	815	1398	22	3897	9644	40,41%
Hódmezővásárhelyi	3789	1418	2834	140	8181	21507	38,04%
Ibrány– Nagyhalászi	2070	1016	1565	40	4691	11141	42,11%
Jánoshalmi	709	175	406	9	1299	4781	27,17%
Jászberényi	7006	2184	4569	110	13869	29533	46,96%

Kalocsai	2704	936	2131	61	5832	18825	30,98%
Kaposvári	5616	2256	4164	222	12258	44179	27,75%
Kapuvári	2199	665	1985	31	4880	10446	46,72%
Karcagi	2561	612	1588	34	4795	14308	33,51%
Kazincbarcikai	4474	1191	2787	64	8516	18268	46,62%
Kecskeméti	10362	3819	7035	399	21615	64589	33,47%
Keszthely– Hévízi	1748	1603	736	113	4200	18560	22,63%
Kisbéri	2507	300	1716	15	4538	8346	54,37%
Kiskőrösi	3005	1105	2069	50	6229	21130	29,48%
Kiskunfélegyháza i	3248	945	2591	48	6832	19227	35,53%
Kiskunhalasi	2171	871	1671	76	4789	16410	29,18%
Kiskunmajsai	1163	245	692	16	2116	6117	34,59%
Kisteleki	688	505	420	22	1635	6222	26,28%
Kisvárdai	2734	576	2214	48	5572	21074	26,44%
Komáromi	3693	948	2716	87	7444	17590	42,32%
Komlói	2758	593	2232	94	5677	12573	45,15%
Körmendi	2292	401	2049	17	4759	9918	47,98%
Kőszegi	1528	427	1211	14	3180	7183	44,27%
Kunszentmártoni	1773	760	1526	36	4095	10593	38,66%
Kunszentmiklósi	1695	715	1291	41	3742	10551	35,47%
Lengyeltóti	423	245	452	10	1130	3463	32,63%
Lenti	1905	429	1425	19	3778	8840	42,74%
Letenyei	1312	384	933	11	2640	6358	41,52%
Makói	2928	522	1654	25	5129	15478	33,14%
Marcali	1552	639	1567	29	3787	10533	35,95%
Mátészalkai	2819	623	1958	43	5443	16155	33,69%
Mezőcsáti	490	351	361	8	1210	3437	35,21%
Mezőkovácsháza i	1371	204	1091	17	2683	12250	21,90%
Mezőkövesdi	2532	881	1128	59	4600	12937	35,56%
Mezőtúri	1466	573	1419	48	3506	9317	37,63%
Miskolci	13759	4669	6050	530	25008	89383	27,98%
Mohácsi	2695	1000	2153	58	5906	17471	33,80%

Monori	4787	2547	3045	205	10584	32176	32,89%
Mórahalmi	983	322	545	11	1861	9005	20,67%
Móri	4981	581	3601	39	9202	14751	62,38%
Mosonmagyaróvári	6702	2077	4935	97	13811	30830	44,80%
Nagyatádi	1364	427	1205	22	3018	9092	33,19%
Nagykállói	1979	728	1179	9	3895	11111	35,06%
Nagykanizsai	6570	1938	4751	140	13399	32605	41,09%
Nagykátai	3050	1791	2192	102	7135	19829	35,98%
Nyírbátori	1543	358	1077	16	2994	9976	30,01%
Nyíregyházai	6718	2588	3697	348	13351	51578	25,89%
Orosházai	4242	869	2694	50	7855	21024	37,36%
Oroszlányi	3265	494	1765	41	5565	10250	54,29%
Ózdi	4299	701	3085	45	8130	18444	44,08%
Őriszentpéteri	491	146	510	7	1154	2662	43,35%
Paksi	3912	1546	2537	199	8194	18635	43,97%
Pannonhalmai	1335	477	848	15	2675	6274	42,64%
Pápai	5292	966	4115	68	10441	23660	44,13%
Pásztói	1899	1636	1760	68	5363	10997	48,77%
Pécsi	9396	3771	5841	410	19418	69472	27,95%
Pécsváradi	808	365	681	19	1873	4255	44,02%
Pétervásárai	1651	359	1153	21	3184	6735	47,28%
Pilisvörösvári	3977	2527	2428	316	9248	32363	28,58%
Polgári	911	358	413	16	1698	4004	42,41%
Püspökladányi	1778	783	1364	52	3977	15019	26,48%
Ráckevei	7185	3457	3916	388	14946	44670	33,46%
Rétsági	2062	811	1726	32	4631	9484	48,83%
Salgótarjáni	4788	1235	2722	116	8861	22719	39,00%
Sárbogárdi	1569	647	1328	21	3565	8667	41,13%
Sarkadi	942	348	565	15	1870	6026	31,03%
Sárospataki	1233	502	915	34	2684	7768	34,55%
Sárvári	4578	572	3790	28	8968	16309	54,99%
Sásdi	705	352	579	23	1659	4375	37,92%
Sátoraljaújhelyi	2063	151	1245	8	3467	8132	42,63%
Sellyei	652	202	541	9	1404	3632	38,66%

Siklósi	1683	469	914	22	3088	11675	26,45%
Siófoki	1268	1271	711	138	3388	13232	25,60%
Sopron–Fertődi	6573	2446	3656	143	12818	39416	32,52%
Sümegei	1260	557	1097	25	2939	5922	49,63%
Szarvasi	1604	664	1475	61	3804	10422	36,50%
Szécsényi	1180	651	1066	35	2932	6075	48,26%
Szegedi	10217	4606	5875	474	21172	77406	27,35%
Szeghalomi	2128	812	2234	26	5200	12335	42,16%
Székesfehérvári	12928	3659	8086	495	25168	61832	40,70%
Szekszárdi	5581	1903	4121	213	11818	33301	35,49%
Szentendrei	2922	2161	1833	270	7186	27668	25,97%
Szentesi	2125	486	1613	36	4260	16596	25,67%
Szentgotthárdi	1730	190	862	36	2818	6132	45,96%
Szentlőrinci	794	249	645	17	1705	4861	35,08%
Szerencsi	1927	573	1062	30	3592	11057	32,49%
Szigetvári	1294	453	813	17	2577	8076	31,91%
Szikszói	655	199	267	15	1136	4419	25,71%
Szobi	716	131	400	11	1258	4429	28,40%
Szolnoki	7106	2051	4230	268	13655	45729	29,86%
Szombathelyi	9761	2931	8170	342	21204	52902	40,08%
Tabi	1187	292	1070	3	2552	5593	45,63%
Tamási	2379	790	2001	63	5233	13237	39,53%
Tapolcai	2247	967	1472	44	4730	13839	34,18%
Tatabányai	7546	2031	4260	170	14007	34512	40,59%
Tatai	2637	1154	1675	133	5599	16164	34,64%
Téti	1741	555	1197	38	3531	7211	48,97%
Tiszafüredi	1464	734	900	30	3128	10162	30,78%
Tiszaújvárosi	3636	692	1799	72	6199	11726	52,87%
Tiszavasvári	2202	489	1634	22	4347	10078	43,13%
Tokaji	536	164	249	9	958	3575	26,80%
Törökszentmiklósi	2726	819	1775	55	5375	13877	38,73%
Váci	4934	1522	3431	136	10023	26591	37,69%
Várpalotai	4423	829	3142	60	8454	15280	55,33%
Vásárosnaményi	1072	300	628	18	2018	6961	28,99%

Vasvári	1073	384	1213	11	2681	4093	65,50%
Veresegyházi	1519	675	933	74	3201	10261	31,20%
Veszprémi	6086	2098	4645	184	13013	36927	35,24%
Zalaegerszegi	9191	2689	6384	293	18557	44450	41,75%
Zalaszentgróti	1438	582	1115	18	3153	6801	46,36%
Zirci	2014	623	1491	32	4160	8406	49,49%

### Public sector 1990s

Micro-region	PUBL ADM M90	EDU M90	HEALT H M90	PUBL SERV M90	PUBL ADM F90	EDU F90	HEALT H F90	PUBL SERV F90	PUBL SECTOR TOTAL01	ACTIVE TOTAL90	PUBL SECT/ACTIVE TOTAL90
Abai	146	98	121	108	115	347	246	96	1277	9293	13,74%
Abaúj–Hegyközi	250	105	59	64	160	307	275	37	1257	5708	22,02%
Adonyi	197	61	33	102	101	321	161	92	1068	9623	11,10%
Ajkai	460	255	293	655	435	1099	1321	472	4990	28282	17,64%
Aszódi	631	204	213	254	438	699	357	155	2951	14487	20,37%
Bácsalmási	160	63	62	115	170	282	222	58	1132	8148	13,89%
Bajai	1593	449	370	495	973	1585	1298	363	7126	34392	20,72%
Baktalóránt házai	199	155	152	118	218	632	440	72	1986	12198	16,28%
Balassagyarmati	681	258	348	318	409	969	1117	292	4392	19290	22,77%
Balatonalmádi	432	136	94	322	487	527	280	223	2501	12219	20,47%
Balatonföldvári	276	65	23	106	196	254	77	76	1073	5237	20,49%
Balatonfűredi	255	307	202	428	288	598	636	297	3011	10510	28,65%
Balmazújvárosi	232	101	63	377	197	614	263	106	1953	12769	15,29%
Barcsi	366	182	135	131	227	641	465	92	2239	11579	19,34%
Bátonyterenyeyi	156	102	72	203	206	497	352	207	1795	11484	15,63%
Békéscsabai	1065	649	349	830	951	1742	1244	788	7618	33727	22,59%
Békési	587	405	159	348	382	1324	693	279	4177	24459	17,08%
Bélapátfalvai	44	19	47	46	116	179	258	65	774	5716	13,54%
Berettyóújfalui	640	296	354	391	568	1296	1080	236	4861	21791	22,31%

Bicskei	404	146	159	207	311	687	634	155	2703	14981	18,04%
Bodrogközi	268	68	40	198	159	308	142	52	1235	6719	18,38%
Bonyhádi	234	254	135	178	189	840	493	141	2464	14389	17,12%
Budaörsi	1227	493	408	1051	1158	2025	1669	819	8850	51909	17,05%
Budapest	32606	13875	12877	30658	28175	37244	40751	28636	224822	917748	24,50%
Ceglédi	1432	529	550	1117	1085	2171	1970	779	9633	49966	19,28%
Celldömölki	170	112	97	99	158	565	378	132	1711	12467	13,72%
Csengeri	134	59	39	77	123	258	122	31	843	5188	16,25%
Csepregi	95	67	123	66	72	195	257	46	921	5007	18,39%
Csongrádi	409	161	72	304	237	621	307	205	2316	10962	21,13%
Csornai	428	168	126	168	289	765	517	147	2608	15463	16,87%
Csurgói	243	207	117	100	178	523	355	69	1792	7921	22,62%
Dabasi	745	154	165	263	525	601	398	139	2990	16879	17,71%
Debreceni	2303	2415	1785	2184	2077	6296	5483	2117	24660	91683	26,90%
Derecske– Létavértesi	319	120	109	559	488	683	377	201	2856	14531	19,65%
Dombóvári	258	181	181	154	218	733	706	153	2584	15897	16,25%
Dorogi	227	126	98	343	275	709	496	382	2656	17535	15,15%
Dunakeszi	609	277	286	559	618	977	1025	362	4713	24688	19,09%
Dunaújvárosi	726	446	292	704	425	1553	1423	793	6362	37877	16,80%
Edelényi	430	121	135	162	279	575	468	149	2319	13553	17,11%
Egri	1212	771	717	773	1070	2200	2319	752	9814	35889	27,35%
Encsi	317	129	67	109	214	532	253	75	1696	8968	18,91%
Enyingi	132	74	87	77	132	337	196	59	1094	9551	11,45%
Ercsi	598	59	41	85	227	375	189	87	1661	9379	17,71%
Esztergomi	491	445	235	575	411	1414	965	436	4972	24553	20,25%
Fehérgyarmati	426	225	151	203	369	866	584	165	2989	14291	20,92%
Fonyódi	398	173	120	291	326	594	322	188	2412	12162	19,83%
Füzesabonyi	388	104	56	181	321	639	327	157	2173	15004	14,48%
Gárdonyi	365	114	46	209	204	451	192	139	1720	9345	18,41%
Gödöllői	1594	804	449	927	1214	2068	1607	631	9294	39003	23,83%
Gyáli	702	187	171	596	615	934	823	432	4460	29875	14,93%

Gyöngyösi	844	444	484	453	679	1695	1694	458	6751	35305	19,12%
Győri	2461	1369	929	1518	1801	3947	3229	1495	16749	78269	21,40%
Gyulai	861	464	590	486	609	1252	1808	351	6421	22186	28,94%
Hajdúböszörményi	414	357	164	656	282	1301	614	371	4159	24273	17,13%
Hajdúhadházi	428	170	113	449	314	876	470	177	2997	20430	14,67%
Hajdúszoboszlói	544	163	77	277	254	760	377	261	2713	14287	18,99%
Hatvani	523	276	261	369	354	1107	1113	302	4305	25625	16,80%
Hevesi	471	176	77	175	311	753	303	150	2416	14490	16,67%
Hódmezővásárhelyi	555	339	272	628	334	1279	1031	425	4863	27527	17,67%
Ibrány-Nagyhalászi	499	175	82	167	317	847	392	107	2586	16876	15,32%
Jánoshalmi	152	100	22	149	156	258	131	90	1058	7579	13,96%
Jászberényi	921	416	217	520	626	1570	902	471	5643	37366	15,10%
Kalocsai	1516	258	345	343	832	1010	900	250	5454	25680	21,24%
Kaposvári	3000	1068	863	1154	1863	3256	2677	1017	14898	54762	27,20%
Kapuvári	262	125	102	269	179	576	370	136	2019	11956	16,89%
Karcagi	526	257	277	383	333	1014	1045	297	4132	19588	21,09%
Kazincbarcikai	420	345	246	676	422	1599	1196	612	5516	29642	18,61%
Kecskeméti	2650	961	841	1565	2164	3165	2851	1312	15509	72794	21,31%
Keszthely-Hévízi	791	545	390	559	537	1232	1060	478	5592	20216	27,66%
Kisbéri	158	87	82	76	136	425	262	62	1288	9341	13,79%
Kiskőrösi	666	241	127	481	544	820	454	347	3680	26064	14,12%
Kiskunfélegyházi	651	272	186	360	386	942	704	276	3777	23218	16,27%
Kiskunhalasi	683	243	285	399	415	851	1095	265	4236	20869	20,30%
Kiskunmaj	92	51	20	158	94	298	127	94	934	7701	12,13%

