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Controlled Decentralization.
Local, Regional, and Central Power
in the Making of Hungarian
Regional Development Policy

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CONTROLLED DECENTRALIZATION: LOCAL, REGIONAL, AND CENTRAL POWER IN THE MAKING OF HUNGARIAN REGIONAL DEVELOPMENT POLICY

Andrew Cartwright and Katalin Kovács¹

ABSTRACT

This report analyzes the changing institutional framework for regional policy making in Hungary. Using primary and secondary materials, it examines efforts to prepare a new inter-mediate tier of government for planning and executing socio-economic policy. Although there were significant internal forces shaping this process, regionalization has been strongly influenced by the cohesion programs of the European Union. These programs stressed the importance of building up the capacity of NUTS II regions for establishing development priorities and operating through principles of partnership between private, social, and public sector actors. This report examines domestic settings for regional policy, providing detailed information about South Transdanubia, and then the implementation of the major pre-accession funds, the first National Development Plan, and the first sectoral and regional operational programs. This is followed by a critical examination of the changes brought in by the second National Development Plan 2007-2013. The report confirms that EU funds had an extraordinary impact on institutional building and transformation in Hungary. However, the channelling of post-accession funds has been hindered by the weakness of regional institutions, leading to reluctance by both the central state and the EU to confer programme autonomy on the regions.

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This report analyzes the changing institutional structures for regional policy making in Hungary. Using primary and secondary materials, it examines efforts to prepare a new intermediate tier of government for planning and executing socio-economic policy. Although there were significant internal forces shaping this process, in the more recent period, regionalization has been very much influenced by the cohesion programs of the European Union. These stressed the importance of building up the capacity of NUTS II regions (planning or statistical regions within the European Nomenclature of Territorial Units for Statistics) for establishing development priorities and operating through principles of partnership between private, social, and public sector actors.

The fundamental aim of reducing territorial differences in Europe has put regions into a strong position, sometimes above municipalities and counties but usually subordinate to central authorities. This report investigates the importance of social trust and social networks in the formation and operation of these new regional bodies. If the new institutions were relatively alien to established territorial divisions, as they were in Hungary, Czech Republic, and Romania for example, then what might be critical for creating capacity, legitimacy and competence?

The first part of the report examines domestic settings for regional policy in Hungary providing detailed information about the chosen case study in South Transdanubia. The second section examines the three major pre-accession funds, followed by the first National Development Plan, and the first sectoral and regional operational programs. This is followed by a critical examination of the changes brought in by the second National Development Plan 2007-2013.

1. Introduction

Hungary has seven NUTS II territorial units. All but one is a combination of three neighboring NUTS III units, or counties. The one exception is Central Hungary, which includes the capital city, Budapest. From 2007, this region will be a “phasing out” region, which means that enhancing “competitiveness and employment” is the most important development goal. The other six regions belong to the relatively undeveloped group that seek convergence as their main aim.

According to the last micro-census carried out in 2005, the population of Hungary was almost 10.1 million, which is a fall of 100,000 since 2000. As with other European countries, the shrinking population is a result of an aging population and a diminishing birthrate. The capital region has the highest decrease in numbers, with a drop of 4.4 per 1,000 persons between 2001 and 2005. Out-migration is another consideration affecting both the capital and several regional centers. By in large, the middle class and the upper-middle class have been attracted to the nearby peri-urban and rural areas. During the last 15 years, the population of Budapest shrank by more than 300,000 people, or some 15 % of its 1990 population.¹

No single NUTS II region has been able to maintain its level of population. The Western Transdanubian region was the most successful with only a 0.5 % decline, followed by Central Hungary and the Northern Great Plain Region which lost 0.7 % of their population between 2001 and 2005. If we compare regions, there are similar geographical features in the three Transdanubian regions, distinct regions such as North Hungary, and important differences between the Great Hungarian Plain region and Central Hungary. Almost 30 % of the population are concentrated in the latter three regions; 2,842,374 people constituting a densely populated area of urban and suburban character. In the Central Hungary region, an average of 410.8 people live on every square kilometer. By contrast, the flat Great Plain region has a much more sparsely populated landscape. Various historical events encouraged a

1 See for instance, Gabor Soos and Gyogyi Ignits, *Suburbanization and its Consequences in the Budapest Metropolitan Area*, working paper from the Tocqueville Research Group, Budapest, <http://www.t-rc.org/>

settlement pattern of large market towns which only later managed to integrate their border hinterland of scattered farmsteads. This structure flourished from the 19th century until the first half of the 20th century, but there remains some extended farmstead border territories in the Great Plain towns, mostly in the sandy-soiled Southern part between the Danube and the Tisza rivers. This fact explains why despite the utterly different settlement patterns, the Southern Great Plain region has the second lowest population density after South Transdanubia: 73.8 and 69.8 people per square kilometer respectively.

The economic structure inherited from the socialist period has a strong impact on regional development. With the largest concentration of production factors, Central Hungary has been able to exploit its favorable starting conditions, as was the North West regions of Transdanubia. With the best road network, both regions capitalized on their neighboring network relations and their status as gateways to and from the West. The other four NUTS II regions struggled with their peripheral geographical locations, whether as inner peripheries or as border areas. Many of them suffered from a lack of appropriate road networks. The poorest sub-regions with weak economic potentials and/or hit by structural crises are located in these regions. The socialist centers of mining and heavy industries, for example, or the areas dominated by agriculture and food industries are to be found here. Recovery from their collapse has been slow, and investment rates have also been low. As Table 1 shows, the southern and eastern regions of the country, GDP per capita figures have been declining since the 1990s.

Table 1: Changes in GDP, 1995-2005

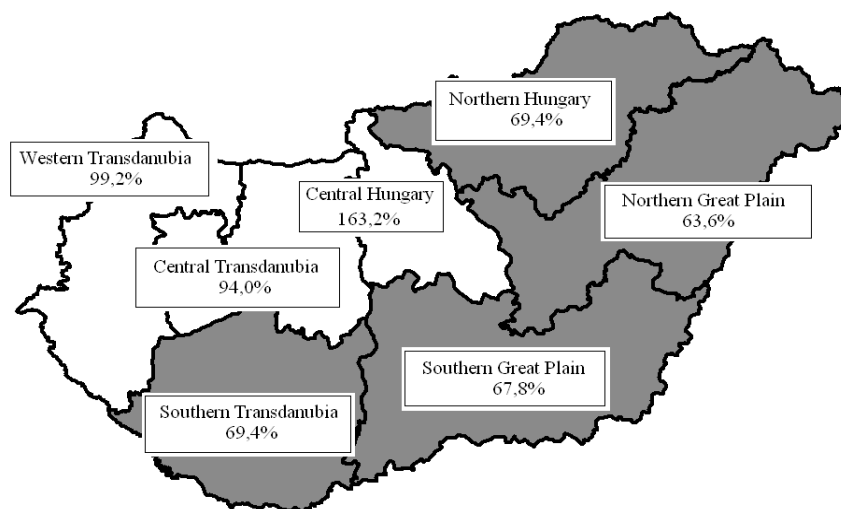
Regions	Per capita GDP as a percentage of:				Investments of economic actors
	National average			EU-25 average	EUR/person
	1995	2000	2004	2004	2005
Central Hungary	147.5	156.1	158.8	95.6	2168
Central Transdanubia	90.9	97.3	95.6	57.6	1252
Western Transdanubia	102.8	113.8	104.4	62.9	1056
Southern Transdanubia	81.4	74.2	71.3	43.0	630
Northern Hungary	72.4	64.1	66.4	40.0	782
Northern Great Plain	70.9	63.2	65.5	39.4	838
Southern Great Plain	82.6	71.1	69.0	41.6	580

Source: Compiled from National Accounts, CSO, Budapest, 2006.1218

Two-thirds of foreign direct investment is directed to Central Hungary, which helps explain why the region contributes 44.6 % to the national GDP.² Budapest (including its metropolitan zone) is the only spatial unit where GDP per capita has continuously increased since 1995. By 2004, it was close to the EU 25 average. Almost four times more per capita investment comes to this region than to the Great Hungarian Plain, which is the least attractive NUTS II unit for investors. After some progress, the Central and Western Transdanubian regions experienced a decline in GDP after 2000, whilst the North and the North East regions reduced the relative gap after starting from a very low position. The Southern Transdanubian and the South Great Plain region have both been unable to halt their decline. Regarding GDP per capita figures, the North East and Southern regions of Hungary were well below the 75 % national average at around 40 % of the EU-25 average in 2004.

2 2004 figures, National Accounts, CSO.

Figure 1: Lagging regions in Hungary according to GDP per capita figures 2005



In the most successful regions, manufacturing and services are the most profitable and are found at above average levels. Western and Central Transdanubia have more manufacturing industries whilst the highest number of service industries can be found in Central Hungary. Annex 3 shows how even when agriculture, related activities and public services make above average contributions to GDP, as they do in South Transdanubia, this is still not enough to generate adequate levels of value added. The employment figures for the past 15 years show East-West and South-North divides in Hungary. Table 2 shows some of the most important fault lines.

Table 2: Changes in employed persons, 1992-2005

Regions	1	2	3	4	5	6	7
	persons, in thousands 2005					%	%
Central Hungary	1,238.9	67.4	1,306.3	884.5	14.4	59.6	5.2
Central Transdanubia	459.5	30.9	490.4	366.2	6.5	57.2	6.3
Western Transdanubia	425.5	26.8	452.3	323.8	4.1	58.3	5.9
Southern Transdanubia	353.6	34.1	387.7	363.0	13.2	51.6	8.8
Northern Hungary	418.7	49.7	468.4	492.0	30.4	48.8	10.6
Northern Great Plain	517.4	51.6	569.0	589.5	31.3	49.1	9.1
Southern Great Plain	487.9	43.4	531.3	498.1	10.8	51.6	8.2
Total	3,011.5	303.9	4,205.4	3,517.1	110.7	54.5	7.2

1 = Employed, 2 = Unemployed, 3 = Economically active, 4 = Economically inactive, 5 = of which passive unemployed, 6 = Participation rate, 7 = Unemployment rate.

Source: Micro-census figures, Hungarian Statistical Yearbook 2005, CSO, Budapest, 2006.

In Central Hungary and the central and western part of Transdanubia, labor market participation approaches 60 %. This might be well below the EU-25 average, but it does reflect higher employment capacities than the least-developed northern and northeastern regions. Southern Transdanubia and the southern part of the Great Hungarian Plain region are close to the least developed regions with participation rates of 51.6 %. These figures are more telling about the country's employment capacities than the unemployment rate, which, at 7.2 %, appears to be low in comparison to other member states. Unemployment is highest in Northern Hungary and lowest in Central Hungary, where the figures are over half that of the regions' neighbors. The developed northwest is closer to the centre whilst the southern regions are similar to the least-developed northern and northeastern regions.

Differences in net earnings follow the same track ranging from 360 EUR per capita per month in the Great Plain area to 487 EUR in Central Hungary. The gap between the central and the western parts of Transdanubia and the southern regions is less than expected: people in the south earn 371 EUR in an average month, whereas in Central and Western Transdanubia the figures are 383 and 389 eur, respectively.

1.1. Domestic regional policy

The content and institutional settings for regional policy making has been strongly connected to the decentralization of public authority in Hungary. In the early 1990s, local authorities assumed increased powers and competencies over secondary schools, health clinics and care for the elderly. One recurring theme in the regional development literature has been how this initial surge for local autonomy was followed by disillusionment, as restrictions caused by low revenues became more apparent.³ Difficulties in maintaining public services encouraged some settlements, small towns and the surrounding villages to collaborate. From 1997, when the relevant legal framework came into force, there were some significant instances of formal legal associations being created.⁴ Voluntarily run small-scale associations, particularly those aimed at joint running of kindergartens and elementary schools were and still are promoted by state subsidies. Act No CVII, 2004 on the Multi-Purpose Micro-Regional Associations overwrote the 1997 Act and encouraged larger scale cooperations in order to guarantee sustainable, cost-effective public services and, in practice, fostering further concentration of rural schools.

The gradually increasing EU pressure to establish administrative capacity at the NUTS II level combined with endogenous demands for greater devolution. The Hungarian Act on Regional Development and Physical Planning (ARD) 1996⁵ created seven new territorial regions. It established a hierarchy from the statistical micro-regional level via two meso-tiers of the county and the Regional Development Councils (RDCs) to the national Regional Development Council at the top. The national and county development councils were the strongest—the former for its scale and competencies, the latter being made up of locally elected self-governing bodies. The establishment of the micro-regional association and RDCs were optional. The fact that there was little mandate and little financial support meant that the new regional entities were extremely weak.

With the need to convince the European Commission that there was domestic institutional and absorption capacity, the central state took increasing interest and control over the regionally-based institutions. A first step was in the Regional Development Concept from 1998 that determined the

3 For an account of this in relation to the provisions of public education, see Péter Radó et al, *Small Schools in Hungary*, Centre for Educational Policy Analysis, translation in English forthcoming, Local Government and Public Service Initiative, Budapest <http://lgi.osi.hu/>.

4 Act no CXXXV of 1997 on the Associations and Co-operation of Local Self Governments

5 Act no XXI of 1996 on Regional Development and Physical Planning.

geographical borders of the seven regions. This was followed by an amendment in 1999 that made the establishment of the RDCs mandatory but placed them under greater state control. The change saw the removal of certain social actors, such as the economic chambers and the Hungarian Academy of Sciences being replaced by central government representatives (Ágh 2003). The mandatory duties of the RDCs which were to create regional development strategies on the basis of partnership, expanded to include development activities. After 2002 half of the Regional Development Appropriation was decentralized to the regional level.

For most commentators, the new regional institutions has been a top-down, albeit useful government action. The problem is that it has been unaccompanied with any sufficient accumulation of confidence or trust from below. Faragó argues that the regions did not emerge out of any long process of social reconciliation or consultation. Regionalization was a mandatory feature of Europeanization, managed centrally and encourage externally. It was more a process of rationalization of social control and a new system of monitoring. Regions are not defined by geographical or cultural factors, and both regional identities are largely missing and the new post-socialist economic networks are disconnected (Faragó 2005).

