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## The Evolution of Diverging Patterns of Micro-Regional Governance in Hungary

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## Summary

This report provides a longitudinal study of changing patterns of governance in six micro-regions in Hungary. The findings of this research indicate that the dominating trend was to move modes of governance from a non-hierarchical mode, including in integrated developmental policy making diverse local state and non-state actors in the early 1990s, towards fragmented and hierarchical modes of governance by the 2000s. By the time Hungary got closer to the EU accession NMGs had started to disappear from micro-regional governance in comparison to the early 1990s and only a few could survive the Europeanization of sub-national governance. These evolutionary trends of micro-regional NMGs were mainly shaped by domestic factors, the EU having only indirect influence on the process through providing the central state with prerogatives near the end of the decade to control regional and sub-regional development policy. This is only part of the story, however. The pre-accession support programs have also strengthened governance capacities of sub-national state and non-state actors and enabled local political entrepreneurs to organize micro-regional territorial development through NMG even in the face of asymmetric power constellations between central governments and local state and non-state actors.

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# I. Introduction

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

The report provides a longitudinal study of changing patterns of governance in six micro-regions in Hungary in the period of 1990 to 2006. We found that while several of these micro-regions were governed in the early 1990s in a non-hierarchical mode including in integrated developmental policy making diverse local state and non-state actors, by the 2000s only few of them had such NMG and most of them have moved towards fragmented and hierarchical modes of governance by the 2000s. These evolutionary trends of micro-regional NMGs were mainly shaped by domestic factors, the EU having only indirect influence on the process through providing the central state with prerogatives near the end of the decade to control regional and sub-regional development policy. This is only part of the story, however. The pre-accession support programs have also strengthened governance capacities of sub-national state and non-state actors and enabled in some places local political entrepreneurs to organize micro-regional territorial development through NMG even in the face of asymmetric power constellations between central governments and local state and non-state actors. This is to say that the EU has effected the evolution of the mode of micro-regional governance by empowering domestic actors in highly asymmetrical way (Bruszt, 2008), putting the stress on strengthening the prerogatives of central governments but opening up some new room for action for sub-national state and non-state actors.

The case studies of 6 Hungarian micro-regions on the emergence and evolution of micro-regional governance indicated variations in governance patterns that could be differentiated according to the way diverse organisational forms, functions, sectoral representations and territorial scales have been combined and organized into association across settlements. Micro-regions can be defined as institutionalized forms of associations of neighbouring settlements that can range from formal agreements on the ways of cooperation to informal, non-discretionary conventions and norms.

Modes of micro-regional governance differ both in the scope and the mode of association. The *scope of association* denotes the extent to which micro-regional governance combines a variety of sectors (local state, firms, NGOs etc.) or has a representation scheme dominated by a single sector. This means that the scope of association can be integrated, in which case representation of diverse sectors within the association is inclusive, or alternatively it can be fragmented in which case sectoral representation is exclusionary. Integrated scope of association means that multiple institutional contexts of the civil society, public administration, and businesses can be represented in the definition of developmental goals and means through the inclusion of a diversity of micro-regional actors and organisations. A fragmented composition

of association on the other hand would mean that due to particular restrictions on associative partners (e.g.: non-state actors) the representation scheme of decisions on the goals and means of micro-regional development reflect a single institutional context/sector (most likely that of local governmental public administration logic). The scope of the association is studied by looking at whether and to what extent various organisations representing diverse sectors, various developmental functions and different settlements are combined within the association. On the second dimension, the *mode of association* refers to the way these associations take decisions about the goals and means of development. i.e. whether and to what extent decision-making mechanisms distribute authority and intelligence among micro-regional actors who could potentially be or are partners in the association. The mode of association ultimately describes the extent to which the integration of various sectors and the inclusion of diverse actors are organized in hierarchies or in more or less evenly distributed authority. This later mode of association I call heterarchic (Grabher, 2006; Stark, 1999; Grabher and Stark, 1997; Bruszt, 2000) that is about including heterogeneous actors in a way that allows the accommodation of their interests and values through non-hierarchical relations.

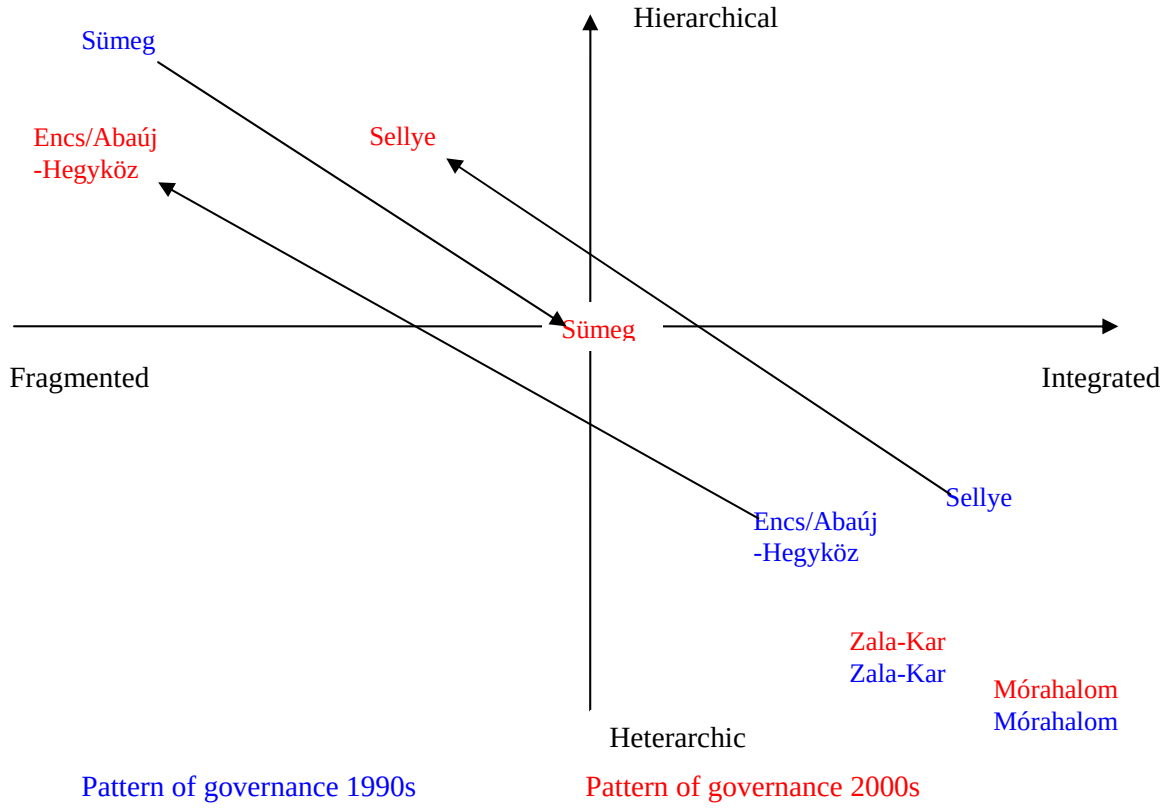
On the basis of the case studies I have identified three ideal types of the dependent variable of diverse patterns of micro-regional governance.

- Integrated, non-hierarchical: in which various micro-regional sectors are integrated through the inclusion of heterogeneous actors whose mode of association distributes authority more or less evenly among them to participate in defining developmental goals and needs. Examples of this ideal-type can be found in varying degrees in the micro-regions of Mórahalom and Zalaszentgrót.
- Fragmented, top-down: in which the scope of association displays exclusionary institutional practices in the sense that non-state actors are marginalized and/or completely excluded from micro-regional developmental decision-making, which indicates fragmentation in the composition of association and hierarchically orchestrated representation of sectors and thus definitions of developmental goals and means. Examples of this ideal-type can be found in varying degrees in the micro-regions of Sellye, Encs/Abaúj-Hegyköz.
- Hybrid or mixed: in which elements of the other two ideal-types above can be found. In other words, some inter-organisational ties in this type of governance mode display ad hoc and/or durable horizontal, non-hierarchical features and a proactive concertation of diverse institutional logics. On the other hand, other organisational ties of micro-regional governance may still be organized in informal and/or contracted hierarchical ways with one organisation holding more stable positions in the development field as a result of imbalances in institutional resources. Examples of this hybrid governance pattern could be found in the micro-regions of Sümeg and Keszthely-Hévíz.

Although none of the case studies correspond exactly to these ideal-types, they can be located closer to one of the ideal-types at different points in time over the decade. In fact the study of the emergence and evolution of governance in the 6 micro-regions has shown that within these ideal-type governance modes further variations in institutional transformation have taken place. For the sake of conceptual clarity it is important to distinguish ideal-type governance modes from patterns of change in governance in order to define the directions and dynamics of institutional change in associative relations over the decade. For example, diverging pathways of institutional transformation can be observed between the micro-region of Sümeg and the rest of the case studies since in the early 1990s Sümeg was closer to the second ideal-type and currently it is closer to the third type of governance mode; while all other cases were

closer to the first ideal-type in the early 1990s and diverged from that status in various directions by the 2000s. The micro-regions of Sellye and Encs/Abaúj-Hegyköz are examples of a pattern of governance change moving from the first ideal-type in the 1990s closer to the second type by the 2000s. The micro-regions of Zalaszentgrót and Mórahalom have more or less maintained their position close to the first ideal-type governance mode.

**Patterns of governance change over the decade**




## I.1 The Approach

The focus of this study is on the dynamics of micro-regional governance, i.e. on the directions of institutional change across micro-regional associations. The approach I take goes beyond static explanations on cooperation in regional development that see the presence of associative institutions as a result of endowments in social capital and/or institutional arrangements (Cooke and Morgan, Amin and Thrift, Scott and Storper, Paraskevopoulos). Institutional change, in this framework is always generated exogenously by the state, the market or by the EU.

The approach I take instead draws on heterodox development theories (Schumpeter, Hirschman, A. Sen, D. North) and economic sociology to emphasize the evolutionary nature of social capital that is not fixed once and for all but can evolve in qualitatively different ways shaped by endogenous as well as external framework conditions that can hinder or foster particular qualities of social networks (Trigilia, 2001). This opens a new perspective for the analysis of the evolution and transformation of associative institutions. In this context, framework conditions – institutional structures or policy mechanisms – may favour the evolution of particular types of associative arrangements that can range from collusive coalitions

and rent-seeking to heterarchic coalitions with a system of checks-and-balances thus providing positive resources for local development (Trigilia, 2001). On the other hand, conditions provided by political action and policies offer constraints and opportunities that are always subject to interpretation and contestation by actors (Streeck-Thelen 2005). Thus, while institutional framework conditions can influence the qualities of networks (through directly or indirectly setting balances of power), local actors always retain a degree of capacity to interpret rules and bend them according to their needs as they construct associative institutions in reality. Interpretation is an important element of the process that can be shaped by social entrepreneurs who have the capacity to create frames for association and convince people to join networks even if institutional framework conditions do not favour inclusive and encompassing networks/associations. Social entrepreneurs' capacity to experiment with associative arrangements is influenced by the conditions set up by politics and policies for sub-national development. My micro-regional case studies on the other hand show that despite constraining effects of the Hungarian sub-national development regime (see Bruszt NEWGOV 15/D03) actors in some micro-regions still have been able to transform associative institutions in ways that distribute authority, while others have reorganized their association in fragmented ways leading to the disintegration of heterarchic relations and bottom-up associations.

### I.2 My methods and data

For the study of these processes I selected six cases of Hungarian micro-regions. I define micro-regions as institutionalized forms of associations of neighbouring settlements. For the sake of comparability I established a standard analytical unit on the basis of the official statistical-administrative definition of micro-regions in Hungary. From this pool of 169 micro-regions I selected my cases in three steps. Using 9 socio-economic indicators I established a homogeneous groups that had similar socio-economic developmental status in the early 1990s measured as "average", "below the average" and "above the average". Change in development patterns was then calculated as the quotient of data from 2000s and 1990s. Using cross-tabulations in SPSS I identified clusters of micro-regions with "average", "below the average" and "above the average" developmental dynamics. Then I selected iteratively 12 micro-regions that belonged to any of the same clusters in the 1990s but have outlined diverging development paths on the basis of their cluster membership in 2000s. Having conducted preliminary interviews in these micro-regions I selected 3 cases from the cluster "below the average" development state in the 90s, 2 from the cluster "at average" and 1 from the cluster "above the average" development state in the 90s on the basis of their diverging developmental dynamics and institutional pathways.

The second part of the research was a qualitative study on the emergence and evolution of micro-regional governance in the 6 micro-regions. For this semi-structured interviews were designed with representatives of micro-regional organisations. Interview questions focused on the evolution of organisational, functional, sectoral and territorial ecologies and the extent and mode of their integration since 1990.

### I.3 Road map of the report

In what follows first I present the empirical findings of my research project on external factors that have shaped the evolution of micro-regional governance in Hungary between 1990 and 2007. Besides presenting the institutional logics of national and transnational development programmes as well as the national regulative framework, I also discuss the effects they had on the overall context of micro-regional governance. In the next section, I present the empirical findings of the case studies in six Hungarian micro-regions on the evolution of their governance. In the last section I draw some conclusions about the overall trend of micro-

regional governance in Hungary over the decade and I present a summary of institutional development patterns and paths.

# II. External factors of micro-regional governance

## II.1 Definitions of a micro-region

In Hungary, several parallel definitions have existed for micro-regions over the decade depending on the functions attributed to the micro-regional level. The definitions can be enlisted in two main groups, one with a statistical-administrative approach and one with an organic-functional view on micro-regions. In this vein, the official definition provided by the National Statistical Office and adopted by the Act on Spatial Development in 1996, describes micro-regions as "a group of neighbouring settlements whose territorial borders are determined by functional interdependencies and intensive organic relations among them" (1996 Act XXI on Spatial Development). On the other hand, micro-regions have been defined by micro-regional actors themselves, as a complex spatial unit that is comprised of an association of settlements whose historical, cultural, social, economic and natural attributes display a great deal of homogeneity (Szörenyi, 2002, Fekete 2001). These definitions of micro-regions must be differentiated from the concept of micro-regional associations. While the prior always refers to a geographically limited, physical unit; the latter describes some institutionalized forms of associations among diverse actors of these settlements (local governments, local NGOs and local businesses, or any other private and public bodies). This differentiation is important because the transformation of micro-regional governance has been largely about the bureaucratic separation of these once related concepts, about cutting of organic institutional associations.

## II.2 Micro-regional associations: the story of emergence 1989-1995

The institutional evolution and transformation of micro-regional associative governance in Hungary comprised three phases that can be distinguished at two levels. At the organisational level the three institutional periods can be distinguished on the basis of the types of micro-regional associations evolving at the time. At the institutional level – naturally related to organisational types – institutional periods can be distinguished on the basis of the logics of action the institutional framework of the period promoted. At this level, institutional logics refer to the formal rules, requirements and organizing principles of regulations and development programmes that came about at different points in time over the 1990s and provided framework conditions – opportunities and constraints – for local actors to frame their system of association. These institutional frameworks often embodied conflicting and contradictory logics of action to frame micro-regional associations and their governance.

Regional development in CEEs, prior to prospective EU membership in the 1990s, did not exist in its current discursive, administrative and management forms. Even at the time of the systemic change the concept of "the region" did not comprise a unit in the legislation. In Hungary during state socialism the highest public administration unit after settlement councils and districts (a group of settlements) was the county that served as the basic distributive unit of central planning. The source of distribution was the state budget and it – along with extra revenues – was subject to political bargaining of the county and state level. The relative power and success of such political bargaining depended on industrial sectoral structure, the size of industrial workers, the size and legal status of settlements and the strength of party organization at the local level. The second cycle of bargaining took place between the county and the local level. County seats were traditionally prioritised and over-financed just like dis-

trict centres. The "losers" of this political bargaining game were small towns and villages. On the other hand villagers substituted the lack of central resources with local initiatives and resources coming from self employment in the black economy, which was poured into infrastructural developments (housing, water gas). In this way the redistributive system of central planning conveyed inherent inequities by ascribing stronger bargaining position to industrial towns with a considerable size of industrial workers, to county seats and bigger towns, especially to those where the Socialist Party organization was strong (Vági, 1982).

Upon the fall of state socialism in Hungary the 1990s were characterized by an increasing emphasis on the concept of "local" spheres of life. The series of decentralizing reforms in the early 1990s, especially the reform on local self-governments laying emphasis on local institution building and local provision of public goods were part of this phenomenon. The strengthening of local municipalities "at the expense" of the counties was carried out in the name of "democracy and independence from the central state, while efficiency and rationality, important concerns in Western European states (Stewart and Stoker, 1995) were rather neglected" (Pálné, 2004). The Act on Local Governments (1990) gave unprecedented amount of autonomy for local municipalities and provided for the abolishing of hierarchical inter-settlement relations. Eliminating much of the central control in local affairs also meant a decrease in funds for public service development and property (Szabó, 1996) prompting municipalities to find ways of "working closer together". Since the devolution of administrative and public services to the local level was not followed by financial decentralization, the result was a fragmented local government system with low efficiency in functional performance due to the lack of financial resources. The lack of resources of local governments' public service functions, the uninhabited social field of the middle tier after the weakening of the county level and the interception of this field by deconcentrated central organizations that often lacked information on the area (county), and the need for more powerful interest representation of local municipalities paved the way for the coming about of cross-municipal associations of local governments. At the same time the post-socialist socioeconomic environment – the collapse of infrastructural state companies, mounting employment crises and the increased responsibility of local municipalities in providing social services to unemployed, the increasing need for SMEs – confronted local municipalities with structural socioeconomic problems that stretched over the boundaries of their settlements but directly affected the population within the municipality. In the absence of financial resources, with time, municipal governments and local actors realized that there was a need for closer cooperation if resources are to be gained for breaking the downward developmental spiral.

Under these circumstances centralized development policy of the previous decades was unmanageable, hence endogenous development strategies came to be advocated by the central state. Government decrees in 1991, in 1992 and the act of 1992 on the using of SDF expressed open preferences for local development and crisis management strategies drawn up by the association of local governments. As a result of the weakening of the county level, the central state was in need of new partners for its new territorial development policy that displayed elements of decentralization (Fekete, 1995). Micro-regional associations served as potential new partners and the financial incentives (central state funds before and decentralized funds after 1995) that the central state provided for the preparation of their development strategies served as examples of top-down institutional support for the strengthening of bottom-up organizations of micro-regional associations.

The first micro-regional associations were established in those disadvantaged areas of Hungary that were most severely hit by the socio-economic crisis of transition. The spatial consequences of massive socio-economic recession were most dramatically felt in sites of once so-

cialist state industries, like in Borsod-Abaúj-Zemplén county in the Northeastern corner of Hungary with the heritage of 40 years of iron and steal industry; in Szabolcs-Szatmár-Bereg county in the most-eastern part of the county with the highest percentage of suddenly unemployed unskilled Roma population. Other crisis-stricken sites of the early 1990s were coal and uranium mining sites of state socialism, such as Pécs-Komló in Baranya county (in the southwest), Oroszlány and Várpalota (in the mid-west), Nógrád and Zala counties. Due to this unprecedented socio-economic crisis immediate intervention was needed to alleviate disparities at sites where transformation had caused the greatest damage. As a result the spatial development policy of the first half of the decade came to be *ad hoc crisis management of the central state providing financial assistance only for areas mostly in need*. Between 1990 and 1994 these central state funds provided the major source of financial assistance for Hungarian sub-national actors playing an important role in the coming about of the first cross-municipal associations.

### II.3 Development programmes 1990-1995

The development programmes of the early 90s provided incentives for local actors to establish cross-municipal associations to plan and implement development programmes relying on endogenous resources in defining the goals and means of development The eligibility criteria of development programmes in the early 90s did not prescribe particular criteria on sectoral representations, functional scope and territorial extension of organisational forms eligible for funding. Without prescriptions on the rules of decision-making mechanisms, these development programmes allowed heterogeneous representations of a variety of actors participating micro-regional development. In this sense the development programmes of the early 90s gave room for integrated and heterarchic modes of governance to emerge at the micro-regional level.

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

**Total sum of SDF form annual central budget 1991-1994**

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

Million HUF at current price

In 1991/1992 87,3% of total SDF was accessed by BAZ and Szabolcs-Szatmár-Bereg counties. Between 1990 and 1994 17 billion HUF had been accessed from SDF; 22,1% of this had been for job creation and 77,9% for infrastructural investments (see detailed table of annual sectoral spending in appendix). SDF supported altogether 924 settlements during these four years; the highest proportion of SDF went to settlements in Szabolcs-Szatmár-Bereg county

(43%), while the lowest proportion – despite the high number of privileged settlement – went to settlements in Baranya county (0,63%).