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Kisteleki	142	69	74	218	109	327	216	118	1273	8075	15,76%	
Kisvárdai	635	285	241	344	503	1524	926	223	4681	29629	15,80%	
Komáromi	450	151	151	191	299	774	611	277	2904	19003	15,28%	
Komlói	240	184	127	424	300	802	750	441	3268	18384	17,78%	
Körmendi	395	129	123	108	159	463	416	98	1891	10173	18,59%	
Kőszegi	263	178	104	261	119	516	362	143	1946	7861	24,76%	
Kunszentmártoni	479	215	95	262	298	729	332	181	2591	16613	15,60%	
Kunszentmiklósi	596	97	91	190	327	449	250	126	2126	12798	16,61%	
Lengyeltóti	117	102	59	98	76	317	156	36	961	4997	19,23%	
Lenti	580	102	48	114	289	547	205	106	1991	11325	17,58%	
Letenyei	192	65	43	84	160	392	288	73	1297	8177	15,86%	
Makói	446	279	228	557	380	949	879	353	4071	22658	17,97%	
Marcali	790	214	189	193	402	749	604	140	3281	14123	23,23%	
Mátészalkai	646	358	238	275	390	1404	968	216	4495	23899	18,81%	
Mezőcsáti	206	52	40	102	107	271	108	53	939	6312	14,88%	
Mezőkovácsházai	411	198	126	224	345	824	486	199	2813	20957	13,42%	
Mezőkövesdi	492	186	170	329	420	872	628	271	3368	18940	17,78%	
Mezőtúri	474	368	104	464	243	727	474	259	3113	14249	21,85%	
Miskolci	3367	2146	1503	2208	2970	6581	6235	2323	27333	126177	21,66%	
Mohácsi	514	270	196	358	388	1186	1131	267	4310	23307	18,49%	
Monori	750	289	234	623	943	1210	915	449	5413	33413	16,20%	
Mórahalomi	149	96	78	208	161	389	288	116	1485	11301	13,14%	
Móri	152	125	99	146	212	565	441	155	1895	15538	12,20%	
Mosonmagyaróvári	1117	413	195	1044	575	1607	861	585	6397	32547	19,65%	
Nagyatádi	667	145	263	112	325	666	847	114	3139	13112	23,94%	
Nagykállói	294	169	182	226	279	807	574	99	2630	17130	15,35%	
Nagykanizsai	1324	449	346	539	668	1975	1590	456	7347	38314	19,18%	

Nagykátai	987	209	210	516	705	853	769	394	4643	23060	20,13%
Nyírbátori	414	221	146	252	361	883	644	148	3069	16043	19,13%
Nyíregyháza	2711	1127	866	1335	1987	3692	3265	1163	16146	58963	27,38%
Orosházai	644	247	240	320	455	1032	1092	315	4345	29115	14,92%
Oroszlányi	113	110	55	675	179	605	409	295	2441	13098	18,64%
Ózdi	501	289	283	583	510	1380	1136	519	5201	31291	16,62%
Őriszentpéteri	69	29	47	29	55	121	119	25	494	3502	14,11%
Paksi	503	212	124	284	389	969	617	271	3369	21976	15,33%
Pannonhalmai	126	81	40	216	154	305	167	121	1210	6974	17,35%
Pápai	1293	381	256	758	702	1205	927	491	6013	27133	22,16%
Pásztói	586	121	92	203	316	674	370	160	2522	15440	16,33%
Pécsi	2164	1628	1544	1915	1964	4684	5409	1811	21119	83115	25,41%
Pécsváradi	130	73	22	60	121	259	117	57	839	5814	14,43%
Pétervársai	271	100	65	105	239	386	295	76	1537	10508	14,63%
Pilisvörösvári	873	323	571	710	847	1299	1657	533	6813	28537	23,87%
Polgári	109	48	9	49	95	319	68	47	744	6224	11,95%
Püspökladányi	420	205	113	217	324	1064	417	286	3046	21394	14,24%
Ráckevei	1326	395	289	773	969	1688	1267	638	7345	47272	15,54%
Rétságai	583	99	90	140	299	456	348	88	2103	11424	18,41%
Salgótarjáni	746	402	344	576	821	1493	1270	655	6307	31505	20,02%
Sárbogárdi	544	104	74	96	217	502	306	89	1932	11263	17,15%
Sarkadi	269	122	107	148	200	472	442	111	1871	10361	18,06%
Sárospataki	341	233	59	220	189	726	277	154	2199	11352	19,37%
Sárvári	333	138	161	402	217	679	493	232	2655	17695	15,00%
Sásdi	114	52	45	63	178	282	180	58	972	6999	13,89%
Sátoraljaújhegyi	417	179	215	315	208	582	613	178	2707	11142	24,30%
Sellyei	149	97	41	63	109	269	89	37	854	6151	13,88%

Siklói	444	176	156	343	370	659	610	215	2973	16378	18,15%
Siófoki	607	198	199	335	425	736	677	256	3433	16020	21,43%
Sopron– Fertődi	1211	729	514	815	606	2123	1920	719	8637	40085	21,55%
Sümegei	109	57	129	73	171	263	363	70	1235	7163	17,24%
Szarvasi	286	228	77	157	246	746	321	140	2201	13925	15,81%
Szécsényi	138	94	66	111	144	356	363	92	1364	8731	15,62%
Szegedi	2716	1894	1669	2324	1956	5069	5215	1988	22831	88836	25,70%
Szeghalom i	589	161	143	187	355	748	497	183	2863	18168	15,76%
Székesfeh érvári	2887	802	681	1034	1837	2722	2389	1056	13408	64921	20,65%
Szekszárdi	1339	568	597	1153	1129	2145	1807	917	9655	40928	23,59%
Szentendr ei	1090	342	469	825	819	1199	1063	653	6460	25694	25,14%
Szentesi	627	221	306	467	376	960	1082	294	4333	21202	20,44%
Szentgotth árdi	157	76	142	42	101	285	392	53	1248	6837	18,25%
Szentlőrinc i	104	88	53	71	113	327	266	52	1074	6437	16,68%
Szerencsi	578	179	169	211	374	796	428	164	2899	18150	15,97%
Szigetvári	218	115	252	280	183	559	754	156	2517	12159	20,70%
Sziksói	163	76	113	130	180	295	366	50	1373	7648	17,95%
Szobi	314	42	64	61	171	243	203	54	1152	5446	21,15%
Szolnoki	3006	681	689	889	1890	2766	2901	1065	13887	56367	24,64%
Szombathe lyi	2232	928	778	1013	1250	2891	2605	1007	12704	55928	22,71%
Tabi	275	107	67	84	152	349	188	51	1273	7279	17,49%
Tamási	367	210	179	260	302	933	640	183	3074	18388	16,72%
Tapolcai	831	213	130	510	459	814	468	363	3788	17131	22,11%
Tatabányai	803	359	419	647	1052	1692	2115	783	7870	38865	20,25%
Tatai	942	221	167	277	535	866	691	377	4076	17836	22,85%
Téti	191	58	63	91	149	329	206	48	1135	7914	14,34%
Tiszafüredi	635	204	102	189	363	718	461	227	2899	17017	17,04%
Tiszaújvár osi	317	123	69	207	219	752	378	259	2324	15717	14,79%

Tiszavasvári	487	175	119	163	275	748	356	121	2444	14659	16,67%
Tokaji	323	105	64	74	138	335	325	50	1414	6027	23,46%
Törökszentmiklósi	523	206	109	298	300	834	519	221	3010	20107	14,97%
Váci	1186	405	453	608	816	1400	1337	379	6584	29236	22,52%
Várpalotai	375	162	100	330	300	738	527	343	2875	17601	16,33%
Vásárosnaményi	317	155	104	142	248	761	426	120	2273	11694	19,44%
Vasvári	146	59	28	95	111	292	105	59	895	5294	16,91%
Veresegyházi	252	62	110	199	201	267	245	99	1435	8527	16,83%
Veszprémi	2418	847	413	999	1723	2181	1506	953	11040	38932	28,36%
Zalaegerszegi	1761	629	597	858	1454	2149	2386	766	10600	49095	21,59%
Zalaszentgályi	122	99	69	96	143	486	335	70	1420	8538	16,63%
Zirci	152	157	60	249	174	471	219	167	1649	9575	17,22%

### Public sector 2000s

Micro-Region	PUBL ADM M01	EDU M01	HEALT H M01	PUBL SERV M01	PUBL ADM F01	EDU F01	HEALT H F01	PUBL SERV F01	PUBL SECTOR TOTAL01	ACTIVE TOTAL0 1	PUBL SECT/ACTIV E TOTAL01
Abai	220	93	130	69	186	422	320	70	1510	8189	18,44%
Abaúj–Hegyközi	299	70	72	28	184	328	218	25	1224	3215	38,07%
Adonyi	224	75	69	75	160	396	259	107	1365	8737	15,62%
Ajkai	473	266	281	235	455	1179	1367	271	4527	22708	19,94%
Aszódi	564	216	208	183	418	756	473	201	3019	12659	23,85%
Bácsalmási	335	56	90	34	134	331	233	47	1260	5024	25,08%
Bajai	998	527	447	371	735	1794	1511	392	6775	24896	27,21%
Baktalórántházai	505	178	130	76	361	652	354	62	2318	7451	31,11%
Balassagyarmati	1187	274	293	151	686	1080	1082	201	4954	15212	32,57%
Balatonalmádi	513	147	92	172	446	611	307	224	2512	10365	24,24%
Balatonföldvári	201	48	16	65	167	260	59	76	892	3827	23,31%
Balatonfüredi	317	157	171	191	311	514	499	211	2371	8828	26,86%
Balmazújvárosi	244	109	104	96	214	545	377	90	1779	8982	19,81%
Barcsi	456	168	142	103	279	675	452	89	2364	8037	29,41%
Bátonyterenyei	277	121	94	89	323	530	391	95	1920	8185	23,46%
Békéscsabai	1164	619	451	506	1303	1944	1431	673	8091	28500	28,39%
Békési	505	408	185	205	456	1372	761	250	4142	16889	24,52%
Bélapátfalvai	143	27	66	50	143	235	266	68	998	3927	25,41%
Berettyóújfalui	1039	303	380	115	581	1283	1125	167	4993	14591	34,22%
Bicskei	484	142	223	220	468	763	765	197	3262	14105	23,13%
Bodrogközi	286	46	59	29	150	273	158	27	1028	3706	27,74%
Bonyhádi	282	209	124	77	258	787	487	128	2352	10704	21,97%
Budaörsi	1471	836	538	1354	1784	3190	2213	1537	12923	57729	22,39%
Budapest	28291	16363	11744	24847	32896	43658	35911	27641	221351	746018	29,67%
Ceglédi	1628	628	670	613	1383	2547	2218	740	10427	40066	26,02%
Celldömölki	166	103	107	109	197	555	412	114	1763	11024	15,99%
Csengeri	279	66	57	24	129	287	97	25	964	3105	31,05%
Csepregi	105	50	88	118	86	211	231	137	1026	4613	22,24%
Csongrádi	348	167	107	81	244	631	427	132	2137	7960	26,85%

Csornai	416	135	114	136	343	703	594	163	2604	14067	18,51%
Curgói	340	172	61	41	189	482	207	76	1568	5688	27,57%
Dabasi	773	178	175	238	533	783	549	242	3471	15285	22,71%
Debreceni	2673	2783	2040	1651	2735	7466	5650	1988	26986	77470	34,83%
Derecske– Létavértesi	360	124	232	126	334	800	682	127	2785	10062	27,68%
Dombóvári	268	191	185	148	236	823	742	186	2779	12031	23,10%
Dorogi	336	138	111	212	351	776	633	194	2751	15535	17,71%
Dunakeszi	857	447	345	667	998	1507	1109	620	6550	26074	25,12%
Dunaújvárosi	879	485	288	454	687	1677	1533	558	6561	32899	19,94%
Edelényi	622	149	164	78	460	692	561	89	2815	8039	35,02%
Egri	1333	864	695	625	1408	2664	2025	819	10433	31423	33,20%
Encsi	432	145	68	54	278	567	250	55	1849	5201	35,55%
Enyingi	208	67	84	47	152	380	216	47	1201	7698	15,60%
Ercsi	708	87	76	149	257	507	358	129	2271	9104	24,95%
Esztergomi	558	440	256	302	555	1496	1010	361	4978	21574	23,07%
Fehérgyarmati	848	198	204	97	551	873	670	68	3509	8815	39,81%
Fonyódi	393	140	102	166	311	629	240	159	2140	8854	24,17%
Füzesabonyi	412	124	103	91	389	754	380	120	2373	11185	21,22%
Gárdonyi	354	142	77	191	314	590	263	187	2118	9451	22,41%
Gödöllői	1526	918	548	869	1465	2588	1854	853	10621	39255	27,06%
Gyáli	802	288	227	457	835	1275	1003	555	5442	27569	19,74%
Gyöngyösi	672	463	450	345	720	1794	1370	486	6300	27185	23,17%
Győri	2385	1421	956	1262	2412	4573	3474	1617	18100	76145	23,77%
Gyulai	1023	447	662	263	729	1277	1820	338	6559	17705	37,05%
Hajdúböszörményi	520	437	179	199	362	1539	647	233	4116	18730	21,98%
Hajdúhadházi	719	183	145	171	499	1135	664	187	3703	14445	25,64%
Hajdúszoboszlói	332	168	112	305	263	801	438	334	2753	11491	23,96%
Hatvani	544	231	219	174	440	1051	912	236	3807	19942	19,09%
Hevesi	471	158	93	69	372	768	309	104	2344	9644	24,31%
Hódmezővásárhelyi	812	349	274	267	522	1256	1054	325	4859	21507	22,59%
Ibrány– Nagyhalászi	540	176	132	133	364	867	466	103	2781	11141	24,96%

Jánoshalmi	211	98	36	57	112	339	182	57	1092	4781	22,84%
Jászberényi	722	417	233	293	665	1767	1129	371	5597	29533	18,95%
Kalocsai	1531	246	327	253	711	1061	904	303	5336	18825	28,35%
Kaposvári	2715	1086	870	1601	2278	3508	2547	1161	15766	44179	35,69%
Kapuvári	335	109	116	77	204	538	369	113	1861	10446	17,82%
Karcagi	641	319	331	173	397	1165	1127	205	4358	14308	30,46%
Kazincbarcikai	620	340	255	216	514	1660	1248	291	5144	18268	28,16%
Kecskeméti	2939	1050	1009	1089	2677	3811	3128	1501	17204	64589	26,64%
Keszthely– Hévízi	606	505	507	358	461	1225	1205	539	5406	18560	29,13%
Kisbéri	203	65	108	51	200	428	300	59	1414	8346	16,94%
Kiskőrösi	721	204	166	195	487	1026	555	296	3650	21130	17,27%
Kiskunfélegyháza i	638	286	255	198	418	1079	871	280	4025	19227	20,93%
Kiskunhalasi	1024	264	369	130	571	1014	1256	254	4882	16410	29,75%
Kiskunmajsai	114	70	41	92	101	363	184	120	1085	6117	17,74%
Kisteleki	138	62	84	89	128	283	303	82	1169	6222	18,79%
Kisvárdai	1066	334	311	163	634	1728	1067	218	5521	21074	26,20%
Komáromi	539	172	125	179	405	856	587	222	3085	17590	17,54%
Komlói	390	179	146	116	403	841	763	181	3019	12573	24,01%
Körmendi	593	172	139	110	293	499	418	125	2349	9918	23,68%
Kőszegi	382	217	103	98	197	574	294	147	2012	7183	28,01%
Kunszentmártoni	447	184	118	107	353	764	398	146	2517	10593	23,76%
Kunszentmiklósi	645	122	106	116	322	567	275	139	2292	10551	21,72%
Lengyeltóti	127	108	45	91	95	348	108	71	993	3463	28,67%
Lenti	538	93	60	150	284	541	221	114	2001	8840	22,64%
Letenyei	282	48	81	113	185	369	294	115	1487	6358	23,39%
Makói	815	231	224	122	449	1029	920	220	4010	15478	25,91%
Marcali	443	215	197	177	292	727	636	171	2858	10533	27,13%
Mátészalkai	801	380	406	126	508	1493	1294	170	5178	16155	32,05%
Mezőcsáti	187	46	42	27	125	267	125	34	853	3437	24,82%
Mezőkovácsháza i	689	202	144	118	420	835	508	127	3043	12250	24,84%
Mezőkövesdi	402	185	194	164	359	997	708	254	3263	12937	25,22%
Mezőtúri	398	230	119	89	248	723	455	139	2401	9317	25,77%