These weaknesses have created problems with administrative capacity. Without strong regional identity and effective institutions, there was a fear that the new regional actors would be unable to assume the functions expected of them. This eventually resulted in the EC abandoning decentralized management of Structural Funds which was one of the major goals of the pre-accession process. On joining the EU in January 2004, the first programs were planned and managed centrally because the Commission judged the regional institutional capacities as inadequate. The Hungarian delegation did not accept this assessment, but they conceded the point to the EC delegation and developed the whole process accordingly (Szaló 2005). The Commission offered the “regional action plans” as weak substitutes for the lost regional operational programs, which in the words of one commentator “were finally compiled in a rather hasty and improvised fashion” (Somlyódyné Pfeil 2005:117).

The fact that despite all the efforts to create regional governance, the decentralized institutions were unprepared to fulfil the tasks indicates failure, but also reflects the re-centralization tendencies that took place in both the EU and Hungary. There are several explanations. The first and probably most important component is *path dependency*.⁶ With no (NUTS II) regional tradition, the heart of “region-building” that is regional identity was completely missing. The gradual approach of the Hungarian government was overly cautious. The 1999 measures were coupled with increased central government representation on the RDCs which helped to cool nascent local and regional enthusiasm.

A second reason for failure is the sheer challenge of the task. In retrospect, creating a new tier of government from scratch, and making it effectively operational within a decade was too ambitious. This was despite the fact that most actors accepted that regions should be operational by 2004.⁷ Counties remained strong not only because of their deep historical roots and strong identities, but because elected counties are eminent terrain for party politics (Ágh 2003). None of the political parties could neglect counties and so “they were preaching regions while keeping counties.”

Thirdly, the other meso-tiers at NUTS III and NUTS IV levels are weak. Whilst evidence may increasingly show that small local governments with a low cooperation culture is unsustainable, most except the largest regional centers became further detached from their neighbors. A majority felt threatened with losing their small but safe resources accessible at NUTS III level. Their fears relate as much to their invested social capital in these county networks as towards the financial means endangered by rescaling government intentions. In other words, each tier is “floating” as Ágh remarked, something that considerably hindering institution building (Ágh 2003).

6 The importance of past government structures is emphasized by Paraskevopoulos and Leonardi 2005 and Paraskevopoulos 2006

7 Regions’ being mandatory condition to join the EU or not has always been blurred by professionals, even academics as well as by practitioners notwithstanding the media.

Finally, Futó, Pálné Kovács and Fleischer argued that the central government has been one of the most important parties resisting changes:

“Government actors, in particular those ministries that are responsible for national and European resources are not interested in decentralization and may be an obstacle to change” (Futó, Pálné and Fleisher 2006: 132).

Following the general elections in May 2006, certain institutional changes were introduced. The election results put an end to the “punitive democracy”⁸ and, for the first time since 1989, gave a second chance for the Prime Minister to continue with his left-wing government based on a coalition between the Socialist Party and the Liberals.

A government proposal to award the seven regions self-governing functions was rejected by the opposition and the counties preserved their elected councils. However, the process of “emptying” out this level and shifting its functions towards the regions and the micro-regions continued. From 2007, even the two small regional development funds that had been solely for the counties since 1996⁹ were transferred to regional level. The resources allocated were so small that they could not cover sound infrastructure investments. Instead, they provided local self-governments with additional resources via an indirect, albeit longer redistribution channel which crossed both county councils and the micro-regional councils.¹⁰

Table 3: Financial instruments for regional policy (in billion HUF, at current prices)

Regions/financial instruments	Total of the decentralized financial instruments			
	1996-2002	2003-2006	1996-2006	Share %
Central Hungary	16.43	11.83	28.26	9
Central Transdanubia	14.58	10.6	25.18	8
Western Transdanubia	12.06	8.6	20.66	7
Southern Transdanubia	20.51	18.03	38.54	13
Northern Hungary	32.35	31.93	64.28	22
Northern Great Plain	36.04	36.8	72.84	24
Southern Great Plain	25.17	23.58	48.75	16
Total	157.14	141.63	298.77	100

Sources: 1996-2002: Community Support Framework, Hungary 2003, p. 43.

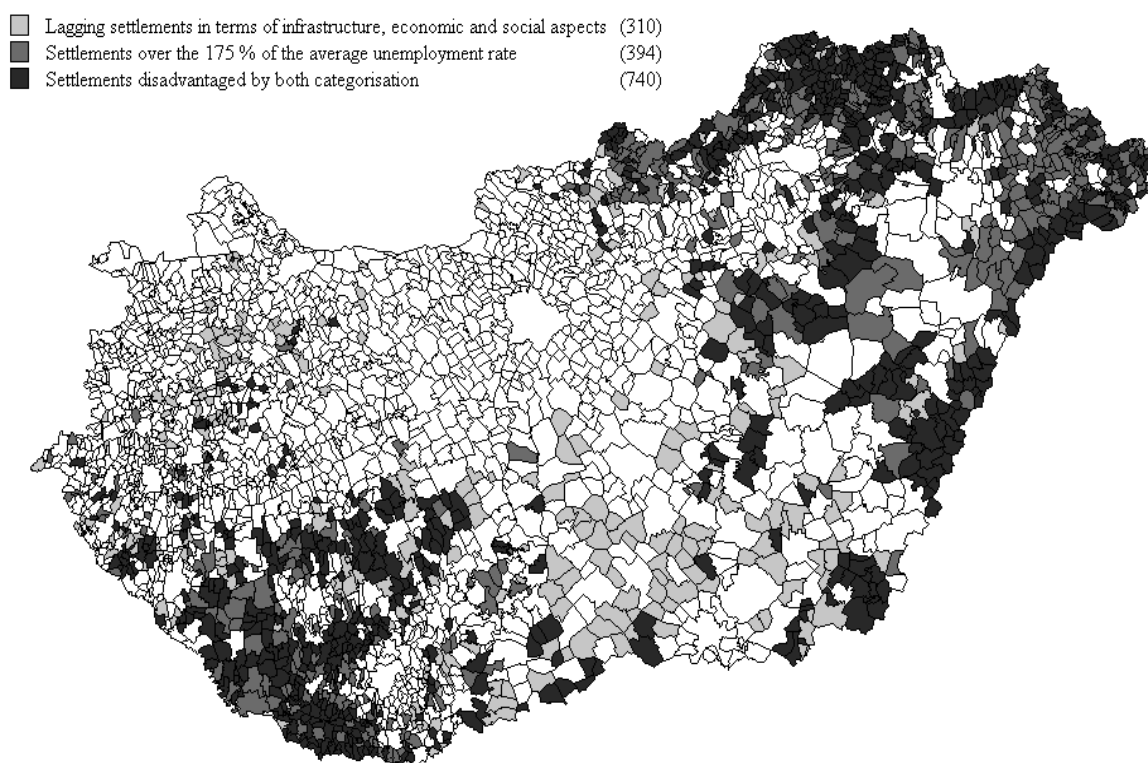
2003-2006: Compiled from the tables of Accounts on the Decentralized Territorial and Regional Development Appropriations, Ministry of Interior, Budapest.

8 Pataki 1995 quoted by Futó, Pálné Kovács and Fleischer 2006:107.

9 (TFC= Direct Instrument for Regional Development and its successors from 2004, TEKI = Support for Promoting Spatial Balance, CÉDE from 1998 = Targeted Decentralised Appropriation, LEKI in 2006 = Support Targeting the Least Developed Micro-Regions.

10 County councils usually distributed these resources among micro-regions according to their population number. The micro-regional councils either distributed the allocated fund further to sub-micro-regions by using the same principle, or selected investments to support yearly from their members' claims. These grants were always used by local governments exclusively

Figure 2: Lagging settlements targeted by domestic regional policies



In addition to these instruments, the Regional Development PHARE Program spent 27.83 billion Hungarian Forint (HUF) from 1996-2002, which amounted to 18 % of the domestic resources. Catching up was further promoted by tax allowances and additional advantages provided for the seven disadvantaged counties¹¹ and for the backward micro-regions. The bulk of instruments with regional development impacts were channeled to infrastructure and enterprise promoting investments that used sector development funds.¹²

The importance of the decentralized funds for regional development can be compared to the EU Structural Funds allocated to the Regional Operational Program (ROP) in the first National Development Plan. This amounted to 475.98 million EUR for 2.5-3 years, which was equal to 40 % of the decentralized instruments for the 11 years between 1996-2006. The annual ROP supports between 2004 and 2006 reached 190.39 million EUR, whilst the decentralized incentives reached 75 % of the ROP budget. The regional allocations reflect the main convergent goals: 76 % of the decentralized funds was spent by the lagging four regions whose share grew from 73 % in 1996-2002 to 78 % in 2003-2006. Despite the preferences given to these areas, the relatively small amounts these instruments actually work with meant that the impact of domestic regional policy is limited.

As far as the institutional chain is concerned, some slight and some major changes have been realized (see Figure 1, Annex 1¹³). At the central level, these changes relate to the rearranged managing institutions of the EU Structural Funds. The reorganized National Development Agency is the chief organ responsible for EU-related programming and program-implementation. Not only coordination responsibilities but all Operational Program managing authorities are placed under its umbrella. Beyond the Agency's Executive Director, a government commissioner was attached to the NDA who reports directly to the Government. He is in charge of coordinating the programming and the implementation

11 Counties having less than 70 % GDP per capita of the country average.

12 Community Support Framework, Hungary 2003: 43.

13 Upgraded from Pálné Kovács, Paraskevopoulos and Horváth 2005: 438.

of the New Hungary Development Plan. A Development Policy Steering Committee with seven members¹⁴ of Vice Secretary of state rank and belonging to the Prime Ministers' Office has also been created. This advises the Government in all NHDP-related matters. Social oversight is effected through the National Development Council which aims to represent broad national interests. The NDC is made up of the seven chairmen of the RDCs, five representatives of "excellence" (university professors, members of the Hungarian Academy of Sciences), and seven delegates from chief social partners.¹⁵

At the regional level, changes are slight and hidden but still important. The chairmen of the RDC have effectively become government commissioners as they are nominated by the central government. Their election is secured by the majority votes of the council members. The appointment of the executive directors of the RDAs by the RDC is approved by the National Development Agency. These changes reflect an increasing government control aimed at balancing the growing regional competencies brought about by the decentralized operational programs. It is worth paying attention to the NGOs in Annex 1 as they "float" at local and regional levels, even though they supposedly constitute missing links in terms of interest representation.

This final section concentrates on the content of development policies. The Government Decree "Contents and Organizational Frames of the Europe Plan 2007-2013"¹⁶ sought to adapt EU cohesion policy and prepare for absorption of the 2007-13 EU funds. It aimed to do so by drawing up an overall, long term country strategy along EU guidelines.¹⁷ In order to further weaken the sectoral logic of planning, the Decree created inter-sectoral thematic working groups as important units in the planning exercise.

As far as these thematic working groups were concerned, the representation of the horizontal themes of culture, safety, equal opportunities, and public administration were elaborated as was the mandatory inclusion of the regional planners. The Government established¹⁸ eight working groups¹⁹ and asked the seven chairmen of the RDCs to organize parallel thematic working groups at a regional level. They were encouraged to invite social partners, representatives of the economic sectors and representatives of the natural and social sciences. One section of the Prime Minister's Office²⁰ was ordered to co-ordinate the regional working groups.

Some items within this "Decree on Europe Plan" were innovations especially the establishment of interlinked, broad strategic frameworks such as a county strategy and a revised regional development concept in line with EU policy guidelines, and secondly, the mandatory organization of inter-sectoral working units at both central and regional levels.

Both the National Development Concept (NDC) and the revised National Spatial Development Concept (NSDC) were accepted by Parliament in December 2005. The preparation of the New Hungary Development Plan (NHDP) speeded up after this point. According to the original government intentions, the NHDP should have been a strategic document adapting all pillars of the NDC but narrowing their scope down to EU-financed policies. In the end, this did not work out and the NHDP

14 The Committee members are former ministers of the socialist liberal Governments being in office between 2002-2004 and 2004-2006.

15 They are as follows: the chairman of the Alliance of Autonomous Trade Unions, the chairman of the Alliance of Entrepreneurs and Employers, 2 delegates of the Economic and Social Council, the chairman and the chairwoman of one of its committees, the chairman of the Association of Industrial Parks, the chairman of the Hungarian Academy of Sciences.

16 1076/2004 (VII.22.) Government Decree.

17 The four broad objectives of the Strategy were formulated in this Decree as well: social and economic cohesion, knowledge-driven and renewing society, competitive economy, sustainable development.

18 The date of issuing was July 22nd 2004, the deadline for establishing the WGs July 31.

19 WGs were titled as follows: "Healthy Society," "Clever and Cultured Society," "Active Society," "Information-Based Society," "Competitive Economy," "Catching up Rural Areas," "Livable Environment," "Dynamic Settlement System.."

20 County Territorial and Regional Development Office.

is considered the single development policy document. The NHDP absorbed most of the sectoral policies and their instruments, and in terms of co-financing it was far too demanding. In order to maximize the country's absorption capacity, as much funds as where available had to be channeled to the NHDP budget to cover the national contribution.

Regarding the country's huge budget deficit in 2006-2007, it is understandable that what remained for non-EU-related purposes would be limited. The example of the regional policy instruments illustrates the drying out of these domestic sources. For a long time it was uncertain whether or not the decentralized regional development appropriations would continue after 2007 at all. Eventually, a concentration of decentralized funds at the regional level was agreed along with considerable cuts in the already small budget. At best, an equivalent of onetwentieth of the annual EU money will be available for RDCs to cover "domestic regional policy" goals.²¹ By May 2007 it was still not settled how to demarcate the themes of eligible projects to be supported by domestic regional resources from the ones eligible for EU funding.²² The scale is evident: small goes to the "home" funds; large goes to Europe."

The NDC, which was approved by the Commission in April 2007, is implemented through eight sectoral OPs, and seven ROPs (out of which six fulfill convergence purposes). OPs are further broken down into "action plans" which specify the tendering details. Sectoral and regional action plans were accepted by the relevant authorities during the Spring of 2007 and put on the website of the National Development Agency for public discussion.