**Geographical distribution of SDF between 1990-1994.**

| SDF (million HUF) | County/capital | Number of privileged settlements | Number of privileged settlements accessing SDF | Number of non-privileged settlements accessing SDF | Distribution of total funding (%) |
|---|---|---|---|---|---|
| **0,0** | Csongrád | 6 | - | - | - |
| | Győr-Moson-Sopron | 8 | - | - | - |
| | Komárom-Esztergom | 9 | - | - | - |
| **0,1-100,0** | Budapest | 0 | - | 1 | 0,42 |
| | Bács-Kiskun | 34 | 7 | - | 0,24 |
| | Pest | 13 | 4 | - | 0,09 |
| | Tolna | 53 | 8 | 1 | 0,20 |
| | Veszprém | 68 | 12 | 6 | 0,42 |
| **100,1–500,0** | Baranya | 176 | 12 | 2 | 0,63 |
| | Fejér | 18 | 9 | 1 | 0,87 |
| | Jász-Nagykun-Szolnok | 39 | 26 | 20 | 0,92 |
| | Somogy | | | | |
| | Vas | 139 | 28 | 4 | 1,36 |
| | Zala | 84 | 13 | 1 | 2,54 |
| | | 152 | 27 | 9 | 1,32 |
| **500,1-1000,0** | Békés | 43 | 31 | 31 | 4,22 |
| | Heves | 47 | 41 | 27 | 4,87 |
| | Nógrád | 125 | 60 | 1 | 3,51 |
| **1000,1-2000,0** | Hajdú-Bihar | 64 | 55 | 11 | 8,27 |
| **2000,1-5000,0** | Borsod-Abaúj-Zemplén | 307 | 246 | 9 | 27,06 |
| **5000,1-above** | Szabolcs-Szatmár-Bereg | 211 | 206 | 15 | 43,06 |
| **Total** | Country | 1596 | 785 | 139 | 100,0 |

### II.3.1 ÖAR and Phare

Transnational instruments in this period were of two main types: individual funding programmes of major transnational actors, such as the British Know How Fund, the Soros Foundation, USAID, the Carpathian Foundation and Österreichische Arbeitsgemeinschaft für Rehabilitation (ÖAR)[1]; and Phare pre-accession funds of the European Union. From an evolutionary perspective Phare, the major transnational financial instrument of the period, had the greatest impact on the shaping of the institutional framework of micro-regional governance. Through a variety of co-funding schemes other development programmes also influenced lo-

[1] Austrian Association for Regional Self-Reliant Development. A non-governmental intermediary agency for the promotion and support of local development in Austria's peripheric regions.

cal actors' institutional experimentations. The ÖAR/Phare/Hungarian Enterprise Development Foundation sponsored programme in 1992/1993 to set up an advisory unit to support local economic initiatives and endogenous development is an excellent example of such initiatives. The overall goal of the project was to contribute to job creation in disadvantaged regions and to foster cross-settlement cooperation for the drawing up of developmental potentials and their means of implementation; the planning, preparation and implementation of micro-regional development programmes. The programme was co-financed by the Austrian party, the MoERP (by 1 HUF 1 million), the Ministry of Finance and the local government(s); the programme was drawn up in close cooperation with these partners and Hungarian parties agreed to cover local costs as mush as possible. It also collaborated with OECD ILE programme in order to permit the lecturing of international experts and to send trainees from Hungary for study visits to relevant institutions and projects outside of Austria. In the course of the two year long programme a national network of micro-regional advisory units in disadvantaged areas based on a pilot project in Vasvár was established in Baranya, Borsod-Abaúj-Zemplén, Hajdú-Bihar, Szabocs-Szatmár-Bereg and Zala counties. The programme included the training of Hungarian trainers by Austrian and Western-European consultants, the supervision of Hungarian trainers by Austrian colleagues ("learning by doing") and the establishment of an intermediary advisory and coordination network with international experience in managing local development projects through the association of local actors.

**Table of financing of ÖAR-MVA/PHARE micro-regional programme (HUF million, at currency rate in 1993)**

| Project | Austria | Phare | Open financing |
|---|---|---|---|
| **Regional advisory units** | 1,0 | 7,5 | 1,0 |
| **Start up** | 2,0 | 2,0 | 0,5 |
| **Training of trainers** | 0,7 | 0,7 | 0,6 |
| **Supervision and coaching** | 2,0 | 1,5 | 1,0 |
| **Coordination** | 1,0 | | 2,5 |
| **NGO coordination unit** | 1,0 | | 3,0 |
| **Consultants** | 1,5 | | 2,5 |
| **Total** | **9,2** | **11,7** | **11,1** |

The single largest financial instrument of this period, however, was Phare that had been established in 1989 by 3906/89 EC decree to assist Hungary and Poland in strengthening democracy, in training of new professionals and in building new institutions necessary for market transformation. During its decade long assistance in Hungary, Phare spatial development programmes played a paramount role in the refinement of Hungarian regional policy. Initially, Phare's Experimental Programme Fund in 1992 focused on local economic development through supporting trainings for economic actors to help their integration into market economy through projects that provide new jobs and innovative technologies and that use endogenous resources. Phare Experimental Programme Fund played a decisive role in the testing of County Development Councils' and County Development Agencies' ability to serve as founding elements of a decentralised spatial development policy in Hungary. In the same vein as Hungarian SDF of the time, Phare Experimental Programme Fund's 4,5 million ECU was

also made accessible only for the two most disadvantaged and backwards counties Szabolcs-Szatmár-Bereg and BAZ (the list of implemented projects is in Appendix).

The second Phare programme in 1995 began to put more emphasis on institutional capacity-building and assistance in environmental protection, financial and investment advisory. It was made accessible only for BAZ county to help its economic transformation through supporting the diversification of its economy and the generation of sustainable development practices by applying the principles of partnership and transparency to integrate and decentralised development programmes. The programme had four main target areas: institutional capacity-building, entrepreneurial capacity-building, development of tourism and micro-regional development (!). 70% of the available € 5 million was finally used for capacity-building and micro-regional development (the list of implemented projects is in Appendix).

As a result of such relative richness of development programme funds in the early 90s an unprecedented "willingness" for local associations evolved within 5 years, especially in backwards areas privileged the funds. By 1995 the number of micro-regional associations had increased to 134 with local governments in some cases joining several associations across county borders with the purpose of mobilizing the maximum of possible financial resources for local infrastructure development, and public service provision. 2/3 of the 134 micro-regional associations in 1995 had been established between 1993 and 1994 that was the richest period of development funds (SDF, ÖAR, Phare) made available for cross-municipal associations to draw up their development strategies.

### II.4 An initial typology …

Micro-regional associations that evolved in this period can mainly be distinguished by the organizing principles of their coming about (Fekete, 2000). Two basic types of associations can be differentiated: *cross-municipal association of local governments* and *developmental communities of micro-regional associations* (Fekete, 1995). *Cross-municipal associations of local governments* were established by municipal governments with the purpose of coordinating local (municipal) development functions and public service provision of member municipal governments that individually they could not operate due to the lack of resources. Gaining access to national and transnational funds through the organizational form of the association played a fundamental role in their coming about. These associations were mostly initiated by ambitious and innovative mayors or in a few cases by local private persons and included only municipal governments as members (Fekete, 1995). *Developmental community type associations* were established with the specific goal to acquire the wide support of local communities to multiply development efforts. These "settlement associations" (often called this way to distinguish from local governmental associations) were brought to life in the most backwards and peripheral regions of the country where the complete dismay of previous employment and economic structures and the lack of resources deepened the socioeconomic crisis to the extent that prompted the need for immediate local solutions. The need to resolve acute socioeconomic crisis pressed local actors (both public and private) to establish associations with a wide participation of local governments, local NGOs and entrepreneurs. Settlement associations were often initiated by local governments or in some cases by local community development professionals (geographers, teachers, and sociologists), local NGOs or entrepreneurs (Fekete, 1995). Although in decision-making within settlement associations, local governments had the strongest influence, the planning and management of the association was under strong civil and citizen control (Fekete, 2000). In 1995, nearly 40% of the existing micro-regional associations were bottom-up, civil initiatives of settlement associations focusing on

complex territorial development, while 57% of the organizations represented cooperation between exclusively local governments (Fekete, 1995).

One common feature of both types of associations was that their single financial resources were public tenders. The micro-regional associations of the early 90's had only symbolic amounts of membership fee, which did not permit the maintenance of a full-time staff. In 1995 the most "popular" tenders were that of Phare mainly as a result of the relatively large amount of funding; then came national NEF and SDF tenders (Fekete, 1995). In the same vein, the most frequent tender goals were: job creation, micro-regional programme development and infrastructure development. The list of implemented projects, however displays different sets of micro-regional activities. The ratio of development activities is indicative of the role funding programmes played in the coming about of micro-regional associations in the early 90s. The scarcity of own resources in the face of mounting problems forced both types of micro-regional associations to comply with the developmental priorities of the central state (drawn up in funding programmes of NEF, SDF, MoERP, etc) and transnational donors (Fekete, 1995).

### II.5 Micro-regional associations: the story of evolution 1996-2004

This period of micro-regional institutional transformation is defined by two central processes. On the one hand, from 1996 onwards EU conditionality increasingly shaped and transformed the field of spatial development both in terms of regulatory and financial content. On the other hand, the central state begins to prepare the micro-regional level for the management of EU funds that pushed the transformation of micro-regional governance into an administrative, burocratic direction. The Act of Spatial Development and Planning and subsequent decentralized development programmes of the central state began to provide prescriptions on the sectoral representations, functional scope and territorial extension of organisational forms eligible for funding. With such prescriptions decentralized development programmes gave incentives to local governments to take the developmental interests and values of non-state actors less into account. With such constraints on heterogeneous representations of a variety of actors participating micro-regional development the development programmes of the late 90s although did not push directly but did not hinder fragmented and hierarchical modes of governance to emerge at the micro-regional level.

### II.6 Transnational programmes: Phare 1996 - 2003

From 1996 onwards the profile of Phare in Hungary became transformed: the emphasis in the provision of assistance gradually shifted towards institutional capacity building to support the adjustment of Hungarian sub-national institutional system to EU standards. Another important change in Phare priorities was that the programme was extended beyond the two most disadvantaged counties to counties in the Northern and Southern Great Plains as well as in South-Transdanubia. This also greatly complemented the new national Act on spatial development by offering training for the freshly appointed staff of Regional Development Agencies and Councils. In the participating counties sub-national actors could access Phare support for the development of SME competitiveness, the coordinated development of rural areas and the development of regional marketing for tourism (see 7-7 projects in appendix). This Phare programme also began the adjustment of the Hungarian regional statistical system to EU standards. The goal of the Phare programme in 1997 was to provide assistance for the preparation of EU membership in raising the capacities of the spatial development institutional system while reducing socio-economic disparities across the country. In this vein, it made €20 million available for the regions (Northern Hungary, Northern Great Plains and South-Transdanubia) to assist them in a.) the transformation of their structure of industry; b.) the de-

velopment of their employment structure and human resources; c.) the development of their rural areas through community development programmes (list of projects in appendix).

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

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

This was followed by Phare's Project Preparation Facility that aimed at providing assistance in gathering tender documentation for the next two years' Phare programmes (€2,5 million). The goal of Phare 2000 and what followed were to prepare the Hungarian institutional system of regional development for the reception and management Structural Funds after accession. In addition, Phare 2000 and 2001 concentrated on strengthening socio-economic cohesion in Hungary through supporting infrastructural and environmentally conscious investment, SMEs' innovation and human resources development through vocational training (see project lists in appendix). The most complex Phare programme was the last one in 2002-2003 before Hungary's accession to the EU. This programme concentrated on promoting integrated local development efforts built on extensive partnership of local actors through the implementation of three synergistic components: the rehabilitation of industrial and military sites for the improvement of job creation activities; the development of regional infrastructure for improving public transport; encouraging employment based on local initiatives. This was the only Phare programme whose eligibility criteria covered all the counties. The EU provided €54,12 million and the Hungarian government 43, 29 HUF million.

On the one hand, Phare programmes between 1992 and 2003 helped public administration as well as regional and local actors of spatial development to prepare for the reception of the Structural Funds, and on the other, they were instrumental in setting up the institutions of spatial development, in adapting the European spatial development guidelines and in shaping the approach of the actors of spatial development. The programmes acted as a catalyst in encouraging inter-municipal and regional cooperation, in promoting cross-border cooperation, in establishing regional institutions, and they contributed to setting up a new network of institutions, including county and regional development agencies, and to testing the viability of these institutions. In the period 1992 – 1999 Phare funding of approximately 30 million HUF was available to support developments in the beneficiary regions. However, in addition to accomplishments, some difficulties were also encountered arising from the lack of knowledge and experience in applying the EU procedures and from the need to follow bureaucratic red tape in programme implementation. This is indicated by the fact that before Phare 1997, the application rate of the annual spending limit did not exceed 70%; after 1997 the proportion of application grew gradually up to and beyond 90%.

**Summary of Phare programmes 1992 - 2003**

| Phare programmes | Programme spending limit | Priority areas | Eligibility criteria |
|---|---|---|---|
| **1992 Experimental Programme Fund** | ECU 4,5 million | Local economic development by supporting trainings for economic actors to reintegrate them into market economy, job creation, innovative technologies using endogenous resources | BAZ and Szabolcs-Szatmár-Bereg counties |
| **1995** | € 5 million | Capacity building, **micro-regional development**, SME development, tourism development | BAZ |
| **1996** | € 10 million | Capacity building of regional development agencies and councils, self-sustainable SME, programme planning, EU conform regional statistical system | Counties in Southern Transdanubia and in Southern Great Plains |
| **1997** | € 34 million out of which 20 million directly for the regions.<br>Out of € 20 million; €15 million was allocated to Northern Hungary and Northern Great Plains; 5 million for Southern Transdanubia. | Transformation of industrial system to technology based, R&D innovations, development of human resource, **rural development through community development** | Counties in Northern Hungary, in Northern Great Plains and in Southern Transdanubia |
| **1998 Special Preparation Facility for SA reception and management** | € 7 million | Institutional development of public administration, **integrated spatial development project** | Integrated local development projects should adhere to the National Spatial Development Concept and focus on local job creation implemented through local partnerships. |
| **1999 Project Preparation Facility** | € 2,5 million | Filing tender documentation for Phare 2000 and 2001 | |
| **2000** | €21 million<br>From this year on, Phare programmes were to be co-financed by Hungarian authorities up to 25-50%. | Promoting socio-economic cohesion through the support of SME partnerships, improved management skills and innovative | Counties in target regions: Northern Hungary, Northern Great Plains and Southern Great Plains |

| | | | |
|---|---|---|---|
| | | technologies; infrastructure development | |
| **2001** | € 6 million Structural Preparation Program II.<br>€ 3,5 million E-Commerce<br>€ 3 million Baradla cave renovation<br>€ 3 million Tourism in Northern Hungary<br>€ 2 million Ibrány-Nagyhalászi Cleaning Plant<br>€ 2 million Debrecen ring<br>€ 2 million Szolno industrial park<br>€ 2 million Thermal bath ring in the Southern Great Plains<br>€ 2,4 million Innovation in the Southern Great Plains | Infrastructural and environmental investments, investments that serve the economic renewal of the region, human resource development programmes for the improvement of employability. | |
| **2002-2003** | € 54, 12 million + HUF 43,29 million | **Integrated local development based on local initiatives and partnership** | All regions were eligible for funding |

## II.7 National regulations and programmes: 1996-2004

The system of annually fixed direct state support provided from the central budget between 1990-1994, came to a halt with the introduction of the Bokros-package (austerity package named after its creator, Finance Minister, Mr. Lajos Bokros) in 1995. Between 1994 and 1997 (when the enactment of the new decentralized funding system began) the system of annually available state funds was changed from the earlier annually fixed amount to annual target appropriation from the state budget, which was more sensitive to interim economic trends of a transformation economy. The Spatial Development Target Appropriation amounted to 904 million HUF in the given period, that was accessed again by settlements in BAZ, Szabolcs-Szatmár-Bereg and Hajdú-Bihar counties.

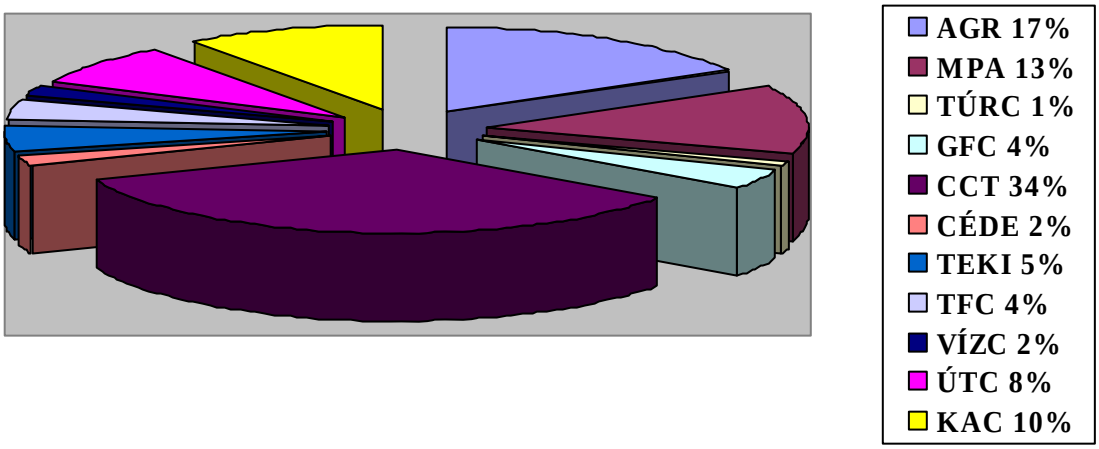
**Spatial Development Target Appropriation 1994-1997**

| Counties | Infrastructural investment | | Employment investment | | Total | |
|---|---|---|---|---|---|---|
| | Investment sum | Support sum | Investment sum | Support sum | Investment total | Support total |
| **Budapest** | 843 | 843 | - | - | 843 | 843 |
| **Baranya** | 3441 | 656 | 744 | 248 | 4185 | 904 |
| **Bács-Kiskun** | 1732 | 527 | 2697 | 451 | 4429 | 978 |
| **Békés** | 4176 | 1150 | 1832 | 469 | 6008 | 1619 |
| **Borsod-Abaúj-Zemplén** | 12270 | 3120 | 8442 | 1712 | 20712 | 4832 |
| **Csongrád** | 1287 | 370 | 2251 | 256 | 3538 | 626 |
| **Fejér** | 5135 | 435 | 3044 | 208 | 8180 | 643 |
| **Győr-Moson-Sopron** | 3433 | 220 | 1077 | 65 | 4511 | 286 |
| **Hajdú-Bihar** | 7034 | 1854 | 5076 | 561 | 12110 | 2415 |
| **Heves** | 2693 | 451 | 3038 | 511 | 5731 | 963 |
| **Jász-Nagykun-Szolnok** | 3995 | 1075 | 4109 | 448 | 8104 | 1523 |
| **Komárom-Esztergom** | 858 | 22 | 546 | 33 | 1405 | 257 |
| **Nógrád** | 3997 | 971 | 4712 | 831 | 8709 | 1802 |
| **Pest** | 716 | 204 | 3898 | 315 | 4614 | 519 |
| **Somogy** | 1947 | 487 | 630 | 128 | 2578 | 615 |
| **Szabolcs-Szatmár-Bereg** | 6208 | 1917 | 11526 | 2362 | 17734 | 4279 |
| **Tolna** | 1072 | 185 | 654 | 110 | 1727 | 295 |
| **Vas** | 1313 | 245 | 132 | 24 | 1445 | 270 |
| **Veszprém** | 1433 | 363 | 975 | 135 | 2408 | 498 |
| **Zala** | 1525 | 247 | 1207 | 192 | 2732 | 439 |
| **Country total** | **65109** | **15544** | **56593** | **9061** | **121702** | **24605** |

The first major change in the system of spontaneously evolving micro-regional associations of the early 90s was the introduction of Act XXI of 1996 on Spatial Development and Planning. The Act defined for the first time the concept of a micro-region based on the definition of the statistical-planning unit of the National Statistical Office. However, by creating the concept of spatial development associations of local governments (the voluntary partnership of several local governments) it legally only recognized the formation of micro-regional development associations among municipal governments. Nevertheless, “the law also made use of the con-

cept of official statistical sub-regions[2] [an administrative unit] and entitled the regional development associations of local government authorities from every statistical sub-region within a county to delegate a representative to the county's regional development councils" (Keune, 2001; 123). To serve this goal, the Act established ten systems of support to serve directly or indirectly the implementation of spatial development objectives. Their magnitude is demonstrated by the fact that in the period 1996-1998 the total allocation for spatial development was over 543 billion HUF. Direct decentralized financial instruments were the Targeted Provisions for Spatial Development (TFC in Hungarian), the Target-Oriented Decentralised Support (CÉDE in Hungarian) and the Support for Promoting Spatial Balance (TEKI in Hungarian). Since 1994 the extent of direct spatial development support at current price has more than tripled, it rose from HUF 6.5 billion in 1994 to almost HUF 20 billion in 1998. The representatives of spatial development associations of local governments had voting rights in the council that enabled them to participate in the definition of county level developmental priorities and in the distribution of decentralized funds (TEKI, TFC, CÉDE) through the assessment of project tenders.[3]

**Distribution of allocation of spatial development target-funds between 1996 and 1999**




[2] Keune uses the term *sub-region* instead of micro-region to describe the same analytical unit as the one in the focus of this research project. However, expert opinion in Hungary suggested the use of the term *micro-region* to describe the specific unit of a group of municipal settlements. According to them, the term *sub-region* rather denotes a general concept of all/any administrative unit below the regional level.