Miskolci	3548	2287	1899	1543	3882	7510	6385	1914	28968	89383	32,41%
Mohácsi	683	247	222	167	494	1110	1122	241	4286	17471	24,53%
Monori	1067	363	339	531	1222	1635	1348	550	7055	32176	21,93%
Mórahalomi	244	126	107	115	216	475	357	104	1744	9005	19,37%
Móri	238	126	97	102	298	697	444	143	2145	14751	14,54%
Mosonmagyaróv ári	1097	372	269	280	641	1663	972	560	5854	30830	18,99%
Nagyatádi	472	124	289	107	304	648	805	99	2848	9092	31,32%
Nagykállói	358	201	210	171	301	885	739	157	3022	11111	27,20%
Nagykanizsai	1079	468	371	513	793	1971	1419	709	7323	32605	22,46%
Nagykátai	945	238	295	451	768	1024	906	318	4945	19829	24,94%
Nyírbátori	830	216	141	89	490	1030	633	106	3535	9976	35,44%
Nyíregyházai	2235	1357	990	1077	2334	4388	3228	1190	16799	51578	32,57%
Orosházai	729	259	314	324	497	1088	1191	348	4750	21024	22,59%
Oroszlányi	180	110	89	103	226	595	447	161	1911	10250	18,64%
Ózdi	830	332	331	285	622	1536	1318	299	5553	18444	30,11%
Őrszentpéteri	200	27	39	30	87	108	121	22	634	2662	23,82%
Paksi	542	218	164	225	436	1127	638	283	3633	18635	19,50%
Pannonhalmai	139	95	57	84	154	337	216	151	1233	6274	19,65%
Pápai	1263	362	272	236	660	1366	1050	302	5511	23660	23,29%
Pásztói	500	117	111	93	410	715	384	108	2438	10997	22,17%
Pécsi	2352	2227	1413	1372	2493	5672	4743	1747	22019	69472	31,69%
Pécsváradi	106	49	37	43	120	255	174	57	841	4255	19,76%
Pétervásárai	314	100	90	75	223	400	353	59	1614	6735	23,96%
Pilisvörösvári	966	734	687	962	1078	2200	1734	888	9249	32363	28,58%
Polgári	168	47	15	39	143	302	77	60	851	4004	21,25%
Püspökladányi	460	181	137	119	349	1088	522	161	3017	15019	20,09%
Ráckevei	1636	535	401	837	1599	2401	1549	961	9919	44670	22,21%
Rétság	597	111	124	73	351	516	368	80	2220	9484	23,41%
Salgótarjáni	1112	431	387	343	1208	1607	1256	459	6803	22719	29,94%
Sárbogárdi	529	96	78	55	325	513	330	66	1992	8667	22,98%
Sarkadi	417	90	140	80	251	408	558	77	2021	6026	33,54%
Sárospataki	369	247	59	160	220	841	314	135	2345	7768	30,19%
Sárvári	369	151	139	146	304	711	437	185	2442	16309	14,97%
Sásdi	137	39	35	34	144	325	125	44	883	4375	20,18%

Sátoraljaújhelyi	624	188	207	100	313	669	559	146	2806	8132	34,51%
Sellyei	200	94	46	40	153	297	116	43	989	3632	27,23%
Siklósi	600	143	135	269	450	742	581	295	3215	11675	27,54%
Siófoki	415	214	184	308	366	845	568	284	3184	13232	24,06%
Sopron–Fertődi	1478	772	714	728	804	2259	2151	1099	10005	39416	25,38%
Sümegei	163	60	99	38	150	260	367	54	1191	5922	20,11%
Szarvasi	308	204	100	136	248	751	372	148	2267	10422	21,75%
Szécsényi	233	75	94	44	221	352	402	78	1499	6075	24,67%
Szegedi	2934	2474	1461	1460	2720	6133	4726	1857	23765	77406	30,70%
Szeghalomi	440	161	177	108	312	766	554	146	2664	12335	21,60%
Székesfehérvári	2213	934	815	886	2369	3500	2714	1223	14654	61832	23,70%
Szekszárdi	1411	517	678	425	1509	2311	1922	582	9355	33301	28,09%
Szentendre	1098	636	452	952	1000	1759	1282	903	8082	27668	29,21%
Szentesi	555	215	366	251	381	990	1033	243	4034	16596	24,31%
Szentgotthárdi	254	78	147	36	143	323	448	98	1527	6132	24,90%
Szentlőrinci	170	92	71	38	146	327	287	56	1187	4861	24,42%
Szerencsi	588	177	153	113	401	904	487	127	2950	11057	26,68%
Szigetvári	355	106	196	58	324	543	654	91	2327	8076	28,81%
Szikszói	240	76	111	64	216	364	369	44	1484	4419	33,58%
Szobi	512	65	70	62	289	263	269	51	1581	4429	35,70%
Szolnoki	3045	768	796	711	2477	3005	2916	933	14651	45729	32,04%
Szombathelyi	2119	1025	796	900	1764	2960	2507	1079	13150	52902	24,86%
Tabi	366	101	67	44	229	349	146	36	1338	5593	23,92%
Tamási	487	219	179	142	437	966	556	143	3129	13237	23,64%
Tapolcai	726	151	148	168	527	696	564	219	3199	13839	23,12%
Tatabányai	1015	435	487	497	1369	1877	1936	746	8362	34512	24,23%
Tatai	784	226	153	242	555	986	594	330	3870	16164	23,94%
Téti	177	69	62	94	182	348	266	66	1264	7211	17,53%
Tiszafüredi	530	236	162	122	362	838	523	181	2954	10162	29,07%
Tiszaújvárosi	316	151	100	231	265	870	495	252	2680	11726	22,86%
Tiszavasvári	422	209	160	111	298	870	406	102	2578	10078	25,58%
Tokaji	283	110	60	29	160	332	260	44	1278	3575	35,75%
Törökszentmiklósi	550	222	135	128	423	875	558	142	3033	13877	21,86%
Váci	1327	480	415	500	1043	1796	1274	484	7319	26591	27,52%

Várpalotai	505	146	92	112	448	761	543	189	2796	15280	18,30%
Vásárosnaményi	604	140	124	85	397	720	380	96	2546	6961	36,58%
Vasvári	152	59	34	47	145	289	133	48	907	4093	22,16%
Veresegyházi	405	140	165	241	370	512	460	206	2499	10261	24,35%
Veszprémi	2251	930	521	569	1951	2557	1630	727	11136	36927	30,16%
Zalaegerszegi	1449	729	627	731	1655	2430	2395	864	10880	44450	24,48%
Zalaszentgróti	194	99	88	73	187	411	309	76	1437	6801	21,13%
Zirci	235	141	83	83	205	520	332	87	1686	8406	20,06%

### Service sector 1990s

Micro-region	COMMERCE M90	HOSTING M90	POST, COMMUNICATION M90	FINANCE M90	ECONOMIC SERVICES M01	COMMERCE F01	HOSTING F01	POST, COMMUNICATION F01	FINANCE F01	ECONOMIC SERVICES F01	SERVICE TOTAL 01	ACTIVE TOTAL 01	SERVICE/ACTIVE TOTAL 01
Abai	341	40	651	2	76	557	62	179	31	31	1970	9293	21,20%
Abaúj-Hegyközi	176	14	437	7	16	256	43	190	32	3	1174	5708	20,57%
Adonyi	331	41	701	2	60	500	83	297	62	57	2134	9623	22,18%
Ajkai	747	158	1265	32	100	1263	258	459	146	132	4560	28282	16,12%
Aszódi	535	118	1304	11	222	779	214	552	115	89	3939	14487	27,19%
Bácsalmási	205	8	236	8	17	350	21	101	47	8	1001	8148	12,29%
Bajai	1296	170	1296	65	183	1861	370	482	242	102	6067	34392	17,64%
Baktalórántházai	413	59	619	5	26	488	50	160	55	10	1885	12198	15,45%
Balassagyarmati	558	69	1259	43	172	854	194	373	163	62	3747	19290	19,42%
Balatonalmádi	362	259	593	18	118	479	391	248	60	81	2609	12219	21,35%
Balatonföldvári	225	252	357	24	49	384	380	149	62	32	1914	5237	36,55%
Balatonfűredi	405	630	507	15	106	565	821	261	69	126	3505	10510	33,35%
Balmazújvárosi	482	22	470	7	49	792	69	130	57	15	2093	12769	16,39%
Barcsi	318	20	584	18	13	508	45	196	64	19	1785	11579	15,42%
Bátonyterenyi	260	42	552	15	61	598	142	293	79	48	2090	11484	18,20%
Békéscsabai	1797	331	2076	107	484	2287	487	733	378	547	9227	33727	27,36%
Békési	860	98	1127	30	98	1399	146	302	161	60	4281	24459	17,50%

Bélapátfalvai	116	56	303	5	13	264	132	153	32	14	1088	5716	19,03%
Berettyóújfalui	1045	50	884	43	59	1089	55	290	167	33	3715	21791	17,05%
Bicskei	511	97	893	20	200	779	97	307	135	179	3218	14981	21,48%
Bodrogköz	215	12	349	8	13	288	22	88	27	3	1025	6719	15,26%
Bonyhádi	441	78	581	18	61	615	137	208	83	27	2249	14389	15,63%
Budaörsi	2728	557	3503	94	1584	3631	693	1332	396	1492	16010	51909	30,84%
Budapest	51274	15232	68084	3369	42876	68661	16870	31358	10722	40719	349165	917748	38,05%
Ceglédi	1958	254	4079	50	391	2673	342	1477	337	263	11824	49966	23,66%
Celldömölki	362	71	2229	21	30	487	73	513	64	24	3874	12467	31,07%
Csengeri	207	14	172	6	5	212	12	70	23	2	723	5188	13,94%
Csepregi	176	152	296	5	27	206	234	71	23	32	1222	5007	24,41%
Csongrádi	362	22	456	11	22	581	44	120	47	26	1691	10962	15,43%
Csornai	661	65	787	37	61	969	61	248	154	28	3071	15463	19,86%
Csurgói	181	20	754	12	15	296	27	308	44	2	1659	7921	20,94%
Dabasi	519	90	800	42	110	714	114	283	139	97	2908	16879	17,23%
Debreceni	4803	876	6839	228	1859	5667	1445	2803	724	1767	27011	91683	29,46%
Derecske-Létavétesi	659	29	795	15	76	733	65	231	84	32	2719	14531	18,71%
Dombóvári	732	48	2313	12	51	1008	107	738	126	28	5163	15897	32,48%
Dorogi	378	89	687	7	171	700	202	373	89	137	2833	17535	16,16%
Dunakeszi	1227	247	2164	55	577	1408	295	1068	182	385	7608	24688	30,82%
Dunaújvárosi	1137	265	1609	33	280	1948	629	674	215	231	7021	37877	18,54%

Edelényi	380	72	775	14	72	674	148	304	88	68	2595	13553	19,15%
Egri	1940	604	1721	136	586	2418	933	746	430	540	10054	35889	28,01%
Encsi	305	29	809	15	46	456	54	269	62	19	2064	8968	23,02%
Enyingi	296	80	489	7	32	612	165	152	45	10	1888	9551	19,77%
Ercsi	297	42	433	6	232	447	63	195	33	203	1951	9379	20,80%
Esztergo mi	694	230	996	33	209	1163	481	415	161	151	4533	24553	18,46%
Fehérgy armati	618	26	563	37	33	752	46	186	93	20	2374	14291	16,61%
Fonyódi	753	389	827	26	86	918	507	445	109	68	4128	12162	33,94%
Füzesab onyi	717	57	1778	13	200	1061	104	686	144	158	4918	15004	32,78%
Gárdony i	366	81	626	10	100	596	169	252	56	75	2331	9345	24,94%
Gödöllői	2200	395	2813	64	917	2528	488	1131	266	784	11586	39003	29,71%
Gyáli	1523	246	2581	35	470	1917	313	1245	205	365	8900	29875	29,79%
Gyöngy ösi	1339	351	2215	51	346	2144	685	855	291	242	8519	35305	24,13%
Győri	4558	798	4270	146	1154	5513	1285	1566	669	1157	21116	78269	26,98%
Gyulai	896	266	960	40	117	1136	403	358	150	89	4415	22186	19,90%
Hajdúbö szörmén yi	737	114	711	18	73	959	171	184	103	43	3113	24273	12,82%
Hajdúhá dházi	823	57	1785	9	100	982	138	355	65	29	4343	20430	21,26%
Hajdúsz oboszlói	588	327	669	20	63	710	799	285	69	41	3571	14287	24,99%
Hatvani	848	103	1792	16	252	1229	207	647	170	91	5355	25625	20,90%
Hevesi	641	44	776	20	81	837	78	206	123	27	2833	14490	19,55%
Hódmez ővásárh elyi	967	224	1036	60	139	1259	297	279	202	87	4550	27527	16,53%
Ibrány- Nagyhal ászi	534	47	1014	20	67	689	92	257	92	32	2844	16876	16,85%
Jánosha lmai	322	21	221	10	25	487	31	98	50	10	1275	7579	16,82%

Jászberényi	1239	121	2285	34	286	1994	241	577	246	86	7109	37366	19,03%
Kalocsai	901	127	758	38	106	1223	177	279	162	52	3823	25680	14,89%
Kaposvári	2257	390	2817	124	1158	3190	724	1040	526	772	12998	54762	23,74%
Kapuvári	435	54	633	16	18	647	62	157	77	10	2109	11956	17,64%
Karcagi	617	80	1051	24	160	1022	172	288	112	105	3631	19588	18,54%
Kazincbarcikai	402	176	1025	12	102	1145	489	641	107	122	4221	29642	14,24%
Kecskeméti	3330	616	2805	159	795	4327	918	1030	632	798	15410	72794	21,17%
Keszthely-Hévízi	891	923	984	27	166	1212	1427	385	145	112	6272	20216	31,02%
Kisbéri	298	19	440	19	28	448	43	148	76	6	1525	9341	16,33%
Kiskőrösi	1033	96	917	35	72	1261	155	313	173	64	4119	26064	15,80%
Kiskunfélegyházi	978	107	1076	23	57	1281	240	289	137	56	4244	23218	18,28%
Kiskunhalasi	845	86	1325	29	55	1125	195	460	120	48	4288	20869	20,55%
Kiskunmajsai	210	12	152	6	4	336	29	56	30	6	841	7701	10,92%
Kisteleki	384	12	416	4	21	463	23	118	51	8	1500	8075	18,58%
Kisvárdai	2172	77	6086	34	73	1998	214	2084	165	63	12966	29629	43,76%
Komáromi	552	108	1086	18	88	899	198	565	139	44	3697	19003	19,45%
Komlói	407	94	728	21	66	866	240	339	100	73	2934	18384	15,96%
Körmen-di	337	77	724	19	30	485	96	179	67	27	2041	10173	20,06%
Kőszegi	211	166	338	10	37	304	247	110	32	21	1476	7861	18,78%
Kunszentmártoni	459	35	723	17	33	822	47	215	118	39	2508	16613	15,10%
Kunszentmiklósi	560	60	591	10	34	753	91	189	71	8	2367	12798	18,50%
Lengyelt	160	40	260	4	20	225	117	96	32	4	958	4997	19,17%