The unity of the most important planning documents regarding their approach, philosophy, broad objectives and policy instruments as well as the decentralized implementation of the ROPs are innovations brought about by EU accession. On the whole, they are interpreted as a positive result of joining the EU. However, there are critics that stress that unity might be threatened if the plans are not balanced. The NDC declared that the primary objective of development policy is increased competitiveness ("Competitive Hungary") followed by social and territorial cohesion as secondary objectives ("Equitable Hungary"). This ranking appears in the NHDP and the National Spatial Development Concept. It is not so much the order which matters, rather the scale of ignoring the needs of the weak that is of concern. According to a recent qualitative research project, the leaders of small villages in South Transdanubia felt threatened with complete exclusion from development chances because of the themes of the eligible measures and the thresholds of funding. These fears are not denied by the planners. As the executive manager of the RDA in South Transdanubia put it in an interview:

"People [in the countryside] talk about it [the ROP of Transdanubia] they see that there might be trouble. 'What will be for us, the schools and enterprises employing two persons ...' – they ask. Well, the ROP will not help them."

Safeguarding a balanced territorial development appears in the NDC as a horizontal goal. This means that the reduction of regional disparities has to be considered for each aspect of the Concept. This is repeated in the NHDP where regional development is fifth among the priorities. The National Spatial Development Concept (NSDC) of 2005²³ was the place for providing a general framework of Hungarian regional policy.

Beyond favoring competitiveness, and emphasizing the importance of spatial cohesion,²⁴ the NSDC allocates tasks and responsibilities between the micro-regions, regions and the counties, usually at the expense of the latter. Regions are interpreted here as the future loci of local democracy with

21 Estimation of the executive manager of the South Transdanubian Development Agency.

22 The relevant Parliamentary Decree has not yet been approved.

23 97/2005. (XII.25.) Parliamentary Resolution on the National Spatial Development Concept.

24 The broad goals of territorial development by NSDC are: 1. Regional competitiveness, 2. Spatial cohesion, 3. Sustainable spatial development and the preservation of heritage, 4. Spatial integration to Europe, 4. Decentralization and regionalism.

elected self-governments and coordinating partners. This is the tier of regional programming, program-implementation and monitoring equipped with appropriate capacities that will be assisted from the lower ranks. Micro-regions are also envisaged as long-term regional policy actors being loci of planning, harmonizing and mediating the interests of local governments (NUTS V), as well as rationally operating public services with assistance from the counties. Beyond assisting the regions and micro-regions in programming, the responsibility of counties is restricted to public service provision in the middle run, and the smooth integration into the regional institution system, in the longer run.

In line with the aim of strengthening the competencies and responsibilities of the regions, increased basic and territorial-level financial assistance is promised in the framework of “round contracts” between the government and regional actors of policy implementation. The target areas of regional policies that will be supported by decentralized financial instruments are defined as those disadvantaged micro regions where a maximum of 30 % of the country’s population live, and within this group of disadvantaged micro-regions the least developed ones at a maximum of 10 % of the population.

Finally, the Concept stipulates the desired directions of regional development for each region. The most important elements for the future development of South Transdanubia are:

- preserved natural and cultural heritage,
- higher education and R&D centers,
- cross-border development potential (namely, Croatia, Austria, and the North Italian regions)

The Concept lays down the basics of a domestic regional policy, that has already been adapted to EU cohesion policy. Therefore rather than separating EU related and domestic policy goals and instruments, it integrates them as much as is possible in the broader CDC and NHDP programming documents delegating funding to the measures of NHDP in a hidden way. However, it is a paradox that the lagging sub national units are targeted by domestic regional policy and supported by decentralized resources. It implies that the duality of EU-related and domestic policy making and financing will be maintained in the middle run. In light of re-channeled development funds in order to co-finance Structural Funds and Cohesion Fund at the expense of domestic policy instruments, it is plausible to presuppose that the least popular tasks concerning the reduction of regional disparities will be restricted to the scarce domestic policy instruments.²⁵ This will be the arena where funds are secured for the laggards. Policy priorities such as increased competitiveness seem to be beyond the scope of current regional policy.



1.2. South Transdanubia

The Southern Transdanubian Region has the smallest population of the regions, and the third worst figures for natural decrease, out-migration and aging population. The micro-census showed that there were 16,553 fewer people living there in 2005 than there were in 2001. Made up of three counties—Baranya, Somogy, and Tolna—the total population was 975,815 persons. It has the third largest surface area with 1,416,856 hectares area or around 15 % of the total country surface. This combination of abundant land and below average population means that South Transdanubia is the most rural region in Hungary with 68.9 persons per square kilometer.

The geographical character explains its low population density index: the typical landscape is hilly with numerous small settlements in the valleys. Apart from the regional “capital” of Pécs with its population of 150,000, there are few middle size towns in this region. Pécs is the county seat of

25 It has to be noted that if we consider domestic resources solely – the reduction of decentralized development funding would contradict with the goal of increased funding of development policies at regional level.

Baranya county, Kaposvár, the seat of Somogy county, the second largest in the region with some 65,000 inhabitants. The third county seat, Szekszárd is the smallest urban center in the region with a population of 35,000, but the largest in Tolna county. Paks, which is home to Hungary's only nuclear power station has 21,000 dwellers and is also located in Tolna county. Paks is always in the top few towns in terms of GDP per capita, which raises the indices of the county considerably, something that highlights the lack of other significant economic forces.

There are 654 settlements in South Transdanubia out of which 488 are villages with less than one thousand inhabitants. There are 346 villages with less than 500 people, which is the highest number for all seven regions. Not only is South Transdanubia the most rural region, it also has the most fragmented settlement structure. Both the scattering of settlements and the pronounced ghettoization processes especially in the peripheral border areas create formidable obstacles to development in the short term.

In terms of potentials, projects that enhance the road network are vital for halting further decline and for increasing its capital-attractiveness. According to participants in the planning for the second National Development Plan, the most important relevant projects are those included in the nationwide Transport Development Operational Program.

Human resource capacities are as important as physical ones, and the latest micro-census figures suggest that there are some weaknesses. South Transdanubia has a relatively low number of professionals in engineering, natural sciences, economics, law and social sciences. This is in spite of the presence of Pécs University of Law and Economics and the agricultural university at Somogy. There are relatively large numbers of teachers working in the region: 10 % of all Hungarian teachers work in this region; there are also 5 % of employees working in the culture, art and religious sectors. Forestry, hunting and fishing sectors are over-represented in South Transdanubia: 16 % of the country's forest workers and professional hunters. As the region borders Lake Balaton, the largest lake in the country, it is not surprising that there are large numbers in the fisheries sector: 31% of Hungarian fishermen work here. The employment capacity of agriculture, both cropping and animal husbandry, as well as various industrial branches are around average. The numbers in mining were below average at 7.3 %, whilst food industry and construction remained slightly higher than in other parts of the country, at 11.3 % and 10.4 % shares, respectively.

This settlement structure has encouraged relatively more cooperation between villages than elsewhere in Hungary and the ratio of cooperation actions between civic associations and local authorities for carrying out educational, cultural, health-care and social tasks is above the national average. The creation of district notary offices, for example, is also a feature of this region. Almost one-third of all district notary offices can be found in South Transdanubia, although there are significant differences in scale between the three counties concerned. By the time of the introduction of the Regional Development Act in 1996, 22 statistical micro-regions and 39 micro-regional development associations had been initiated from below (Somlyódiné, Pfeil 2003).

2. Pre-Accession and structural funds in Hungary

2.1. Pre-accession programs

The Special Accession Program for Agriculture and Rural Development (SAPARD) and the Instrument for Structural Policies for Pre-Accession (ISPA) were intended to help new member states absorb post-accession funds. The Poland and Hungary Assistance and Reconstruction of the Economy program (PHARE) which was started in 1992, was another significant mechanism for Europeanization.

ISPA implemented expensive, complicated programs via public procurement. This challenging and was further burdened by extremely difficult procedures, notably the lengthy preliminary approval from the EU Delegation for contracting and tendering. Hungary received 88 million EUR under ISPA from the Cohesion Fund equally divided between transport and environmental protection and managed by the respective ministries. South Transdanubia had two big projects from ISPA: to improve the sewage system of Pécs, and to deal with waste management problems in the Balaton region.²⁶

From the Commission's point of view, SAPARD was a central means for institution building. There were severe logistical difficulties in channeling the direct payments to hundreds of thousands of farmers and rural inhabitants. There was no similar institution in the older EU member states. As the head of the SAPARD Office pointed out in at a Bulgarian conference in March 2004:

“... when Austria, Finland and Sweden acceded to the EU, they already had structures in place for co-financed aid to be granted. They also had a stock of pre-existing commitments to final beneficiaries. ... Thus those new Member States were able to absorb substantial Community payment appropriations almost immediately post-accession. Will the members joining in 2004 be able to do likewise?” (Wilkinson, 2004:2).

SAPARD was designed to give a positive answer to this question. With a budget of 282.7 million EUR, it was the only pre-accession assistance program that was managed in a decentralized way. Unlike ISPA and PHARE, the new administrative structures operated without the control of the EU Delegations. Both the Commission and the accession countries took the risk of losing substantial EU funds if these new institutions failed. To reduce this risk, an EU conform Managing Authority, Monitoring Committee and SAPARD Offices were established with extremely strict auditing procedures.

Hungary was the first country whose SAPARD Plan was accepted but the last whose Paying Agency was accredited. The procedural manual for this agency ran to 2,000 pages alone and, in practice, the manual was hopelessly complicated. There were criticisms that measures for promoting agricultural enterprises favored the big and successful. Even so, the strict criteria concerning turnover and net profit meant that funds were inaccessible even for these actors. In the summer of 2003, amendments were made by the SAPARD Monitoring Committee and subsequently approved by the Commission. Once this was done, the parallel domestic development funds, which had been much more accessible and much more solicited, were stopped and applicants redirected towards SAPARD.

The management of SAPARD was partially decentralized. Program-level procedures were controlled by the SAPARD Monitoring Committee and managed by the centralized Managing Authority. The regional administrative branches, however, were authorized to select projects and enter into contracting. When the administration structures of the Agricultural and Rural Development OP were set up after accession these crucial functions were re-centralized. For the third generation of rural programs coming in force in late 2007, centralized decision making once again has been maintained.

26 For more on the troublesome start of the Pécs waste water management project, see Pálné Kovács, Paraskevopoulos and Horváth 2005: 451.

Not only was SAPARD relatively regionalized as compared to subsequent programs, rural development policy was also shaped by regional policies. In 1999 and 2000, under the pretext of preparing for SAPARD on a territorially coordinated manner, the Chief Department of Rural Development launched the programming phase at a micro-regional and regional levels. Headed by a former regional planner, this department within the Ministry of Agriculture was an institutional innovation brought about by the new government in 1998. The novelty was reflected by the fact that regional development was brought under the umbrella of the newly titled Ministry of Agriculture and Regional Development. The chief department in charge of both rural and regional policies reported to the same State Secretary. This structure was not long-lasting and it was abolished when the new Government came to power in 2002.

The influence of the rural developers was further weakened when mainstream agricultural policy makers regained their political strength. A distinct rural development policy that was relatively independent of agricultural policies did not fully develop in 1999-2002, as it had done in the Czech Republic (Hudeckova and Lostak 2003, Kabakcieva and Kovács 2007). Nevertheless, there were several important if short-lived measures in terms of planning and institutional building, for instance the Rural Development Offices established in the regions to administer domestic rural development funds. As agriculturalists favored neither the concept nor the implementation rules for rural development policy, these units were left out of the regional branches of SAPARD and, after several years of inactivity, they were dissolved in 2005.

Post-SAPARD continuity was not secured by the new administrative structures, at least not directly. In 2004, the SAPARD Agency and the Agricultural Intervention Centre responsible for the transmission of domestic supports were unified and a new agency called the Agricultural and Rural Development Agency (ARDA) was established. Half of the small task force of former Rural Development Offices²⁷ found employment in the LEADER departments of these offices. Although many of the SAPARD staff were employed by this new agency and certain operational experiences followed, it was the development priorities and the measures which represented continuity with SAPARD. The most important pillars of the new agricultural and rural development programs were:

- a) technological and infrastructural improvements in the food sector, developing infrastructure (roads and pipelines)
- b) promoting the diversification of rural economy and inspiring the cooperation of producers,
- c) agri-environment,
- d) protecting rural heritage.

In the 2007-2013 period, these have been maintained and complemented with the forestry sector. There have also been some significant new elements concerning rural development concepts, for instance, the development of the public services and the LEADER program.

SAPARD was important not only from the administrative lessons learnt. Developing successful project proposals was an enormous task for the applicants which the vast majority found almost impossible to overcome. Complicated forms, the number of certificates required, and even the amended eligibility criteria were such that only the large and determined players remained in the competition. In the end, SAPARD was a competition of proposal writers, and there were many new consultancy companies that grew on the basis of SAPARD. If an application did managed to meet the formal criteria it was usually supported because there was a scarcity of competing projects. In Spring 2004, following a strong communication campaign and a re-grouped administration capacities project, the number of proposals boomed. Many eligible applications now had to be refused because there was not enough funds allocated, particularly those related to the village renewal measure.

27 Altogether 21 staff members worked in regional rural development offices, three in each.

From the very beginning PHARE had a significant impact on central and regional institution building. The 70 % of the 1.477 million EUR grant that Hungary received between 1990 and 2003 supported small and large investments, whilst the remaining funds were used to strengthen the NGO sector and assist the early development of institutions, such as the regional or micro regional development councils.

The most important measure for assisting the central administration was the twinning program that, from 1998, brought short - and long-term experts. Altogether 15 million EUR was spent on institution- and capacity-building between 1998 and 2004. The long-term twinning experts exerted significant influence on the new policy strategies during the last pre-accession phase, when the chief program documents were elaborated. In Hungary, the French and the Dutch advisers were the most prevalent and effective. Beyond twinning experts, the PHARE offices within the relevant ministries promoted adaptation process with advising and project managing capacities. From the PHARE Office of the Ministry of Agriculture and Regional Development, for example, many of the staff members moved on to the SAPARD Agency in 2002. The Deputy Chair of the latter was the former chaired of the MARD PHARE Office thus ensuring some continuity of EU working culture.