[3] Subsequent Parliamentary Decisions 30/1997 (IV. 18.), 82/1998 (XII.26.) and 24/2001 (IV. 20.) assigned the principles of distribution and defined tendering requirements and procedures. According to this, two types of spatial development resources had been designated: direct decentralized funds (TEKI, TFC, CÉDE) and indirect spatial development funds that were designed to support specific sectoral activities with spatial consequences. One of the central principles of this system of support was "coordinated resource allocation" that meant the application of the principle of additionality; i.e. a resource map could be constructed from the combination of several funds. The goal of the new spatial development system was still the balancing of spatial disparities, hence its principle that the essence of spatial development is to provide for disadvantaged settlements and areas. The Parliamentary Decisions also defined the list of disadvantaged areas that were privileged in accessing these funds; the basis of definition of backwardness and disadvantaged status was a system of indicators at the micro-regional level (!).

**Centralised and decentralised target funds 1996-2000**

| Support | 1996 | 1997 | 1998 | 1999 | 2000 | 1996-2000 total |
|---|---|---|---|---|---|---|
| **Targeted Provisions for Spatial Development (TFC in Hungarian)** | 7,5 | 9,1 | 6,1 | 11,2 | 7,6 | 46,6 |
| **Support for Promoting Spatial Balance (TEKI in Hungarian)** | 8,5 | 10,4 | 8,4 | 11,2 | 11,3 | 55,8 |
| **Target-oriented Decentralised Support (CÉDE)** | - | - | 3,9 | 8,6 | 9,1 | 21,6 |
| **Targeted and Earmarked Support (CCT in Hungarian)** | 76,7 | 70,6 | 90,0 | 39,6 | 83,7 | 360,6 |
| **Targeted Provisions for Economic Development (GFC in Hungarian)** | 5,2 | 7,1 | 3,9 | 13,2 | 12,4 | 41,8 |
| **Targeted Provisions for Tourism (TURC in Hungarian)** | 2,0 | 1,7 | 1,7 | 6,9 | 3,7 | 15,8 |
| **Labour Market Fund (MPA in Hungarian)** | 25,6 | 32,3 | 32,2 | 25,6 | 30,6 | 146,3 |
| **Agrarian Support (AGR in Hungarian)** | 33,0 | 35,1 | 59,0 | 27,1 | 35,4 | 189,6 |
| **Environmental Targeted Provisions (KAC in Hungarian)** | 8,1 | 19,8 | 24,2 | 24,0 | 31,3 | 107,4 |
| **Targeted Provisions for Road Maintenance and Construction (ÚTC)** | 12,5 | 24,8 | 23,6 | 13,8 | 13,7 | 88,5 |
| **Water Supply Targeted Provisions (VÍZC in Hungarian)** | 2,7 | 3,1 | 4,4 | 5,7 | 5,7 | 21,5 |
| ***Total*** | *186,8* | *217,4* | *260,0* | *186,9* | *244,5* | *1095,5* |
| **In % of GDP 1998** | 1,4 | 1,7 | 2,0 | 1,4 | 1,9 | 8,4 |

Billion HUF at 1998 prices

**The extent of decentralised support 1998 - 2001**

| | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|
| **Total decentralised allowance for the County Development Councils** | **20 007,2** | **23 322,0** | **24 448,3** | **23 608,0** |
| **Targeted Provisions for Spatial Development (TFC)** | 7 007,2 | 7 322,0 | 7 008,3 | 6 735,0 |
| **Support for Promoting Spatial Balance (TEKI)** | 9 000,0 | 10 000,0 | 10 900,0 | 10 573,0 |
| **Target-Oriented Decentralised Support (CÉDE)** | 4 000,0 | 6 000,0 | 6 540,0 | 6 300,0 |
| **Total decentralised allowance for the Regional Development Councils (TFC)** | **542,6** | **1 100,0** | **940** | **5 519,0** |
| ***Total decentralised resources*** | ***20 549,0*** | ***24 422,0*** | ***25 388,3*** | ***29 127,0*** |

The representational incentive to form cross-municipal associations for spatial development created by the act was further strengthened by the Act CXXXV of 1997 on the Association and Partnership of Local Governments, which established a legal typology of existing micro-regional associations of local governments. The classification of micro-regions however, in both acts was based on the definition of statistical-administrative micro-regional units of the National Statistical Office. This unit served the basis of allocating decentralized spatial development funds (TFC, TEKI, CÉDE) defined by the Act to county development councils for disadvantaged and backwards areas. The exact amount of funds to each developmental council depended on the number of disadvantaged statistical micro-regions in the county and the degree of their disadvantaged status. The statistical-administrative definition of micro-regions in the acts also entailed that exclusively local governments had the authority to participate in the decision-making body of the micro-regional developmental association, the council. Although Act CXXXV of 1997 leaves room for free association – ad hoc or permanent – of local governments with other types of legal bodies as well, in the decision-making body of developmental micro-regional associations (council) the Act did not allow either for consultative or voting rights of non-governmental actors. Moreover by providing the legal framework only of cross-municipal cooperation and neglecting associations based on wider inclusion of non-governmental actors, the acts contributed considerably to the overwhelming power of local governments and the weakening of local non-governmental actors in the field of spatial development.

One of the most significant consequences of the new regulatory framework was that it defined and compromised the concepts of micro-regions and micro-regional associations for the first time. Micro-regional associations that had existed irrespective of the statistical-administrative boundaries of NSO micro-regions and had been organized according to different organizational principles (as NGOs or as local governmental associations) to serve developmental needs of their regions, were “encouraged” to adopt the single organizational principle prescribed by the acts and the Parliamentary Decree to gain/maintain access to decentralized funds. By creating the concept of micro-region as a spatial developmental unit and ordering a prescribed institutional structure to it, the regulations of 1996-1997 created the micro-region as the basic unit of compensating territorial disparities. However, prescriptions on the institutional structure of spatial developmental associations and restrictions on their membership (only local governments) contributed to the evolution and transformation of micro-regional

associations into statistical-administrative-planning units with an overwhelming power of local governments in defining developmental priorities in micro-regions.

Prior to 1996 micro-regional actors bore roughly the same bargaining power since the associative organisations in the early 90s had been set up by them voluntarily reflecting their desires for mutual efficiency gains. In these associations actors – even local governments – had to share certain benefits with other participants in order to ensure cooperative outcomes. It is not that prior to 1996 there was an ideal balance of power between non-governmental and governmental actors. The micro-regional translation of the weak state-weak society trap of the early 1990s (Bruszt, NEWGOV, 2008) was that although both governmental and non-governmental actors were weak in terms of resources and mobilizational skills, local governments always served as engines of development activities. Local governments had sources of legitimacy through elections, they were to have a view on all local sectors and they could be expected to play a coordinating role (just like the central state in national socio-economic development) at the local/micro-regional level. From an institutional perspective local governments were at an advantage vis á vis non-governmental groups given permanent central state appropriation for local governmental operation. Nevertheless, before the 1996/1997 acts, the quasi-parameters of micro-regional developmental field regarding balances of power between governmental and non-governmental actors in localities/micro-regions were not recognizable (á la Greif-Laitlin); i.e. formal laws did not specify preferable organisational forms and logics or favoured groups within the sub-national development field. In other words, amidst the burning socio-economic problems of transition in the early 1990s, unbalances of power relations between non-governmental and governmental organisations were less visible/recognizable, which gave more room to flexible experimentation with institutional forms and content of association at the micro-regional level. After 1996 however local governments could easily by-pass non-governmental actors in micro-regions as formalized micro-regional institutions and the organizing principle of the developmental field did not require deliberative association of diverse actors and developmental principles.[4]

Subsequent modifications of these acts in 1999 and later in 2004 provided further alternatives for local governments and strengthened their power vis á vis non-governmental actors by ordering state funds for multi-purpose associations among local governments and automatically transferring the functions of the micro-regional developmental council to the multi-purpose association if the latter signed up for underrating spatial development tasks. Ultimately these modifications served the interests of the central state to have greater control over the distribution of funds below the county level. As first step, in the 1999 modification of the 1996 Act, the central state reduced the number of micro-regional representatives in county development

[4] The representatives of spatial development associations of local governments had voting rights in the council, this way could participate in the definition of county level developmental priority system and in the distribution of decentralized funds (TEKI, TFC, CÉDE) through the assessment of project tenders. The representational incentive to form cross-municipal associations for spatial development created by the act was further strengthened by the Act CXXXV of 1997 on the Association and Partnership of Local Governments, which established a legal typology of existing micro-regional associations of local governments. Similar to Act XXI of 1996, the Act CXXXV of 1997 further strengthened the statistical-planning organizing principle of a micro-regional association by defining the mechanisms and participating actors exclusively of local governmental cooperation within the associational council. According to this, the decision-making body of the micro-regional developmental association was the council, where only local governments could delegate representatives. Although Act CXXXV of 1997 leaves room for free association – ad hoc or permanent – of local governments with other types of legal bodies as well, in the decision-making body of developmental micro-regional associations (council) the Act did not allow either for consultative or voting rights of non-governmental actors.

councils, allowing the participation of one representative for three statistical-administrative micro-regions. At the same time the 1999 Act increased the number of central state representatives in county development councils putting them in majority vis a vis micro-regional and local actors. These representatives of sectoral ministries were also local people appointed to these deconcentrated central government positions through political networks. Thus, the over-politicization of micro-regional development policy had begun.

By the end of the decade, however, the existing micro-regional institutional system seemed unfeasible given the overwhelming presence of governmental and total absence of non-governmental actors in the representational (county development councils) and decision-making institutions (spatial development associations) of the micro-regional developmental field. In addition, the spatial development associations of local governments that had been established voluntarily under the incentive of the 1996/1997 Acts, did not cover the total territory of the country and in some cases membership in these associations overlapped. With approaching EU membership, where large sums of spatial developmental funds would be available not only for "disadvantaged" and "backwards" territories, this institutional model needed corrections. This paved the way for the establishment of an organization at the micro-regional level that is based on the partnership of diverse actors, whose organizing principles are more flexible than that of local governments' and that can act as the basic unit of planning and evaluation for micro-regional spatial development programmes in partnership with the local governmental associations and other local non-governmental actors (business associations, NGOs). With this goal, Act LXXV of 2004 modifying the Act of 1996 ordered the establishment of the micro-regional developmental councils in every statistical-planning micro-region, which were to integrate all local governments within the micro-region irrespective of their membership in existing voluntary spatial developmental associations of local governments as well as local non-governmental actors (chambers of commerce, interest associations, NGOs, etc). Micro-regional developmental councils were to function parallel to the spatial development associations of local governments and their role was to plan and coordinate the implementation of micro-regional developmental projects in partnership with the local governments, their associations, and non-governmental actors within the micro-region.

In order to provide a total coverage of micro-regional developmental associations across the country and to clear the "mess of diverse organizational forms" at the micro-regional level Act CVII of 2004 ordered the establishment of mandatory multi-purpose micro-regional associations. It was also believed to solve the traditional problem of the fragmentation of the Hungarian local government system that represented an obstacle to integrated development efforts.[5] In fact, the coming about of the system of mandatory multi-purpose association was framed in the discourse of the Europeanization of the Hungarian public administration system and the capacity building of administrative units to absorb EU moneys. To resolve the problem of fragmentation Government Decree 244/2003 (XII. 18.) established 168 – so called – "spatial developmental-statistical" micro-regions with the purpose of harmonizing spatial developmental and administrative-public service functions of the micro-regional level. This list of 168 micro-regions provided the basis for Government Decree 64/2004 (IV. 15.) to draw a list of preferential beneficiary micro-regions for national and EU spatial development funds. Act CVII of 2004 brought all these parallel processes together by making it mandatory to form multi-purpose micro-regional associations within the 168 spatial developmental – statistical micro-regional units. This was the final step in the creation of the concept of the micro-region as an administrative, a statistical-planning and as a spatial developmental category.

[5] There are over 3000 local municipalities in a small country like Hungary, whose tasks in providing public goods are numerous, while their resources are rather scarce.

The institutionalization of the micro-region as a multi-purpose unit however brought systems of spatial development and pubic administration together under one institutional umbrella that eventually contributed to the decrease of experimental institution-building and non-hierarchical relations within the micro-regional developmental field.

The regulations define micro-regions according to administrative-statistical principles that had been established by the NSO during the 1990s. As a result, micro-regional associations cannot reach beyond the borders of counties; and one municipality can belong to only one micro-region. The regulations prescribe limited ways to define micro-regional developmental priorities and means by offering unequal financial incentives to undertake different administrative tasks. The act ensured "normative state funds" (per capita central state funds) for undertaking three compulsory local government functions out of four: public education, health care, social care, spatial development. On the one hand, the legislation provided financial incentives for municipal governments to establish multi-purpose micro-regional associations either by transforming existing voluntary associations or creating new ones. On the other hand, it narrowed the way local actors could frame their associative relations by offering more substantial state funds for public service provisions adopted by the association than for spatial development functions. Since the legislation limited the membership of the multi-purpose association to local governments it was not surprising that in the majority of the cases multi-purpose micro-regional associations undertook public service provision tasks leaving spatial development priorities unattended or contracted this function out to a public benefit organization. The role and functions of the micro-regional developmental council –established in the earlier LXXV act of 2004 – was automatically transferred to the multi-purpose association if it signed up for undertaking spatial developmental functions. Although the regulations guaranteed non-governmental actors' consultative rights in meetings of the multi-purpose associations, in practice the transformation of the micro-regional developmental council into multi-purpose association meant a major loss for societal actors' participation in micro-regional developmental decision-making.

As a result of the financial incentive of "normative state funds" for the multi-purpose association by the end of 2004 44, 6% of micro-regions were (re)-organized according to the new category of a multi-purpose association (Juhász, 2004) and by the end of 2005 the whole territory of Hungary was covered by multi-purpose associations in each statistical-administrative micro-regional unit. Such overwhelming reorganization of the micro-regional field in practice meant that existing micro-regional associations – of the voluntary type from the early 90s and spatial development associations of local governments from 1996 – had to be reorganized according to the institutional logics of the multi-purpose association if they wanted to have access to central state funds. In some cases it meant that micro-regional associations of the 1990s transformed their institutional structure in a way that excluded non-governmental actors, non-voluntarily redefined their boundaries to exclude non-county settlements and adopted functions that received per capita state funds.

Summing up, consecutive national regulations in the second period of institutional evolution since 1996 have shaped the micro-regional development field in a way that "squared" the initial bottom-up associations of micro-regional actors in a way in at least five dimensions. Gradually, the regulations of 1996, 1997, 1999 and 2004 evolved first to provide prescriptions for, but later on to directly restrict the scope and mode of associations at the micro-regional level. Acts 1996 and 1997 provided prescriptions on legally acceptable organisational forms, the sectoral composition of associations, their territorial boundaries and decision-making mechanisms and thus indirectly influenced the types of organisational forms, participating members in the association, the territorial frames and decision-making modes of the associa-

tions. But acts in 2004 as well as the modification in 1999 was about the central state directly restricting the heterogeneity of organisational forms, the participating members of the associations and its territorial extension. They also prescribed particular decision-making mechanisms and orchestrated the definition of developmental functions through financial incentives of per capita state funds for particular developmental areas.

# III. Case studies

## III.1 The micro-region of Mórahalom/Homokhátság

The micro-region of Mórahalom/ Homokhátság offers the best case scenario of integrated and heterarchic micro-regional governance. The institutional pathway of its governance is provides an example for the way socially skilled entrepreneurs can find ways to create and maintain integrated and heterarchic forms of governance even in the face of external constraints challenging the endogenous system of governance.

### III.1.1 Organisational integration

In the area of Homokhátság (Sandy Ride) that includes mostly the current statistical-planning micro-region of Mórahalom, and partly of Szeged and of Kiskunhalas, the roots of developmental association could already be found in 1989 when local council presidents (mayors after the first democratic elections) initiated spontaneous informal discussions about local developmental needs and possibilities with a view to changing political trends. Following the first democratic elections in 1990 these discussions became regular meetings of democratically elected mayors'. The Mayors' Club incrementally evolved into a formal association as in 1994 local governments established the Homokhát Local Governments' Micro-Regional Spatial Developmental Association (*Homokháti Önkormányzatok Kistérségi Területfejlesztési Egyesület*). The Association functioned as a civil non-profit association whose membership included diverse inter- and intra-micro-regional actors: 12 local governments in the area, private persons, entrepreneurs, the Csongrád County Local Government, the Foundation for Entrepreneurial Development.

Prompted by the Act on Spatial Development and Planning in 1996 to acquire representation at county spatial development councils in order to access decentralized state funds, the same local governments established the Homokhát Local Governments' Micro-Regional Spatial Developmental Partnership (*Homokháti Önkormányzatok Kistérségi Területfejlesztési Társulása*), parallel to the civil association. This organization adopted the legally required organisational form of a "spatial developmental partnership". The civil association and the local governmental partnership from then on co-existed and coordinated their work to support together developmental activities in the area, to coordinate innovative investments too big for single local governments, and to manage socio-economic problems through non-profit projects.

In order to secure an extensive distribution of tasks and responsibilities in the planning and management of economic development in the area, local governments in cooperation with local businesses and non-profit actors established the Homokhát Eurointegration Micro-Regional and Economic Development Public Benefit Company (*Homokhát Eurointegráció Kistérség- és Gazdaságfejlesztési Szolgáltató Kht.)* in 1997. The capital stock of the public company was shared by the three sectors (local governmental, business and non-profit-non-governmental) in the ratio of 1/3. The public benefit company – since 2007 it is considered a non-profit Ltd. – is at the border of non-profit economic activities, functioning as a non-profit

organisation but conducting business activities whose profit is provided for public causes. The share of capital stock between the three sectors was the following:

**The share of capital stock**

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

In 2004 under the pressure for mandatory micro-regional institutionalization of the central state, two organisations were formally established: the Micro-regional Developmental Council (*Kistérség Fejlesztési Tanác*s) and the Homokhát Multi-Purpose Micro-Regional Partnership (*Homokháti Többcélú Kistérségi Társulás*), although in reality the Developmental Council did not function since the Association had already been presuming and undertaking the functions of cross-sectoral, horizontal policy-making.

A central feature of the institutional evolution of developmental ecology in the Mórahalom area is that the coming about of the mandatory multi-purpose partnership did not affect the existence of older organisational forms. Instead of melting the functions of existing organisations into the multi-purpose partnership, and hence terminating older organisations for the

sake of per capita state funds, the two mandatory organisational forms (the developmental council, the multi-purpose partnership) were integrated into an existing framework of local institutional ecology. The micro-regional institutional context that came about in this way could be viewed as a developmental coalition integrating three different institutional logics and organizational forms: a civil association, two local governmental partnerships and a public company owned by the three sectors. This developmental coalition comprises the Micro-Regional Developmental Agency, which is an informal institution of shared competencies and distributed forms of intelligence without a legal organisational form. This informal development coalition provides a system of checks and balances in developmental activity where the civil association is responsible for decisions on planning and strategy building; the local governmental partnership is responsible for the political representation of the micro-region's developmental interests and for the coordination of inter-municipal developments; and the public benefit company is responsible for the implementation of strategic programmes.

These organisations are "loosely coupled" within the coalition, which means that they have retained their institutional and functional independence that can multiply their resource mobilization. "Passage points" (Latour, 1988 in Grabher, 2006) and organisational interfaces are provided by local governments and some NGOs that have membership in more than one micro-regional developmental organisation. Additional interfaces are provided by the core team of three leaders of the three developmental organisations. The distribution of competencies and roles within the core team guarantees the integration of different sets of network ties and of different skills in the management of development ecology. The value of this is displayed by the ability of the core team to act as interpreters for the community that can translate the developmental framework context to "local vernacular" and can interpret local ideas by uploading them to higher level developmental frameworks at the county, the regional or at the national level. But the core team also translates horizontally between different sets of values at the micro-regional level; i.e. while juggling with diverse private interests; it manages to translate these individual perspectives into a common language, holding up common local interests and values. This is the reflection of the core team also serving as the basis of trust in the micro-region, which the three leaders have accumulated over the past 15 years. By providing a stable set of core relationships based on professional developmental values, the core team has provided durable forms of association and a permanent interpretative community in the micro-region of Mórahalom/Homokhátság.

### III.1.2 Functional integration

The integration of a diversity of developmental functions took place in synergy with the integration of diverse organisational forms and institutional logics. Functional diversification partly evolved driven by external incentives of the regulatory framework and partly by local needs to fill gaps in the local system of institutional logics. Examples of the externally driven adaptation of functions would be provided by the local governmental partnership (representational and financial incentive) and the multi-purpose association (financial incentive). On the other hand, an internally driven functional differentiation would be provided by the coming about of the public benefit company whose functional necessity was prompted by local governments' need to generate own resources for development projects.