óti													
Lenti	330	37	407	14	25	549	50	186	60	24	1682	11325	14,85%
Letenyei	196	13	357	5	31	408	32	109	30	15	1196	8177	14,63%
Makói	1040	125	1124	20	170	1353	281	394	131	133	4771	22658	21,06%
Marcali	644	66	654	27	82	871	93	189	100	26	2752	14123	19,49%
Mátészalkai	1434	58	1344	55	74	1390	153	391	170	53	5122	23899	21,43%
Mezőcsát	174	21	280	1	10	278	41	95	21	5	926	6312	14,67%
Mezőkovácsházai	806	64	776	22	29	1228	122	340	158	25	3570	20957	17,03%
Mezőkövesdi	712	77	1130	21	86	1206	179	407	127	70	4015	18940	21,20%
Mezőtúri	1025	48	655	9	59	939	142	189	56	29	3151	14249	22,11%
Miskolci	4748	1200	9172	227	2200	7637	2257	4619	896	2268	35224	126177	27,92%
Mohácsi	918	89	1146	31	120	1314	150	406	164	42	4380	23307	18,79%
Monori	1778	361	3201	40	456	2224	464	1475	208	469	10676	33413	31,95%
Mórahalom	369	15	535	8	26	561	28	114	73	17	1746	11301	15,45%
Móri	301	35	581	13	78	1023	102	278	105	38	2554	15538	16,44%
Mosonmagyaróvár	1034	274	2042	37	128	1565	508	880	228	137	6833	32547	20,99%
Nagyatádi	381	54	692	18	86	535	85	179	88	28	2146	13112	16,37%
Nagykállói	572	72	883	8	39	710	84	144	74	16	2602	17130	15,19%
Nagykanizsai	1656	275	2619	80	467	2411	451	880	270	332	9441	38314	24,64%
Nagykátai	966	177	2112	29	292	1420	149	809	159	227	6340	23060	27,49%
Nyírbátor	498	64	703	21	56	689	93	160	96	31	2411	16043	15,03%
Nyíregyháza	3565	491	3234	193	835	4310	1040	1063	599	844	16174	58963	27,43%
Orosház	1269	136	1047	34	62	1648	219	426	189	64	5094	29115	17,50%

ai													
Oroszlányi	191	81	394	10	87	528	192	233	93	90	1899	13098	14,50%
Ózdi	459	111	1239	16	112	1563	365	698	149	149	4861	31291	15,53%
Őriszentpéteri	162	10	136	1	14	153	11	45	11	2	545	3502	15,56%
Paksi	606	78	707	23	122	1221	201	302	143	140	3543	21976	16,12%
Pannonhalmi	217	29	402	2	34	334	61	137	34	7	1257	6974	18,02%
Pápai	851	145	1310	35	98	1344	260	401	164	66	4674	27133	17,23%
Pásztói	405	51	717	22	229	699	111	397	89	42	2762	15440	17,89%
Pécsi	3505	940	5664	203	1597	5511	1649	2592	721	1723	24105	83115	29,00%
Pécsváradi	274	34	272	4	40	415	55	120	39	16	1269	5814	21,83%
Pétervárárai	241	78	331	6	24	572	204	177	72	18	1723	10508	16,40%
Pilisvörösvári	1459	393	1545	46	841	1758	396	663	209	659	7969	28537	27,93%
Polgári	191	21	213	4	9	320	130	81	62	13	1044	6224	16,77%
Püspökladányi	450	63	1958	26	64	958	72	543	125	26	4285	21394	20,03%
Ráckevei	2105	355	2389	40	583	2770	501	1001	360	482	10586	47272	22,39%
Rétsági	307	52	620	11	137	449	84	236	69	65	2030	11424	17,77%
Salgótarjáni	906	208	1564	75	488	1717	510	688	312	498	6966	31505	22,11%
Sárbogárdi	330	45	854	12	42	526	87	225	80	26	2227	11263	19,77%
Sarkadi	358	52	404	4	24	539	50	142	53	8	1634	10361	15,77%
Sárospataki	400	75	648	17	36	607	151	218	54	13	2219	11352	19,55%
Sárvári	508	138	1012	22	80	722	259	279	101	68	3189	17695	18,02%
Sásdi	223	10	427	6	27	319	18	142	32	6	1210	6999	17,29%
Sátoraljaújhegyi	305	72	588	14	32	501	172	198	73	25	1980	11142	17,77%
Sellyei	167	18	202	3	17	316	19	71	37	4	854	6151	13,88%
Siklósi	517	188	1185	21	115	917	376	501	131	36	3987	16378	24,34%

Siófoki	848	668	1318	35	125	1118	1011	802	133	141	6199	16020	38,70%
Sopron– Fertődi	1410	756	2979	53	690	2076	1117	1269	257	435	11042	40085	27,55%
Sümegei	237	25	464	1	23	361	25	119	38	9	1302	7163	18,18%
Szarvasi	490	69	446	33	409	708	122	162	125	257	2821	13925	20,26%
Szécsényi	281	25	485	12	51	461	37	160	38	16	1566	8731	17,94%
Szegedi	4448	925	6344	189	2017	5603	1409	2917	778	1978	26608	88836	29,95%
Szeghalomi	514	41	963	30	56	785	87	225	126	26	2853	18168	15,70%
Székesfehérvári	2973	424	3850	114	1081	4422	618	1487	548	957	16474	64921	25,38%
Szekszárdi	1452	222	1930	116	319	2247	363	707	398	343	8097	40928	19,78%
Szentendre	1236	417	1591	52	629	1598	572	586	230	535	7446	25694	28,98%
Szentesi	837	97	1033	31	46	1136	161	355	127	38	3861	21202	18,21%
Szentgotthárdi	286	39	301	6	26	290	45	99	30	4	1126	6837	16,47%
Szentlőrinci	243	29	522	5	60	400	64	220	43	42	1628	6437	25,29%
Szerencsi	503	56	1507	16	56	836	102	538	91	38	3743	18150	20,62%
Szigetvári	299	78	595	17	53	410	121	187	88	23	1871	12159	15,39%
Szikszói	269	47	653	8	37	389	56	261	35	25	1780	7648	23,27%
Szobi	132	29	608	2	34	207	51	331	20	12	1426	5446	26,18%
Szolnoki	2172	362	4524	96	973	3467	695	1796	514	833	15432	56367	27,38%
Szombathegyi	2876	629	4893	134	855	3467	944	1608	401	772	16579	55928	29,64%
Tabi	299	58	297	10	24	447	66	91	55	22	1369	7279	18,81%
Tamási	587	57	897	24	113	802	99	282	120	89	3070	18388	16,70%
Tapolcai	573	173	1330	16	72	1032	357	586	116	75	4330	17131	25,28%
Tatabányai	1231	289	2348	59	690	2258	686	980	383	743	9667	38865	24,87%
Tatai	716	225	1116	29	162	1160	352	402	133	111	4406	17836	24,70%
Téti	340	38	388	7	31	462	46	141	40	22	1515	7914	19,14%

Tiszafür edi	508	54	659	14	47	974	87	198	103	33	2677	17017	15,73%
Tiszaújv árosi	217	77	566	13	61	484	305	296	74	71	2164	15717	13,77%
Tiszavas vári	445	35	487	15	29	709	78	167	100	9	2074	14659	14,15%
Tokaji	217	46	433	9	17	311	56	138	33	8	1268	6027	21,04%
Töröksz entmikló si	685	69	1358	22	138	1130	150	386	142	64	4144	20107	20,61%
Váci	1224	286	1938	34	355	1473	422	815	212	220	6979	29236	23,87%
Várpalot ai	414	89	555	11	86	810	262	317	75	63	2682	17601	15,24%
Vásáros naményi	608	35	660	23	20	602	42	201	91	22	2304	11694	19,70%
Vasvári	214	20	706	4	29	295	38	173	29	10	1518	5294	28,67%
Vereseg yházi	424	52	629	5	133	442	77	287	42	149	2240	8527	26,27%
Veszpré mi	1728	487	2296	118	1017	2525	874	869	444	899	11257	38932	28,91%
Zalaeger szegi	1973	350	2602	87	567	2727	730	1027	371	615	11049	49095	22,51%
Zalasze ntgróti	468	59	501	10	21	444	129	126	48	15	1821	8538	21,33%
Zirci	248	47	565	5	24	497	134	214	58	21	1813	9575	18,93%
													21,07%

### Service sector 2000s

Micro-Region	COMMERCE M01	HOSTING M01	POST,COMMUNICATION M01	FINANCE M01	ECONOMIC SERVICE M01	COMMERCE F01	HOSTING F01	POST,COMMUNICATION F01	FINANCE F01	ECONOMIC SERVICE F01	SERVICE TOTAL01	ACTIVE TOTAL01	SERVICE/ACTIVE TOTAL01
Abai	400	83	451	8	216	463	147	130	44	117	2059	8189	25,14%
Abaúj–Hegyközi	111	34	237	7	36	169	65	113	37	18	827	3215	25,72%
Adonyi	398	87	548	7	291	554	133	211	71	186	2486	8737	28,45%
Ajkai	995	283	1009	78	403	1204	357	325	156	261	5071	22708	22,33%
Aszódi	730	150	891	41	595	822	196	370	134	339	4268	12659	33,72%
Bácsalmási	203	43	212	15	77	281	78	64	45	24	1042	5024	20,74%
Bajai	1797	278	1099	120	570	1887	416	393	248	477	7285	24896	29,26%
Baktalórántházai	462	89	459	18	153	452	91	112	51	48	1935	7451	25,97%
Balassagyarmati	696	139	820	48	335	894	205	254	150	185	3726	15212	24,49%
Balatonalmádi	674	341	496	43	734	710	439	246	90	200	3973	10365	38,33%
Balatonföldvári	255	275	234	11	109	272	351	91	52	66	1716	3827	44,84%
Balatonfüredi	590	732	393	27	320	715	711	179	69	207	3943	8828	44,66%
Balmazújvárosi	430	166	409	17	177	569	182	104	59	96	2209	8982	24,59%
Barcsi	510	106	390	28	109	713	115	122	87	72	2252	8037	28,02%
Bátonyterenyei	411	54	425	28	177	492	98	180	68	105	2038	8185	24,90%
Békéscsabai	2420	468	1681	179	1089	2252	617	576	426	814	10522	28500	36,92%
Békési	950	216	831	64	306	1054	307	225	180	218	4351	16889	25,76%
Bélapátfalvai	168	80	214	5	66	257	113	87	48	57	1095	3927	27,88%
Berettyóújfalui	806	169	630	38	279	845	227	222	143	136	3495	14591	23,95%
Bicskei	961	158	859	53	561	1131	207	320	156	341	4747	14105	33,65%
Bodrogközi	133	39	146	11	68	216	54	54	25	27	773	3706	20,86%
Bonyhádi	526	100	529	34	157	555	113	142	79	107	2342	10704	21,88%
Budaörsi	5621	1036	3835	437	3343	5789	1135	1545	952	2756	26449	57729	45,82%
Budapest	66901	15920	43590	8721	60386	62176	15424	22859	16422	49607	362006	746018	48,53%
Ceglédi	2423	455	2650	127	1651	2677	645	925	401	763	12717	40066	31,74%
Celldömölki	343	122	1213	23	170	411	115	267	67	80	2811	11024	25,50%
Csengeri	157	45	99	6	27	213	38	39	22	17	663	3105	21,35%

Csepregi	263	253	194	7	69	294	326	66	26	27	1525	4613	33,06%
Csongrádi	369	75	264	20	125	510	115	77	48	73	1676	7960	21,06%
Csornai	634	216	759	38	234	794	243	268	136	139	3461	14067	24,60%
Csurgói	198	51	516	15	175	294	75	183	50	126	1683	5688	29,59%
Dabasi	1121	192	1106	52	538	1114	296	376	184	331	5310	15285	34,74%
Debreceni	6801	1184	3997	541	3823	5864	1342	1718	1020	2339	28629	77470	36,95%
Derecske– Létavértesi	669	105	542	16	180	714	127	165	87	118	2723	10062	27,06%
Dombóvári	752	100	1178	41	286	898	155	353	116	171	4050	12031	33,66%
Dorogi	780	140	731	33	381	887	236	280	140	273	3881	15535	24,98%
Dunakeszi	2431	441	1431	271	1418	2343	469	586	478	1132	11000	26074	42,19%
Dunaújvárosi	1254	307	1265	74	1429	2002	548	527	273	1362	9041	32899	27,48%
Edelényi	355	55	565	31	182	554	111	236	83	49	2221	8039	27,63%
Egri	2162	695	1290	233	1210	2450	833	487	447	795	10602	31423	33,74%
Encsi	232	65	410	19	86	378	89	147	49	29	1504	5201	28,92%
Enyingi	345	102	364	8	174	401	149	111	44	121	1819	7698	23,63%
Ercsi	496	109	492	29	408	617	154	211	88	361	2965	9104	32,57%
Esztergomi	1076	286	945	89	671	1297	445	367	193	414	5783	21574	26,81%
Fehérgyarmati	507	103	342	30	91	562	147	107	87	46	2022	8815	22,94%
Fonyódi	773	524	618	40	215	751	550	255	87	161	3974	8854	44,88%
Füzesabonyi	539	132	1204	28	260	896	222	404	124	116	3925	11185	35,09%
Gárdonyi	612	186	451	33	572	708	234	192	90	329	3407	9451	36,05%
Gödöllői	3504	594	2470	255	2118	3402	637	987	533	1578	16078	39255	40,96%
Gyáli	2403	432	2366	122	1295	2291	603	1093	397	897	11899	27569	43,16%
Gyöngyösi	1447	509	1437	144	750	1882	652	582	368	557	8328	27185	30,63%
Győri	5505	1285	4115	436	3517	5760	1459	1485	961	2320	26843	76145	35,25%
Gyulai	915	378	831	70	406	1048	444	286	176	249	4803	17705	27,13%
Hajdúböszörményi	998	184	687	40	303	1145	186	145	120	188	3996	18730	21,33%
Hajdúhadházi	1001	133	1100	26	280	964	201	256	91	156	4208	14445	29,13%
Hajdúszoboszlói	776	436	582	34	238	808	667	170	99	191	4001	11491	34,82%
Hatvani	883	193	1455	69	555	1156	279	473	225	360	5648	19942	28,32%
Hevesi	416	89	470	16	196	606	148	133	87	87	2248	9644	23,31%
Hódmezővásárhelyi	1217	273	693	76	1323	1330	406	233	152	434	6137	21507	28,53%