Between 1992 and 1999 there were five regional development projects implemented with a total value of 59 million EUR. Between 1992-1994, pilot programs in the least developed eastern counties aimed at developing county development councils and micro-regions. These projects fulfilled a missionary role in an epoch when devolution prevailed, when old mechanisms remained and new ones had yet to be brought in. The experiences gained in these projects were useful when the Regional Development Act in 1996 was introduced. This Act opened up a new area for PHARE, that is, strengthening the regional institutions. South Transdanubia, and the Southern Great Plain were selected as pilot areas, and funded with 4 million EUR each. The goal was to support planning at the regional level and to adopt the institution model that was formerly suited for county level. Programs in 1995 and 1997 targeted regional disparities, supported investment and strengthened the NGO sector. In these projects, decision making was decentralized to the new Regional Development Councils whilst their management, including processing as part of the project selection exercise, was delegated to the Regional Development Agencies. Low-cost projects (up to 100,000 EUR) were handled in the regions entirely, whilst the projects over 100,000 EUR were managed by the National Regional Development and Town Planning Office and approved by the European Delegation in Budapest. After 2000, PHARE projects promoted absorption capacities for Structural and Cohesion Funds via more pilot regional programs in the Eastern regions and financing thematic programs country-wide, such as the Orpheus program in 2003-2004, which promoted complex human resources and infrastructural projects.

The starting and finishing measures of PHARE such as tourism promotion, SME development, supporting the NGO sector, improving school infrastructure and enhancing teaching material, developing joint projects between village/town centres such as road networks were all immediate predecessors of the post-accession operational programs. The same can be said about the PHARE CBC program which served as much the adoption of EU regional policy as the preparation to PHARE Interreg. Regarding the preparation for meeting other EU requirements, PHARE also focused on equal opportunities, promoting partnerships and fostering local democracies.

2.1.2 Pre-accession policy and institutions in South Transdanubia

As mentioned, there was some history of inter-county cooperation in south Transdanubia. In 1992, four Transdanubian counties began regional cooperation, three from South Transdanubia and Zala, the county adjacent to Somogy. A Regional Development Foundation was founded in 1994, leading to the establishment of the Regional Development Council. The Foundation had 15 members: the local governments of the four counties; chambers of commerce, universities and research institutes of the region,

the representatives of the Foundation for Promoting Enterprises and the Ministry of Environment. Its successor, the South-Transdanubian Regional Development Council was founded in February 1997 and headed by the chairman of the Somogy County Development Council. One year later the Regional Development Agency was set up in Pécs. The operation of these units was financed from the 1997-2000 PHARE regional pilot project.²⁸ This helped develop the institutional framework and mechanisms for EU-compliant regional planning. In addition to the 4.4 million EUR from PHARE, the government co-financed the program with 285 million HUF divided equally between the two regions.

The objectives were to create an effective regional institution for implementing decentralized programs, and to establish the necessary professional background for running such programs. It helped collect practical experiences in regional co-operation. For South Transdanubia, the four development priorities were determined by the region: the coordinated development of rural areas; the improvement of the competitiveness of small- and medium-size enterprises; utilizing the tourism potential and attracting investors to the region via regional marketing.

Projects were submitted to the Regional Development Agency and chosen by the Regional Development Council. For South Transdanubia, there were 72 applications submitted by local and regional organizations, applying for almost double the amount available. The applications were relatively well spread across the four development priorities, yet the shortage of own resources, meant that projects were relatively small-scale in financial terms.

The RDC and the RDA were the most important institutional actors in selecting, monitoring and assessing PHARE projects. The RDA managed the application process and helped prepare for the final selection decisions that were taken by the Council. The final evaluation of the program was satisfied with the decentralized and professional nature of decision making, but criticized the actual implementation of projects for being too centralized and less well-prepared. The use of non-standardized procedures during implementation created a certain degree of mistrust on the part of the EU delegation and led to lengthy approval procedures in Brussels. One of the main criticisms was that principle of partnership had not been fully realized. A rather small staff managed a relatively complex system and, especially in the implementation phase, more weight was given to administration considerations rather than to efficiency and effectiveness.

At the same time, the final evaluation did concede that the program had introduced concepts of regional cooperation and partnership, and it had encouraged applicants to turn away from schematic implementation to complex planning. The rules of implementation did not always help form new partnerships and realize complex projects. However, the program was deemed a success in its contribution to the knowledge and practical experience for future EU regional development fund management.²⁹

South Transdanubia was rather successful in attracting pre-accession funds as illustrated by the table below. Altogether 17 % of the projects and 16 % of funds were absorbed in this region, significantly more than either the population share of 10 % or the contribution to GDP at 7 %. PHARE was the most successful pre-accession program and despite the fact that pilot programs starting in 2000 were restricted to the Eastern regions of Hungary, 40 % of successful projects came from South Transdanubia absorbing 26 % of allocated total. To a large extent, the regional pilot program made a significant contribution to this success.

28 EU Phare HU 9606-02.

29 Source: EU PHARE HU 9606-02 Regional Pilot Program Ex post Evaluation. (2002) Pécs: South-Transdanubian Regional Development Agency. Retrieved from: <http://www.deldunantul.com/index.php?id=1508&term=Phare>.

Table 4: Absorption capacities by region

Denomination	1	2	3	4	5	6	7	8	Total
Distribution of the population and GDP									
Distribution:									
Distribution of population, 2005, %	10	11	10	13	13	13	28	-	100
Distribution of population, 2004 %	7	11	10	8	10	9	45	-	100
PHARE 1992-2006 November									
Distribution of projects, %	40	1	2	21	18	15	3	-	100
Distribution of subsidies, %	24	7	7	15	18	13	15	-	100
SAPARD 2002-2006 November									
Distribution of projects, %	14	11	14	14	21	20	6	0	100
Distribution of subsidies, %	14	11	13	15	19	23	7	0	100
ISPA 2002-2006 November									
Distribution of projects, %	6	6	15	6	15	12	6	33	100
Number of projects	3	2	6	1	8	7	22	51	100
Total									
Distribution of subsidies, %	17	10	12	15	20	19	6	1	100
Regular distribution of subsidies, %	16	10	11	15	19	20	9	0	100

1 = Southern Transdanubia, 2 = Central Transdanubia, 3 = Western Transdanubia, 4 = Northern Hungary, 5 = Northern Great Plain, 6 = Southern Great Plain, 7 = Central Hungary, 8 = More regions.

Source: Compiled from data retrieved from the website of the National Development Agency.

2.2. Structural and cohesion funds in Hungary

2.2.1. The first post-accession period: centrally managed sectoral and regional programs

Within the first National Development Plan, 3.354 million Euro was targeted for development purposes co-financed by the EU (75 %) and the Hungarian Government (25 %). In addition, another 98.9 million EUR was allocated from the European Union to cover two community initiatives, Interreg (68.6 million EUR) and Equal (30.2 million EUR).

Two Community Initiatives, Urban and LEADER, did not start in the short 2004-2006 period. However, a LEADER+ measure was included in the Agricultural and Rural Development Operational Program (ARDOP) with a budget of just over 19 million EUR.³⁰ Table 5 provides a breakdown of the budget of the first post-accession development plan according to the source of financing; Figures 3 and 4 show the structures and its operational program aimed at regional development.

30 This was almost redoubled thanks to certain regrouping between sub-measures and by 2006, 70 Local Action Groups (LAGs) had begun to operate. The objectives of LEADER+ largely overlaps with micro-scale regional development goals. This is a result of LEADER+ being a territorial program. There are a number of direct planning/programming similarities which offer advantages to the disadvantaged settlements and micro-regions. With regard to LAG institutions and operational rules, LEADER+ has been ahead of regional development programming and implementation in such aspects as participative planning, tripartite composition of LAGs decision making body, local project selection at LAG level, and program-based finance.

Table 5: Allocation of public funds in the National Development Plan, 2004-2006

Funds	Total Public Costs	Of which ROP	Share of funds in financing NDP	Share of ROP in public costs
	Euro, current prices			
ERDF related	1,463,500,000	388,660,000	43.6	27
CF related	994,100,000		29.6	
ESF related	473,100,000	3,160,000	14.1	1
Sub-total	2,930,700,000	391,820,000	87	13
EAGGF related	417,100,000		12.4	
FIFG related	5,900,000		0.2	
Total public	3,353,700,000	391,820,000	100.0	13

Source: Hungarian National Development Plan, 26 March, 2003: 164.

Figure 3: Objectives, priorities and Operational Programs of the NDP, 2004-2006

Long-term objective	Improveing the quality of life				
NDP 2004-2006	Reducing income gap relative to EU average				
Specific objective	More competitive economy	Improved use of human resources	Better environment and more balanced regional development		
Priorities	Improving the competitiveness of the productive sector	Increasing the development of human resources	Providing better infrastructure and cleaner environment	Strengthening regional and local potential	
OPs	Economic	Agricultural and Rural Development (ARDOP)	Development of Human Resources (DHROP)	Environmental Protection and Infrastructure (EPIOP)	Regional Development OP

Source: Hungarian National Development Plan, March 2003.

Figure 4: Priorities and measures of Regional Development OP, 2004-2006

Developing the tourism potential of the regions	Developmeing infrastructure and communal environment	Strengthening the regional dimension of human resource development
1.1 Developing tourist attractions (ERDF)	2.1 Developing the accessibility of regions and lagging micro-regions (ERDF)	3.1 Capacity building of local public administration and local NGOs (ESF)
1.2 Developing trousim-related services (ERDF)	2.2 Regeneration of urban areas (EDRF)	3.2 Support for local employment initiatives
	2.3 Infrastructure investment in pre-school institutions and primary schools (ERDF)	3.3 Strengthening cooperation of higher education institutions with local actors (ESF)
		3.4 Support of region-specific vocational training (ESF)

Source: Operational Program for Regional Development 2003: 64.

2.2.2 Programming

As mentioned, the Commission did not believe that the regional bodies had the capacity to plan and run operational programs, even though, as we have seen both the PHARE and the SAPARD program had generated significant practical planning experiences. Following initial delays in 2000-2001, central planning and operational programming sped up in 2002. Then, the National Development Office and the Office of Minister for EU Integration—without a portfolio—were given the task of creating the first National Development Plan. The programming tasks for the Regional Development OPs were delegated to an extension institution of the Government VÁTI.³¹

VÁTI planners were committed to including their colleagues from the seven regional agencies and the first version of the Regional OP had strong consideration of regional priorities. After the Commission rejected it, a second version was organized along subjects of development but the sub-divided according to regional measures. This was also rejected with the same argument, namely, if any of the regions could not spend the allocated fund, they would lose the money because approval of fundamental modifications would take too long. A third version without any regional perspective as such was eventually accepted, including the provision to channel at least 75 % to the four disadvantaged regions.

One of the leading planners of this ROP interpreted the process as follows:

“In line with the Commission proposal, we abandoned the minimal autonomy of the regions within the plan ... therefore the ROP was elaborated on a sectoral basis (thematic priorities and measures). This means that regions should come to a consensus concerning development objectives at the level of the program. ... What has been left for the regions is the draw on priorities according to their special needs and to set up region-specific project selection criteria” (Wachter 2003:3).³²

The technical assistance that was most appreciated by the Hungarian planners was helping them draw demarcation lines between similar support schemes in the OPs.

“Due to the overall reconciliation process with other OPs and the EC negotiating delegation, tourism, the protection of natural and built heritage as well as programs related to public administration reform became strong pillars of the ROP” (Wachter 2003:3).

In line with the ROP cohesion purposes, and despite the centrally organized management, 82 % of the final total was spent in a semi-decentralized basis. This means that the budget was distributed prior to the start of the implementation. It was informal in the sense that indicative regional allocations were neither in the ROP nor in the Program Complement. They did exist though and were monitored by the Managing Authority (MA). Table 6 presents the allocation of resources, based on recalculations from a progress report document produced by the Managing Authority in Spring 2006.

31 VÁTI Hungarian Public Nonprofit Company for Regional Development and Town Planning. VÁTI worked as managing authorities for Phare programs aimed at regional development during the 1990s. This was the basis on which it continued to fulfil the tasks of managing authority and intermediate body in the post accession period. For these purposes a separate section was established within VÁTI called National Agency for Regional Development.

32 Wachter Balázs: Helyzetjelentés a Regionális Operatív Programról. RPP Hírlevél, 2003. február 3. o. Report on the stage of ROP- RPP Newsletter 2003. February, p. 3. (RPP = Phare Regional Preparatory Program)

Table 6: Allocation of funds under the 2004-06 ROP

Hungarian Regions	Semi-decentralized funds of OP 2004-2006	Distribution of funds among Hungarian regions
	Euro	2004-2006
North Hungary OP	87,821,044	22.4
North Great Plain OP	84,313,725	21.5
South Great Plain OP	59,490,196	15.2
South Transdanubian OP	64,078,431	16.3
West Pannon OP	29,411,765	7.5
Central Transdanubian OP	35,686,275	9.1
Central Hungary	31,372,549	8.0
All regions	392,173,985	100.0

Source: A Regionális Fejlesztés Operatív Program keretében támogatási szerződéssel rendelkező projektek előzetes értékelése. RFOP és Interreg KK IH Budapest, 2006. április, 54-62. p. (The preliminary evaluation of the projects contracted within the framework of ROP. ROP Managing Authority, April 2006: 54-62).

Transdanubian planners as well as highly ranked staff members of the RDA were unhappy with the long uncertainty concerning their role in programming. They were disappointed by the decision not to allow a decentralized ROP implementation. Nevertheless, they invested a lot in the ROP programming providing VÁTI planners with regional inputs when the first two drafts of the programming document were formulated. When the third region-neutral version was accepted, they felt that their efforts had been wasted. One leading planner complained that “We worked a lot, but in the end almost nothing was taken into consideration from our inputs.”³³ At the same time he did appreciate that 75 % of ROP funds were allocated to the four disadvantaged regions and that South Transdanubia was successfully “squeezed” into this group of beneficiaries.