Despite some functional overlaps between the civil association, the local governmental partnership and the public benefit company a functional division of labour characterized the integration of diverse functions: the association was responsible for the preparation and decision-making of development strategies, the task of the partnership was to provide political representation in external relations for the micro-region and its organisations, while the public

company was expected to provide leadership in the elaboration and implementation of development programmes. In addition, in this micro-region the functions of the mandatory multi-purpose association here were accommodated to the existing heterogeneous ecology of developmental functions rather than assuming a hierarchical (sub)-contracting of functions.

The integration of diverse functions took place through the concertation of diverse functional tasks. In this recombinatory "game" none of the functions, just like none of the organisations can assume a dominant role; rather they are organised into synergistic inter-dependent goals of the Micro-Regional Development Agency that provides a forum for horizontal functional concertation. The system is based on the constant recombination of overlapping and differentiated functions also provide interfaces for the integration of diverse functions.

### III.1.3 Inter-sectoral integration

The inclusion of actors representing a diversity of sectors was a gradual process and it took place in synergy with organisational and functional integration. In this vein, the initial homogeneous sectoral composition of the informal mayors' club diversified beyond local governmental actors with the coming about of the civil association in 1994. Besides "regular members" of the founder local governments the organisation included "supportive members" of private persons, NGOs and business organisations. Although both regular and supportive members had representative and accounting rights towards the management committee, in voting rights regular members (local governments) had the right to make binding decisions. The coming about of the public benefit company in 1997 served as remedy for a more balanced and integrated representation of diverse sectors in developmental decisions. The membership of the public benefit company included a variety of governmental, non-governmental, for-profit and non-profit actors: inter- and intra-micro-regional NGOs, enterprises, interest representative organisations (see list on page 24) whose share of stock in the company decided the share of their votes. The two organisations that retained a homogeneous composition in their membership have been the local governmental partnership (1996) and the multi-purpose local governmental partnership (2004). In these organisations local governments remained exclusive members, even though non-governmental actors are invited with consultative rights to the decision-making forum (the partnership council) of the multi-purpose local governmental partnership.

The dominance of local governmental representation in all the diverse organisational forms is clearly visible. Local governments are formal decision-making members of the civil association and even in the public company local governments altogether hold nearly 2/3 of the capital base, which gives them leverage in decision-making compared to all other owners. Nevertheless, indicative of the non-hierarchical nature of associative governance in the micro-region of Mórahalom/Homokhátság, the two local governmental associations are balanced by two inter-sectoral associations (civil association, public benefit company) and organized in a coalition that accommodates the values and interests of various actors representing different sectors. What is even more telling about non-hierarchical mechanisms in the micro-region of Mórahalom/Homokhátság is that while the two local governmental associations had been established under mandatory statutes (1996, 2004), both inter-sectoral associations had come about as a result of local initiatives. Similar local governmental partnerships were established in all micro-regions across the country, but their exclusionary sectoral membership was not balanced by inter-sectoral organisations at the initiative of local actors.

### III.1.4 Territorial integration

The territorial composition of the micro-region reflected diversity from the viereportoint of public administration but it had been based on an organic and traditional organisation of the area called Homokhátság (Sandy Ride). The area is located in the southern periphery of Hungary, west of the county seat of Szeged at the Yugoslav border. Settlements in the area share the same settlement structure of farm-houses in large distance from one another situated in a homogeneous geographical area of a plain with sandy soil. In addition, the area displays a homogeneous social and economic structure (agrarian with soil specific products) and a traditional identity related to specific social and economic activities of an area with large cross-settlement distances and unfavourable geographical and natural conditions. The settlements of this traditionally homogeneous area were organically connected to one another and had functional relations to the largest settlement, Mórahalom.

The statistical classification of Hungarian settlements of the National Statistical Office (1994) meted out settlements of the traditional Homokhátság into three statistical micro-regions: the micro-regions of Kiskunhalas, Mórahalom and Szeged. This classification was based on respecting county borders, which placed two settlements of the area into the micro-region of Kiskunhalas in Bács-Kiskun county leaving the rest in two micro-regions of Csongrád county. The 1996 Act on Spatial Development and Planning parcelled out the country into statistical micro-regions on the basis of this NSO classification system. As a result, from a public administration perspective the settlements of Kelebia and Balotaszállás were part of the micro-region of Kiskunhalas in the neighbouring county of Bács-Kiskun; settlements of Bordány, Domaszék, Forráskút, Üllés, Szatymaz, Zsombó and Röszke belonged to the neighbouring micro-region of Szeged within the same county of Csongrád.

The geographical and socio-economic homogeneity of the area of Homokhátság had synergistic effects on the coming about and integration of organisations, sectoral representatives and *locale* specific functional needs. In the case of the two local governmental partnerships restrictions on territorial extension (membership only within county) as defined by the regulations had synergistic effects on a lower degree of territorial integration. From the perspective of public administration settlement memberships of micro-regional organisations displayed “a mess”, cutting across county borders and statistical districts. The civil association, for example, was founded by 12 settlements from the Homokhátság (6 of the future Mórahalom micro-region and 6 of the future Szeged micro-region). 3 additional settlements of the area joined the Association in the following years: 1 settlement from the Szeged statistical micro-region in 1996 and 2 settlements from the neighbouring county joined the association in 1997. At this point, territorial integration was halted by the 15 local governmental and additional supportive non-governmental members of the area as they decided to limit local governmental membership to 15, this way drawing the boundaries of the fluid area of the micro-region of Homokhátság. The limited membership of the local governmental partnership also designated limited boundaries of the functional service area of the organisation and affected the territorial integrity of political interest representation of the area of Homokhátság at county development councils (as two of the settlements of Homokhátság could not be represented by the Homokhát Local Governments Spatial Development Partnership at the Csongrád County Development Council). The public company was initially established to cover the area of 11 settlements of the Homokhátság. Later 4 additional local governmental actors joined, which in this way respected again the traditional boundaries and territorial integrity of the Homokhátság.

The coming about of the mandatory multi-purpose local governmental partnership had the most fragmentative effect on territorial integration in the area: due to the definition of the na-

tional regulative framework, the functional service area of these mandatory associations had to stay within county borders and below a certain number in population, which limited the membership of settlements from the Homokhát area to 9. The associative nature of governance in the area however is displayed by the fact that despite the territorial fragmentation of the organic Homokhátság in the two main local governmental partnerships, the territorial integrity of bottom-up associations (the civil association and the public benefit company) remained unchanged throughout the years.

### III.1.5 Mode of association (decision-making)

In general, decision-making mechanisms reflect the dominance of local governments in all micro-regional associations. Naturally, in the two local governmental associations where membership is limited to local governments this dimension touches only upon the distribution of power between municipal governments. The population based qualified majority voting decision-making method in the multi-purpose association, for example, gives leverage to larger settlements in comparison with small and less populated villages. In the civil association, binding decisions can only be made by regular members that are exclusively local governments. Supportive members (diverse non-governmental actors) only have consultative rights although they have the right to hold the current president and the management committee accountable while exercising their representational rights towards these bodies.

In the public company, owners are entitled one vote after each 10.000 HUF of the capital stock they invested in the company. The biggest capital stock owners are the Csongrád County Chamber of Commerce, the Duna-Tisza Regional Development Co. and the Local Government of Mórahalom, each contributing with 320.000 HUF to the capital stock of the company. Nevertheless, on the whole it is local governments – each owning 120.000 HUF capital stock, plus Mórahalom holding 320.000 HUF – that have leverage in decision-making to non-governmental capital stock owners. A calculation of voting proportions indicates that non-governmental owners hold 5×12 votes (Csongrád County Local Government, Csongrád County Spatial Development Council, Csongrád County Agro Chamber, Progress Foundation for Enterprises Development, Mórahalom Regional Cooperative for Trading and Marketing) and 2×36 votes (Duna-Tisza Regional Development Co. and Csongrád County Chamber of Commerce), making a total of 132 votes for non-governmental actors in the public company. Local governmental actors, on the other hand, hold 1×36 votes (of Mórahalom) and 14× 12 votes (the rest of settlements), making a total of 204 votes for governmental actors.

Despite the dominance of local governments in decision-making within associations, the organization of developmental programming and the preparatory phase of decision-making are characterized by the distribution of information and knowledge. Without formal rules on cooperation, consensual decisions are sought through loose organisational and personal relations, such as daily informal contacts, barter agreements and targeted, scheduled preparatory meetings in programme planning. The annual 3-day weekends of local mayors are also part of this system of informal information and knowledge exchange. The distribution of intelligence and consensus-based decision-making on developmental matters is displayed by scheduled planning procedures. In this preparatory phase of decision-making the association holds regular forums for the population at each settlement and organizes workshops targeting NGOs for generating developmental ideas. The results of these forums and workshops are assessed in a SWOT analysis by a core developmental team of the 3 leaders of micro-regional associations. The core team constantly translates local developmental needs into the language of the wider developmental framework and *vice versa* and concerts three major developmental logics of their respective sectors (governmental, non-governmental and for-profit).

### III.2 The micro-region of Sellye/Ormánság

The micro-region of Sellye/ Ormánság offers an example of the way more or less integrated and heterarchic modes of micro-regional governance having emerged organically in the early 90s can fall apart in the face of external constraints. By the 2000s the institutional pathway of its governance had arrived to a fragmented but even more hierarchical mode of developmental policy coordination. In the absence of socially skilled entrepreneurs to maintain frames for an integrated and heterarchic vision of developmental governance exogenous rearrangements in power relations generated a hierarchical, monosectoral representation scheme in its governance.

#### III.2.1 Organisational integration

The Ormánság is a marshy region that is an important drainage for the Dráva river. The early inhabitants of this boggy terrain could only build their homes on the mounds of earth that rose above the swampy land. In Hungarian these mounds are called "ormák". Since there are quite a few villages in this area built on these mounds, the entire region got the name Ormánság. Ormánság is a small but historically significant part of Hungary. This area is very well-known for its natural beauty, architecture and ethnographical values. In this area, there are 47 small municipalities, with approximately 18 000 Hungarian, Croatian and Roma people. This area is socially cut from the other parts of the country, its economic development was not so fast as elsewhere. It has a rapidly aging population and the unemployment rate is over the country average in some place even reaching 34 - 36 %. After the change of the regime, industrial, agricultural capacities of the area were severely damaged.

This organic socio-cultural, environmental and economic functional integrity of the Ormánság was broken by the introduction of the concept of statistical-administrative micro-regions. The first developmental associations in the area, dating back to 1990, covered the entire organic region of the Ormánság. Currently, the area of Ormánság is divided between the statistical-administrative micro-region of Sellye and settlements in the western corner of the neighbouring statistical micro-region of Siklós as well as the most-eastern corner of the Barcs micro-region. In comparison to the case of Mórahalom/Homokhátság, the fragmentation of the organic micro-regional institutional system of the Ormánság of the early 90s can also be observed in the regression of institutional diversity and integration by the 2000s.

In the area of Ormánság the first developmental associations were established by two non-local social entrepreneurs to bring local developmental know-how for the communities of the Ormánság in the early 1990s. Both social entrepreneurs were experienced experts of alternative self-sustaining development strategies in rural development. Despite the peripheral location of the Ormánság, both social entrepreneurs arrived to the area from urban centres, respectively from Budapest and from the county-seat, Pécs. The Ormánság Foundation (*Ormánság Alapítvány*) was established in 1990 by the social entrepreneur from Pécs. The organisation was to provide know how for the sustainable economic development of this disadvantaged area whose unique environmental and socio-cultural heritage had been neglected and – according to some – deliberately destroyed during state socialism. The Foundation has gathered young, educated people from the area working on alternative rural development methodologies and technologies in addition to trainings in local human resource development in cooperation with local schools.

Similar rural developmental orientation characterized the Small Bench Foundation (*Kispad Alapítvány*) that was established in 1992 by an (ex)-employee of the Ministry of Environmental and Regional Policy to promote rural development through the (re)-organisation of local communities and associations and the provision of methodologies in trainings of human

resource development. Similar to the Ormánság Foundation, the Small Bench Foundation (SBF) also served as an intellectual workshop on alternative rural development strategies. The president of SBF had been working on associative spatial development strategies in the ministry for years before settling down in the region. The developmental vision represented by SBF and the know-how it intended to introduce were based on the president's international experience in complex and associative sustainable development strategies (ÖAR/MVA project, Schumacher College, UK). Her previous job in the ministry had also provided her with the knowledge and network of rural-spatial development experts in Hungary, hence the close cooperation of SBF with the local branch of the national Association of Village Development, especially since 1998 to manage the village warden service in Baranya county. In 1998 SBF formalized its cooperation with the Baranya County Village Warden Service Association (*Baranya megyei Falugondnokok Egyesülete*) and until 2003 it participated in the organisation of the programmes of the Baranya County Village Warden Service Association financed by the Ministry of Social Affairs. The foundation has been responsible for the training of supervisors of village wardens.

The Ormánság Foundation played an important role in the coming about of the Ormánság Development Association (*Ormánságfejlesztő Társulás Egyesület*) in 1994. The establishment of the Association was based on the logics of an encompassing; bottom-up cooperation of diverse local actors. The association incorporated 52 settlements of the traditional Ormánság region, several NGOs, private persons and entrepreneurs in the area. Between 1994 and 1999/2000 the association functioned as the main engine of developmental activities with the leadership of the mayor of Sellye (the only town in Ormánság).

Upon the incentives provided by the Act on Spatial Development and Planning in 1996 the Ormánság Local Governments' Spatial Developmental Partnership (*Ormánság Területfejlesztési Önkormányzati Társulás*) was founded in 1997 by the same local governments that had been founding members of the Ormánság Development Association in 1994. The civil association and the local governmental partnership from then on co-existed in the Ormánság coordinating their work in synergies on innovative investments too big for single local governments, managing socio-economic problems through non-profit projects.

The Drávazúg Association (*Drávazúg Társulás Egyesület*) was established in 1999 by 6 local governments on the northern side of the river Dráva within the Ormánság at the initiative of the Ormánság Foundation, and the Small Bench Foundation, in loosely coupled partnership with the National Park of Duna-Dráva, Roma and Croatian minority governments under the incentive of the rural development strategy of the SAPARD pre-accession programme in Hungary. Originally, the goal was to establish close cooperation between the Ormánság Development Association and the Drávazúg Association, which was eventually inhibited by diverging developmental goals. Nevertheless, the coming about of the Drávazúg Association served as an important financial resource for member settlements and partners, given the annually fixed amount of central funds provided by the Ministry of Agrarian and Rural Development between 1999 and 2004 for those micro-regions that prepared a SAPARD programme and employed a rural development manager. In the absence of these resources by the beginning of the 2000's the association was terminated in 2005. The pressure for mandatory micro-regional institutionalization of the central state two new micro-regional associations evolved in the fragmented territory of the Ormánság, that since 2004 has been called the statistical-administrative-planning micro-region of Sellye: the Micro-regional Developmental Council (*Kistérség Fejlesztési Tanác*s) and the Sellye Multi-Purpose Micro-Regional Partnership (*Sellyei Többcélú Kistérségi Társulás*).

In the Ormánság/Sellye micro-region two main streams of transformations can be observed in the organisational ecology. On the one hand, organisational diversity has become reduced and on the other hand, the loosely coupled development associations of the early 1990s have disintegrated. These processes were related to an evolving logic of fragmentation in inter-organisational and inter-personal ties, displayed by the coming about of different sets of one-to-one associations between two organisations that were not organized into a development coalition with distributed forms of intelligence.[6] One of such loosely coupled associations existed between the Ormánság Foundation and the Ormánság Development Association in the early 1990s. It could be described as an informal development coalition of two independent organisations providing the only source of resource mobilization in the area until 1996. Resource mobilization was based on an informal distribution of intelligence between the two organisations, where the OF supplied practical experimentational knowledge of alternative agricultural activities, while ODA provided strategies and political representation through its local governmental members. The disintegration of their informal coalition towards the end of the decade over disagreement in developmental goals was an important step in the fragmentation of the developmental field of the micro-region.

Similar loosely coupled but more unstable – project-based – association existed between the Ormánság Foundation and the Drávazúg Association. The president of the Ormánság Foundation had a paramount role in the coming about of the Drávazúg Association that had been established for the preparation and implementation of the SAPARD programme of the micro-region. The association disintegrated as soon as SAPARD resources were not available any more. The third loosely coupled association existed between the Ormánság Development Association and the Ormánság Local Governmental Partnership from 1997 until 2007, which could also be regarded as a stable informal development coalition of two independent organisations. Similar to the coalition of the ODA and OF, this association was also based on a distribution of intelligence: the local governmental partnership responsible for the political representation of the area at the county development councils and for the mobilization of decentralized state funds; ODA responsible for the coordination of development activities, for mobilization of non-governmental relations and for preparation of micro-regional development programme. Interfaces were provided by cross-organisational membership of local governments and the sharing of the executive unit and office space.

In addition to inter-organisational ties, informal interpersonal relations also played an important role in the shaping of qualities of associative governance. The inter-personal ties of the three social entrepreneurs (leaders of SBF, OF and ODA), unlike in Mórahalom/Homokhátság, were never organized into a rotating leadership of a core team but rather remained on a one-to-one level with the president of the Ormánság Foundation serving as central nod among the three associations. Eventually, the president of SBF remained at the peripheries of inter-personal and organisational relations, excluded from micro-regional developmental decisions. The absence of an association of diverse sets of intelligence of the three social entrepreneurs into a core team (as in Mórahalom/Homokhátság) resulted in the lack of a shared developmental frame and the fragmentation of associative ties. Fragmented inter-personal ties provided sources of instability that inhibited the coming about of an informal development coalition among diverse organisations and the mobilization of endogenous resources. The instability of inter-personal ties was even more acute as the only source of inter-organisational interface was provided by the three leaders and a few private persons par-

[6] See the example of distributed intelligence in an informal coalition in Mórahalom/Homokhátság: sharing and distributing competencies, skills and information as between the local governmental partnership, the civil association, the non-profit company and since 2004 the multi-purpose association

ticipating the management of the organisations. Unlike in the case of Mórahalom/Homokhátság where local governments, several NGOs, businesses and private persons held membership in diverse organisations, thus providing an embeddedness of associative relations in the community; in Sellye/Ormánság cross-organisational memberships existed sporadically for some local governments.

The instability of inter-personal ties the leaders' inability to create a developmental frame embedded in local communities could be seen in the fact that soon after the coming about of the prescribed local governmental partnership the informal coalition of OF and ODA dissolved without the integration of the local governmental partnership in the existing coalition. The source of fragmentation was an inability to accommodate diverse developmental visions of the ODA, the OF and the local governmental partnership leading to a dispute between ODA and OF over developmental priorities. For comparison: in Mórahalom/Homokhátság the core team of the three leaders manages the reconciliation and accommodation of conflicting developmental logics.

The "new coalition" of the ODA and the local governmental partnership segregating OF and SBF, functioned until 2007. Upon the coming about of the Sellye Micro-Regional Multi-Purpose Association in 2004, the functions of the local governmental partnership were transposed to the Multi-Purpose Association and in 2007 the organisation was terminated. Following this yet again a new coalition emerged between the ODA and the Multi-Purpose Association. This type of association however, was different from the previous ODA-LGP coalition in terms of hierarchical relations between the two organisations. The former ODA-LGP coalition was horizontally organized between two independent organisations through a stable and informal association and a horizontal distribution of intelligence between them. On the other hand, the coalition of the ODA and the MPA is organized through an unstable project-based association of a hierarchical distribution of intelligence and authority. In this coalition, cross-organisational passage points are provided by local governments that are members to both organisations. Since, unlike in the case of the civil association in Mórahalom/Homokhátság, the membership of ODA does not include non-local governmental members any more, the organisation is vulnerable to the decisions of local governments that see the financial stability of the Multi-Purpose Association (standard state funds) more "useful" to the resource mobilization strategy of the ODA. This creates hierarchies between the organisational forms where although formally ODA can retain its independent organisational status, in practice the uneven distribution of authority leads to the loss of the institutional logics of the Association. Reduced to the status of the "NGO-right-hand" of the of the MPA – hinders capacities of ODA to mobilize endogenous resources.

### III.2.2 Functional integration

The most important feature of functional integration in the Ormánság/Sellye micro-region is that despite the coexistence of three organisations in the micro-region with a shared developmental vision in sustainable rural developmental strategies and without conflicting overlaps between their functions, a stable association of these functions – and organisations – with a distribution of intelligence (individual organisations handling specific functions or sub-functions of a sustainable rural development strategy in a concerted manner) did never emerge. The lack of such concerted combination of functions of the same theme is an important indicator of the absence of a common frame in the developmental field of the micro-region.

The Ormánság Foundation focused on alternative sustainable economic development strategies based on organic farming, technologies and micro-enterprises. The practical dimension

of its functional strategies was to organize trainings and consultancy for local governments, entrepreneurs and private farmers on complex sustainable development strategies. The functional orientation of the OF has remained the same since the establishment of the organisation in 1990; while the president of the Foundation had used several different means to implement the developmental priorities of the organisations. The coalition with the ODA and later on the project-based association with the Drávazúg Association served these ends.