Ibrány– Nagyhalászi	576	90	636	22	283	662	137	183	72	158	2819	11141	25,30%
Jánoshalmi	253	52	208	15	62	311	94	65	53	47	1160	4781	24,26%
Jászberényi	1542	289	1221	52	594	2002	460	339	279	392	7170	29533	24,28%
Kalocsai	1082	241	738	68	451	1126	373	198	161	241	4679	18825	24,86%
Kaposvári	2959	600	1825	243	1983	2971	783	624	550	859	13397	44179	30,32%
Kapuvári	473	176	628	31	163	545	154	153	82	105	2510	10446	24,03%
Karcagi	726	187	766	38	394	852	229	172	97	191	3652	14308	25,52%
Kazincbarcikai	759	172	827	55	394	1164	277	383	159	235	4425	18268	24,22%
Kecskeméti	4802	1072	2994	320	2568	5057	1318	827	753	1578	21289	64589	32,96%
Keszthely– Hévízi	1528	1261	762	88	530	1602	1509	248	166	413	8107	18560	43,68%
Kisbéri	273	76	443	13	112	408	91	103	67	50	1636	8346	19,60%
Kiskőrösi	1611	241	909	56	459	1455	387	265	177	245	5805	21130	27,47%
Kiskunfélegyháza	1169	198	883	46	502	1276	328	252	154	249	5057	19227	26,30%
Kiskunhalasi	1163	240	1012	58	551	1059	357	355	125	344	5264	16410	32,08%
Kiskunmajsai	251	57	218	6	105	335	97	48	44	58	1219	6117	19,93%
Kisteleki	249	67	280	6	102	348	129	81	36	51	1349	6222	21,68%
Kisvárdai	1362	195	3853	61	514	1331	236	1328	165	226	9271	21074	43,99%
Komáromi	918	200	1173	64	454	1162	294	468	184	305	5222	17590	29,69%
Komlói	629	183	652	44	342	867	242	209	110	204	3482	12573	27,69%
Körmendi	441	163	427	31	163	529	159	125	77	91	2206	9918	22,24%
Kőszegi	344	198	231	24	133	379	198	80	50	85	1722	7183	23,97%
Kunszentmártoni	525	126	504	26	193	710	143	152	116	76	2571	10593	24,27%
Kunszentmiklósi	505	158	610	17	426	702	165	163	81	93	2920	10551	27,68%
Lengyeltóti	168	65	215	13	66	207	72	56	31	14	907	3463	26,19%
Lenti	418	136	378	37	166	689	159	153	78	80	2294	8840	25,95%
Letenyei	341	72	256	23	103	513	98	85	54	65	1610	6358	25,32%
Makói	780	175	745	18	358	1040	316	241	130	216	4019	15478	25,97%
Marcali	567	174	537	39	238	620	158	147	76	116	2672	10533	25,37%
Mátészalkai	1055	167	929	72	245	1098	185	277	165	132	4325	16155	26,77%
Mezőcsáti	146	42	172	7	52	276	64	61	25	20	865	3437	25,17%
Mezőkovácsháza	515	141	553	22	166	734	259	210	123	88	2811	12250	22,95%

Mezőkövesdi	868	189	889	41	235	996	257	279	135	156	4045	12937	31,27%
Mezőtúri	589	125	507	22	134	586	160	134	61	129	2447	9317	26,26%
Miskolci	6633	1127	6167	587	3687	7378	1651	2846	1162	2572	33810	89383	37,83%
Mohácsi	909	201	681	60	293	1113	251	243	175	165	4091	17471	23,42%
Monori	2439	554	2942	139	1471	2456	723	1342	400	1074	13540	32176	42,08%
Mórahalmi	495	69	473	12	155	515	125	123	72	83	2122	9005	23,56%
Móri	491	86	569	25	244	723	176	200	133	181	2828	14751	19,17%
Mosonmagyaróvári	1465	774	1654	84	632	1824	762	746	306	431	8678	30830	28,15%
Nagyatádi	451	115	576	34	154	500	124	115	73	76	2218	9092	24,40%
Nagykállói	807	107	596	29	330	728	132	115	66	85	2995	11111	26,96%
Nagykanizsai	1868	593	1940	136	958	2312	720	586	318	727	10158	32605	31,15%
Nagykátai	1037	239	1683	68	690	1363	304	634	209	409	6636	19829	33,47%
Nyírbátori	592	106	494	44	201	648	119	157	86	238	2685	9976	26,91%
Nyíregyházai	5234	627	2443	389	2624	4555	934	830	649	1383	19668	51578	38,13%
Orosházai	1088	273	988	66	440	1369	513	299	191	285	5512	21024	26,22%
Oroszlányi	352	66	404	19	238	541	125	166	99	311	2321	10250	22,64%
Ózdi	714	112	859	38	566	1085	227	386	146	281	4414	18444	23,93%
Őriszentpéteri	110	42	138	8	42	130	57	51	15	11	604	2662	22,69%
Paksi	817	206	704	33	788	1112	301	220	176	685	5042	18635	27,06%
Pannonhalmai	258	79	410	12	181	329	106	151	54	84	1664	6274	26,52%
Pápai	1300	243	1083	83	703	1264	331	352	165	231	5755	23660	24,32%
Pásztói	468	108	546	36	208	719	179	202	101	169	2736	10997	24,88%
Pécsi	5340	1206	3679	452	3643	5732	1539	1755	966	2354	26666	69472	38,38%
Pécsváradi	229	41	234	9	85	264	83	84	40	69	1138	4255	26,75%
Pétervásárai	229	134	287	11	114	361	198	111	64	58	1567	6735	23,27%
Pilisvörösvári	2995	614	1619	303	2124	2504	580	667	545	1402	13353	32363	41,26%
Polgári	196	34	174	6	92	303	82	56	60	46	1049	4004	26,20%
Püspökladányi	689	176	1365	34	348	885	271	283	127	145	4323	15019	28,78%
Ráckevei	3969	688	2970	254	2096	3785	889	1327	685	1655	18318	44670	41,01%
Rétsági	396	94	461	23	469	447	125	159	72	108	2354	9484	24,82%
Salgótarjáni	1273	234	1083	139	719	1627	376	428	309	537	6725	22719	29,60%
Sárbogárdi	264	50	643	21	348	382	100	149	62	121	2140	8667	24,69%
Sarkadi	231	90	319	8	109	327	119	111	50	48	1412	6026	23,43%
Sárospataki	358	135	392	33	140	507	190	122	67	90	2034	7768	26,18%

Sárvári	680	252	742	37	300	790	352	232	118	151	3654	16309	22,40%
Sásdi	191	37	298	11	95	237	45	82	37	35	1068	4375	24,41%
Sátoraljaújhegyi	291	82	279	25	135	422	134	124	60	86	1638	8132	20,14%
Sellyei	158	42	138	8	48	208	57	49	24	11	743	3632	20,46%
Siklósi	777	284	742	37	239	897	428	299	146	116	3965	11675	33,96%
Siófoki	1191	607	786	57	549	1279	726	350	135	390	6070	13232	45,87%
Sopron–Fertődi	2343	1335	2909	157	1009	2901	1378	1302	472	937	14743	39416	37,40%
Sümegei	218	74	354	7	93	298	91	80	33	43	1291	5922	21,80%
Szarvasi	665	190	391	43	302	625	222	117	132	232	2919	10422	28,01%
Szécsényi	309	65	314	20	99	377	66	93	40	41	1424	6075	23,44%
Szegedi	6140	1180	4038	453	3530	6299	1602	1839	1011	3000	29092	77406	37,58%
Szeghalomi	607	175	787	47	205	740	222	173	82	100	3138	12335	25,44%
Székesfehérvári	4127	800	2659	275	3524	4217	1031	989	727	2096	20445	61832	33,07%
Szekszárdi	1937	330	1493	201	1282	2108	505	476	396	886	9614	33301	28,87%
Szentendre	2394	600	1463	266	1839	2290	665	596	484	1257	11854	27668	42,84%
Szentesi	782	153	950	39	960	1039	278	217	147	201	4766	16596	28,72%
Szentgotthárdi	260	170	249	15	119	419	192	92	38	63	1617	6132	26,37%
Szentlőrinci	276	60	377	15	145	317	59	138	46	70	1503	4861	30,92%
Szerencsi	659	97	1077	30	232	725	177	343	102	138	3580	11057	32,38%
Szigetvári	490	84	380	37	159	556	123	103	115	90	2137	8076	26,46%
Sziksói	257	34	398	6	110	270	59	159	31	44	1368	4419	30,96%
Szobi	117	68	395	7	97	211	91	205	34	77	1302	4429	29,40%
Szolnoki	3172	575	2498	226	2274	3418	752	846	545	1281	15587	45729	34,09%
Szombathelyi	3153	845	2477	274	1807	3068	1041	848	539	1055	15107	52902	28,56%
Tabi	192	50	190	19	78	258	74	68	41	22	992	5593	17,74%
Tamási	613	161	703	32	302	726	170	252	103	149	3211	13237	24,26%
Tapolcai	779	321	1125	54	798	943	456	336	123	205	5140	13839	37,14%
Tatabányai	2330	398	1870	167	1268	2624	648	635	355	1077	11372	34512	32,95%
Tatai	1005	213	931	52	1284	1165	315	309	150	324	5748	16164	35,56%
Téti	321	89	457	17	189	433	91	166	46	66	1875	7211	26,00%
Tiszaújvárosi	512	171	425	30	237	764	208	147	86	137	2717	10162	26,74%
Tiszafüredi	358	107	371	31	278	647	206	191	92	203	2484	11726	21,18%
Tiszavasvári	503	118	453	26	227	528	139	121	79	68	2262	10078	22,44%
Tokaji	164	65	294	17	84	205	115	95	41	33	1113	3575	31,13%
Törökszentmikló	833	133	930	32	296	1070	210	256	130	156	4046	13877	29,16%

si													
Váci	1765	388	1496	154	1262	1784	426	603	322	656	8856	26591	33,30%
Várpalotai	624	129	640	32	528	872	234	289	116	320	3784	15280	24,76%
Vásárosnaményi	518	99	392	19	127	511	109	137	70	41	2023	6961	29,06%
Vasvári	250	67	354	12	104	265	54	115	31	58	1310	4093	32,01%
Veresegyházi	923	181	673	72	559	872	163	263	175	454	4335	10261	42,25%
Veszprémi	2463	653	1721	220	1496	2522	834	565	480	1109	12063	36927	32,67%
Zalaegerszegi	2698	558	2181	197	1419	2719	859	722	471	1246	13070	44450	29,40%
Zalaszentgróti	249	137	396	26	92	357	226	103	54	58	1698	6801	24,97%
Zirci	296	118	489	29	120	401	142	152	64	109	1920	8406	22,84%

## Appendix 4

### Developmental status 1990s

### ***Homogenous developmental status in the 1990s***

The aggregation was done in the following way:

- a) I computed the average, standard deviation and frequencies in SPSS for each indicator.
- b) Based on these results, I scored the raw values of micro-regions from 1 to 3 (where 1 stands for the lower values =‘below the average’ state of development, 2 stands for middle values =‘average’ and 3 represents higher values =‘above the average’ state of development) in each indicator. E.g.:

```
compute zsewag =Sewage95.
compute zwaters=Watersup96.
compute zphone=Phonecontact94.

recode zsewag (0.00 thru 113.99=1) (114.00 thru 256.98=2) (257.00 thru
hi=3).
fre zsewag.
recode zwaters (0.5356 thru 0.7955=1) (0.7956 thru 0.9007=2) (0.9008 thru
hi=3).
fre zwaters.
recode zphone (49.41 thru 188.61=1) (188.62 thru 379.98=2) (379.99 thru
hi=3).
fre zphone.
```

- c) For each dimension (infrastructural, economic, social) I created an aggregate indicator on the basis of their three baseline indicators.
- d) I computed the frequency of this aggregate indicator. The frequency table displayed the number of cases for each existing combination of the baseline indicators within the aggregate indicator.

```
compute infra90=100*zsewag+10*zwaters+zphone.
fre infra90.
```

- e) I aggregated these combinations into three clusters according to the variance of baseline scores. The cluster where the variance of ‘1=below average’ was in majority I scored ‘1=below average in all’, where ‘2=average’ was I scored ‘2=average in all’ and I scored the third cluster as “3=above average in all’. Then, I calculated the frequency of this second aggregate indicator. The frequency table displayed the number of cases for each existing combination (cluster) of the aggregate indicator. This will be used later to compute the overall aggregated indicator of the “*state of development90*’. E.g.:

```
compute zinfra90=infra90.
recode zinfra90 (111 112 211 311 121 131=1)(122 123 132 212 213 221 222 223
231 232 312 321 322=2)(133 313 233 323 331 332 333=3).
val lab zinfra90 1'mindenben atlag alatti' 2'atlagos' 3'mindenben atlag
feletti'.
```

fre zinfra90.

- f) The cluster membership of micro-regions in the case of each dimension (infra, economic, social) was finally identified through a three-dimensional cross tabulation. The table displayed the scores a micro-region received for each baseline indicator of the particular dimension, thus eventually, showed a pattern of the state of each developmental dimension in the 1990s. E.g.:

CROSSTABS

```
/TABLES=zwaters BY zphone BY zsewag BY F1  
/FORMAT= AVALUE TABLES  
/CELLS= COUNT .
```

- g) Having completed the same computation for the other dimensions as well, I computed an overall aggregate indicator of 'state of development90' from the three dimensions. I ran a frequency test on this overall aggregate indicator, which used the aggregate scores of the aggregate indicators of each dimension (see 1.e). The frequency table showed the number of cases for each existing combination of the scores for the three dimensions. E.g.:

```
compute fejllettseg90=100*zeconomic90+10*zsocial90+zinfra90.  
fre fejllettseg90.
```

- h) The cluster membership of micro-regions for the overall aggregate indicator was identified through a three-dimensional cross tabulation. This table displays the aggregate characteristics of micro-regions in each dimension; i.e. the particular pattern of the state of development in the 1990s.