From the point of view of programming, the planners in the South Transdanubian RDA saw little sense in the Regional Actions Plans (RAP) proposed as a complementary document. According to the RDA development director, “We had to make the RAP ... It turned into a rather patent absurdity to seek for regional aspects to an intact central plan having no regional dimension.” In a later phase, when project selection was carried out by the RDA, these action plans were used as means of scaling: premium scores were given to those projects that were partially developed in the RAP but non-existent in the ROP. Discontent with the central management was also reflected in the partnership consultations. Regions “deemed it necessary that they should be integrated into ... implementation” (...) but “partners missed the involvement of county regional development councils and local governments and organizations into the process of planning and consultations ...”³⁴

33 Development Director of the Regional Development Agency.

34 Hungarian National Development Plan, March 2003: 14.

2.2.3. Implementation

Regional Development Agencies were included in the implementation procedure. They shared the management of project proposals with the VÁTI National Agency for Regional Development (VÁTI-NARD)³⁵ as Intermediate Bodies. The tasks of the RDAs were:³⁶

- Provide publicity and information in the application phase
- Register applications
- Assess project proposals
- Advise beneficiaries in the process of project-development and implementation
- Fulfil the obligation of regular reporting to the managing authority
- Prepare regional analysis
- Participate in the on-the-spot supervision of projects
- Carry out information services

The tasks of the VÁTI NARD were:

- Assist the MA in preparing the Program Complement Document
- Check the eligibility and quality of project proposals assessed by RDAs
- Manage grant proposals
- Monitor the performance of final beneficiaries
- Operate an internal control unit
- Record the relevant implementation-related data ... in the IT system
- Produce the program-level draft of semi-annual and annual reports
- Continuously report obligation to MA
- Operate a system for the management of irregularities
- Perform information tasks

From the RDA task list, the Agency valued project assessment most of all. As mentioned above, Regional Action Plans were important in project selection: 20 points from 100 could be granted to projects that were most wanted by the evaluators. This was high and seen as a space for maneuver given in exchange for the loss of the decentralized ROPs; if they wanted, they could use the 20 RAP scores to over-write centrally compiled project selection criteria.

Of course, the practice also opened up a space for political clientelism, something that was judged by key actors in different ways. Two RDA directors thought that it happened rarely and was kept at “manageable level.” This was echoed by one member of the RDC, two other council members said that they did not hear about such cases whilst another RDC member responded “I do not want to tell a lie, it is better to say nothing.” The latter respondent would have preferred project management accomplished at central level.

Assessed and ranked projects were checked by the VÁTI NARD and forwarded to the centrally operating “Project Selection Committee” which advised the Managing Authority. The head of the MA chaired this selection committee with members delegated by relevant ministries and by the regions themselves. “Regional commissioners”³⁷ took part with voting rights, whilst project managers of the

35 Within this section of the VÁTI a sub-unit was established for managing authority and intermediating body functions within the procedures of program implementation.

36 Operational Program for Regional Development 2003: 122-123.

37 For each region, the Government appointed a Regional Commissioner, (seven in total). They were members of the regional development councils and represented “their” regions’ interests at central level organizations of regional development such as the ROP Project Selection Committee. Their position was cancelled in 2006 with the re-organization of public administration.

RDAs provided background assistance. The final decision on project selection was taken by the head of the MA.

If we consider the absorption capacities of South Transdanubia as an index of success, then in comparison the pre-accession levels, the results are modest. At the level of projects, South Transdanubia used almost all the ROP funds (14 %) according to the original design (16.3 %). As a reflection of the importance of agriculture, projects attracted funds in a similarly high proportion (15 %). Otherwise, the region's achievements could be graded as fair in case of Human Resource Development OP. The same can be said for its fund absorption capacities in the Economic Development OP but only if we compare it with South Transdanubia's contribution to the Hungarian GDP (the two figures are identical, 7 %). To put it in another way: the weak regional economy was unable to attract more resources than its potential allowed. Figures of the regional distribution of the Transport and Development OP indicate the disadvantageous position of South Transdanubia as compared with the other lagging regions of the country: its share was as little as 6 % regarding successful projects, and 4 % considering the attracted funds. Table 7 shows the result of the competition between the regions in attracting EU funds close to the end of the first post-accession programming period.

Table 7: Absorption capacities of post-accession co-financed funds by regions

Denomination	1	2	3	4	5	6	7	8	Total
Distribution of population and GDP									
Distrubtion:									
of population, 2005, %	10	11	10	13	13	13	28	-	100
of population, 2004, %	7	11	10	8	10	9	45	-	100
Agricultural and Rural Development Program									
of projects, %	13	8	14	12	25	21	6	2	100
of subsidies, %	15	8	11	11	25	21	8	1	100
Economic Competitiveness OP									
of projects, %	7	9	8	9	13	14	39	0	100
of subsidies, %	7	11	8	10	12	15	37	0	100
of Human Resources OP									
of projects, %	11	7	8	10	12	12	41	1	100
of subsidies, %	9	6	6	12	18	8	40	1	100
Regional OP									
of projects, %	13	6	6	17	16	12	28	3	100
of subsidies, %	14	7	6	19	21	15	14	5	100
Development of Transport and Infrastructure OP									
of projects, %	6	6	9	13	9	13	38	5	100
of subsidies, %	4	8	11	29	19	18	13	1	100
of projects, %	9	9	9	10	16	15	31	1	100
of subsidies, %	10	8	8	15	18	14	25	2	100

1 = Southern Transdanubia, 2 = Central Transdanubia, 3 = Western Transdanubia, 4 = Northern Hungary, 5 = Northern Great Plain, 6 = Southern Great Plain, 7 = Central Hungary, 8 = More regions

Source: Compiled from data retrieved from the website of the National Development Agency, www.Nft.hu

2.2.4 Evaluation and monitoring

No independent organization evaluated the implementation of the ROP. Instead, in April 2006, the MA submitted an intermediate report, “Preliminary evaluation of projects contracted within the framework of the ROP.”³⁸ Program monitoring has been safeguarded via the ROP Monitoring Committee, established along the 35(3) of EC Regulation no 1260/1999. The MC’s most important members were:

- MA (heading the MC)
- Delegates of ten interested ministries (10 persons)
- Representatives of the regions (7 persons)
- Representatives of social partners (the delegates of 6 NGOs)
- CSF managing authority
- Paying authority (Ministry of Finance, NAO Office Dept.)
- Financial Control Department of the Ministry of Finance
- Government Control Office
- European Commission
- European Investment Bank

We close this sub-chapter with two remarks: (i) the establishment of regional monitoring committees were not initiated by the delegates of the regions, (ii) As was the case with other MC-s from other OPs, the representatives delegated by government organs were assured of a majority position, which inhibited any minority opinion from effective opposition to government plans.³⁹

2.3. Current programming period: Centrally-managed sectoral programs and (mostly) regionally-managed ROPs

The preparation for the second budgetary period began in December 2004 as part of the “Europe Planning” process regulated by Government Decree.⁴⁰ As mentioned earlier there were several innovations in this round of planning. The National Development Concept (NDC) and the National Spatial Development Concept (NSDC) were formulated and thematic working groups were established at both central and regional level. These working groups were not only frameworks for planning; they helped process experiences from the first Hungarian National Development Plan. Within this framework, the New Hungary Development Plan was developed at more grassroots regional levels. Lower-rank actors ranging from NUTS II to NUTS IV levels participated and, at central level, the working groups offered chances to channel the messages and lessons gathered from the regional working groups.

In South Transdanubian, the RDA elaborated its strategic development goals which were subsequently approved by the Council in April 2005. The strategic goals were that:

- 1) Southern Transdanubia should become a “model region” with a high quality environment
- 2) The economy should become competitive on the basis of endogenous development potentials
- 3) Strong social solidarity will help stop the demographic erosion.

These represent a shift from traditional conceptions of development based on productive industries and external investment to a paradigm that favors non-productive industries and internal potentials.

38 The two+ years for project implementation have not yet expired; therefore, the ext-post evaluation is for a future exercise.

39 Analyses of the operation of MC-s were provided by Dioscuri, an EC 6th Framework Programme research project, coordinated by Central European University (CEU), Budapest, Hungary. See Kovács, Rác and Schwarcz 2006.

40 1076/2004 (VII.22) Government Decree on the Elaboration of Frameworks and Contents of Europe Plan (2007-2013)

The NSDC planners accepted this approach with only slight modifications⁴¹ fixing them in the New Hungary Development Plan. Therefore in this case, the bottom up process was clearly present. (For a diagram of the structure of planning web, see Annex 2.)

A second peculiarity of the South Transdanubian programming phase was the six sectoral strategic development concepts. These were supposed to embrace the most important development fields such as tourism, human public services, public transport, even if it meant going beyond the scope of the ROP, and even beyond the EU financed measures of the sector OPs (Márton 2005: 62). The exercise was carried out by six different agencies who were in continuously consultation with members of background networks at various workshops and regular meetings. The majority of the consulting agencies involved were from outside the region, the only one to come from the region was Hozam Ltd., although other local consultants did work as subcontractors. Micro-regional associations were also part of this network and their most significant contribution was to collect and prioritize potential projects within their own areas. By September 2006, more than 3,000 projects were mediated from the micro regional level via these thematic units towards the RDA. The RDA selected the “big projects” which were subject to different forms of tendering.

When identifying references to South Transdanubia in the New Hungary Development Plan, an interesting connection can be made. Regional developers are allowed to implement post-modern strategic goals that rely on limited resources allocated from above. By contrast, the Centre follows a modern paradigm of developing sub-centres or development poles, working on major transport roots and “the capital attractiveness of East Hungary and Southern Transdanubia” (NHDP p. 83). Is the strategy of Southern Transdanubia and the similar strategies of the other three lagging regions the luxury of the poor? At least to a certain extent, this seems to be the case.

Another component that influenced the regional planners’ views was the path dependency generated by the last PHARE program and the first ROP. In those programs, tourism and natural and cultural heritage were the focus points of development activities. As seen above, pro-tourism measures were strengthened in the ROP by the reconciliation process with the rest of the OPs. With significant EC assistance, tourism and heritage preservation were “delegated” to the ROP and demarcation lines drawn accordingly. This path dependency shows itself up clearly in the choice of thematic groups.

The thematic lines of the decentralized ROPs were established by the VÁTI NARD, based on the precedent of the first ROP and level of decentralized funds foreseen. Regionally, the themes were:

- Development of the regional economy and the tourism industry
- Developing infrastructure and the built environment (settlements)
- Thematic development programs (aimed, for example, at developing rural areas.)

Relying on the sub-measures of the VÁTI guideline, the South Transdanubian ROP was approved by the Commission in April 2007 with the following priority axes:

Table 8: Priority axes of the ROP for South Transdanubia

Promotion of economic competitiveness on the basis of development of urban spaces
Strengthening tourism potential
Development of human public services
Support of integrated urban development actions
Improving accessibility and environment
Technical assistance

Source: Dél-dunántúli Operatív Program 2007. május 17. CCI szám: 2007HU161Po011

41 The strategic goals were broken down to nine “thematic goals.”

2.3.1 Programming phase

Programming for the 2007-13 budgetary period started in mid 2004 and ended in December 2005 when the National Development Concept (NDC) and the National Spatial Development Concept (NSDC) were accepted by Parliament. Programming for the New Hungary Development Plan speeded up in 2006 after these two accepted concepts. At the end of the planning period, the thematic WGs were dissolved, and operational programming took place in the regions themselves. For the sectoral Ops, this was handled by the extension ministerial institutions and the consulting companies, with overall co-ordination coming from the National Development Agency. At this stage, various ex ante evaluations, conferences, and ad hoc consultations helped facilitate information exchange between various fractions of planners, coordinators and expert groups with social consultation counting as the final step. With seven sectoral, seven regional and one Implementation OP, the New Hungary Development Plan was approved by the Commission in May 2007 the content, structures and funding are indicated in Figure 5 and Table 9.

Figure 5: Objectives, priorities and Operational Programs of the NHDP 2007-2013

Broad objective	Increased employment and promotion of long-term growth		
NHDP 2007-2013	Improving employability and activity	Permanent growth	Horizontal policies
Specific objectives	Improving employability	Improving competitiveness	Ensuring conditions for sustainability
	Increasing labor force demand	Broadening the foundation of the economy	Strengthening cohesion economic, regional, social terms)
	Developing labor market potential	Developing the business environment	
Priorities	Economic development		Social renewal
			Environmental and energy development
	Transport development		Regional development
			State reform
OPs	Economic Development OP	Transport OP	Social Infrastructure OP
			Social Renewal OP
			Environment and Energy OP
			Electronic Public Administration OP
			State Reform OP
			Regional OPs of cohesion regions
			Central Hungary OP

Source: Compiled from the New Hungarian Development Plan, May 2007: 59-74, 135.

Table 9: Indicative financial allocation of the New Hungary Development Plan 2007-2013 by financing funds

EU funds + National contribution	2007-2013			Total 2007-2013
	Convergence regions	Out of which ROP allocation	Central Hungary	
ERDF	11,106,124,925	4,304,318,100	1,543,618,907	12,649,743,832
ESF	3,141,629,950		487,458,601	3,629,088,551
CF	8,642,316,217			8,642 316 217
Sub-total	22 890,071,092	4,304,31, 100	2,031,077,508	24,921,148,600
EAFRD	3,805,843,392			3,805,843,392
EFF	34,291,356	34,291,356		
Total	26,730,205,840	4,304,318100	2,031,077,508	28,761,283,348

Source: New Hungary Development Plan May 2007: 135-136.

Table 10 indicates two new European funds for developing the agricultural and fishery sector and enhancing rural development. This is in spite of the separation of the cohesion-related funds from the agricultural and fishery related funds. As elsewhere, these latter funds have to be “programmed,” therefore two separate programming documents were developed in 2006-2007. In the first period these were developed from the Guidance sections of the European Agriculture Guidance and Guarantee Fund and Financial Instrument for Fisheries Guidance. In the new programming period, the new European Fishery Fund and the European Agricultural Fund for Rural Development (EAFRD) channel together 3.840 million Euro to the relevant sectors of the economy and public services. The Fishery Strategic Plan has a spending target of 34.3 million EUR whilst the New Hungary Agricultural and Rural Development Program has 3,806 million EUR from the EAFRD. The subdivisions and the finance of the latter are indicated in Table 10.