The initial goals of the Small Bench Foundation were to promote complex rural development in the area of the Ormánság. The segregation of the SBF at the organisational and personal levels from the development field prompted the broadening of its functions. Since 1998 the organisation has functioned as the organiser and manager of the village warden service in the county of Baranya. However, unlike its sister organisation in the county of Zala, the Association for the Villages of Zala County, SBF has not managed to act as an umbrella organisation for NGOs and developmental associations in and outside the micro-region in synergies with its functions of the village warden service. The inability of SBF to organize diversity as an umbrella organisation resulted in that the organisation has mostly given up functioning as a supplier of development strategies for the Ormánság/Sellye micro-region.

Similar to the previous organisations, the Ormánság Development Association initially concentrated on sustainable development strategies for the rural communities of the Ormánság/Sellye micro-region. It was the central nod of these activities as it also functioned as the coordinator of inter-sectoral development projects, the mobilization of NGOs and nature protection through sustainable, small-scale farming. Its informal coalition with the OF was based on these common functional themes. The organisation retained its functional orientation even in its coalition with the local governmental partnership, while it also began to coordinate the basic infrastructure development functions of the LGP.

The Ormánság Spatial Developmental Local Government Partnership came about to serve the single function of providing channels for accessing decentralized state funds at the county development council and to provide political representation of the micro-region in the council. In the distribution of functions between the LGP and the ODA the former put more emphasis on basic infrastructure development logics of local governments.

The Drávazúg Association was a short-lived attempt of the Ormánság Foundation to implement its sustainable rural development strategy through in the framework of an EU programme. The Association was established to function as the managing and implementing organisation of the SAPARD programme of the micro-region. Upon the failure of the SAPARD application of the micro-region, the functions of the organisation were not transformed, instead the organisation was terminated.

The coming about of the Sellye Micro-Regional Multi-Purpose Association in 2004 caused major recombinations of functions in the developmental ecology. Pushed by the logics of the institutional framework, the new organisational form was “to voluntarily overtake” functions of local governmental public service provision in social care and educational services, communal transport services, environmental protection and spatial development. These functions more or less provided overlaps with the functions of the LGP. Unlike in Mórahalom/Homokhátság, in the micro-region of Sellye/Ormánság a system of shared responsibilities between the two local governmental organisations did not take place; rather the functions of the multi-purpose associations emptied out the local governmental partnership as an organisation. The multi-purpose association also affected the functions of the ODA that has been reduced to the role of the “necessary NGO partner” of the multi-purpose association. In reminiscence ODA retained its functional orientation towards encompassing sustainable de-

velopment but in the absence of endogenous and exogenous resources it has shifted to assisting local NGOs in project preparation and implementation. The uneven distribution of authority in the institutional context of the multi-purpose association – through the power of per capita state funds – generates the dominance of the multi-purpose association in defining developmental priorities alone in the micro-region. Hence, instead of a concertation of functions, as in Mórahalom/Homokhátság, developmental functions are orchestrated by a single organisation of the multi-purpose association.

The functional integration of the ODA and the LGP was the only example of horizontal concertation of developmental goals. Similar to the case of the coalition between the civil association and the LGP in the micro-region of Mórahalom, both organisations retained their organisational status and functional independence in the informal coalition, while distributed and shared functions in concertation to promote micro-regional development. This included a distribution of competencies where the LGP functioned as the external resource mobilization channel of ODA and as the interest representative body of the area in the county development council. ODA, on the other hand, functioned as the channel for endogenous mobilization of resources for projects financed by these decentralized state funds. This horizontal functional integration was broken by the restrictions and hierarchical relations of the multi-purpose association after 2004.

### III.2.3 Inter-sectoral integration

The sectoral diversity that characterized the organisational ecology of the development field in the Ormánság/Sellye micro-region at the initial phase gradually narrowed down to a single dominant actor that were local governments. Between 1994 and 2007 the two most important associative organisations (ODA, LGP) had encompassing memberships with local governments, private persons, businesses and NGOs. In addition, the two foundations (SBF, OF) and the local governmental organisation of the Drávazúg Association all had extensive multi-sectoral partnerships with public institutions, NGOs, local governments, minority self-governments, private persons and businesses. In this period, the LGP represented the only monosectoral, local governmental association.

The relative associativity of a variety of actors in the initial period in Sellye/Ormánság was related to the functional integration of a shared vision of encompassing, sustainable development by the three organisations of the period (OF, SBF, ODA). Despite the existence of a shared developmental vision, the three organisations were not associated into a coalition that resulted in the loss of considerable know-how of sectoral specifications and the fragmentation of development efforts. Nevertheless, in the initial period (1994-2000s) ODA managed to integrate a considerable amount (100) of members representing diverse sectors: local governments, NGOs, private persons and businesses. In the same period, although their organisational form does not provide space for memberships of various sectors, the two foundations were also important organizers of inter-sectoral networks of partners with local governments, public institutions in the area (school), the Reformist Church, NGOs. These partnerships often extended beyond the boundaries of the micro-region or the Ormánság, especially in the case of the SBF that was responsible for the village warden service in the whole county of Baranya.

The most telling example of the “monosectoralization” of the micro-regional field is that the general assemblies of the ODA at the initial phase (1994) involved approximately 100 members: 52 local governments, 10 organisations and 43 private persons. In 2007 the general assemblies of the ODA involved a largely reduced number, approximately 30-40 members that comprised the 35 local governments of the Sellye micro-region and a few private persons.

The recombination of the composition of membership in the ODA by the end of the decade meant that the civil association has turned into a monosectoral "club". The "winners" of this recombination were local governments and the "losers" of the game were NGOs and local SMEs, entrepreneurs whose representation of "public good" had become marginalized in the absence of their membership. The monosectoralization of the civil association induced fragmentation of functional integration that can be seen in the reduced role of ODA as consult to NGOs and acting as the "necessary NGO partner" of the MPA. By 2007, the only remaining organisations in the micro-region, the MPA and the ODA, had monosectoral representations of the same 35 local governments of the statistical-administrative micro-region.

### III.2.4 Territorial integration

In terms of territorial re-scaling, an important feature of territorial integration is that it was mainly generated by religious affiliation of the population with the Reformist Church in an overwhelmingly Roman Catholic county. The dominant rural character of small settlements and towns and specific forms of farming based on the protected flora of the area and the characteristics of the river Dráva crossing the region also played an important role in the organic integration of the area.

This homogeneous area organically provided the basis of the functional service of most of the organisations before 2004. In the initial phase all three organisations (OF, SBF, ODA) functioned over the historic region of Ormánság, that includs 52 settlements. Towards the end of the decade a variety of territorial scales could be identified related to the various organisation. The OF, ODA and the LGP continued to function over the territory of the Ormánság; while the SBF covered the whole county and the Drávazúg Association operated in a smaller area of six villages located within the historic region of Ormánság that in a sense represented territorial fragmentation. Although the spatial boundaries of the historic region of Ormánság were officially recomposed in 1997 following the regulative definition of statistical micro-regions, when 17 settlements of the Ormánság were assigned to the new neighbouring statistical micro-region, its territorial integrity was maintained through the 1996 Act allowing municipalities' membership in multiple developmental associations.

In 2004 the new statistical-administrative unit that came about respected the territorial scale established in 1997. The micro-region of Sellye that was formally established included 3/4 of the original territory of the Ormánság. The rest was assigned to the neighbouring statistical-administrative district of Siklós. At the same time, the 2004 Act on multi-purpose associations restricted municipalities to have single membership in developmental associations, it provided the possibility for settlements to request their re-placement to another (neighbouring) micro-region within 6 months after local elections. Hence, in 2005 five villages out of the seventeen requested their re-placement from the Siklós micro-region to the micro-region of Sellye, on the basis of organic historical ties to the region of Ormánság. Therefore since 2005 the boundaries of the Sellye micro-region extend to 35 settlements out of the original 52 municipalities in the territory of the historic region of Ormánság. Despite this development, in the absence of inter-micro-regional cooperation between the micro-region of Sellye and Siklós, territorial integration of the organic territory of Ormánság cannot take place.[7]

[7] The Leader+ programme could have provided the integration of the two micro-regions but there is no such LAG among the Hungarian Leader groups in 2008.

### III.2.5 Mode of association (decision-making)

Parallel to the fragmentation of sectoral and organisational integration there has been a shift from consensus-oriented decision-making mechanisms to accommodate heterogeneous sectoral interests of the initial period, to decision-making patterns dominated by the single sector of local governments that did not distribute intelligence among diverse actors. Despite a degree of inter-personal and organisational fragmentation in the early years the process of planning – even in ad hoc, project-based associations – was mostly consensual among various types of actors. Although local governments – like in all other micro-regions – were the engines of development, in decision-making and in planning mechanisms they relied on distributed forms of intelligence; i.e. involved non-governmental actors in the process not only formally. The decision-making forum of the ODA for instance was the general assembly where besides 52 local governments, approximately the same number of non-governmental actors participated in making binding decisions with regard to development programmes and projects. Between 1997 and 2004 in the coalition of the ODA with the LGP, decisions were made in a combination of the general assembly of the ODA and the partnership council of the LGP (with qualified majority voting). The combination of the two decision-making mechanisms were used to serve a balance between the endogenous resource mobilization competencies of the ODA and the exogenous resource mobilization competencies of the LGP.

The institutional logics of the MPA however provided local governments with uneven financial resources and hence a dominant position to make binding decisions without being held accountable by non-governmental actors. Despite the fact that the LXXV Act of 2004 establishes the mandatory micro-regional development council where non-governmental actors from the micro-region have voting rights and entitles it with co-decisional power to the associative council of the MPA, the MPA – by the power of regulations – can take over the functions of the development council if member municipalities agree. In many micro-regions this resulted in the transposition of the functions of the development council to the associational council in order to avoid organisational redundancies. This however provides leeway for local governments to assemble the developmental council sporadically and use the associative council as the main forum of decision-making. In the associative council, non-governmental actors are invited with consultative rights only. In the micro-region of Sellye by 2007 the MPA had gained exclusive decision-making authority this way. The disintegration of previous consensual decision-making patterns and the fragmentation of micro-regional institutions is displayed by the current system whereby local governments do not communicate with non-governmental actors at all, and consultation procedures have become formalistic where local governments have the institutional means to neglect non-governmental actors.

## III.3 The micro-region of Encs/Abaúj-Hegyköz

The micro-region of Encs/ Abaúj-Hegyköz offers another example of the way more or less integrated and heterarchic modes of micro-regional governance having emerged organically in the early 90s can fall apart in the face of external constraints. By the 2000s the institutional pathway of its governance had become hierarchical but even more fragmented, which is illustrated by the disintegration of the once organically united micro-region into two separate statistical districts (Encs and Abaúj-Hegyköz). Similar to the case of Sellye, in the absence of socially skilled entrepreneurs to maintain frames for an integrated and heterarchic vision of developmental governance exogenous rearrangements in power relations generated a hierarchical, monosectoral representation scheme in its governance.

### III.3.1 Organisational integration

It was in this area of the extended neighbourhood of the current micro-regions of Encs and Abaúj-Hegyköz where the first encompassing cross-settlement associations in post-communist Hungary emerged. The Cserehát Alliance and the Abaúj Alliance were the first attempts of local actors in the country to unveil strategies to tackle the local effects of the socio-economic crisis of transition. Over the Cserehát Alliance has become more famous across the country given the combinatory skills of the social entrepreneur who has contributed not only to the dissemination of bottom-up, encompassing developmental strategies across the country but also to the conceptualization of micro-regional development in Hungary.

The Cserehát Settlement Alliance was initiated to support the rise of the highly disadvantaged north-eastern region through encompassing partnerships of different groups of local actors. The service area of the Cserehát Alliance covered the larger territory of several of the neighbouring "districts", including the area of the current micro-regions of Encs and Abaúj-Hegyköz. In this extended neighbourhood, the Cserehát Alliance functioned as a regional umbrella organisation that not only helped in the coming about other regional and micro-regional developmental organizations but also participated as a partner organisation in many of their projects. This was the case with the informal association of different local actors that evolved in the Abaúj part of the Cserehát region. The Abaúj Alliance for Regional Development was established in 1989 as an informal association of private persons, local governments, businesses, cooperatives and local public institutes in the area of 52 municipalities within the Cserehát region. The Abaúj Alliance later on played an important role in the coming about of the Abaúj Foundation for Regional Economic and Enterprise Development in 1996. The Foundation was established by NGOs, companies and cooperatives in the banking sector over the territory of 78 municipalities to provide services of spatial development know-how for local actors. There was a division of labour between the two organisations: the Abaúj Alliance focused on issues concerning the general spatial development of the area, the Foundation provided business consultancy and micro-credits for local entrepreneurs.

The Abaúj Alliance, in informal partnership with the Cserehát Alliance, played an important role in the establishment of the Abaúj Spatial Development Alliance of Local Governments in 1997. The new organisation associated 56 local governments and their settlements that comprised the statistical micro-region of Encs as defined by the 1996 Act on Spatial Development. This statistical micro-region of Encs included those 24 settlements that in 2004 separated from the Encs micro-region to establish a new statistical-administrative unit of the Abaúj-Hegyköz micro-region.

In 1998 13 local governments, local entrepreneurs and NGOs in the north-eastern corner of the statistical micro-region of Encs established the Gergelyhegy Settlement Alliance with the goal to represent this group of settlements in SAPARD development tenders at the micro-regional level. The organizing principle of its coming about was a geographical, demographical and ecological differentiation of this area from the other side of the river Hernád where the rest of the settlements of the micro-region of Encs were located. Between 1998 and 2004 the two alliances coexisted in the same micro-region of Encs (of 56 municipalities) with a formal agreement of cooperation in information and knowledge exchange and in tendering. The relationship between the two organizations was based on mutual support and the distribution of competencies: the Abaúj Local Governmental Alliance was responsible for the whole micro-region while the Gergelyhegy Alliance was to implement projects specific to that area.

The institutional framework of the 2004 Act on multi-purpose association induced major transformation of organisational diversity in the statistical micro-region of Encs. Just like in

all other statistical-administrative units (established by 244/2003 govt. decree) in the country, the mandatory organisation of the Encs Multi-Purpose Micro-Regional Association was established including 56 local governments of the micro-region of Encs. The institutional framework provided member local governments with the possibility of reviewing their membership within 6 months after local elections. On the basis of the provisions of the Act, the 13 local governments that had been members of the Gergelyhegy Alliance requested their separation from the micro-region of Encs to establish – with the association of 11 other settlements from another neighbouring micro-region – the new statistical-administrative unit of the micro-region of Abaúj-Hegyköz. Hence, since 2005 the MPA of the Encs micro-region comprises 35 local governments; while the MPA of the neighbouring micro-region of Abaúj-Hegyköz associates 24 local municipalities.

The institutional logics and organisational forms of existing organisations in the territory of the micro-region of Encs remained intact, both the Abaúj Foundation and the Abaúj Local Governmental Alliance continued functioning in their respective domains on a smaller functional service area that only included the new territory of the micro-region of Encs. On the other hand, in the territory of the new micro-region of Abaúj-Hegyköz the institutional logics of the existing organisation of the Gergelyhegy Alliance was reorganized by local actors upon indirect incentives provided by the institutional context of multi-purpose associations. First of all, the additional 11 local governments whose assistance the original 13 members of the Alliance used to establish the new micro-regional unit became members of the Alliance. This way, the membership of both organisations in the new micro-region covered the same area of 24 local governments. This provided the possibility for the MPA to make a formal contract of agreement with the Alliance about undertaking the spatial developmental functions of the MPA. In return, the Alliance received the sum of standards state funds that the MPA was granted for voluntarily undertaking this function. This, however, induced major changes in the institutional logics of the organisation: in order to secure the local governmental management of standard state funds, local governmental members – now in absolute majority in the assembly of the Alliance – formally excluded non-governmental actors from the organisation. Hence, the organisation of the Gergelyhegy Settlement Alliance since 2005/6 has been functioning as an exclusively local governmental association, whose institutional logic though is different from the MPA, its new public utility (közhasznúvá válás) function controlled by the same local governments makes it similar to the MPA

Summing up, the organisational diversity of the original micro-region of Encs has gone through considerable changes over the decade. From an initial incremental broadening of organisational diversity until 1998/2000, since 2004 an abrupt fragmentation of organisational diversity can be observed related to the territorial disintegration of the original micro-region of Encs. The fragmentation of organisational diversity and territorial disintegration further induced changes in the institutional logics of the organisation of the Gergelyhegy Alliance, which then reshaped sectoral and functional diversities in the developmental field of the Abaúj-Hegyköz micro-region.

In terms of the qualities of integration of these organisations, the Cserehát Alliance as an umbrella organisation for all developmental organisations in the region had informal and project-based ties to all organisations in the region. It was in this loosely coupled, informal partnership with the Abaúj Alliance for Regional Development that the Cserehát Alliance contributed to the coming about of the Abaúj Foundation for Regional Economic and Enterprise Development. Covering a larger territory of 78 settlements than the Abaúj Alliance, the Foundation entered into a loosely coupled partnership with the Alliance to support the general spatial developmental functions of the Alliance with business consultancy and micro-credit servicing

for local entrepreneurs in the area. This partnership with a loose division of labour was based on an encompassing association of diverse actors from the governmental, the NGO and business sectors.

With the goal to access decentralized state funds and to participate in their distribution through the definition of development priorities, the Abaúj Alliance encouraged the coming about of an organisation that in partnership with the Foundation could serve the spatial development goals of the newly defined statistical micro-region of Encs over 56 settlements. The new organisation, the Abaúj Local Governmental Alliance was an LGP whose 56 member municipalities had several overlapping memberships in the Abaúj Alliance, the Cserehát Alliance and the Abaúj Foundation. In the case of the Abaúj Local Governmental Alliance these passage points of cross-organisational membership were provided by local governments but such passage points also existed between the Cserehát and the Abaúj Alliances or between the Abaúj Foundation. In these cases, the cross-organisational membership of private persons, cooperatives and NGOs in the three organisations meant less formal ties than local governments; nevertheless the strength of such weak ties provided deep-cutting social embeddedness of these organisations.

Another source of informal coalition-building was functional integration of two organisational profiles in order to generate developmental synergies. This kind of developmental coalition came about between the Abaúj Local Governmental Alliance and the Abaúj Foundation in the form of the informal partnership called the Abaúj Development Center. The Abaúj Development Centre describes a functional institution of shared competencies and distributed forms of intelligence without a legal organisational form. In this informal development coalition the Foundation and the Local Governmental Alliance shared the executive organisational unit as well as office space, which provided ample occasions for informal knowledge and information exchange that provided the basis for a distribution of intelligence within the coalition. The fact that both organisations retained their independent organisational status, their own institutional logics within the coalition meant that they could supply the coalition with their own institutional networks, thus providing endogenous resources for the coalition.

The spontaneous distribution of intelligence through shared management framed development activities of the coalition in a flexible structure of “concertation”. Concertation referred to the way leadership and roles as well as functional tasks were shared between the organisations (and their memberships) in a way that none of the organisations could dominate the other in these dimensions; rather it was a flexible switching of roles and tasks depending on external conditions. This sort of distribution of authority between the Foundation and the Local Governmental Alliance meant that in their development coalition there were no sharp margins between the local government and the private sector in this case: their financial resources included a 25% membership fee and fees for the services they offered, such as preparing programs to mobilize external sources of funding, grant applications and loan applications (Loncsár, 1999).

The organisations of the Abaúj Development Centre had additional synergistic ties with the Gergelyhegy Settlement Alliance, although the latter was not part of the development coalition of the Centre. The relationship of the Gergelyhegy Alliance to the Centre was more of an informal coupling of a smaller organisation to the umbrella organisation. Cross-organisational membership of the 13 local governments of the Gergelyhegy Alliance in the Abaúj Local Governmental Alliance provided passage points that were supported by the territorial integration of 13 local governments of the Gergelyhegy Alliance with the functional service area of the Abaúj Local Governmental Alliance within the same statistical micro-region of Encs. In addition to this, an informal distribution of functions also provided passage points between

the two alliances, where the Gergelyhegy Alliance voluntarily undertook the implementation of projects that specifically concerned the territory of these 13 settlements, while the Abaúj Local Governmental Alliance focused on spatial development programmes and the interest representation of the area of the micro-region of Encs as a whole.

This territory and function-based association of the two organisations based on a horizontal distribution of authority and intelligence to mobilize endogenous resources for micro-regional development in the neighbourhood of Encs existed until 2004. The institutional framework of the multi-purpose association in 2004 however changed the general conditions of endogenous resource mobilization by introducing standard state funds for a single organisational form, the multi-purpose association. The coming about of the multi-purpose association set in motion dynamics that completely transformed inter-organisational associations in the micro-region of Encs. The institutional logic of the multi-purpose association introduced new hierarchical modes of organizing diverse organisations into coalitions. For example, a stable association of a contracted agreement came about between the Encs Multi-Purpose Micro-Regional Association and the Abaúj Local Governmental Alliance from 2004 until 2006. In the course of this "contracted partnership" the Alliance undertook the spatial development functions that the MPA had adopted and as the subcontractor of the MPA it received the portion of standard state funds for this work. Following the territorial disintegration of the original micro-region of Encs with 56 settlements in 2004, the MPA and the Local Governmental Alliance functioned over the territory of 35 municipalities. Two years after the contracted coalition, however the MPA withdrew spatial development functions for its own organisational unit and terminated the contract with the Local Governmental Alliance. Therefore, since 2006 the two organisations (plus, the Foundation) coexist in the micro-region decoupled from each other maintaining project-based informal ties.