CROSSTABS

```
/TABLES=zsocial90 BY zinfra90 BY F1 BY zeconomic90  
/FORMAT= AVALUE TABLES  
/CELLS= COUNT  
/COUNT ROUND CELL .
```

### ***Change of developmental dynamics/change in the dynamics of development***

In order to establish clusters of micro-regions according to the patterns of the change of development that also displays the synergies between dynamism and complexity (which

dimensions/indicators have moved together with the same dynamism or vice versa), I used again aggregated cross tabulations and frequency functions in SPSS. The steps of this exercise are the same as for the static, “state of development90” dataset. To determine the clusters of change of development:

- i) I computed the average, standard deviation and frequencies in SPSS for each “change indicator”.
- j) Based on these results, I scored the change values of micro-regions from 1 to 3 (where 1 stands for the lower values = ‘below the average’ state of development, 2 stands for middle values = ‘average’ and 3 represents higher values = ‘above the average’ state of development) in each indicator.

```
compute xsewag =sewage.  
compute xwaters=watersup.  
compute xphone=phonecontect.  
  
recode xsewag (-0.21 thru 0.2715=1) (0.2716 thru 0.5392=2) (0.5393 thru  
hi=3).  
fre xsewag.  
recode xwaters (0.91222 thru 1.0483=1) (1.0494 thru 1.1250=2) (1.1251 thru  
hi=3).  
fre xwaters.  
recode xphone (1.1700 thru 2.2830=1) (2.2831 thru 3.9267=2) (3.9268 thru  
hi=3).  
fre xphone.
```

- k) For each dimension (infrastructural, economic, social) I created an aggregate indicator on the basis of their three baseline indicators.
- l) I computed the frequency of this aggregate indicator. The frequency table displayed the number of cases for each existing combination of the baseline indicators within the aggregate indicator.

```
compute infra=100*xsewag+10*xwaters+xphone.  
fre infra.
```

- m) I aggregated these combinations into three clusters according to the variance of baseline scores. The cluster where the variance of ‘1=below average’ was in majority I scored ‘1=below average in all’, where ‘2=average’ was I scored ‘2=average in all’ and I scored the third cluster as “3=above average in all’. Then, I calculated the frequency of this second aggregate indicator. The frequency table displayed the number of cases for each existing combination (cluster) of the aggregate indicator. This will be used later to compute the overall aggregated indicator of the “*process of development*’. E.g.:

```
compute infra2=infra.
recode infra2 (111 112 113 211 311 121 131=1)(122 123 132 212 213 221 222
223 231 232 312 321 322=2)(133 313 233 323 331 332 333=3).
val lab infra2 1'mindenben atlag alatti' 2'atlagos' 3'mindenben atlag
feletti'.
fre infra2.
```

- n) The cluster membership of micro-regions in the case of each dimension (infra, economic, social) was finally identified through a three-dimensional cross tabulation. The table displayed the scores a micro-region received for each baseline indicator of the particular dimension, thus eventually, showed a pattern of the change of each developmental dimension. E.g.:

```
CROSSTABS
/TABLES=xwaters BY xphone BY xsewag BY region
/FORMAT= AVALUE TABLES
/CELLS= COUNT .
```

- o) Having completed the same computation for the other dimensions as well, I computed an overall aggregate indicator of '*change of development*' from the three dimensions. I ran a frequency test on this overall aggregate indicator, which used the aggregate scores of the indicator of each dimension (see 1.e). The frequency table showed the number of cases for each existing combination of the scores for the three dimensions. E.g.:

```
compute fejlodes=100*economic2+10*social2+infra2.
fre fejlodes.
```

- p) The cluster membership of micro-regions for the overall aggregate indicator was identified through a three-dimensional cross tabulation. This table displays the aggregate characteristics of micro-regions in each dimension; i.e. the particular pattern of the change of development according to the dynamism and complexity of the development process.

```
CROSSTABS
/TABLES=social2 BY infra2 BY Region BY economic2
/FORMAT= AVALUE TABLES
/CELLS= COUNT
/COUNT ROUND CELL .
```

10 clusters of developmental change were established on the basis of these computations. These clusters group micro-regions that share the same/similar developmental

pattern; i.e. the developmental dimensions (and indicators) have changed in the same/similar composition, according to the same/similar rate of dynamism. The 10 clusters are:

- i) below the average in all three dimensions, but minimum in economic and social dimension
- ii) below the average in social and infrastructural dimension
- iii) below the average in economic and infrastructural dimension
- iv) average in all three dimensions
- v) average in economic and social dimension, infrastructural is below the average
- vi) average in social and infrastructural dimensions, economic is below the average
- vii) average in economic and infrastructural dimensions, social is below the average
- viii) above the average in economic and infrastructural dimension, social is below the average
- ix) above the average in economic dimension, social and infrastructural dimensions are at average
- x) above the average in all three dimensions but minimum in two dimensions

zsocial90 * zinfra90 * F1 * zeconomic90 Crosstabulation							
Count							
zeconomic90	F1	zsocial90		zinfra90			Total
				below average in all	average	above average in all	
<b>below average in all</b>	Abaúj–Hegyközi		below average in all	1			1 111
		Total		1			1
	Bácsalmási	zsocial90	average		1		1 122
		Total			1		1
	Baktalórántházai	zsocial90	below average in all	1			1 111
		Total		1			1
	Balmazújvárosi	zsocial90	below average in all		1		1 112
		Total			1		1
	Bátonyterenyei	zsocial90	average		1		1 122
		Total			1		1
	Bélapátfalvai	zsocial90	below average in all		1		1 112
		Total			1		1
	Berettyóújfalui	zsocial90	average		1		1 122
		Total			1		1
	Bodrogközi	zsocial90	below average in all	1			1 111
		Total		1			1
	Csengeri	zsocial90	below average in all	1			1 111
		Total		1			1
	Csongrádi	zsocial90	average		1		1 122
		Total			1		1
	Csurgói	zsocial90	below average in all	1			1 111
		Total		1			1
	Derecske–Létavértesi	zsocial90	below average in all		1		1 112
		Total			1		1
	Edelényi	zsocial90	below average in all		1		1 112
		Total			1		1
	Encsi	zsocial90	below average in all		1		1 112
		Total			1		1
	Fehérgyarmati	zsocial90	below average in all		1		1 112

		Total			1		1	
	Füzesabonyi	zsocial90	below average in all		1		1	112
		Total			1		1	
	Hajdúhadházi	zsocial90	below average in all		1		1	112
		Total			1		1	
	Hevesi	zsocial90	below average in all		1		1	112
		Total			1		1	
	Ibrány– Nagyhalászi	zsocial90	below average in all	1			1	111
		Total		1			1	
	Jánoshalmi	zsocial90	average		1		1	121
		Total		1			1	
	Karcagi	zsocial90	below average in all			1	1	113
		Total				1	1	
	Kisteleki	zsocial90	average		1		1	122
		Total			1		1	
	Kisvárdai	zsocial90	below average in all		1		1	112
		Total			1		1	
	Kunszentmártoni	zsocial90	below average in all		1		1	112
		Total			1		1	
	Kunszentmiklósi	zsocial90	above average in all		1		1	132
		Total			1		1	
	Lengyeltóti	zsocial90	below average in all		1		1	112
		Total			1		1	
	Letenyei	zsocial90	below average in all		1		1	112
		Total			1		1	
	Marcali	zsocial90	average			1	1	123
		Total				1	1	
	Mátészalkai	zsocial90	below average in all		1		1	112
		Total			1		1	
	Mezőcsáti	zsocial90	below average in all	1			1	111
		Total		1			1	
	Mezőkovácsháza i	zsocial90	below average in all	1			1	111
		Total		1			1	

	Mezőkövesdi	zsocial90	average		1		1	122
		Total			1		1	
	Mórahalomi	zsocial90	above average in all	1			1	131
		Total		1			1	
	Nagykállói	zsocial90	below average in all		1		1	112
		Total			1		1	
	Nyírbátori	zsocial90	below average in all	1			1	111
		Total		1			1	
	Ózdi	zsocial90	below average in all	1			1	111
		Total		1			1	
	Pétervásárai	zsocial90	below average in all			1	1	113
		Total				1	1	
	Polgári	zsocial90	below average in all		1		1	112
		Total			1		1	
	Püspökladányi	zsocial90	below average in all		1		1	112
		Total			1		1	
	Sarkadi	zsocial90	below average in all	1			1	111
		Total		1			1	
	Sárospataki	zsocial90	average		1		1	122
		Total			1		1	
	Sellyei	zsocial90	below average in all		1		1	112
		Total			1		1	
	Szeghalomi	zsocial90	below average in all		1		1	112
		Total			1		1	
	Szerencsi	zsocial90	below average in all	1			1	111
		Total		1			1	
	Szigetvári	zsocial90	average		1		1	122
		Total			1		1	
	Szikszoí	zsocial90	below average in all	1			1	111
		Total		1			1	
	Tabi	zsocial90	average		1		1	122
		Total			1		1	
	Tamási	zsocial90	average		1		1	122
		Total			1		1	
	Téti	zsocial90	average		1		1	122

		Total			1		1	
	Tiszafüredi	zsocial90	average		1		1	122
		Total			1		1	
	Tiszavasvári	zsocial90	below average in all	1			1	111
		Total		1			1	
	Tokaji	zsocial90	average	1			1	121
		Total		1			1	
	Vásárosnaményi	zsocial90	below average in all	1			1	111
		Total		1			1	
	Vasvári	zsocial90	average		1		1	122
		Total			1		1	
<b>average</b>	Abai	zsocial90	below average in all	1			1	211
		Total		1			1	
	Aszódi	zsocial90	average	1			1	221
		Total		1			1	
	Balassagyarmati	zsocial90	average		1		1	222
		Total			1		1	
	Barcsi	zsocial90	average		1		1	222
		Total			1		1	
	Békési	zsocial90	average		1		1	222
		Total			1		1	
	Bicskei	zsocial90	average		1		1	222
		Total			1		1	
	Bonyhádi	zsocial90	average			1	1	223
		Total				1	1	
	Ceglédi	zsocial90	average		1		1	222
		Total			1		1	
	Celldömölki	zsocial90	average	1			1	221
		Total		1			1	
	Csepregi	zsocial90	average			1	1	223
		Total				1	1	
	Csornai	zsocial90	average			1	1	223
		Total				1	1	
	Dombóvári	zsocial90	average		1		1	222
		Total			1		1	

	Dorogi	zsocial90	average			1	1	223
		Total				1	1	
	Enyingi	zsocial90	below average in all	1			1	211
		Total		1			1	
	Gyulai	zsocial90	average			1	1	223
		Total				1	1	
	Hajdúböszörményi	zsocial90	below average in all		1		1	212
		Total			1		1	
	Hajdúszoboszlói	zsocial90	average			1	1	223
		Total				1	1	
	Hatvani	zsocial90	average			1	1	223
		Total				1	1	
	Jászberényi	zsocial90	average		1		1	222
		Total			1		1	
	Kalocsai	zsocial90	above average in all		1		1	232
		Total			1		1	
	Kapuvári	zsocial90	average			1	1	223
		Total				1	1	
	Kazincbarcikai	zsocial90	below average in all			1	1	213
		Total				1	1	
	Kisbéri	zsocial90	average		1		1	222
		Total			1		1	
	Kiskőrösi	zsocial90	above average in all		1		1	232
		Total			1		1	
	Kiskunfélegyháza	zsocial90	above average in all	1			1	231
		Total		1			1	
	Kiskunmajsai	zsocial90	above average in all	1			1	231
		Total		1			1	
	Komlói	zsocial90	average			1	1	223
		Total				1	1	
	Lenti	zsocial90	average			1	1	223
		Total				1	1	
	Makói	zsocial90	average	1			1	221

		Total		1			1	
	Mezőtúri	zsocial90	average		1		1	222
		Total			1		1	
	Mohácsi	zsocial90	average		1		1	222
		Total			1		1	
	Monori	zsocial90	below average in all	1			1	211
		Total		1			1	
	Nagyatádi	zsocial90	average		1		1	222
		Total			1		1	
	Nagykanizsai	zsocial90	above average in all			1	1	233
		Total				1	1	
	Nagykátai	zsocial90	below average in all	1			1	211
		Total		1			1	
	Orosházai	zsocial90	average	1			1	221
		Total		1			1	
	Óriszentpéteri	zsocial90	above average in all			1	1	233
		Total				1	1	
	Pannonhalmai	zsocial90	average		1		1	222
		Total			1		1	
	Pápai	zsocial90	average	1			1	221
		Total		1			1	
	Pásztói	zsocial90	average	1			1	221
		Total		1			1	
	Pécsváradi	zsocial90	below average in all		1		1	212
		Total			1		1	
	Rétságai	zsocial90	average		1		1	222
		Total			1		1	
	Sárbogárdi	zsocial90	average		1		1	222
		Total			1		1	
	Sásdi	zsocial90	below average in all		1		1	212
		Total			1		1	
	Sátoraljaújhelyi	zsocial90	average		1		1	222
		Total			1		1	
	Siklósi	zsocial90	below average in all		1		1	212
		Total			1		1	

	Sümegei	zsocial90	average			1	1	223
		Total				1	1	
	Szarvasi	zsocial90	above average in all		1		1	232
		Total			1		1	
	Szécsényi	zsocial90	below average in all	1			1	211
		Total		1			1	
	Szentesi	zsocial90	average		1		1	222
		Total			1		1	
	Szentgotthárdi	zsocial90	average			1	1	223
		Total				1	1	
	Szentlőrinci	zsocial90	below average in all		1		1	212
		Total			1		1	
	Szobi	zsocial90	average	1			1	221
		Total		1			1	
	Tapolcai	zsocial90	above average in all		1		1	232
		Total			1		1	
	Törökszentmiklósi	zsocial90	below average in all		1		1	212
		Total			1		1	
	Zalaszentgróti	zsocial90	average		1		1	222
		Total			1		1	
	Zirci	zsocial90	average		1		1	222
		Total			1		1	
<b>above average in all</b>	Adonyi	zsocial90	below average in all		1		1	312
		Total			1		1	
	Ajkai	zsocial90	average		1		1	322
		Total			1		1	
	Bajai	zsocial90	above average in all			1	1	333
		Total				1	1	
	Balatonalmádi	zsocial90	above average in all			1	1	333
		Total				1	1	
	Balatonföldvári	zsocial90	above average in all			1	1	333
		Total				1	1	
	Balatonfüredi	zsocial90	above average in all			1	1	333
		Total				1	1	

	Budaörsi	zsocial90	above average in all			1	1	333
		Total				1	1	
	Dabasi	zsocial90	average	1			1	321
		Total		1			1	
	Dunakeszi	zsocial90	above average in all			1	1	333
		Total				1	1	
	Dunaújvárosi	zsocial90	above average in all			1	1	333
		Total				1	1	
	Ercsi	zsocial90	average		1		1	322
		Total			1		1	
	Esztergomi	zsocial90	above average in all			1	1	333
		Total				1	1	
	Fonyódi	zsocial90	above average in all			1	1	333
		Total				1	1	
	Gárdonyi	zsocial90	above average in all			1	1	333
		Total				1	1	
	Gödöllői	zsocial90	above average in all		1		1	332
		Total			1		1	
	Gyáli	zsocial90	below average in all		1		1	312
		Total			1		1	
	Gyöngyösi	zsocial90	above average in all			1	1	333
		Total				1	1	
	Hódmezővásárhelyi	zsocial90	above average in all		1		1	332
		Total			1		1	
	Keszthely–Hévízi	zsocial90	above average in all			1	1	333
		Total				1	1	
	Kiskunhalasi	zsocial90	average		1		1	322
		Total			1		1	
	Komáromi	zsocial90	above average in all			1	1	333
		Total				1	1	
	Körmendi	zsocial90	average			1	1	323
		Total				1	1	
	Kőszegi	zsocial90	above average in all			1	1	333
		Total				1	1	