Table 10: Indicative financial plan of the New Hungary Agricultural and Rural Development Plan 2007-2013

Development Themes	Central Hungary	Convergence Regions	Total
	EAFRD + National Co-finance		
I. Axis: Improving the Competitiveness of the Agricultural and Forestry Sector	313,779,580	2,115,106,801	2,428,886,380
II. Axis: Improving the Environment and the Countryside	209,985,419	1,459,690,302	1,669,675,721
III. Axis: The Quality of Life in Rural Areas and Diversification of the Rural Economy	91,584,964	617,350,501	708,935,465
IV. axis: LEADER	35,157,376	244,392,592	279,549,969
Technical assistance	-	208,340,005	208,340,005
Total	650,507,339	4,644,880,201	5,295,387,540

Source: Compiled from the tables of the NHARDP, February 19, 2007: 259-260.

Exchange rate: 1 EUR = 265 HUF.

The most important points are as follows:

- 988.5 million EUR, or 19 % of the total budget, is for those parts of rural economy and services that are not connected to agriculture. As compared to the 11 % rate in the first draft, this significant increase is the achievement of non-agricultural lobby groups and social partners who jointly expressed their discontent during the social consultations of earlier program drafts. The present share of non-agricultural sub-budgets roughly equals the first post-accession period.⁴²
- Beyond axis IV which covers the “mainstreamed” LEADER with a heavy territorial development accent, public service small-scale investments for those micro-enterprises employing less than 10 employees with limited turnover, are now covered from this program.
- Out of the Technical Assistance budget, a network of so-called Rural Development Bureaus will be developed for advising and coordinating work.

Surprisingly, the NHARDP completely ignores regionalism. Regions have no chance to influence either the programming or the implementation. Even the number of regional delegates in the Monitoring Committee has been reduced from seven in the ARDOP period to one common representative. Connections with spatial policies are restricted to certain advantages offered to project proposals coming out of the so-called lagging micro-regions.

Continuing with the Regional OPs, the distribution of the total of 4.304 million EUR allocated for financing was worked out bearing in mind the following weighted features of the regions:

- Population number 20 %
- The number of settlements 10 %
- Unemployment rate 20 %
- The number of population living in disadvantages settlements 10 %
- The development rate of regions 40 %

Tables 11 and 12 show the distribution of the total sub-budget for implementing the Regional OPs and the share of decentralized instruments within the total budget of the first two development plans.

Table 11: Indicative financial allocation plan of the regional operational programs 2007-2013

Hungarian Regions (OPs)	Regional OPs 2007-2013 (EUR)	Distribution of decentralized funds, Hungarian regions	
		100 % = Convergence regions	100 % =All regions
North Hungary	903,723,589	21.0	15.7
North Great Plain	975,070,186	22.7	16.9
South Great Plain	748,714,608	17.4	13.0
South Transdanubian	705,136,988	16.4	12.2
West Pannon	463,752,893	10.8	8.0
Central Transdanubian	507,919,836	11.8	8.8
Central Hungary	1,467 196,353		25.4
Convergence regions	4,304,318,100	100.0	74.6
All Hungarian regions	5,771,514,453		100.0

Source: New Hungary Development Plan, 2007.

⁴² Rural infrastructure has been regrouped under Axis I, therefore axes are not compatible with the former priority axes of ARDOP. In the latter, rural infrastructure belonged to the group of rural development measures reaching together 23 % from the total ARDOP budget.

Table 12: Share of decentralized development instruments in the first two national OPs

Financing funds		Share of cohesion regions in Cohesion-related budget of NDP/NHDP		Share of Hungarian regions in total budget of NHDP
		2004-2006	2007-2013	2007-13
Allocated to ROPs	Semi-decentralized*	392,173,985		
	ROPs total**	475,983,490	4,304,318,100	5,771,514,453
ROP-ERDF-related	407,478,045	4,304,318,100	5,771,514,453	
	Total	1,942,500,000	22,890,071,092	24,921,148,600
ERDF	Total	1,463,500,000	11,106,124,925	12,649,743,832
100 % = EDF+ESF+CF	Semi-decentralized*	20 %		
	ROPs total**	25 %	19 %	23 %
100 % = ERDF	Semi-decentralized*	27 %		
	ROPs total**	28 %	39 %	46 %

* Semi-decentralized resources identify indicative regional allocations prior to the implementation.

** The total of ROP indicative costs include centrally used funds, as well.

Sources: Indicative Financial table of the Hungarian National Development Plan 2004-2006, Hungarian National Development Plan, 2003:164; Indicative financial table for the Operational Programme for Regional Development (OPRD) 2003, OPRD: 116, Indicative Financial Allocation Plan of the Operational Programmes. NHDP 2006: 135; *A Regionális Fejlesztési Operatív Program keretében támogatási szerződéssel rendelkező projektek előzetes értékelése*, Budapest, 2006 április: 54-62. (The Preliminary Evaluation of the Contracted ROP Projects).

What is worth mentioning is that these figures reflect the unchanged policy goals of decreasing regional disparities. There are only minimal changes regarding the shares of cohesion regions from the total of ROP funding; in our pilot region, for instance, the change is +0.1 %. Central Hungary, the only phasing out region receives much more than between 2004-2006 for implementing its OP, but beyond the 76,4 million Euro allocation within the Electronic Public Administration OP, no other ERDF resources will be available for her.

If we consider the weight of ROP funding within the entire budget of the national development plans as indicated in Table Twelve, then a slight decrease can be identified between the two periods (from 25 % to 23 % including Central Hungary). Tendencies within the ERDF allocation moved in the opposite direction with the proportion of decentralized funding grew substantially.

2.3.2. Implementation: Lessons learned and used

At the end of June 2006, 100.92 % of the allocated Structural Funds had been covered by the approved projects, out of which 88.25 % was contracted and 21.37 % paid by invoice. The total spending rate was 33.2 % in case of Structural Funds and 19 % for Cohesion Funds illustrating the origin of the short-term net deficit of incoming EU money and the membership contributions. The wide gap between accepted and contracted projects was not only attributable to EU financial rules, but the complicated procedures for applying, processing and evaluating project proposals. In all, there was a 280-day time span between handing in and contracting successful applications (Cséfalvay 2006:293). A considerable simplification was introduced for low-budget projects for the 2007-2013 period. Some modifications aimed to speed up and ease processes had already been applied from 2005-2006 (such as

advance payments up to 25 %, decreasing the number of certificates, etc.). In case of Cohesion Fund spending the lack of sectoral strategies and the low preparation level of projects were highlighted in the New Hungary Development Plan (p. 56) as factors causing delays in implementation.

The other changes did not relate directly to experiences gained from the implementation of the HNDF. Rather they were the result of the much more demanding tasks in managing the New Hungary Development Plan. The new “central panel” of top management of EU affairs within the National Development Council (headed by the Prime Minister), the Development Policy Steering Committee also chaired by the Prime Minister and the commissioner delegated to the National Development Agency were all initiatives that were attacked by the opposition parties as an unprecedented concentration of power over development resources. Others objected to the development of parallel structures arguing that it is more expensive, makes parliamentary control more difficult and slows down the adaptation process of the central administration to the European standards.

Regarding implementation, the central management of the OPs was chosen as a way to increase efficiency and transparency. The managing authorities have been brought under the umbrella of the National Development Agency although in practice they operate as independent departments. Also the “1 OP = 1 MA” principle was followed. The seven Regional OPs will be managed by one Managing Authority and monitored by one Monitoring Committee. The first preliminary MC meeting was organized in April 2007 in one of the most prestigious conference rooms in Parliament. The ROP MC is headed by the former Minister of Regional Development who is also a member of the Development Policy Steering Committee. In May 2007, it was not yet decided whether or not one single Project Selection Committee (PSC) is going to operate jointly with the centrally positioned MA as in 2004-2006, or the seven PSCs will do this job across the regions.

As far as the Intermediate Bodies managing Regional OPs are concerned, the division of tasks between the VÁTI Public Nonprofit Company and the RDAs, is also changed. Now, the VÁTI Operation and Programme Management Directorate is responsible for dealing with improving human resource infrastructure, whilst the RDAs manage the rest of the measures, from collecting to contacting applications and verifying their implementation.

Feeling that they were prepared for implementing the task fully, the RDA people were disappointed by this division. They viewed the sharing of duties as a compromise in the struggle between regional actors interested in expanding their competencies, and central institutions defending their positions. Nevertheless, these changes do demonstrate a considerable increase in the importance and prestige of RDAs as a natural counterpart of the decentralized implementation of the regional OPs well illustrated in a remark of the development director of RDA filled with pride:

“The path the agencies went through is really something! These agencies came into being out of nothing few years ago and now they are handling 107 Billion HUF from the start to the end of the ROP, everything apart from the human infrastructure projects! It is true that we have to make cross checking with the Managing Authority, but ... I cannot really say that they press anything down our throat” (Development Director, RDA May 2007).

Finally, a horizontal group of sub programs represent another important innovation in the 2007-13 period. Reflecting the needs of the “subjects” and the complicated structures of the funding resources (15 OPs within the NFDP + 4 axes of the NHARDP) these horizontal programs (called “Zászlós hajó programs”) are aimed at safeguarding program-implementation in a coordinated manner. Two of these have spatial relevance, the Program aimed at the Development Poles (that is the regional centers) and their spatial opposites targeted by the “Complex Spatial Cohesion Programme for the Integrated Development of the Least Developed Micro-Regions.” By May 2007 the basic “coordination documents” had been made but further details of the implementation were yet to be elaborated. However, the 4-5 more embracing horizontal programs and another 4-5 less embracing ones complicate the structure of the NHDF and raise serious doubts concerning implementation.

3. Regional development policy in South Transdanubia

This section draws on some of the results of the Social Network Analysis and the interviews that accompanied the questionnaire. It also includes material gathered from participative observation on some of the planning meetings. Twelve interviews were performed in all with regional actors and with one leading personality within the National Development Office.⁴³ It should be noted that local elections took place in October 2006 greatly changing the composition of regional policy making. From the original 19 RDC members only five remained “in office.” For the first time, however the political changes did not generate subsequent changes in the leadership of the Agency.

Most of those interviewed were satisfied with the growing influence of the region. This was especially the case with the chance to plan and implement the ROP for the first time. The achievements of the pre-accession and post-accession periods were rated positively and regarded as the result of a relatively smooth institutional and professional adaptation. Criticisms were limited to the growing burden of bureaucratisation, which slows down processes and makes access to funds more difficult. Also, the language used within the EU development process was deemed inconceivable not only for the general public but also the “ordinary village mayor.”

“Complexity, organisational and language hodgepodge were really difficult to follow, most of the mayors do not have a clue what the director of the Agency was talking about” (Chair of the County Development Council of Tolna, August 2006).

To go more in depth in the subject we start with some of the results from the SNA and then we concentrate on the material gathered from the interviews.

Table 13: Criticisms of former EU co-financed projects

Critical remarks	% of respondents agreeing
Excessive administration	68
Funds available only in part or after a delay	53
General approach unfamiliar	32
Conflict of interests	26
Slow pace of program implementation	26
Not enough local/civil participation	18
Inappropriate political influence	18
Lack of institutions necessary for implementation	13
Insufficient fully qualified or trained staff	11
Mandatory financial reserves set at too high a rate	11
Poor selection of partners	8

As regards the degree that the ROPs might lead to some longer terms enhancement of bureaucratic capacity, and more effective and efficient partnerships, the majority considered that community building among the stakeholders and EU-learning were the two key results of the program implementation. A senior member of the RDC, for example, stressed how:

⁴³ Two interviews were conducted by Alexandra Szóke, two were transmitted in a written form by the respondents who received the interview schedule earlier and eight were made by Katalin Kovács who observed also the council meetings.

“the good results from Tolna are not only thanks to our coordination work; we regularly met with the supervisors of the micro-regional work organisations, the leaders of associations, and, in our case, that bore fruit.” (Chair of Tolna County Council, member of the RDC, September 2006).

On the other hand, there was a sense that the principle of partnership was not always appreciated:

“Real partnership is still lacking ..., but it is also true that there are only few actors, and hence, civil control is also weak in such a situation. Additional support is certainly needed, concentration, for the time being, doesn't work, but it has to be forced by reforms from above” (Member of the RDC 2006 September).

Table 14: Influence of EU co-financed pre and post-accession projects

Fields of progress	% of respondents agreeing
Strengthened partnerships	76
Assisted the introduction of new norms of spending public funds	68
Assisted access to resources	58
Strengthened civil participation	34
Stimulated institutional adaptation	29
Increased the standards of administration	16
Stimulated legal adaptation	13
Strengthened competition in the spending of public funds	8
Decreased (moderated) political influence	3
Accelerated implementation, increased efficiency	0

Despite the serious development problems in South Transdanubia, the majority of members in the policy network ranked the strengthening of ties as paramount, more important than securing development funds. The strengthening of local civil society was in fourth place and below that, the view that EU projects stimulated and enhanced institutional adaptation and reform.

When self-criticism was formulated, then the weak lobbying ability of South Transdanubian politicians was mentioned. This explained why the most important investment of the motorway between Budapest and Pécs was always ranked low on the priority list of centrally financed projects. Certain inner conflicts between the players of these three counties can also be identified. This is illustrated by council members' contributions to a September 2006 general assembly of the RDC. At this meeting the Commissioner in charge of the Second National Development Plan attended accompanied by the Minister of Regional Affairs, the chair of the Parliament and two Secretaries of States. This was part of the overall consultation (“reconciliation”) process of technical nature, which became one of the essential points of the programming process. It was introduced as a strong demonstration of a new approach towards regional planning, favoring participation and inclusion of interested parties, and dialog between planning agencies at different administrative levels. In this meeting, the aim was to exchange information about the content of the centrally planned OPs and the regionally planned ROP. There was particular references to “big projects” which whether at national or regional level are not processed within the normal open tendering process. The Commissioner offered a power point presentation on the latest structure of the overall Plan, and then listened to the politicians of the region, most of them being MPs as well. Two of the three county representatives agreed that the motorway was the first priority, the third county representative did not mention it at all. Such differences were

also apparent in the interviews. The representation of narrow interests meant not only were their own urban/rural problems voiced but usually the speaker did not represent his or her role in the RDC but only as mayor of a particular town or settlement.