The establishment of the mandatory multi-purpose association in the new micro-regional district of Abaúj-Hegyköz also reorganized organisational integration introducing the new institutional logic of a "contracted partnership" between the MPA and the existing Gergelyhegy Alliance, where the Alliance functioned as the subcontractor of the Abaúj-Hegyköz MPA undertaking its spatial development functions. In the case of the association of the Gergelyhegy Alliance with the MPA, the institutional logics of the MPA also reshaped the sectoral composition of the Alliance: transforming the organisation's legal status to a public utility non-profit organisation and excluding non-governmental members from the association in order to be held accountable by central state budget institutions.

Both types of organisational integrations of the post-MPA period in the new micro-regions of Encs and that of the Abaúj-Hegyköz display hierarchical relations between the MPAs and other organisational forms where and the balance of power is unevenly distributed in favour of the MPA. Both Alliances are comprised of the same local governments that are also members to the MPA in the micro-region; and the example that the Encs story provides is that despite passage points provided by cross-organisational membership the associational council of the MPA can decide the termination of the contract any time. Hierarchical relations are less obvious in the case of the decoupling of the MPA and the Alliance, which followed the termination of the contract in the micro-region of Encs. Nevertheless, hierarchies between the two organisations also manifest in the case of these ad hoc informal associations through the uneven distribution of (standard) resources favouring the MPA. Although the Local Governmental Alliance provides services for the MPA in spatial development projects on an ad hoc basis, standards state funds are provided for the MPA not for the Alliance. This puts the latter at a disadvantage compared to the former muting rivalries between two institutional logics.

Finally, in comparison with the micro-region of Mórahalom and Zalaszentgrót, neither a skilled social entrepreneur, nor a core team of these entrepreneurs could emerge in the micro-regions of Encs and Abaúj-Hegyköz. Although the development coalition, called the Abaúj Development Centre has been a source of stable horizontal association, its two organisations and the social entrepreneur who had initiated their coming about has been unable to generate frames of organisational integration through horizontal distribution of intelligence and authority. The informal loose coupling of the Abaúj Local Governmental Alliance and the Gergelyhegy Alliance before 2004 provided organisational diversity in the original micro-region of Encs but the distribution of intelligence was based on the logics of fragmentation: Gergelyhegy Association managed spatial development projects in the territory of a specific group of settlements in the micro-region, while the Abaúj Local Governmental Alliance focused on the larger area of the original micro-region of Encs. In other words, unlike in the case of the three core associations in Mórahalom that distributed and shared intelligence in one resource pool of the core team; in the original micro-region of Encs the distribution and sharing of intelligence was based on the logics of fragmentation.

### III.3.2 Functional integration

In the micro-regions of Encs and Abaúj-Hegyköz all organisations came about with encompassing developmental goals. Differences among them can only be identified in terms of the territorial scale of their functional service areas. On the other hand, the integration of diverse functions took place in synergies with organisational integration. Nevertheless, the diversity of territorial scales provided functional overlaps and developmental synergies, on the long run however they had implications for territorial, sectoral and functional fragmentation and disintegration.

The founding organisations in the area focused on encompassing socio-economic and environmental development of the region. Realizing the difficult situation of freshly independent local governments in a region where major socialist industries had collapsed following the systemic change leaving behind masses of unskilled workers and a destroyed environment, these organisations provided consultancy and practical support in service provision tasks of local governments. In fact, the idea of the Abaúj Foundation emerged from these consultations, seeing the difficulties of local governments in generating own-resources for project funding and the weakness of local entrepreneurs to produce capital. In the same vein, the specific purpose behind the establishment of the Abaúj Foundation was to support enterprises and local governments with business consultancy and micro-credits and to develop an information and knowledge network among these actors for encompassing programme development. The highly disadvantaged socio-economic position of this region was an advantage in the sense that it pushed various local actors to diversify functions and to integrate them through associations to overcome extreme socio-economic crisis in the region.

Although the institutional logic of the Local Governmental Alliance was based on the interest representation of 55 member local governments at the county development council, the organisation also adopted more encompassing developmental goals with the specific goal of generating entrepreneurial skills and competencies among diverse sectors of actors (SMEs, local governments and NGOs). The logic of interest representation stood also behind the coming about of the Gergelyhegy Alliance representing the 13 settlements of the area. In the case of Gergelyhegy Alliance its functional scope and associativity was largely affected by its territorial scale. Its functional scope – focusing on the interest representation, the knowledge management and the endogenous resource mobilization of this specific area – derived from its territorial scale.

Despite differences in territorial scales between 1989 and 2004 functional integration was realized through organisational integration of various organisations. In this vein, both stable (Foundation-Local Governmental Alliance) and non-stable coalitions (Cserehát and Abaú Alliances) were based on the logics of horizontal concertation of functions and the distribution of intelligence. Similar to the functional development coalition of the Homokhátság (the Micro-Regional Development Agency) a distribution of competencies was also present in the Abaúj Development Centre: the Local Governmental Alliance supported the micro-credit and consultancy services of the Foundation with practical trainings for SMEs, NGOs and local governments to generate entrepreneurial skills. In addition, the Alliance also functioned as the external resource mobilization channel of local governments as the representative body of the statistical micro-region in the county development council when defining the distribution of central state funds for priority areas.

The institutional context of the multi-purpose association after 2004 formally increased functional diversity in the micro-region(s), in practice however it reorganized the scope and mode of functional integration. Following the coming about of the statistical-administrative micro-region of Abaúj-Hegyköz, the functional scope of the Abaúj Local Governmental Alliance remained intact but its (territorial) scale became narrower: it continued functioning over the territory of the current micro-region of Encs of 35 settlements. The development coalition that it formed with the new organisation of the MPA was based on the integration of the existing and traditional spatial development functions of the Alliance with the obligatorily adopted spatial development functions of the new MPA. The former took over this mandatory function of the MPA under a formal contract. The same kind of functional integration of spatial development functions of the MPA with that of the Gergelyhegy Alliance came about in the new micro-region of Abaúj-Hegyköz. Both functional coalitions were based on a hierarchical orchestration of spatial development functions and an uneven distribution of resources and intelligence since the MPAs in both cases "employed" the Alliances as their subcontractors in return for the transmission of standard state funds that the MPAs were entitled to get from central state budget.

### III.3.3 Inter-sectoral integration

The association of diverse sectoral representations at the initial period of institutional evolution in the neighbourhood of micro-regions of Encs/Abaúj-Hegyköz was based on an encompassing development frame organized from bottom-up with the participation of as broad segments of local societies as possible. The wide ranging socio-economic problems of the area increased the interdependencies of local actors in almost all sectors whose association first became organized by the socially skilled entrepreneur of the Cserehát Alliance. This organisation provided the most encompassing and durable form of inter-sectoral integration whose compositional structure has not changed over the years. The same encompassing and durable inter-sectoral association characterized other organisations that came about in the first half of the decade. Thus, the Abaúj Alliance and its "offspring" the Abaúj Foundation associated a wide variety of local actors from local governments through enterprises to private persons.

As in the case of many other cross-settlement developmental organisations that were established in the first half of the 1990s, the membership of the organisations in the extended neighbourhood of the micro-regions of Encs/Abaúj-Hegyköz comprised a variety of different types of local actors. The Cserehát Alliance and the Abaúj Alliance – the first associations in the whole country – had the richest diversity in sectoral composition at that time. Including local governments, schools, private persons and entrepreneurs, cooperatives and NGOs these organisations had truly encompassing memberships, whose composition in the case of the

Cserehát Alliance has not changed (but the numbers have) over the years. Similar encompassing integration of diverse sectoral actors characterized the Abaúj Foundation whose founders were NGOs, enterprises and cooperatives.

On a smaller territorial scale the establishment of the Gergelyhegy Alliance was also meant to serve the integration of a wide variety of local actors located in the territory of the 13 settlements. Originally, its membership comprised local governments, NGOs, entrepreneurs and private persons. The transformation of its sectoral diversity from an encompassing to a fragmented representation of local governments following the establishment of a contracted coalition with the new Abaúj-Hegyköz MPA is the most telling example of the monosectoral and fragmented institutional logics of the MPA. Following the establishment of the new micro-region and its MPA, the Gergelyhegy Alliance adopted 11 new local governments of the new micro-region in order to be able to enter into a contracted relationship with the MPA. This way it shared territorial scale with the MPA and its new legal status as a public utility non-profit organisation enabled it to be accountable by central state budget organs. From this point it was only one step of member local governments that were now in majority to decide about the transformation of the composition of membership of the Alliance and the exclusion of non-governmental members from the association.

The Abaúj Local Governmental Alliance was the only organisation in the original and the current micro-regions of Encs whose membership have comprised exclusively local governments ever since its coming about. This sectoral composition has been stable over the years, it was only the territorial scale of this composition that changed after 2004 when the new micro-region of Abaúj-Hegyköz was established by 24 local governments that used to belong to the original micro-region of Encs. Nevertheless, through its encompassing functional scope the organisation has reached and generated the network of a variety of local actors. In the course of the preparation of programmes and planning documents, the Alliance always relied on the inclusion of a diversity of actors. Through its trainings, consultancy and database its goal was to reach, mobilize and associate NGOs, SMEs, individual agricultural entrepreneurs, schools and local governments.

### III.3.4 Territorial integration

The micro-regions of Encs/Abaúj-Hegyköz provide excellent examples of the synergistic correspondence between organisational, functional and territorial dimensions of micro-regional governance. As much as the diversity of problems induced the encompassing inter-sectoral association of diverse local actors in these organisations, territorial diversity within the extended region of Cserehát induced the coming about of organisations at different territorial scales (e.g.: Gergelyhegy Alliance within the Abaúj region). This territorial diversity however bore the seeds of fragmentation that induced the territorial disintegration of the original micro-region of Encs with the confirmation of the institutional framework of the MPA in 2004.

In this vein, the Cserehát Alliance had the broadest territorial scale covering the whole of the region of the Cserehát, including – among others – the territory of the original micro-region of Encs. The territorial scale of the Abaúj Alliance was narrower, focusing specifically on a territory within the Cserehát region, called Abaúj. This area was also covered by the Abaúj Foundation whose territorial service area has been upgraded from 78 to 82 settlements in 20004 including the current micro-regions of Encs, Abaúj-Hegyköz and Szikszó. This was followed by the Abaúj Local Governmental Alliance with its 56 member settlements and finally by the Gergelyhegy Alliance whose functional service area covered only 13 settlements within the original micro-region of Encs. The institutional framework of the MPAs induced major territorial re-scaling of the original micro-region of Encs. Given the strict territorial,

functional and organisational definition of the new statistical-administrative unit of micro-region and its managing organisation, the MPA, some of the original 56 settlements were assigned to belong to the administrative district of the micro-region of Szikszó. 24 other settlements in the Northeastern corner of the original micro-region of Encs decided to establish their own micro-regional district and in 2005 voluntarily separated from it to bring about the micro-region of Abaúj-Hegyköz. As a result of these changes, the current territory of the micro-region of Encs stretches over 35 settlements.

This territorial fragmentation that the diversity of territorial scales in organisational and functional profiles conveyed however did not mean territorial disintegration. Over approximately 15 years the diversity of territorial scales, functional interests and organisational profiles were peacefully accommodated generating developmental synergies. In this vein, the organisations that came about before 2000 although focused on different territorial scales, shared a common developmental frame that loosely associated them across their specific functional areas.

The logic of fragmentation in the territorial dimension got activated in interaction with the institutional framework of the MPA and the establishment of the statistical-administrative micro-regions in 2004. By creating administrative districts of micro-regions and assigning settlements to a micro-region and its single MPA for functional reasons and on the basis of statistical considerations the central state disconnected the functional integration of different territorial scales. Therefore, the logic of fragmentation in the territorial dimension became activated in a way that eventually caused the disintegration of the original micro-region of Encs. Although the Abaúj Foundation and the Cserehát Alliance retained their integrated profile covering their original territory, the territorial disintegration of the micro-region into two new micro-regions brought along other types of "disintegrations" as well in the organisational (Abaúj Local Governmental Alliance-MPA) and sectoral dimensions (Gergelyhegy Alliance).

### III.3.5 Mode of association (decision-making)

In terms of decision-making patterns, there has been a shift from consensus-oriented decision-making mechanisms to accommodate heterogeneous sectoral interests of the initial period, to decision-making patterns of the initial period, to decision-making patterns dominated by the single sector of local governments that did not distribute intelligence among diverse actors. Deliberative decision-making patterns of the initial period were present in all the organisations with an encompassing inter-sectoral membership (Cserehát, Abaúj Alliances). The same deliberative patterns characterized the original form of the Gergelyhegy Alliance and although in a monosectoral context the Abaúj Local Governmental Alliance through its extensive networks.

The institutional logics of the MPA however provided local governments with uneven resources. In spite of provisions for the micro-regional development council with its distributed forms of voting procedures the associational council of the MPA took over the functions of the development council in both of the new statistical-administrative micro-regions. In the micro-region of Abaúj-Hegyköz by 2007 the MPA had gained exclusive decision-making authority this way. The exclusion of non-governmental actors from the Gergelyhegy Alliance also meant changes in the decision-making mechanisms of the organisation that has become a subcontractor of the MPA. Since then, binding decisions are made exclusively by local governments in these two organisations; non-governmental actors can participate in a formalistic manner provided by the institutional framework of associational council. In the new micro-region of Encs both the MPA and the Abaúj Local Governmental Alliance have the same membership of local governments. Here it is the lack of concertation of developmental deci-

sions and priorities that are indicative of the disintegration of the original associative modes of governance.

### III.4 The micro-region of Zalaszentgrót

The micro-region of Zalaszentgrót offers the second best case scenario of integrated and heterarchic micro-regional governance. The institutional pathway of its governance provides another example for the way a socially skilled entrepreneur can find ways to create and maintain integrated and heterarchic forms of governance even in the face of external constraints challenging the endogenous system of governance.

#### III.4.1 Organisational integration

The central feature of the institutional evolution of organisational ecology in the micro-region of Zalaszentgrót is that the establishment of the mandatory multi-purpose partnership did not affect the existence of older institutional forms. Similarly to the case of Mórahalom/Homokhátság the combination of different institutional forms and logics (i.e. older ones and the new one) took place in Zalaszentgrót in a way that did not reduce existing organisational diversities, rather integrated them in a loosely coupled coalition. The idea of the coalition derived from the social entrepreneur who had initiated the first informal dialogue among mayors in the early 90s and who eventually established the Zala-Kar Association and the Celodin Foundation. The entrepreneur's initiatives were based on the idea that no single person or organisation can handle the complex socio-economic problems of the micro-region; complex problems need a complex team for problem-solving through the complex diversity of viereportoints, of recommendations and of various networks for resource mobilization. Therefore, the entrepreneur advanced the establishment of a variety of organisations so that in time they become partners of the Zala-Kar Association. The Zala-Kar Association was not among the founders; it simply guided and coordinated the capacity-building process (incubation) of the initial period of each organisation.

The story of integration began in 1992 when mayors of small settlements in the area gathered spontaneously at informal "micro-regional conversations" to discuss the problems they all faced amidst the socio-economic crisis of transition. As newly elected mayors of a new autonomous local governmental public administration system, they needed to share and to compare the problems of their own settlements with "the neighbours'" in order to generate problem-solving ideas. These informal "conversations" always touched upon specific issues of neighbouring settlements. The first step towards the formalization of these informal "conversations" was a 2-day training for mayors in the micro-region organized by the county-level organisation of the Association for the Villages of Zala County (1990) funded by the Ministry of Social and Welfare Affairs as part of the experimental programme "micro-regional conversations".

Growing directly out of this workshop, the Zala-Kar (Micro-) Regional Innovation Association (*Zala-Kar Térségi Innovációs Társulás*) was established in 1993 by 14 local governments of small villages in the area. The legal form of the organisation was a civil association of local governments as provided by the Act of 1990 related to the free association ability of local governments. The largest settlement of the area, the town of Zalaszentgrót refused to join the Zala-Kar Association but prompted by the Act on Spatial Development and Planning in 1996 it established "its own" local governmental partnership with 8 other surrounding villages to gain access to decentralized funds at the county development agency. The organisation, Zalavölgye Micro-Regional Developmental Partnership (*Zalavölgye Kistérségfejlesztési Társulás*) took the organisational form of "local governmental (spatial developmental) partner-

ship as required by the Act. From 1996 until 2004 the two associations, Zala-Kar and Zalavölgye existed parallel to each other within the territory of the current statistical-planning micro-region *without* coordinating their work on developmental activities in the area. The membership of both organisations included only local governments but between 1996 and 2005 Zala-Kar had generated a great deal of successful project/programmes within its own functional service territory, while Zalavölgye had managed to upgrade its office facilities and employ one "area manager". As a result of the relative success of the Zala-Kar Association, members of the Zalavölgye Association gradually also joined the Zala-Kar Association developing dual memberships in both organisations.[8]

In order to enable the Zala-Kar Association, containing 14, then 18 of the settlements of the official statistical micro-region (following its definition in 1996), to cover the whole territory of the statistical micro-region two social entrepreneurs – the founder of the Zala-Kar Association and that of the Cserehát Settlement Association – established the Celodin Foundation in 1999. The functional service area of the Foundation covered the county of Zala but its office, the Celodin Resource Center of Zala has been in the defector largest settlement of Zalaszentgrót. This office space has lately provided ample opportunities for the Zala-Kar Association and its satellite organisations to share and distribute intelligence when organizing development projects and programmes.

The Zala-Kar Association has also served as an umbrella organisation to generate the coming about of several sector-specific NGOs and non-profit companies. Similar to the Cserehát Association in the north-eastern part of the country, the Zala-Kar Association "incubated" a number of these organisations, coordinating their work until they became "self-sustainable". The goal was to enable these organisations, to generate their capabilities to act as equal partners to the Zala-Kar Association by covering specific sectors that the Association alone would not have been able to service. With this system of satellite organisations loosely coupled with the Zala-Kar Association, the latter secured an extensive distribution of tasks and responsibilities as well as a system of cross-cutting networks for resource mobilization in diverse sectors.

In this vein, the Association contributed to the coming about of the Zala-Kar Association of Village Hoteliers in 1997 that was a civil association of 13 private persons with the goal to advance the development of tourism, professional interest representation and to create a region-specific collective marketing for the members' products and services supported by professional quality control. The Zala-Kar Association of Village Hoteliers eventually grew to be a cross-county organisation whose functional service area – and later on its membership – extended beyond the micro-region covered by the Zala-Kar Association.

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

In 1998 the Zala-Kar Association established a second public benefit company, Zalakar (micro-) Regional Child-Care Service Public Benefit Company (*TÉGY, Zalakar Térségi Gyer-*

[8] It was not until 2004, the introduction of the institution of multi-purpose micro-regional associations that local governments were required to have single membership in one micro-regional association. The Act of 1997 on the Association of Local Governments institutionalized the modes and mechanisms of associations but gave green light to local governments to join unlimited numbers of associations.

*mekjóléti Szolgálat Kiemelten Közhasznú Társaság*) whose functional focus was on the provision of child care services in the micro-region. In 2003 this company changed its profile to coordinate and implement communal work programmes in the micro-region. Along with its function, the name of the company also changed to Employment Zala-Kar Public Benefit Company/Non-Profit Ltd.[9] (*Foglalkoztató Zala-Kar Közhasznú Társaság*).

The contribution of Zala-Kar to the coming about of the Zala Wineroute Assocation (*Zalai Borút Egyesület*) was also called forth by a specific programme on region specific "wine routes" in 1999.[10] The managing agent in the programme was the Villány-Siklós Wineroute Association and its partner in Zala county was Zala-Kar. The Zala Wineroute Association evolved in the course of the programme as entrepreneurs in the winery sector of the area received interest free loans and infrastructure facilities of the wineroute were established. Eventually, the Zala Wineroute Association, a civil association became a self-sustaining independent organisation.

The goal was to enable the organisations to stand on their own and support each other with the Zala-Kar Association in development programmes. The association of the six organisations was a loosely coupled informal development coalition, where each organisation retained its independent status while their association was ensured by several passage points. One of such passage points was provided by the Celodin Zala Resource Centre and the office space shared with the WineRoute Association and the non-profit companies and after 2004 also with the Zala-Kar Association. The common office space provided ample occasions for these organisations to meet informally on a daily basis to exchange and share information, knowledge and resources. The second passage point was the membership of the Zala-Kar Association in the committees of NGOs and the non-profit companies. The strongest passage point, however, was the social entrepreneur who had founded the Zala-Kar Association, the Association for the Villages of Zala County, co-founded the Celodin Foundation and initiated the establishment of the NGOs and the non-profit companies. This social entrepreneur has been the president of the Zala-Kar Association, the secretary of the Celodin Foundation and has been on the boards or the honorary president of the other organisations.