	Móri	zsocial90	average			1	1	323
		Total				1	1	
	Mosonmagyaróvári	zsocial90	average			1	1	323
		Total				1	1	
	Oroszlányi	zsocial90	average			1	1	323
		Total				1	1	
	Paksi	zsocial90	above average in all		1		1	332
		Total			1		1	
	Pilisvörösvári	zsocial90	above average in all		1		1	332
		Total			1		1	
	Ráckevei	zsocial90	average		1		1	322
		Total			1		1	
	Sárvári	zsocial90	average		1		1	322
		Total			1		1	
	Siófoki	zsocial90	above average in all			1	1	333
		Total				1	1	
	Sopron–Fertődi	zsocial90	above average in all			1	1	333
		Total				1	1	
	Szentendre	zsocial90	above average in all			1	1	333
		Total				1	1	
	Tatai	zsocial90	above average in all			1	1	333
		Total				1	1	
	Tiszaújvárosi	zsocial90	average		1		1	322
		Total			1		1	
	Váci	zsocial90	above average in all			1	1	333
		Total				1	1	
	Váralotai	zsocial90	average		1		1	322
		Total			1		1	
	Veresegyházi	zsocial90	average		1		1	322
		Total			1		1	



## Appendix 5

### Developmental change

social2 * infra2 * Region * economic2 Crosstabulation							
Count							
economic2	Region				infra2		Total
				below average in all	average	above average in all	
below average in all	Bácsalmási	social2	below average in all	1			1 111
		Total		1			1
	Bajai	social2	average	1			1 121
		Total		1			1
	Baktalórántháza	social2	below average in all			1	1 113
		Total				1	1
	Balatonalmádi	social2	below average in all	1			1 111
		Total		1			1
	Balatonföldvári	social2	above average in all	1			1 131
		Total		1			1
	Balmazújvárosi	social2	average		1		1 122
		Total			1		1
	Barcsi	social2	average		1		1 122
		Total			1		1
	Békési	social2	average		1		1 122
		Total			1		1
	Bélapátfalvai	social2	average		1		1 122
		Total			1		1
	Csengeri	social2	below average in all		1		1 112
		Total			1		1
	Edelényi	social2	average			1	1 123
		Total				1	1
	Encsi	social2	below average in all		1		1 112
		Total			1		1
	Fehérgyarmati	social2	above average in all		1		1 132
		Total			1		1
	Fonyódi	social2	above average in all	1			1 131
		Total		1			1

	Hevesi	social2	below average in all		1		1	112
		Total			1		1	
	Hódmezővásár helyi	social2	average		1		1	122
		Total			1		1	
	Ibrány– Nagyhalászi	social2	below average in all				1	113
		Total					1	
	Jánoshalmi	social2	above average in all		1		1	132
		Total			1		1	
	Kalocsai	social2	below average in all	1			1	111
		Total		1			1	
	Keszthely– Hévízi	social2	average	1			1	121
		Total		1			1	
	Kisvárdai	social2	average				1	123
		Total					1	
	Komlói	social2	below average in all	1			1	111
		Total		1			1	
	Lengyeltóti	social2	average		1		1	122
		Total			1		1	
	Lenti	social2	average	1			1	121
		Total		1			1	
	Mezőkovácshá zai	social2	average		1		1	122
		Total			1		1	
	Mezőtúri	social2	average		1		1	122
		Total			1		1	
	Nyírbátori	social2	average		1		1	122
		Total			1		1	
	Orosházai	social2	above average in all		1		1	132
		Total			1		1	
	Ózdi	social2	below average in all		1		1	112
		Total			1		1	
	Pétervásárai	social2	average	1			1	121
		Total		1			1	

	Polgári	social2	average		1		1	122
		Total			1		1	
	Püspökladányi	social2	average		1		1	122
		Total			1		1	
	Sarkadi	social2	below average in all				1	113
		Total					1	
	Sásdi	social2	below average in all		1		1	112
		Total			1		1	
	Sátoraljaújhelyi	social2	below average in all		1		1	112
		Total			1		1	
	Sellyei	social2	below average in all		1		1	112
		Total			1		1	
	Siklósi	social2	below average in all		1		1	112
		Total			1		1	
	Siófoki	social2	average	1			1	121
		Total		1			1	
	Sopron– Fertődi	social2	average		1		1	122
		Total			1		1	
	Szeghalomi	social2	average		1		1	122
		Total			1		1	
	Szentlőrinci	social2	below average in all		1		1	112
		Total			1		1	
	Szerencsi	social2	average		1		1	122
		Total			1		1	
	Szikszói	social2	below average in all				1	113
		Total					1	
	Tamási	social2	average		1		1	122
		Total			1		1	
	Tiszavasvári	social2	average		1		1	122
		Total			1		1	
	Tokaji	social2	average		1		1	122
		Total			1		1	
	Törökszentmikl ósi	social2	average		1		1	122

		Total			1		1	
	Vásárosnaményi	social2	average			1	1	123
		Total				1	1	
<b>average</b>	Adonyi	social2	average			1	1	223
		Total				1	1	
	Ajkai	social2	below average in all		1		1	212
		Total			1		1	
	Balassagyarmati	social2	average	1			1	221
		Total		1			1	
	Balatonfüredi	social2	below average in all	1			1	211
		Total		1			1	
	Bátonyterenyei	social2	below average in all	1			1	211
		Total		1			1	
	Berettyóújfalui	social2	below average in all		1		1	212
		Total			1		1	
	Bonyhádi	social2	average		1		1	222
		Total			1		1	
	Ceglédi	social2	average	1			1	221
		Total		1			1	
	Celldömölki	social2	below average in all		1		1	212
		Total			1		1	
	Csepregi	social2	average	1			1	221
		Total		1			1	
	Csongrádi	social2	above average in all			1	1	233
		Total				1	1	
	Csurgói	social2	average		1		1	222
		Total			1		1	
	Derecske-Létavértesi	social2	below average in all	1			1	211
		Total		1			1	
	Dombóvári	social2	below average in all		1		1	212
		Total			1		1	
	Dunaújvárosi	social2	below average in all	1			1	211
		Total		1			1	

	Enyingi	social2	below average in all		1		1	212
		Total			1		1	
	Ercsi	social2	average		1		1	222
		Total			1		1	
	Füzesabonyi	social2	below average in all		1		1	212
		Total			1		1	
	Gyöngyösi	social2	average	1			1	221
		Total		1			1	
	Gyulai	social2	average		1		1	222
		Total			1		1	
	Hajdúböszörményi	social2	average		1		1	222
		Total			1		1	
	Hajdúszoboszlói	social2	average	1			1	221
		Total		1			1	
	Jászberényi	social2	average		1		1	222
		Total			1		1	
	Kapuvári	social2	average		1		1	222
		Total			1		1	
	Karcagi	social2	average	1			1	221
		Total		1			1	
	Kazincbarcikai	social2	average	1			1	221
		Total		1			1	
	Kiskunfélegyházi	social2	average		1		1	222
		Total			1		1	
	Kiskunhalasi	social2	average		1		1	222
		Total			1		1	
	Kiskunmajsai	social2	above average in all		1		1	232
		Total			1		1	
	Kisteleki	social2	below average in all	1			1	211
		Total		1			1	
	Körmendi	social2	average	1			1	221
		Total		1			1	
	Kőszegi	social2	average	1			1	221

		Total		1		1	
	Kunszentmártoni	social2	average		1	1	222
		Total			1	1	
	Kunszentmiklósi	social2	below average in all		1	1	212
		Total			1	1	
	Makói	social2	average		1	1	222
		Total			1	1	
	Marcali	social2	below average in all	1		1	211
		Total		1		1	
	Mátészalkai	social2	average		1	1	222
		Total			1	1	
	Mezőcsáti	social2	below average in all			1	213
		Total				1	
	Mezőkövesdi	social2	average	1		1	221
		Total		1		1	
	Mohácsi	social2	average		1	1	222
		Total			1	1	
	Mórahalomi	social2	above average in all		1	1	232
		Total			1	1	
	Mosonmagyaróvári	social2	average		1	1	222
		Total			1	1	
	Nagyatádi	social2	below average in all		1	1	212
		Total			1	1	
	Nagykátai	social2	average		1	1	222
		Total			1	1	
	Oroszlányi	social2	below average in all	1		1	211
		Total		1		1	
	Paksi	social2	average	1		1	221
		Total		1		1	
	Pápai	social2	average		1	1	222
		Total			1	1	
	Pásztói	social2	below average in all		1	1	212
		Total			1	1	

	Pécsváradi	social2	below average in all			1	1	213
		Total				1	1	
	Ráckevei	social2	above average in all		1		1	232
		Total			1		1	
	Rétsági	social2	average		1		1	222
		Total			1		1	
	Sárbogárdi	social2	below average in all		1		1	212
		Total			1		1	
	Szarvasi	social2	below average in all		1		1	212
		Total			1		1	
	Szécsényi	social2	average			1	1	223
		Total				1	1	
	Szentesi	social2	below average in all	1			1	211
		Total		1			1	
	Szigetvári	social2	below average in all	1			1	211
		Total		1			1	
	Szobi	social2	below average in all			1	1	213
		Total				1	1	
	Tabi	social2	below average in all	1			1	211
		Total		1			1	
	Tapolcai	social2	below average in all		1		1	212
		Total			1		1	
	Tiszafüredi	social2	above average in all		1		1	232
		Total			1		1	
	Tiszaújvárosi	social2	average		1		1	222
		Total			1		1	
	Várpalotai	social2	below average in all		1		1	212
		Total			1		1	
<b>above average in all</b>	Abai	social2	below average in all			1	1	313
		Total				1	1	
	Abaúj– Hegyközi	social2	average			1	1	323
		Total				1	1	
	Aszódi	social2	average			1	1	323
		Total				1	1	

	Bicskei	social2	average			1	1	323
		Total				1	1	
	Budaörsi	social2	above average in all		1		1	332
		Total			1		1	
	Csornai	social2	average		1		1	322
		Total			1		1	
	Dabasi	social2	above average in all			1	1	333
		Total				1	1	
	Dorogi	social2	average		1		1	322
		Total			1		1	
	Dunakeszi	social2	above average in all		1		1	332
		Total			1		1	
	Esztergomi	social2	average	1			1	321
		Total		1			1	
	Gárdonyi	social2	below average in all	1			1	311
		Total		1			1	
	Gödöllői	social2	above average in all		1		1	332
		Total			1		1	
	Gyáli	social2	above average in all			1	1	333
		Total				1	1	
	Hajdúhadházi	social2	average		1		1	322
		Total			1		1	
	Hatvani	social2	average	1			1	321
		Total		1			1	
	Kisbéri	social2	below average in all		1		1	312
		Total			1		1	
	Kiskőrösi	social2	average		1		1	322
		Total			1		1	
	Komáromi	social2	average	1			1	321
		Total		1			1	
	Letenyei	social2	average	1			1	321
		Total		1			1	
	Monori	social2	above average in all			1	1	333
		Total				1	1	
	Móri	social2	below average in all		1		1	312

		Total			1		1	
	Nagykállói	social2	average		1		1	322
		Total			1		1	
	Nagykanizsai	social2	average	1			1	321
		Total		1			1	
	Óriszentpéteri	social2	above average in all	1			1	331
		Total		1			1	
	Pannonhalmi	social2	average		1		1	322
		Total			1		1	
	Pilisvörösvári	social2	above average in all			1	1	333
		Total				1	1	
	Sárospataki	social2	average			1	1	323
		Total				1	1	
	Sárvári	social2	above average in all		1		1	332
		Total			1		1	
	Sümegei	social2	below average in all	1			1	311
		Total		1			1	
	Szentendre	social2	average		1		1	322
		Total			1		1	
	Szentgotthárdi	social2	above average in all	1			1	331
		Total		1			1	
	Tatai	social2	average		1		1	322
		Total			1		1	
	Téti	social2	average		1		1	322
		Total			1		1	
	Váci	social2	average	1			1	321
		Total		1			1	
	Vasvári	social2	average	1			1	321
		Total		1			1	
	Veresegyházi	social2	above average in all		1		1	332
		Total			1		1	
	Zalaszentgróti	social2	average	1			1	321
		Total		1			1	
	Zirci	social2	below average in all		1		1	312
		Total			1		1	

## Appendix 6

### Sampling from clusters

## Cluster I.

Regions below average state of dev.90	state of development(2)90	CHANG E OF DEVEL OPMEN T90/01
Csengeri	111	112
Ózdi	111	112
Encsi	112	112
Hevesi	112	112
Sellyei	112	112
Baktalórántházai	111	113
Bodrogközi	111	113
Ibrány-Nagyhalászi	111	113
Sarkadi	111	113
Szikszói	111	113
Pétervásárai	113	121
Mezőkovácsházai	111	122
Nyírbátori	111	122
Szerencsi	111	122
Tiszavasvári	111	122
Balmazújvárosi	112	122
Bélapátfalvai	112	122
Lengyeltóti	112	122
Polgári	112	122
Püspökladányi	112	122
Szeghalomi	112	122
Tokaji	121	122
Tamási	122	122
Vásárosnaményi	111	123
Edelényi	112	123
Kisvárdai	112	123
Jánoshalmi	121	132
Fehérgyarmati	112	132
Derecske-Létavértesi	112	211
Kisteleki	122	211
Szigetvári	122	211
Füzesabonyi	112	212
Berettyóújfalui	122	212
Enyingi	211	212
Mezőcsáti	111	213
Karcagi	113	221
Csurgói	111	222
Kunszentmártoni	112	222
Mátészalkai	112	222
Nagykátai	211	222
Szécsényi	211	223
Tiszafüredi	122	232
Mórahalomi	131	232
Abai	211	313
Letenyei	112	321
Hajdúhadházi	112	322
Nagykállói	112	322
Abaúj-Hegyközi	111	323
Monori	211	333

## Cluster II.

Regions average state of dev.90	state of development(2)90	CHANG E OF DEVEL OPMENT T90/01
Bácsalmási	122	111
Komlói	223	111
Kalocsai	232	111
Sásdi	212	112
Siklósi	212	112
Szentlőrinci	212	112
Sátoraljaújhely	222	112
Lenti	223	121
Törökszentmiklósi	212	122
Barcsi	222	122
Békési	222	122
Mezőtúri	222	122
Orosházai	221	132
Bátonyterenyei	122	211
Tabi	122	211
Marcali	123	211
Szentesi	222	211
Sümegei	223	311
Celldömölki	221	212
Pásztói	221	212
Dombóvári	222	212
Nagyatádi	222	212
Sárbogárdi	222	212
Szarvasi	232	212
Tapolcai	232	212
Ajkai	322	212
Várpalotai	322	212
Kunszentmiklósi	132	212
Pécsváradi	212	213
Szobi	221	213
Mezőkövesdi	122	221
Kazincbarcikai	213	221
Ceglédi	222	221
Balassagyarmati	222	221
Hajdúszoboszlói	223	221
Csepregi	223	221
Hajdúböszörményi	212	222
Pápai	221	222
Makói	221	222
Jászberényi	222	222
Mohácsi	222	222
Rétsági	222	222
Bonyhádi	223	222
Gyulai	223	222
Kapuvári	223	222
Kiskunfélegyházai	231	222
Ercsi	322	222
Tiszaújvárosi	322	222
Kiskunhalasi	322	222