“This region can never develop into a cohesive region if there are no regional commitments, but instead what everybody wants to do is to save as much from the regional sources to his own settlement/micro-region as possible” (Member of the Spatial Planning Web, representing one of the county seats, April 2007).

A similar complaint was voiced by the Chairman of the Development Council in August 2006 reflecting the uneven capacities and interests in complying with regional development planning requirements. Despite the frequency of ties and the strategic nature that many ascribe to their relations, there were still strong disconnections in terms of role perception on the side of the planners and the politicians, the sequencing of actions and the co-ordination of interventions. The quotation illustrates the paradox by which local representatives of central government could be advocates of particular local interests on the RDC. In other words, local and central government interests could equally override the weakest “regional interest” not only one by one but also “one in the other” and in the same time.

Regions could plan with the appropriate autonomy, there is no problem with that. As regards the actual design [of the ROP], the problem is not with the mechanisms, but with the heads. There is a problem with the designers; their professional ideas usually don't let social viewpoints prevail, they don't take into account that development does not come about in a sterile laboratory. However, on the other side there is not enough ability for abstraction, for empathy, and readiness for compromise. Politicians, who participate in regional decision-makings, want to build their own houses. Let's say, for example, if the Home Secretary is represented by a mayor of X city, that mayor won't talk on behalf of the Home Secretary, but according to the interests of his/her town. (RDC chairman, August 2006)

The member quoted earlier blamed the lack of any real regional identity for the absence of region-conscious decision-making. He also criticized planners from another angle. He claimed that instead of developing a genuine, regionally tailored development strategy, the South Transdanubian planners brought about nothing but “a national plan at a regional scale”. Some dissatisfaction was reflected in the opinion of those in charge of implementing the planning/programming. Being part of the complex negotiating exercise with many actors, the top managers of the RDA clearly saw the narrow path of autonomous maneuvers.

“The ROP is not the development program of the region. It is rather a collection of menus offered for selected fields” (Executive manager, RDA, August 2006).

“At the end, the ROP came into birth within the frame of sectoral negotiations, so in fact, it is a sectoral program implementing ... what the rest of the OPs could not be” (Development Director, RDA, May, 2007).

Nevertheless, the same respondent judged the position of regional planning “incomparably better” than ever before. He regarded bottlenecks as natural consequences of the uneven progress regionalism had achieved in the country: “... the wagon cannot go faster than the horse”—he said—“it will be different once we will have elected regions.”

People did not complain about the limited autonomy of the planning procedure. With some exceptions, they generally agreed with the control from central government and the European Commission on programming and implementation. The chairman of the RDC being in office since December 2006 raised the issue of shared control between the government and the regions over programming and implementation. Others pointed to the determining force of the procedures themselves:

“The ROP as well as the Action Plan were under strong central coordination ... The National Development Agency ... put forward its priorities and required adherence to the frames set. In the case of certain measures, due to the division of labor with the sectoral OPs it became necessary to comply with the OPs. This kind of planning mechanism can narrow regional competencies” (Chairman of the Somogy County Council, member of the RDC, April 2007).

The development director of the Agency in charge of programming reacted similarly, when he was asked about the role of the EU in influencing the content of the ROP. He said:

“..the EU insists that we should spend as much on the economy as possible, but how, if SMEs are under the Economic Development OP? It was with tourism, where they suggested that we should allocate less there ... but it stayed almost at the same level. ... Regions saw the possibility of breaking out in tourism...”

The ambiguity of the presence of central – local influence in the ROP process is reflected in the table below, ranking the participants in the social consultation process according to the status of the actors. The figures could be interpreted as indicators of the actors’ keenness to use all possible opportunities to express their consent or opposition. For example the lack of any remark from the side of Chambers of Commerce does not mean that they did not participate in other forums of social consultation let alone that they were members of the planning web. However, the Somogy actors’ intensive participation is indicative as is the influence of the central agents and agencies. The weak position of the local NGO sector also tellingly comes through from the prevalence of remarks coming from central NGOs.

Table 15: Participants in the social consultation of the ROP in Transdanubia

Agents, agencies	Governmental/public actors									
	1	2	3	4	5	6	7	8	9	10
National Development Agency	21									21
Ministries, agencies	12	17	7		8	14			29	87
Self-governing units			71							71
Interest groups				4				16		20
Universities, research institutes	5				21					26
Private persons	4									4
Micro-regional associations				42						42
Total	42	17	78	46	29	14	0	16	29	271
Social/private actors										
Chambers										0
Interest groups	107	9	5		9	4	1	24	10	169
Private persons	1							2	37	39
Total	107	9	5	0	9	4	1	26	47	208

1 = Central, 2 = Regional, 3 = County, 4 = Micro-regional, 5 = Pécs, 6 = Kaposvár, 7 = Szekszárd, 8 = Balaton, 9 = Other local, 10 = Together.

Source: Retrieved from the website of Southern Transdanubia, www.ddrft.hu

The majority of respondents thought that the ROP would eventually lead to better future relations amongst the different partners. There was no expectation that it would transform the importance of politics within regional development, as regards the local actors, but also between the central state and the regional bodies. Almost none of the participants believed that the ROP and attendant reforms would diminish the importance of politics in the distribution of funds and influence. A mayor from one of the larger towns in the region declared that

“Regarding the re-politicization of this Regional Development Council, there is a fear of corruption. Those times, enterprises had much more opportunities, I know it personally, that the second proposal was denied due to political reasons. However, it would be better if decisions were made on a professional basis. This division of resources doesn’t work, although, dividing the resources justly is virtually impossible” (Member of the RDC September 2006).

This Council member would have favored a centrally operating Intermediate Body for the forthcoming ROP rather than making the RDA the appropriate body for such a task.⁴⁴ Other regional actors expressed fears and frustrations in relation to the influence of the central state over regional matters. Perhaps in reflection of the developmental importance of improving the road network in this region, sectoral centralizing tendencies were criticized heavily:

“... Regional concentration is developing, on the other hand, but so is a remarkable re-centralisation. ... I think that this kind of centralization is an absolute insanity which happened to the concentration of public road maintenance last year, which degraded county transport corporations into works units, and all substantive decisions and preparations were concentrated at the Ministry of Economy and Transport. It’s a nightmare for me – due to my motorcycle craze, knowing all roads, with and without potholes – to imagine that the decision about the reparation of roads would be made in Budapest. This is a typical regional issue. ... To my mind, we are in an important moment, regions will be developed in terms of legal rights, as well. However, this makes sense if regions are given responsibilities and sources...” (The chairman of the RDC, August 2006).

In terms of the influence of different parties, amongst the network members there seemed to be relatively equal weighting of the power of the region and the power of the central state in terms of planning the ROP. According to the respondents, regional actors were ranked as having the highest influence in regional development (more than 60 % of the respondents gave 8 or higher scores on a scale of 10), followed by the central government and then the European Union. With 1 being weak and 10 being strong, the average level of influence of the region and the government was 7.73 and 7.16 respectively, whereas the EU was assessed as at 5.71. Relations and influence is seen in a bifurcated way. While there is no correlation between the estimated level of influence of the region and the other two actors, there is a strong positive correlation (0.73) between the level of estimated influence of the government and that of the EU. In sum, in the stakeholders’ view the region is always influential, with the government and the EU much less so. At the same time if any of them is influential the other one is influential as well and vice versa.

If we widen the discussion of relative influence to non-state actors, then it appears that the various business actors in the region are considered more important than the EC. At the same time, in most participant eyes, the Commission ranks above local civil society organizations.

⁴⁴ As mentioned earlier, finally the task was shared between the local (regional) and central actors.

Table 16: Estimated level of influence in regional development

Actors	Influence
Government	7.97
South Transdanubian Regional Development Council	7.18
South Transdanubian Regional Development Agency	7.18
Business actors in the region	6.50
European Commission	5.45
Civil organizations	5.06

An analysis of the correlation between the estimated influence of various stakeholders showed a positive inter-correlation (between 0.40 and 0.52) among the two regional development organizations business and NGO actors.

The respondents were asked how they would rate the overall ROP process. With 1 point for being very unsatisfied to 10 for being very satisfied, the level of success of the ROP planning and the implementation was rather high (6.81 and 6.44 respectively).⁴⁵ An analysis of the correlation between the levels of estimated influence and the satisfaction with the final ROP is rather telling. Those who tended to identify the state as the most influential partner in the ROP were more satisfied than the average, whilst those who viewed the EU, or the two non-state sectors as being the most influential tend to be less satisfied with the final outcome than the average.

Table 17: Correlation between the level of influence and satisfaction (correlation coefficient)

Actors	Planning	Implementation
EU Commission	- 0.20	-
Government	0.20	0.19
South Transdanubian Regional Development Council	-	0.18
South Transdanubian Regional Development Agency	-	-
business actors of the region	- 0.18	- 0.24
Civil organizations	- 0.28	- 0.31

Correlation coefficient is less than 0.15

Interviews reflected a similar level of satisfaction with the programming process as completed by the Regional Development Agency. Respondents appreciated the efforts made to mobilize as many actors as possible thus suit the program-elements as much as possible to the regional needs and absorption capacities.

“I think that the Agency has ... lived up to the role that was required and mastered well the organizational and ... mediatory tasks ...” (Council member representing the micro-regions of Somogy, September 2006).

“... The ROP of Southern Transdanubia is indeed a program that was developed from below, what we only talked about before, bow materialized here ...” (Chairman of the Tolna County Council, member of the RDC, April 2007).

45 Points between 1 (very unsatisfied) and 10 (very satisfied) – see questions 9 and 10.

When critical remarks emerged they related to the extent that economic actors were mobilized. The weak results were explained differently, one respondent blamed the Agency and its weak links to the economic sector, another considered that it was due to the moderate activity of the county chambers of commerce, with the exception of Baranya county. We also have to add that the ROPs were not that important as far as the economic sector was concerned. In the beginning of the programming, when the demarcations between the New Hungary Agricultural and Rural Development Program and the Economic Development OP had not been realized, the thematic lines of the ROP reduced its interest for mainstream economic players. When the results of the demarcations became public, people became aware that the entrepreneurial sector would be supported principally within the framework of the other OPs.

4. Consequences: Successes and failures in post-accession regional policy making

The first post accession experiences on regional policy implementation have been mixed. Given the absence of proper mid-term and ex-post evaluations, neither the fulfillment of the broad goals of the Hungarian National Development nor that of ROP measures can be tested. However, the country's deep financial crisis and the mounting budgetary deficit⁴⁶ show that the incoming EU funds were not enough to counterbalance the negative processes prevailing in the wider economic and social environment. Adam argues that the unprecedented budgetary deficit is a consequence of the weak social embeddedness of institutions. The lack of effective control by social actors over government spending is a direct legacy of socialism (Ádám 2006:242). Following Broadbent, social embeddedness is seen here as "institutionalized social capital" (Broadbent 2000, quoted by Ádám 2006:246). The "embedded autonomy" of the developing state is determined by the dense social linkages that serve as bases for defining development objectives (Evens 1995, quoted by Ádám 2006:246). Although the examples are from the Far East, according to the author, "embedded autonomy" is a key concept of active developing state that could be extended to the corporatist European tradition of social control over the state (Ádám 2006:247).

Analysts call attention to the fact that in the first post accession years, the balance of the membership payment (1 % of the GDP) and the channeled grants is inevitably negative. The EU practice of supporting projects is to advance very little money and then offer reimbursement to an extent determined by the support intensity rate. High administration costs have been critically mentioned as has the manner of creating the chief institutions dealing with EU issues. Some argue that institutional adaptation has been slowed down because of the concepts that institutions dealing with EU issues have followed. In other words, rather than organize from or within existing administrative units thereby acting to "Europeanize" the chief organizations of public administration, new institutions were created beyond these units. (Cséfalvai 2006: 293-294). The same author warns that since 2003, Hungary dropped to the 41st position on the "competitiveness list" of the Swiss Institute of Management Development from 33rd position. This does not seem to be in line either with the objectives of the first NDP nor with that of the second (Cséfalvai 2006:295).

As a consequence of macro-economic processes and weak policy instruments, regional disparities have grown sharply in the last decade. Despite the unparalleled financial assistance coming from the EU, scholars (Fazekas 2005) as well as the authors of the Horizontal Ex Ante Evaluation of the New Hungary Development Plan have predicted that this will continue. This is very little to do with the actual—centralized, decentralized or combined—manner of programming and implementing of the first Hungarian Development Plan. What deserve attention are the mechanisms through which the European Commission effectively influences institution building and operation. After channeling vast pre-accession funds to lay down EU-related institutions and procedures and making further steps following the considerations of the evaluation results, Hungary failed to demonstrate that it had installed an effective and transparent decentralized institution system that was able to channel EU funds. As a consequence, for the short post accession period of 2004-2006, the Commission decided not to support decentralized programming and program implementation. The example clearly shows that the space for maneuver is extremely narrow if it is against the firm intention of the Commission.

The centralized manner of programming and program implementation of the first ROP have had an influence over later developments, at least indirectly through strengthening of re-centralizing tendencies. In autumn, 2006, the establishment of new self governing regions suggested by the re-elected Government was abandoned. This shows that the price of safer program implementation can be rather high in a country where path dependency is already in support of the political center.

46 The budgetary deficit was around 10 % in 2006 that has been dropped to 7 % within one year due to the severe measures of the so-called Convergence Program of the Hungarian Government.

As far as the present programming period is concerned, we can say that compared to the previous period, there have been significant changes made.⁴⁷ Decentralization appears to be a tendency that is increasingly breaking through albeit with limitations and in a somewhat paradoxical manner. For the first time, sound funding is available to support the implementation of development goals at regional level. This and the parallel tendencies in domestic policies inevitably imply that regional-level institutions have become much stronger than before. This is evident so far in case of the RDAs, that have become even “too strong” as compared to the regional development councils.