In 2004 under the pressure for mandatory micro-regional institutionalization of the central state the multi-purpose association of local governments (Zalaszentgrót Multi-Purpose Micro-Regional Association) was established whose membership now covered 24 settlements of the statistical-planning micro-region, including the town of Zalaszentgrót (*Zalaszentgróti Többcélú Kistérségi Társulás*). At the same time, obliged by regulations, Zala-Kar Innovation Association also established its Micro-Regional Developmental Council (*Zalaszentgróti Kistérségfejlesztési Tanács*). Obliged by law, both organisations were officially established but formally they do not exist as separate organisational entities. Unlike in the case of Mórahalom, where the coming about of the mandatory association further diversified organisational diversity by one additional organisational form; in the micro-region of Zalaszentgrót, the Zala-Kar Association "transformed itself" by adopting the organisational form of the multi-purpose association, while preserving its organisational management and modes of association. This way the Zala-Kar Association integrated the functions of the multi-purpose association into its own functional context. In the same vein, the Zala-Kar Association also adopted the functions of the mandatory micro-regional development council.

[9] By January 2008 national regulations required the transformation of public benefit companies into non-profit Ltd. Thus, the profile of the company remained the same, only its legal status was changed.

[10] This one was a Phare programme of the Southern Transdanubian region in cooperation with Western Transdanubia.

The central feature of organisational integration is that it has been organized around one central nod that has been the socially skilled entrepreneur and the Zala-Kar Association that she had established. The informal coalition of organisation around Zala-Kar Association has been less embedded in cross-cutting ties than in Mórahalom/Homokhátság lacking cross-organisational passage points through memberships. In the absence of such links, it has been the single socially skilled entrepreneur, who had mobilized and generates institutional diversity and integration, coordinating the informal coalition and managing the concertation of functions in the development field.

### III.4.2 Functional integration

The diversification of functions, along with the diversification of organisational forms, was initiated by the social entrepreneur through the single organisation of the Zala-Kar Association.The underlining goal of advancing a functional diversity of organisations was to maximalise the mobilization of diverse resources of national and EU funds and development programmes. Almost all organisations of the development ecology in the micro-region came about under the direct incentive of resource mobilization. To combine the different logics of action of the institutional contexts of resources embedded in organisational diversity, the social entrepreneur generated the integration of different functions through planned synergies of implemented programmes and projects.

The central nod in the association of diverse functions was the Zala-Kar Association that was responsible for creating developmental strategies for the micro-region, coordinating and supporting a unified micro-regional project management with special focus on employment strategies. Since 2004 the Association has functioned as a multi-purpose association that has adopted the "mandatory chosen" functions of local governmental provisions in education, social and health care, spatial development, environmental protection public safety, employment, equity programs.

The "satellite" organisations of the Zala-Kar Association were all established upon specific programming - opportunities of the external environment; i.e. they were "products" of endogenous resource mobilization to access external funding. They all focused one way or another, on generating self-sustaining employment capacities of an overwhelmingly rural area. The functional scope of the Zala-Kar Association of Village Hoteliers established in 1997 was to advance the development of tourism, the professional interest representation of hoteliers in rural areas and to create a region-specific collective marketing for the members' services supported by professional quality control. The functional service area of the organisation eventually grew beyond the boundaries of the statistical micro-region stretching over to neighbouring micro-regions and even to neighbouring counties. The generation of similar self-sustaining rural employment schemes was the functional scope of the Zala-Kar Social Service and Production Public Benefit Company For Farming Families (*Gazdálkodó Családokért Zala-Kar Szociális Szolgáltató és Termelő Közhasznú Társaság/Non-Profit Kft*.), also established in 1997. More specifically, the organisation came about to implement the Social Land Program of the Ministry of Social and Family Affairs to support self-sustaining employment in agriculture for disadvantaged families in micro-regions. The company provided benefits in kind for families to help self-sustaining and self-sufficient agricultural production. The Zalakar (micro-) Regional Child-Care Service Public Benefit Company (*TÉGY, Zalakar Térségi Gyermekjóléti Szolgálat Kiemelten Közhasznú Társaság*) (1998) was also organized upon a specific program of the Ministry of Social and Family Affairs with the specific functional focus to provide child care services in the micro-region. A functional shift in the life of the organisation took place in 2003 when its functional task changes from child care service

provision and coordination to implement the Employment Pact of the micro-region upon changing external conditions of mobilizable resources. The new name of the company was Zala-Kar Public Benefit Company/Non-Profit Ltd.[11] (*Foglalkoztató Zala-Kar Közhasznú Társaság*). The Zala Wineroute Assocation (*Zalai Borút Egyesület*) was also called forth by a specific programme on region specific "wine routes" in 1999.[12] The managing agent in the programme was the Villány-Siklós Wineroute Association and its partner in Zala county was the Zala-Kar Association. The specific functions of the Zala Wineroute Association have been the preservation of the cultural and historical heritage of the Zala wine-district, protecting and handing down its traditions and improving the region's tourism from this perspective as well. Similar to the Hoteliers' Association, the functional service area of the Wineroute Association also extended beyond the boundaries of the micro-region, stretching over to neighbouring micro-regions and counties.

Two cross-county organisations, the Association for the Villages of Zala County and the Celodin Foundation, also had important functional roles in the developmental ecology of the micro-region. The Association for the Villages of Zala County, launched by the social entrepreneur upon a programme of the Social and Welfare Ministry to organize "micro-regional discussions/dialogues", played a decisive role in the promotion of bottom-up organisational heterogeneity in the early 1990s across the county of Zala. The Association was one of the first cross-settlement type of association in 1990, similar to the Cserehát Settlement Association also in functioning as an umbrella organisation for bottom-up local associations that came about in the first years of transition to overcome socio-economic crisis. Over the years the Association has functioned as the coordinator of cross-NGO cooperation, the provider of the village warden service of Zala county and the promoter of spatial and rural development projects with special regard for matters of equity. Celodin Foundation was to promote rural development through getting regional development information, training and establishing partnerships. The Foundation was one of the regional offices of a country-wide network organisation, called Celodin that had been established to support local bottom-up organisations in local and cross-settlement development project. The Celodin Foundation was also expected to provide territorial integration between Zalavölgye and Zala-Kar Associations through functional association.

Functional integration in practice meant that each organisation had several of its own programmes and projects that had been planned with partners of the coalition and that were implemented in a way that the outcomes or direct effects of projects would/could be linked to the partners' ongoing or planned projects. This was a system of functional concertation, where interdependent functional tasks were loosely coupled to compliment one another in synergies. The only property that differentiates this system of functional concertation from the case of the micro-region of Mórahalom/Homokhátság is that while in Mórahalom/Homokhátság the concertation was organized in a way that retained organisational diversity; in the micro-region of Zalaszentgrót the integration of new functions of the multi-purpose was done through the transformation of the organisational status of the Zala-Kar Association. That is, instead of creating a new organisational form to undertake the functions of the multi-purpose association, the Zala-Kar Association combined the organisational form and functional scope of the multi-purpose association with its own existing institutional context.

[11] By January 2008 national regulations required the transformation of public benefit companies into non-profit Ltd. Thus, the profile of the company remained the same, only its legal status was changed.

[12] This one was a Phare programme of the Southern Transdanubian region in cooperation with Western Transdanubia.

### III.4.3 Inter-sectoral integration

The inclusion of actors representing a diversity of sectors was a gradual process and it took place in synergy with organisational and functional integration. In this vein, the initial homogeneous sectoral composition of the informal mayors' club and the Zala-Kar Association diversified beyond local governmental actors with the coming about of several satellite organisations. The membership of this organisations comprised local governments, private persons, NGOs, and other developmental associations often from the county level.

The diversification and integration of representatives of various sectors through diversifying the pool of associative organisations was intended to serve the goal of broadening the pool of mobilizeable resources. The rationale of the social entrepreneur in the Zala-Kar Association was that the Association cannot provide developmental services for the community or manage projects without partners from other sectors. This rationale is also reflected in programming and decision-making mechanisms in the micro-region that – just like the composition of inclusion – has remained the same throughout the decade.

The dominance of local governments is also present in the micro-region of Zalaszentgrót. Local governments and mayors have been the engines of the Zala-Kar Association and they participate in many of the satellite organisations as well. Nevertheless, indicative of the non-hierarchical nature of associative governance in the micro-region of Zalaszentgrót, the Zala-Kar Association has organized an inter-sectoral coalition that accommodates the values and interests of various actors. What is even more telling about non-hierarchical mechanisms in the micro-region of Zalaszentgrót is that the MPA established under mandatory statute (2004), and adopted by the Zala-Kar Association did not change the composition of the inter-sectoral coalition.

### III.4.4 Territorial integration

The territorial integration of the current statistical-administrative micro-region was not an issue before the legal definition and institutionalization of the concept of statistical micro-regions. Before 1996 territorial integration was based on socio-economic homogeneity and traditional cross-settlement ties institutionalized bottom-up in the organisational form of the Zala-Kar Association. Moreover, territorial and socio-economic and geographic homogeneity of the area had synergistic effects on the coming about and integration of formal organisations, sectoral representatives and the local expression of functional differentiation (*locale* specific functional needs).

The homogeneous rural character of the area was a decisive element in the initial phase of cross-settlement cooperation intensified by socio-economic crisis of the transition years. A fragmented settlement structure of small rural settlements is characteristic features of Zala county. This character of the whole county generated the idea for the establishment of the Association for the Villages of Zala County in 1990, which later on played a central role in the coming about of other bottom-up, cross-settlement organisations. According to a study on cross-settlement (micro-regional) associations between 1990 and 2000 in Zala county, the intensity of the coming about of such organisations in the county in the 90s was the highest in the whole country (Andróczi, 2000). Between 1992 and 1996 10 micro-regional associations of diverse territorial scale were established and by 1999 23 micro-regional associations were functioning (Andróczi, 2000).

Zala-Kar Association was one of the first one of these organisations. Initially established by 14 local governments in 1993, the association in a few years had grown to include 4 more settlements from the neighbourhood. In 1996 the statistical definition of the micro-region created

a territory that in statistical and administrative terms included the functional service area of the Zala-Kar Association and half a dozen other settlements in the immediate neighbourhood of the largest settlement Zalaszentgrót who were not members of the Zala-Kar Association. For the sake of greater efficiency in applying for decentralized funds the Zala-Kar Association "invited" the largest settlement, Zalaszentgrót, to join the organisation. But Zalaszentgrót decided to stay out of the Association and established "its own" local governmental partnership, Zalavölgye Micro-Regional Development Partnership with 8 other neighbouring settlements. Hence, between 1996 and 2005 two cross-municipal associations functioned parallel to each other within the same statistical micro-region. Ironically, it was exactly the system of decentralized funds that generated the territorial fragmentation of the micro-region with two decoupled cross-municipal organisations functioning within one statistical district between 1996 and 2005. It was this territorial fragmentation that the Celodin Foundation was expected to rebalance. With its county-level scope, the Foundation combined and integrated settlements in the Zala-Kar Association with those in the Zalavölgye on a project by project basis.

Over the 10 years in the increased competition between the two organisations, Zala-Kar Association had implemented a series of projects while Zalavölgye had only managed to compile a single office. Seeing the success of the Zala-Kar Association the 8 local governments, members to the Zalavölgye Partnership also joined the Zala-Kar Association one by one.[13] By the time the mandatory multi-purpose association had to be institutionalized in the new statistical-administrative micro-region, Zalaszentgrót remained alone in the Zalavölgye Partnership and eventually decided to give it up and to join the Zala-Kar Association, establishing the micro-region of Zalaszentgrót and its multi-purpose association integrated into the Zala-Kar Association.

In 2004 the Act on Multi-Purpose Municipal Association re-scaled the territory of the statistical micro-region according to public administrative logics. As a result two of the member settlements of the Zala-Kar Association were inscribed to the statistical-administrative micro-region of Zalaegerszeg. Since the Act restricted the membership of municipalities to one multi-purpose association, these settlements had to leave the Zala-Kar Association regardless of their will to stay with the Zalaszentgrót micro-region and the decade long tradition of cooperation with other members of the Zala-Kar Association. Currently, informal cooperation exists between these two settlements and the Zala-Kar Multi-Purpose Municipal Association and the settlements are actively lobbying for the possibility of joining the Zalaszentgrót micro-region following the next elections (as provided by the Act). On the other hand, the institutional framework of the multi-purpose association finally integrated the settlements in the statistical-administrative micro-regional unit. All in all, the territorial integration of the micro-region of Zalaszentgrót can only be seen partially fulfilled. From the viereportoint of the statistical micro-region (since 1996) territorial integration was achieved; while from the perspective of the Zala-Kar Association, organized bottom-up according to the logics of organic socio-economic interdependencies, it was rather territorial disintegration.

### III.4.5 Mode of association (decision-making)

The vision that the Zala-Kar Association has conveyed by setting up inter-sectoral coalitions with the satellite association it had assisted to come about was that an association of local

[13] The 1996 Act on Spatial Development and the 1997 Act on the Cooperation of Local Governments did not impose restrictions on municipalities in terms of their parallel membership in several micro-regional/cross-settlement associations. One of the most significant institutional changes that the Act on Multi-Purpose Municipal Association introduced in 2004 was that it restricted municipal membership to one micro-regional (multi-purpose association) within the administrative boundaries of the county.

governments is incapable of providing developmental services for the community and managing projects without partners from other sectors. Consensus-based decision-making patterns to accommodate heterogeneous sectoral interests and views have thus been a founding element of the institutional ecology around the Zala-Kar Association. Within the Association decision-making mechanisms (simple majority voting) have not changed since the establishment of the organisation despite its adoption of the functions and status of the MPA.

Neither have been restrictive changes to the organization of developmental programming, tendering and the preparatory phase of decision-making. These mechanisms today, just like in the 1990s are characterized by the distribution of authority and intelligence. Consensual decisions are based on informal conventions and sought through loose organisational and personal relations, such as daily informal contacts, barter agreements and targeted, scheduled preparatory meetings in programme planning. The distribution of intelligence and consensus-based decision-making on developmental matters is displayed by scheduled planning procedures. In this preparatory phase of decision-making the Association holds regular forums for the population at each settlement and organizes workshops for generating developmental ideas. The results of these forums and workshops are assessed through discussions and tenders are prepared in team work.

### III.5 The micro-region of Sümeg

The micro-region of Sümeg is the odd-man-out among the case studies. This is the only micro-region where integrated and heterarchic forms of governance did not evolve during the period of time when in other micro-regions actors were busy experimenting with various associative organisational forms. In the micro-region of Sümeg local governments dominated the developmental field over more than a decade. Ironically, it was in the third institutional period of micro-regional institutional evolution – in the period when most other micro-regions lost a degree of their existing associativity – that the opportunity for organisational integration and associative governance emerged in the micro-region of Sümeg.

#### III.5.1 Organisational integration

It was the coming about of the Famulus Association and the Sümeg Public Foundation, parallel to the multi-purpose association after 2004 that set in motion dynamics for integration. In this reversed process a central role can be attributed to a social entrepreneur, the founder of the Famulus Association who framed the developmental context in a way that generated the association of actors of diverse sectoral background and functional orientation.

At the initial period in 1994 – around the same time as several of the bottom-up associations in the other case studies came about – the Local Governmental Alliance of the Neighbourhood of Sümeg was established, based on the example of – among others – the neighbouring Zala-Kar Association. The Alliance was established by 14 neighbouring local governments with the overall goal to increase the representational capacity of these small rural settlements in the elected general county assembly. The Alliance was also pushed ahead by the disadvantaged socio-economic status of the area, where basic infrastructure facilities (gas, electricity, water pipes) were missing. The leaders of these municipalities realized the potentials of their association in mobilizing financial resources.

Nevertheless, the Alliance did not manage to establish links, or to mobilize resources, which gradually weakened the status of the organisation. On the other hand, the organisation did not have much time to experiment with other organisational and institutional forms as in 1996 the Act on Spatial Development defined the means and modes of financial resource mobilization (of decentralized funds) as well as the territorial units (of statistical micro-regions) of applica-

tion of the resources. This definition of the territorial scale of the micro-region affected organisational ecology as the required organisational form with representational power at the county development councils was a legally defined local governmental partnership, which the 21 municipalities of the newly defined statistical micro-region were encouraged to establish. The 21 municipalities included the 14 settlements of the existing Alliance and 7 settlements that had stayed outside the Alliance. In the new institutional context of the Spatial Development Act the two groups of settlements were encouraged to associate.

The 14 settlements of the existing Alliance encouraged the establishment of a LGP by integrating it into the existing institutional framework of the Alliance. The 7 outsider settlements, however, did not want to join the existing Alliance. This territorial fragmentation eventually led to the emptying out of the functions of Local Governmental Alliance of the Neighbourhood of Sümeg that were adopted by the newly established Spatial Developmental Partnership of the Local Governments of the Neighbourhood of Sümeg in 1996.

The LGP of 21 settlements functioned between 1996 and 2004 as a classic cross-municipal partnership for realizing public service provision development in cooperation. The institutional stagnation of the micro-region is well illustrated by the absence of competing micro-regional organisations (NGOs and/or non-profit companies) that were being formed in other micro-regions in this period (see Keszthely-Hévíz, Zalaszentgrót in the immediate neighbourhood of Sümeg; or Mórahalom). Also, in terms of practical outputs, the micro-regional associations of Sümeg were behind compared to all other cases: the first micro-regional economic development strategy was prepared by the LGP in 1998; prior to this neither programming, nor project applications had taken place. Following the coming about of the LGP, local governments through this partnership developed basic infrastructural capacity of public service provision by constructing water pipe systems, gas, electricity and telephone line. In 2004 the Micro-Regional Multi-Purpose Association of Local Governments near Sümeg simply took over and continued these functions of the LGP that was terminated at the same time. In addition, the multi-purpose association undertook the functional tasks of public service provision in education, social care and spatial development.

The most interesting development of this period of micro-regional institutional development was the broadening of organisational diversity with the coming about of the Public Foundation for the Micro-Region of Sümeg in 2004 and the Famulus Association for the Micro-Region of Sümeg in 2005. The Public Foundation was established by a group of local governments that felt the need to step out of the developmental inertia of the past decade. It focused on the improvement of the tourist attraction of the area and the development of alternative energy resources and environmental protection in the area. The Famulus Association was established by 17 young social entrepreneurs living in the micro-region to prepare and coordinate rural, economic and community development of the area, to provide information and knowledge management for civil organisations and enterprises, as well as consultancy for local governments. The initiator of the Famulus Association was a young social entrepreneur who had worked for the LGP earlier as rural development manager and as insider experienced the inertia of the institutional framework. Since the establishment of Famulus Association, it has assisted in the coming about of several NGOs (8-10) that are loosely linked to Famulus but are independent organisations functioning to serve the development of their settlements. In this sense, Famulus has also been acting as an umbrella organisation.

Currently, the relationship between Famulus Association, the MPA and the Public Foundation resembles to the decoupled parallel institutional structures of the Multi-Purpose Association of Encs and the Local Governmental Alliance of Abaúj Settlements for Spatial Development (ATÖSZ). That is, informal and ad hoc coupling exists between the Famulus and the Multi-

Purpose Association, on a project by project basis. The only institutionalized form of cooperation between the two organisations is related to the Leader and Leader+ programmes whose gestor organisation in the micro-region is Famulus. Although some mayors in the Multi-Purpose Association of Sümeg have initiated – following the success of the Leader programme managed by the Famulus Association – more stable and institutionalized forms of cooperation between the two associations, Famulus in the name of efficiency insisted to its institutional independence. This ad hoc coupling of organisational integration represents a third way in organizing development coalitions; in comparison to the informal horizontally coupled association of Zalaszentgrót/Zala-Kar, Mórahalom and to the contracted hierarchical coalition of Abaúj-Hegyköz and Sellye.

The Famulus Association has similar ad hoc and informal links with the Public Foundation and the local developmental NGOs whose coming about it has assisted as an umbrella organisation. It was this voluntary function of the Famulus Association as an umbrella organisation that prompted the initiative of the Sümeg Regional Civil Forum in 2006. The Civil Forum is an associative field for the integration of civil associations in the micro-region of Sümeg and its neighbourhood. It is an institutionalized agreement among several civil associations but without a legal/formal organisational body.

### III.5.2 Functional integration

The lack of organisational diversity and the dominance of a local governmental institutional logic throughout the decade of 1994 – 2004 induced the monopoly of local governmental functions. In practice, this meant that "development" was defined as the implementation of basic public infrastructure (gas, electricity, water pipes, etc) that remained in the exclusive focus of both the Alliance and the LGP for over a decade. In the case of the Alliance even this exclusive functional orientation remained a distant goal without projects the practical implementation could not take place.

The coming about of the Multi-Purpose Association introduced some sort of a diversification of functional tasks in the sense that it institutionalized local governmental cooperation in other areas of public service provision, such as education, social care as well as in spatial development. At the same time, the Multi-Purpose Association still represented the monopoly of local governmental functions and a public administrative logic of sectoral public service provision.