Adonyi	312	223
Kiskunmajsai	231	232
Ráckevei	322	232
Kisbéri	222	312
Zirci	222	312
Vasvári	122	321
Zalaszentgróti	222	321
Hatvani	223	321
Téti	122	322
Pannonhalmai	222	322
Csornai	223	322
Dorogi	223	322
Kiskőrösi	232	322
Sáropataki	122	323
Aszódi	221	323
Bicskei	222	323
Szentgotthárdi	223	331
Veresegyházi	322	332
Sárvári	322	332
Gyáli	312	333
Dabasi	321	333
Csongrádi	122	233

### Cluster III.

Regions above average 90	state of development2() 90	CHANG E OF DEVEL OPMEN T90/01
Balatonalmádi	333	111
Bajai	333	121
Keszthelyi-Hévízi	333	121
Siófoki	333	121
Balatonföldvári	333	131
Fonyódi	333	131
Oroszlányi	323	211
Balatonfüredi	333	211
Dunaújvárosi	333	211
Gárdonyi	333	311
Hódmezővásárhelyi	332	122
Sopron-Fertődi	333	122
Paksi	332	221
Gyöngyösi	333	221
Körmendi	323	221
Kőszegi	333	221
Mosonmagyaróvári	323	222
Móri	323	312
Esztergomi	333	321
Komáromi	333	321
Nagykanizsai	233	321
Váci	333	321
Szentendrei	333	322
Tatai	333	322
Óriszentpéteri	233	331
Budaörsi	333	332
Dunakeszi	333	332
Gödöllői	332	332
Pilisvörösvári	332	333

## Comparative table: developmental status and change

State of development <sup>90</sup> (eci, social, infra)		Change of development (eco, soci,infra)	
Abai	211	Abai	313
<b>Abaúj–Hegyközi</b>	<b>111</b>	<b>Abaúj–Hegyközi</b>	<b>323</b>
Adonyi	312	Adonyi	223
Ajkai	322	Ajkai	212
Aszódi	221	Aszódi	323
<b>Bácsalmási</b>	<b>122</b>	<b>Bácsalmási</b>	<b>111</b>
<b>Bajai</b>	<b>333</b>	<b>Bajai</b>	<b>121</b>
Baktalórántházai	111	Baktalórántházai	113
Balassagyarmati	222	Balassagyarmati	221
<b>Balatonalmádi</b>	<b>333</b>	<b>Balatonalmádi</b>	<b>111</b>
<b>Balatonföldvári</b>	<b>333</b>	<b>Balatonföldvári</b>	<b>131</b>
<b>Balatonfüredi</b>	<b>333</b>	<b>Balatonfüredi</b>	<b>211</b>
Balmazújvárosi	112	Balmazújvárosi	122
Barcsi	222	Barcsi	122
Bátonyterenyeyi	122	Bátonyterenyeyi	211
Békési	222	Békési	122
Bélapátfalvai	112	Bélapátfalvai	122
Berettyóújfalui	122	Berettyóújfalui	212
Bicskei	222	Bicskei	323
Bodroghözi	111	Bodroghözi	113
Bonyhádi	223	Bonyhádi	222
Budaörsi	333	Budaörsi	332
Ceglédi	222	Ceglédi	221
Celldömölki	221	Celldömölki	212
Csengeri	111	Csengeri	112
Csepregi	223	Csepregi	221
<b>Csongrádi</b>	<b>122</b>	<b>Csongrádi</b>	<b>233</b>
Csornai	223	Csornai	322
Csurgói	111	Csurgói	222
Dabasi	321	Dabasi	333
Derecske–Létavértesi	112	Derecske– Létavértesi	211
Dombóvári	222	Dombóvári	212
Dorogi	223	Dorogi	322
Dunakeszi	333	Dunakeszi	332
<b>Dunaújvárosi</b>	<b>333</b>	<b>Dunaújvárosi</b>	<b>211</b>
Edelényi	112	Edelényi	123
<b>Encsi</b>	<b>112</b>	<b>Encsi</b>	<b>112</b>
Enyingi	211	Enyingi	212
Ercsi	322	Ercsi	222
Esztergomi	333	Esztergomi	321
Fehérgyarmati	112	Fehérgyarmati	132
<b>Fonyódi</b>	<b>333</b>	<b>Fonyódi</b>	<b>131</b>
Füzesabonyi	112	Füzesabonyi	212
<b>Gárdonyi</b>	<b>333</b>	<b>Gárdonyi</b>	<b>311</b>
Gödöllői	332	Gödöllői	332
Gyáli	312	Gyáli	333
<b>Gyöngyösi</b>	<b>333</b>	<b>Gyöngyösi</b>	<b>221</b>
Gyulai	223	Gyulai	222
Hajdúböszörményi	212	Hajdúböszörményi	222
<b>Hajdúhadházi</b>	<b>112</b>	<b>Hajdúhadházi</b>	<b>322</b>
Hajdúszoboszlói	223	Hajdúszoboszlói	221

Hatvani	223	Hatvani	321
Hevesi	112	Hevesi	112
Hódmezővásárhelyi	332	Hódmezővásárhelyi	122
Ibrány–Nagyhalászi	111	Ibrány–Nagyhalászi	113
Jánoshalmi	121	Jánoshalmi	132
Jászberényi	222	Jászberényi	222
<b>Kalocsai</b>	<b>232</b>	<b>Kalocsai</b>	<b>111</b>
Kapuvári	223	Kapuvári	222
Karcagi	113	Karcagi	221
Kazincbarcikai	213	Kazincbarcikai	221
<b>Keszthely–Hévízi</b>	<b>333</b>	<b>Keszthely–Hévízi</b>	<b>121</b>
Kisbéri	222	Kisbéri	312
<b>Kiskőrösi</b>	<b>232</b>	<b>Kiskőrösi</b>	<b>322</b>
Kiskunfélegyházai	231	Kiskunfélegyházai	222
<b>Kiskunhalasi</b>	<b>322</b>	<b>Kiskunhalasi</b>	<b>222</b>
Kiskunmajsai	231	Kiskunmajsai	232
Kisteleki	122	Kisteleki	211
Kisvárdai	112	Kisvárdai	123
Komáromi	333	Komáromi	321
<b>Komlói</b>	<b>223</b>	<b>Komlói</b>	<b>111</b>
Körmendi	323	Körmendi	221
Kőszegi	333	Kőszegi	221
<b>Kunszentmártoni</b>	<b>112</b>	<b>Kunszentmártoni</b>	<b>222</b>
Kunszentmiklósi	132	Kunszentmiklósi	212
Lengyeltóti	112	Lengyeltóti	122
Lenti	223	Lenti	121
<b>Letenyei</b>	<b>112</b>	<b>Letenyei</b>	<b>321</b>
Makói	221	Makói	222
Marcali	123	Marcali	211
Mátészalkai	112	Mátészalkai	222
Mezőcsáti	111	Mezőcsáti	213
Mezőkovácsházai	111	Mezőkovácsházai	122
Mezőkövesdi	122	Mezőkövesdi	221
Mezőtúri	222	Mezőtúri	122
Mohácsi	222	Mohácsi	222
Monori	211	Monori	333
<b>Mórahalmi</b>	<b>131</b>	<b>Mórahalmi</b>	<b>232</b>
Móri	323	Móri	312
Mosonmagyaróvári	323	Mosonmagyaróvári	222
Nagyatádi	222	Nagyatádi	212
<b>Nagykállói</b>	<b>112</b>	<b>Nagykállói</b>	<b>322</b>
Nagykanizsai	233	Nagykanizsai	321
Nagykátai	211	Nagykátai	222
Nyírbátori	111	Nyírbátori	122
Orosházai	221	Orosházai	132
Oroszlányi	323	Oroszlányi	211
<b>Ózdi</b>	<b>111</b>	<b>Ózdi</b>	<b>112</b>
<b>Őriszentpéteri</b>	<b>233</b>	<b>Őriszentpéteri</b>	<b>331</b>
Paksi	332	Paksi	221
<b>Pannonhalmai</b>	<b>222</b>	<b>Pannonhalmai</b>	<b>322</b>
Pápai	221	Pápai	222
Pásztói	221	Pásztói	212
Pécsváradi	212	Pécsváradi	213
Pétervásárai	113	Pétervásárai	121
Pilisvörösvári	332	Pilisvörösvári	333
Polgári	112	Polgári	122

<b>Püspökladányi</b>	<b>112</b>	<b>Püspökladányi</b>	<b>122</b>
Ráckevei	322	Ráckevei	232
Rétsági	222	Rétsági	222
Sárbogárdi	222	Sárbogárdi	212
Sarkadi	111	Sarkadi	113
<b>Sárospataki</b>	<b>122</b>	<b>Sárospataki</b>	<b>323</b>
Sárvári	322	Sárvári	332
Sásdi	212	Sásdi	112
<b>Sátoraljaújhelyi</b>	<b>222</b>	<b>Sátoraljaújhelyi</b>	<b>112</b>
<b>Sellyei</b>	<b>112</b>	<b>Sellyei</b>	<b>112</b>
Siklói	212	Siklói	112
<b>Siófoki</b>	<b>333</b>	<b>Siófoki</b>	<b>121</b>
<b>Sopron–Fertódi</b>	<b>333</b>	<b>Sopron–Fertódi</b>	<b>122</b>
<b>Sümegei</b>	<b>223</b>	<b>Sümegei</b>	<b>311</b>
Szarvasi	232	Szarvasi	212
Szécsényi	211	Szécsényi	223
Szeghalomi	112	Szeghalomi	122
Szentendrei	333	Szentendrei	322
Szentesi	222	Szentesi	211
Szentgotthárdi	223	Szentgotthárdi	331
Szentlőrinci	212	Szentlőrinci	112
Szerencsi	111	Szerencsi	122
Szigetvári	122	Szigetvári	211
Sziksói	111	Sziksói	113
Szobi	221	Szobi	213
Tabi	122	Tabi	211
Tamási	122	Tamási	122
Tapolcai	232	Tapolcai	212
Tatai	333	Tatai	322
<b>Téti</b>	<b>122</b>	<b>Téti</b>	<b>322</b>
Tiszafüredi	122	Tiszafüredi	232
Tiszaújvárosi	322	Tiszaújvárosi	222
Tiszavasvári	111	Tiszavasvári	122
<b>Tokaji</b>	<b>121</b>	<b>Tokaji</b>	<b>122</b>
Törökszentmiklósi	212	Törökszentmiklósi	122
Váci	333	Váci	321
Várpalotai	322	Várpalotai	212
Vásárosnaményi	111	Vásárosnaményi	123
Vasvári	122	Vasvári	321
Veresegyházi	322	Veresegyházi	332
Zalaszentgróti	222	Zalaszentgróti	321
Zirci	222	Zirci	312

## Sample of 12 micro-regions

### From below average<sup>90</sup>

DEV STATUS (eco+soc+infra)	DEV CHANGE (eco+soc+infra)
Abaúj-Hegyköz (111) hybrid sector	323
Encsi (112) hybrid sector	112
Mórahalmi (131) agrarian	232
Sellyei (112) agrarian	112

### From average<sup>90</sup>

Kiskunhalasi (322) agraria	222
Kalocsai (232) agrarian	111
Sümegei (223) hybrid sector	311
Zalaszentgróti (222) hybrid	321

### From above average<sup>90</sup>

Kőszegi (333) industrial	221
Dunaújvárosi (333) industrial	211
Keszthely-Hévízi (333) service sector	121
Füzesabonyi (112) service sector	212



# Appendix 7

## Interview guide

### **The scope of micro-regional association and integration**

How did cooperation begin among micro-regional actors in the 90s? Who initiated it/them and why? Which actors joined later? Which actors have left the associations/have been excluded from the associations?

How did diverse organizations coexist in the micro-region? What was the functional focus of each organization? Was there a formal or informal division of labour among organizations? Who worked with whom, and under what conditions?

What actors comprised the membership of each organization over the years? And now?

Has territorial integrity of the micro-region change over the years? What was the functional service area of each organization?

Has there been/Have there been (a) central character(s) in the micro-region who encouraged micro-regional actors' cooperation and who has/have integrated various associations over the years? Who was/were this/these person(s)? How has/have (s)he/they "kept the micro-region together"? What has happened to this/these person(s), where is/are (s)he/they now?

Did organizations cooperate in multiple or in a single developmental domain(s)?

Has there been a core developmental team in the micro-region over the years? Who comprised this team?

Who is/are the leading character(s) of the micro-region currently? Why do you see them important?

### **Developmental capacities and skills**

Has there ever been a significant lack of skills and/or social capital in the micro-region? Who brought what into the common pot of skills and/or social capital? What did you do to supply the lack of skills and/or social capital?

Has any skills and/or social capital been "taken out" of the micro-region by an organization or a person upon leaving the micro-region?

I will list some skills that may support the development of a micro-region. Please, rank your micro-region between 1 and 5 (1 is the worst and 5 is the best) according to them. If you have any comments, please feel free to include them.

- Networking
- Knowledge of the regulative environment
- Skills to obtain information

- Technical skills of project writing (internet, using spreadsheet, word, etc)
- Good project writing
- Communications (whom to address with what and when)
- Foreign language skills
- Lobbying skills

Are organizations permeable in terms of staff and projects in your micro-region?

### **Learning**

Can you list the knowledge, the skills and experiences you and micro-regional colleagues have acquired during your developmental work over the years?

Is there a micro-regional identity and/or trust in your micro-region? If yes, who/what organization(s) have been keeping it together? What is the “story” of this trust in your micro-region? Has it increased or decreased over the years?

Do you have professional project management staff? Do you pay membership fee for project management?

### **Rules of the game (of cooperation)**

Over the years how have you defined the rules of cooperation in micro-regional associations? How much space did you have to define your own rules of the game over the years?

Were these rules written (formal) or rather oral (informal) agreements? To what extent did you keep formal rules (and used rather informal agreements parallel to existing formal ones)? Can you give some specific examples of informal decision-making in the micro-region?

Do your micro-regional rules of cooperation allow other organizations to participate in decision-making through

- Consultations
- Negotiations
- Co-decision-making?

Can any organization veto decisions in the micro-region?

Can you recite a major decision-making conflict from the history of the micro-region?

### **Tendering system(s) in the 1990s (extra questions)**

In your opinion, what were the major differences between Hungarian and transnational tender funds during the 90s? Could you combine the two systems of funding freely at your own discretion?

What were the main differences among various domestic funding programs in your views?

Did domestic and transnational funding “take” micro-regional development in the same directions in your experience?

How much room did you have to define

- your own developmental priorities
- the distribution of developmental resources over the years?

For example, how did you/your micro-regional colleagues shape the priorities and/or the distribution of decentralized state funds? What kind of “success” did you have in this?

What do you think a successful micro-regional development project needed in the three phases of micro-regional governance (1990-1996, 1997-2003, 2004 – till now)? What kind of new dimensions appeared in the individual periods that could determine the success or failure of tendering?