“Regional Development Agencies grew too fast, grasped too many roles and the politicians at the regional development councils started to worry. Politicians have realized that they shouldn’t let agencies self-controlled. Therefore there are power struggles.” (Development Director, RDA, South Transdanubia).

These struggles are brought about by information-monopolies and the fact that the RDAs are occupying key posts within the development process. They are also caused by some recentralizing measures in the management structure (such as the dual reporting responsibility of the RDA managing directors, to the regional development council, on the one hand, and to the National Development Office, on the other). Beyond the re-strengthening of central control over regional organizations, the following constraints limit their autonomy:

- The centrally organized Managing Authority and Monitoring Committee
- The shared managing of the processing of the applications between RDAs and the VÁTI (central organ).

Such limitations have been interpreted differently from various sides. One of the manager directors of the South Transdanubian RDA for example was happy and worried at the same time:

“Now the NDA can also appoint the head of RDA, or rather, his (the commissioner’s) consent is needed for the nomination. ... This condition reflects well the Hungarian situation. The wagon cannot go faster than the horse ... “(Development Director, RDA, South Transdanubia).

The concentration of power and control over EU resources can be identified at central level as well (see the new “panel” of decision taking in the institution system). The top down control and influence is the strongest in the case of the New Hungary Agricultural and Rural Development Plan where the meso-level regional structures are completely ignored.

Conclusion

EU funds had an extraordinary impact on institutional building and transformation in Hungary. The pre-accession funds played an essential role in shaping an EU compliant institutional system assisting new institutions into being. Their role was enormous in transmitting certain norms and influencing a broader set of institutions, thereby infiltrating deeper into the “texture” of social, economic and policy fields. The road of transmission was paved by conditions set by the Commission and led to a certain adaptation that is still in the making. Stepping on this road, each actor had to prove that the conditions had been met and then the support could have been claimed and received.

⁴⁷ See Annexes 4 and 5 for a table setting out the significance of the contributions made by different actors.

Transparency, co-operation and decentralization were probably the most important norms transmitted as by-products of the first generation of EU grants, at least as far as their impacts on the spatial policies are concerned. Within a vast learning procedure ISPA covered the big infrastructure and environmental projects with public procurement, SAPARD, being the only program managed by the accession states, introduced the full range of institutions related to the management and control of the Structural Funds. With regard to decentralization, it was the PHARE program that did the most. It linked these three principles to one another when it targeted various mezo-tiers of administration and policy making and promoted micro-regional and county level decision making in the beginning (associations, county councils), then regional development councils and agencies at the end. Transparency and insured procedures were essential conditions when grants were allocated to the new institutions either in case of SAPARD or in case of the smaller PHARE funds spent by the experimental regional councils/agencies of the PHARE pilot regions.

What was tried in small-scale via pilot projects with relatively little money was mainstreamed to large scale, later on, in the post accession phase. Mainstreaming seems to go together with simplifying, less NGO participation and growing central control. The latter is aimed at either balancing the increased autonomy of the decentralized institutions, or simply being part of the measures taken by the central administration when re-constituting central governance structures. This is what happened with regional project selection under the SAPARD (i.e. it was centralized) and, with the decentralized decision-taking authority of the PHARE-supported regional development councils. PHARE pilot regional development councils comprised a wide range of civic and public organizations with voting capacities, compared to which civic influence was narrowed down already in 1996 by the Regional Development Act and further shrunken in 1999 by the amendment of the Act.

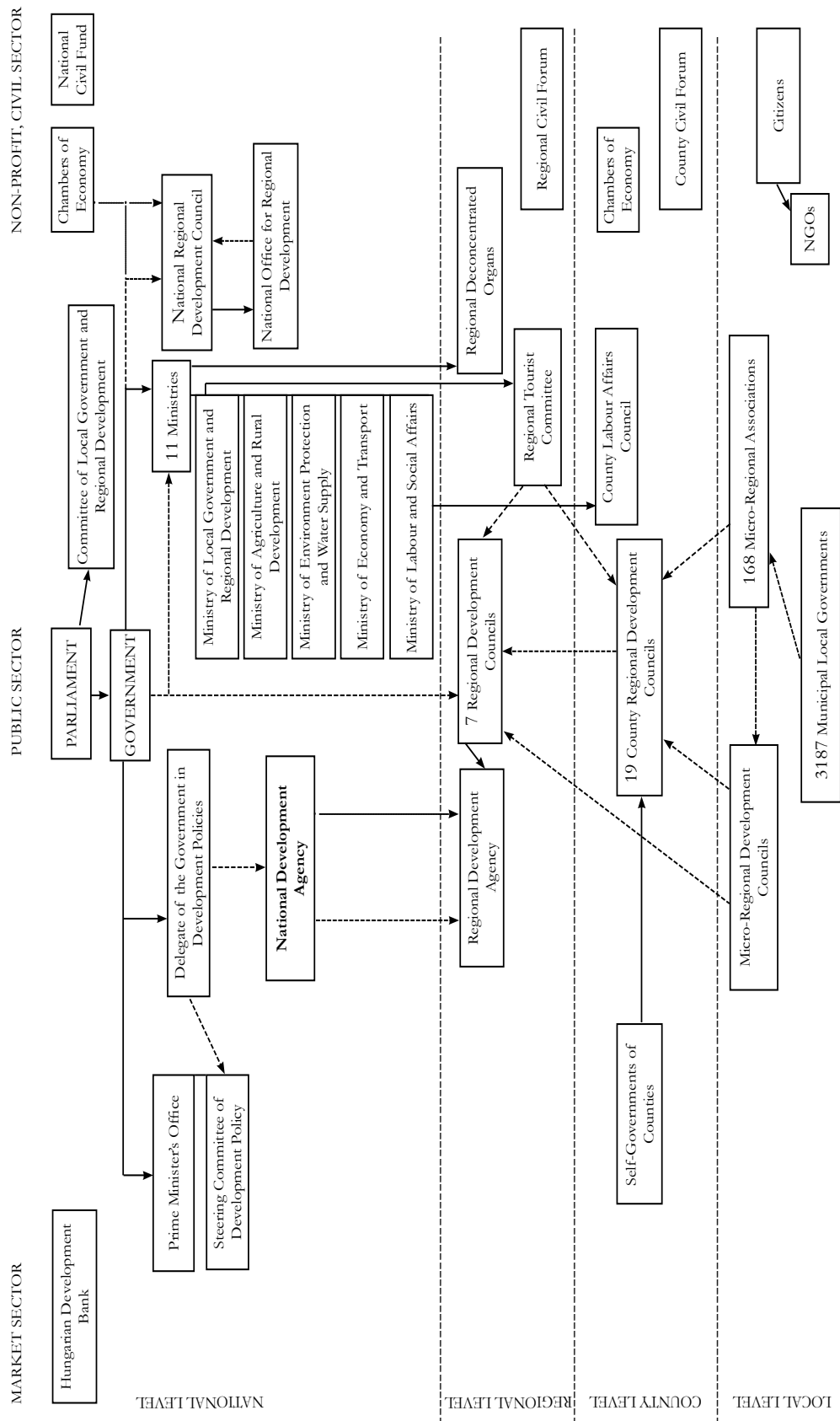
Despite the efforts and experiments done in the 1990s, the regional institutions did not prove to be strong enough to channel post-accession funds. Subsequently, a central management prevailed in the first post-accession period which was followed by a considerable “controlled decentralization” in the next period starting in 2007. The third generation of EU-related regional policies and their implementation structures is thus representing half way on the twisting road of decentralization of public policies in Hungary that, hopefully, will not repeat the about-turns of the past.

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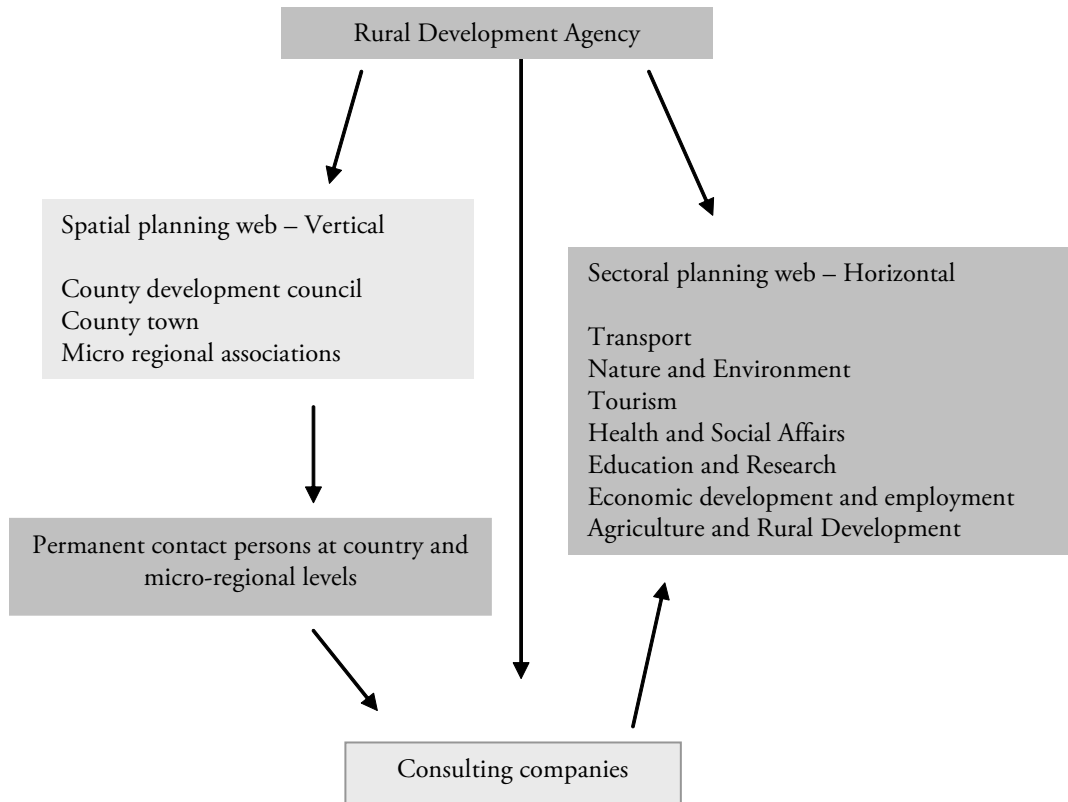
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Annex 1: Key Actors in Regional Development in Hungary 2006



Annex 2: Vertically and Horizontally Organized Thematic Groups in Southern Transdanubia, 2006



Source: Márton 2005:63

Annex 3: Contribution of Production Branches to the GDP, 2003

	1	2	3	4	5	6	7	8
Agriculture, Hunting, Fishing, Forestry	0.7	3.6	3.8	7.1	4.1	6.1	8.0	3.3
Mining and manufacturing	16.5	36.8	37.5	16.1	25.4	24.0	19.7	22.6
Electricity, gas, water	2.2	3.5	2.1	5.8	6.1	2.7	2.6	3.0
Construction	4.5	5.1	4.8	5.6	5.4	5.5	5.5	4.9
Trade and repair	13.8	8.3	7.2	9.4	7.9	10.2	10.3	11.1
Hotels and restaurants	1.5	1.8	2.3	2.9	2.0	2.0	1.8	1.8
Transport, storage and communication	10.4	5.0	6.7	6.0	6.4	6.1	6.3	8.0
Financial intermediation	5.2	1.9	2.0	2.6	2.3	2.2	2.5	3.6
Real estate and business services	22.2	13.3	12.8	14.9	11.8	12.1	14.0	17.1
Public administration	8.8	8.3	8.1	11.3	11.2	11.3	11.3	9.5
Education	4.9	5.3	5.1	8.2	7.7	8.4	7.9	6.1
Health and social services	4.9	4.5	4.6	6.8	6.9	6.6	6.8	5.5
Other services	4.4	2.6	2.8	3.2	2.9	2.8	3.4	3.6
Total	100	100	100	100	100	100	100	100

1 = Central Hungary, 2 = Central Transdanubia, 3 = Western Transdanubia, 4 = Southern Transdanubia, 5 = Northern Hungary, 6 = Northern Great Plain, 7 = Southern Great Plain, 8 = Hungary.

Source: Compiled from National Accounts, CSO, Budapest, 2006.

Annex 4: Programming, implementation and evaluation of the Regional Operational Programme for 2004-06

Programming	Governmental/public actors			Societal/private actors	
	Central	Regional	Local	Regional	Local
Debates about particular structural problems and elaboration of a regional development strategy	2	1	0	0	0
Drafting of programs	2	1	0	0	0
Decision on official proposals for programs	2	0	0	0	0
Negotiation with the Commission about programs	2	0	0	0	0
Implementation of the Operational Programs					
Development of individual projects proposals	2	1	1	1	1
Appraisal of individual projects	2	1	0	1	0
Approval of projects	2	0	0	0	0
Evaluation/Monitoring					
Evaluation of programs	1	0	0	0	0
Monitoring of financial transactions	2	1	0	0	0

Note : There has not been any systematic evaluation and monitoring was also not really done, more an on the spot checking of project implementation via a random sample of 5 % of the projects.

Annex 5: Programming, implementation and evaluation of the Regional Operational Programme for 2007-13

Programming	Governmental/public actors			Societal/private actors	
	Central	Regional	Local*	Regional	Local
Debates about particular structural problems and elaboration of a regional development strategy	2	2	1	1	0
Drafting of programs					
Decision on official proposals for programs	2	2	0	0	0
Negotiation with the Commission about programs	2	2	0	0	0
Implementation of the Operational Programs	2	2	0	0	0
Development of individual projects proposals					
Appraisal of individual projects	0	1	2	1	1
Approval of projects	2	2	0	0	0-1
Evaluation/Monitoring					
Evaluation of programs					
Monitoring of financial transactions					

* Local = micro-regional

In case of New Hungary Agricultural and Rural Development Plan, micro-regional rural development offices (and/or a kind of committee) will evaluate the projects and give 30 scores on a scale of 100.