The first attempt in the history of the micro-region to create and to combine functional diversity came from the Famulus Association that integrated the functions of an umbrella organisation in preparing and coordinating rural, economic and community development of the area, with functions of consultancy for local governments as well as interest representation and the distribution of intelligence (information and knowledge management for civil organisations and enterprises). In practice, the Famulus also functions as the managing agent of the Leader and the Leader+ programmes. A further contribution to functional diversification was the coming about of the Public Foundation that volunteered to focus on functions in environmental and tourism development. The "satellite organisations" of NGOs whose coming about the Famulus Association had assisted, represent further functional diversification, which unlike the sector specific orientation of the Public Foundation, is territorially defined; i.e. the organisations focus on the encompassing development of specific settlements.

The Famulus Association encouraged the loose coupling of diverse functional orientations of these organisations. Compared to the decade of the LGP where organisational forms were namely framed on the micro-regional level but functions remained fragmented at the level of settlements, in the Famulus-era functions became integrated across settlements and across dif-

ferent sectors. The micro-regional level framing of functional integration is manifest in the Regional Civil Forum that combines capacity building, interest representation, social participation in decision-making for civil associations across the micro-region (and beyond if linked to the micro-region). The territorially defined, settlement level functions of the "satellite NGOs" are loosely linked to these integrated goals of the Civil Forum and that of the Famulus Association. The ongoing Leader programme provides another example of functional integration where diverse functions of various organisations are associated to implement an encompassing micro-regional development programme. The implementation of the programme brought together the Famulus Association and the Multi-Purpose Association in an institutionalized cooperation agreement on sharing and distributing functions related to an encompassing rural development strategy.

All in all, the greatest change in the micro-region concerns the process of combining various functions of diverse organisations in an institutionalized process of „collective planning". Despite its overwhelmingly public administrative logic the institutional context of the multi-purpose association "forced" local governments to define collective goals and to implement them in consensus. This institutional framing of micro-regional collective functions is a considerable change compared to the settlement level framing of individual municipal goals. The other institutionalized channel for collective planning derives from the Famulus Association. Unlike the institution of the multi-purpose association that combines various local governmental functions, the Famulus Association integrates diverse functions of non-governmental organisations in the Civil Forum and the cross-sectoral and cross-organisational functions of local governments and non-governmental actors in the Leader programme.

### III.5.3 Inter-sectoral integration

The diversification of organisational forms and functions since 2004 has also introduced new actors to the field of spatial development of the micro-region. Although the potential for the activation of these heterogeneous actors had always been there, prior to 2004 local governments had rather suppressed sectoral diversity in their respective settlements; considering local civil associations as challengers to the monopoly of their power. On the other hand, the decade of exclusive local governmental logic in the field of spatial development of the micro-region was partly due to the weakness of these potential actors to associate and to integrate their functional orientations.

Neither the diversification of sectoral actors, nor their integration would have been possible without the social entrepreneur's skills and mobilization. Institutions for functional integration through collective planning would not have been enough to combine and to associate diverse sectors. The institution of the multi-purpose association offering functional integration of various local governmental functions and the institution of the Civil Forum integrating different non-governmental functions would not have combined without the proactive mobilization of associative logics and a developmental frame for the whole micro-region generated by the social entrepreneur through the Famulus Association.

In comparison to the sectoral monopoly of local governments and the stagnation of sectoral diversification just about 5 years ago, the micro-region of Sümeg now comprises a variety of sectoral actors whose field level power although is not equal but is not possible to circumvent. Non-governmental actors have become active participants of micro-regional development affairs often linked in partnership to local governments (Leader programmes). In this sense, the micro-region of Sümeg provides a unique example of integration in the post-multi-purpose period. Unlike in the other cases of Sellye and Keszthely-Hévíz where the coming about of the multi-purpose association set in motion dynamics that reduced sectoral diversity and gen-

erated disintegration, in the micro-region of Sümeg the integration of heterogeneous actors evolved parallel to the institution of the multi-purpose association.

### III.5.4 Territorial integration

The territorial scaling of the micro-region of Sümeg has been stable since 1996. The character of this territorial scale has also been a homogeneously rural landscape with a settlement structure of overwhelmingly small villages and two small towns[14]. The coming about of the Local Governmental Partnership in 1996 served the territorial integration of an area of 21 settlements fragmented by the conflicting relationship between the two largest towns. This territorial integration was an interest-based association of settlements with the overall goal to mobilize decentralized state funds at the county development councils. The integration seemed rather stable – despite the conflict of the towns – which was displayed by the fact that between 1996 and 2004 none of the settlements joined another cross-municipal association outside the territory of the statistical micro-region. This was partly due to general inertia, and partly to the compromising character of the president of the LGP, who have been the mayor of one of the smallest villages and who had managed to handle the conflict of Sümeg and Csabrendek as well as the issues of small villages.

A new logic of territorial integration was introduced by the Famulus Association that organized the association of functional, organisational and sectoral diversities across settlements, framing a micro-regional "story" of development instead of a settlement by settlement logic. The difference between the two types of territorial integration is that of one between endogenous and exogenous mobilization of resources. In the case of the LGP-type, territorial integration served just the means to access financial resources for individual settlements. In the case of the Famulus-type, territorial integration was the ends to generate potentials for the means to mobilize financial resources.

### III.5.5 Mode of association (decision-making)

The overall patterns of decision-making mechanisms remained the same throughout the decade of local governmental dominance. In both local governmental organisations – the Alliance and the local governmental partnership – binding decisions were made through single majority voting at the associational council of member local governments only after a decision had been passed in favour of the decision by the individual local governmental assemblies.

Different logics of integrated decision-making mechanisms were introduced with the coming about of the Multi-Purpose Association and the Famulus Association. The notion of integrated decision-making mechanisms describes, on the one hand the micro-regional level framing of developmental decisions, and on the other hand the accommodation of heterogeneous interest and values of a diversity of actors. Famulus Association, according to the institutional context of the law, has an assembly and executive management body and supportive or/and regular members – respecting the potential encompassing membership of the organisation. The Famulus Association does not differentiate between the decision-making rights of supportive and regular members. Both types of memberships entail consultative rights to participate in assemblies and to make recommendations. Binding developmental decisions can be made by the executive management of the organisation that consists of the president, the vice-president and the secretary. A similar decision-making logic characterizes the Sümeg Re-

[14] The largest town in the micro-region is Sümeg with a population of 6683, followed by Csabrendek with 3011. The population of small villages is between 64 and 770 (www.vati.hu ).

gional Civil Forum, where the executive management makes binding decisions upon the authorization of the general assembly, the main forum of the Forum.

Besides the institutionalized mechanisms of decision-making in the Famulus Association, the Civil Forum and in individual settlement-level NGOs, several informal mechanisms and conventions exist to support a distribution of intelligence in the preparatory phase of decision-making and in the implementation process. Through its ad hoc and informal ties to the Multi-Purpose Association, the Public Foundation and the "satellite NGOs" the Famulus Association, that is also the managing organisation of the Leader+ programme of the micro-region, has managed to channel diverse representations of micro-regional development into the preparatory phase of decision-making. In addition, the Leader+ programme itself has been organized around the general rules of the institutional framework of the Leader+ programme; i.e. preparatory forums for defining developmental issues and means by diverse sectoral representatives.

### III.6 The micro-region of Keszthely-Hévíz

The micro-region of Keszthely-Hévíz offers another example of the way more or less integrated and heterarchic modes of micro-regional governance having emerged organically in the early 90s can fall apart in the face of external constraints. By the 2000s the institutional pathway of its governance had become hierarchical but even more fragmented, which is illustrated by the disintegration of the once organically united micro-region into two separate statistical districts (Keszthely and Hévíz). Similar to the case of Sellye and Encs/ Abaúj-Hegyköz in the absence of socially skilled entrepreneurs to maintain frames for an integrated and heterarchic vision of developmental governance exogenous rearrangements in power relations generated a hierarchical, monosectoral representation scheme in its governance.

#### III.6.1 Organisational integration

One of the richest organisational ecologies of the nineties evolved in the territory of the statistical-administrative micro-region of Keszthely-Hévíz (2005-2007). The territory of the micro-region is mostly located in the county of Zala, but some of the settlements that had been members of territorial associations during the 90s stretched over to neighbouring Somogy and Veszprém counties. The great diversity of organisations that emerged during the 90s was an example for local actors' intensive experimentation with ever new institutional and organisational forms to supply functions for diverse socio-economic problems in the years of transition. In terms of socio-economic trends this area was the most developed and relatively the wealthiest of all the other micro-regions among the case studies. However, theories that would predict the correspondence between developmental success and institutional thickness would be easily confuted by the evolutionary story of associative governance in the area of the Keszthely-Hévíz micro-region. Despite the continuing relative wealth of the area in comparison with other micro-regions, its organisational diversity, and its once thick associative institutional framework has completely fallen apart by 2007.

Over the territory of what used to be the statistical-administrative micro-region of Keszthely-Hévíz until 2007, three territorial associations were established in the early 1990s one after the other. These associations were located in the county of Zala – with a few settlement members stretching over to neighbouring counties – whose associativity in cross-municipal association was the highest over the 90s. It was the Association for the Villages of Zala County (1990) and its founder the socially skilled entrepreneurial mayor of a medium-sized village, Türje that played the central organizing role in the coming about of a variety of bottom-up cross-settlement associations.

The Small Balaton Settlement Alliance was one of the first formal associations that were established in the county in 1989. It was called forth by specific functional goals of lobbying at the central state for the military airport in one of the settlements (Sármellék) and although the organisation was terminated in 1991 (having lost in tendering) its territorial scale assigned the association of the same local governments two years later with a new functional scope. The new organisation was called Small-Balaton Association whose organizing goal was to overall environmental reconstruction and protection of the fauna and flora of the western corner of the Lake Balaton. This organic functional goal served the basis of the coming about of the organisation hence its membership was also comprised of the organically homogeneous group of settlements in the area.

It was in the same year, 1992 that the local governments of another group of settlements (only villages just like on the case of the Small Balaton Association) in the neighbourhood decided to establish more regular institutional ties with one another and brought about the Tátika-Rezi Region Local Governmental Association. In the first two years the Association functioned as an informal consultative forum for member local governments, without a legal entity (similar to the mayors' club in the Türje and in Mórahalom areas). The formal organisation of the Tátika-Rezi Association was established in 1994 by 15 local governments of the villages of the neighbourhood with the goal to provide a forum for the combination of various functions related to an encompassing development of settlements. Tourism and the environmental rehabilitation and protection of this historic area were important functional elements, along with the coordination of basic local governmental developmental functions (infrastructure: gas, sewage, and road reconstruction).

The last cross-settlement organisation to be established in the area of the micro-region was the Keszthely-Hévíz Micro-Regional Development Association in 1994. The Association was established by 5 local governments (the only one in the area that had towns as members) but the membership was extended by 6 other settlements in 1999. Despite coming about as last in the area, the Keszthely-Hévíz Association functioned as the engine of organizing diversity and integration in the extended neighbourhood for 10 years. The immediate goals of the calling forth of the organisation was similar to the other cases: the rehabilitation and protection of the environment extending over the settlements, the reconstruction of basic infrastructure facilities in settlements and finding solution to socio-economic problems of the area with an emphasis on tourism as the speciality of the region.

Over the 10 years of its functioning, the Keszthely-Hévíz Association played an important role in the coming about of other more sector-specific organisations in the area. These organisations varied in their durability, in the formality of their organisational entities, functional scope and territorial scale but their coming about was encouraged by the Association to serve the encompassing economic development of the area. In 2005, it was the new Keszthely-Hévíz statistical-administrative micro-region that was one of the last micro-regions to establish its MPA. The establishment of MPAs not only in the Keszthely-Hévíz area but also in the extended neighbourhood and the strict assignment of micro-regional spatial boundaries "exhausted" existing integrations in all the dimensions of micro-regional governance: organisations and coalitions were terminated, inter-sectoral cooperation has been reduced, territorial integration diminished and fallen into pieces.

Prior to the MPA, the integration of ever new organisational forms throughout the 90s was prompted by an organic need to combine various functions related to the encompassing economic development of area. That is, the goal behind organisational integration was functional integration for the sake of the concerted and complex economic development of the adjacent area in the western corner of the Lake Balaton. The idea of such functional coalition of di-

verse organisations was cultivated by the socially skilled entrepreneurial mayor of Gyenesdiás, a small village at the shore of the Lake, bordering the town of Keszthely. It was him who fuelled the integrative frame of associating organisations and diverse sectors into coalitions for the integrated development of the area.

The first development coalition among the three cross-settlement associations was initiated and established in 1994. This formal and loosely coupled association of the three organisations was the first attempt to provide an institutional frame for the developmental vision of the integrated territory of the western corner of the Lake Balaton. In 1995 this institutional frame was supported by a programme document with an integrated functional framework, called the Főnix-programme. The programme and the development coalition provided the basis for the establishment of a framework of territorial integration; i.e. the West-Balaton Micro-region[15].

On the basis of this framework of a functionally integrated territory supported by a coalition of local governments in the adjacent area, the Helikon Micro-Regional Office was established in 1995 that was an additional development coalition to serve the complex economic development of the West-Balaton area. Similar to the Micro-Regional Development Agency in Mórahalom and to the Abaúj Development Centre in Encs, the Helikon Micro-Regional Office was also a functional institution of shared competencies and distributed forms of intelligence without a legal organisational form. It described a system of balanced representations of development where functional diversities of organisations remained intact while combined in a way that the functional responsibilities of each organisation would be coordinated in synergies with others'. This loosely coupled informal development coalition complemented the municipal coalition of local governments with its diverse sectoral composition. Its members were comprised of the Balaton Regional Development Co., the Zala County Enterprise Development Foundation, the Zala County Chamber of Commerce and the Keszthely-Hévíz Micro-Regional Development Association.

In 2002 this development coalition was strengthened by the joining of a new organisational form, the Balaton Integration and Development Public Benefit Company and of a new institution, the local micro-regional representative of the Prime Minister's Office, a member of the national network of micro-regional coordinators. The new coalition, called the West-Balaton Micro-Regional Resource Centre denoted an informal and loosely coupled cooperation of various organisations, representing a diversity of sectors.

In both inter-sectoral coalitions, cross-organisational passage points were provided by distributed functions in shared projects, and the shared office space. With the exception of the Keszthely-Hévíz Micro-Regional Development Association, all other organisations in the coalitions covered larger adjacent areas, such as the county and the whole of the Lake Balaton area. This provided some indirect passage points between these inter-sectoral coalitions and the monosectoral coalition of the other two micro-regional associations. However, it was only the Keszthely-Hévíz Association from the three monosectoral associations that had direct, informal passage points to other sectoral organisations of the Helikon and West-Balaton coalitions. In a sense, the Keszthely-Hévíz Association was the central nod providing a single link between the inter-sectoral and monosectoral coalitions. The lack of thick cross-coalition ties meant imbalances in the distribution of intelligence within the West-Balaton area at the expense of the Tátika-Rezi and the Small Balaton Associations.

[15] The notion of micro-region here refers to a different and more extended territorial unit than the what the case studies are about. This confusion of terms is due to the fact that in HU the micro-regions, units of analysis int he dissertation are called „small regions" Regions used refer to smaller than NUTS II but bigger than NUTSIV levels – before EU terminology was introduced

The institutional context and the coming about of the MPA in the statistical-administrative micro-region of Keszthely-Hévíz in 2005 reorganized organisational ecology in a way that terminated the functioning of the above organisational coalitions. The West-Balaton Resource Centre along with the municipal coalition was terminated, just like its members, the three cross-settlement associations.

### III.6.2 Functional integration

The underlining goal of the diversification of functions through organisational diversity was to maximize the channels of resource mobilization that could provide solutions to issues of encompassing economic development. In the same vein, integrating various functions through organisational coalitions was about maximizing endogenous resource mobilization by associating different actors and their different functional scopes.

The approach of the three cross-settlement associations (Small Balaton, Tátika-Rezi and Keszthely-Hévíz) was similar in terms of their functional scope. Since primarily these were monosectoral association of local governments, some of their functions concerned the basic infrastructure development of their settlements (gas, sewage, electricity, etc). In addition, in all three associations special emphasis was laid on the environmental rehabilitation and protection of their respective areas, along with cultural and historical heritage for the development of tourism. These functional overlaps provided the basis of organisational integration in the formal development coalition of the three associations and eventually generated synergies through the integration of the associations. The Tátika-Rezi Association also functioned as a forum for the distribution of intelligence: it opened its information centre in Zalaszántó (the initiative for the association stems from here) to provide services in regional marketing, in the coordination of settlement level projects and tourism development. The Keszthely-Hévíz Association parallel to its similar functions also functioned as the engine of more encompassing economic development scope. The only single-issue functional scope could be found in the Kis-Balaton Settlement Alliance (1989-1991) that dispersed following the unsuccessful lobbying and tendering for the airport at Sármellék.

In these cases the ultimate goal of organisational integration was to combine the region-specific development functions of individual organisations in ways that could create developmental synergies in environmental protection, tourism and economic development for the whole area of the West-Balaton. Organizing different but overlapping functions in a way that would generate synergies, a system of functional concertation had to be developed in the monosectoral coalition of the three territorial associations. Functional concertation meant the loose coupling of the functions of each organisation in a way that none of the functions would dominate the others.

Framing functional and organisational integrations through the concept of an integrated territorial unit of the West-Balaton area derives from a socially skilled entrepreneur, the mayor of a small village near Keszthely at the Lake Balaton, who played an important role in mobilizing local actors and organizing them into associations of various kinds. In comparison with the micro-region of Mórahalom, where the concertation of diverse functional scopes (and scales) has been coordinated by a core of team of three leaders, in the micro-region of Keszthely-Hévíz this coordination was undertaken mostly by a single organisation, the Keszthely-Hévíz Association and its leader and social entrepreneur.

The institutional framework of the MPA in the Keszthely-Hévíz statistical-administrative micro-region in 2005 recombined functions in a way that reduced the rich ecology of the area. The termination of the Small Balaton and the Tátika-Rezi Associations upon the assignment of their settlements to several micro-regional units diminished the region-specific functional

scope of the association and tucked its functions into the melting pot of the MPA. The fragmentation of region-specific functional diversity based on the territorial re-scaling of new administrative boundaries of micro-regions had dramatic effects on organisational and functional integrations. Settlements that used to be associated in the Tátika-Rezi and Small Balaton Associations on the basis of organic functional integration have become detached from one another as even informal ties have become cut across by the statistical-administrative micro-region and the MPAs.

The institutional context of the MPA also changed the integration of functions in a way that instead of concertation, an orchestration of dominant of public service functions of local governments over more prevailed over enmpassing spatial and economic development functions. The institutional framework of the MPA although gives room for encompassing spatial development functions through the institution of the micro-regional development council but through standards central state funding its institutional logics restricts integrated spatial development functions. Budget calculations indicate that in the post-MPA period 1,4% of the MPA budget from standard state funds were mobilizable at the discretion of the Keszthely-Hévíz MPA; i.e. local governments; the rest had been prioritized according to general MPA functions by the annual targeting of the central state (Huszti, 2008).

### III.6.3 Inter-sectoral integration

In terms of the way inter-sectoral association is organized, interesting differences can be identified between two models that embody in the case studies of the Zalaszentgrót, Encs/Abaúj-Hegyköz and Keszthely-Hévíz micro-regions. Differences could be identified as the Zala county model of monosectoral associations with network ties to non-governmental actors v.s. the Borsod county model based on the bottom-up organization of encompassing sectors (almost like a social movement). In Zala county, the Association for the Villages of Zala County that played a central role in the coming about of numerous territorial associations in the early 90s, advanced the association of local governments in the organisational form of a civil association. In this model associations of local governments were to play a central role in organizing diversities and integration as the engines of micro-regional development; and as such local governmental associations were to encourage the coming about of diverse sectoral organisations and to maintain loose associative ties with them on a project-by-project basis. On the contrary, in the Borsod county model, local governments were just one of the sectoral representatives in associations that were organized from bottom-up including a diversity of local actors. The institutional logic behind both models was the free association of persons and local governments according to the 1989 and 1990 acts.

Territorial associations in Zala county, such as the Zala-Kar Association, the Tátika-Rezi Association, Small Balaton Association and the Keszthely-Hévíz Association all followed the Zala county model and organized inter-sectoral integration in their respective area in a way that the monosectoral territorial association of local governments maintained loose informal and project-based ties with NGOs. In this ad hoc and project-based network of relations it was individual settlements' duty to maintain links with their NGOs in the settlement and to "bring them in" the Association when projects required their participation. The Tátika-Rezi Association was similar to the Small Balaton Association in this senseIn the case of the Keszthely-Hévíz and Zala-Kar Associations both monosectoral organisations took an active part in encouraging the coming about of diverse sectoral organisations and their integration.

In this vein, the Keszthely-Hévíz Association was not just one of the partners but was at heart of the establishment of inter-sectoral coalitions (Helikon Office and West-Balaton Resource Centre) in the area. Both of these coalitions were organized in a loosely coupled coalition

where the representation of each sector was distributed evenly organized in concertation rather than orchestration (the dominance of one sectoral representation over the others). Passage points across sectors were provided by functional integration and the shared office space.

### III.6.4 Territorial integration

Prior to the MPA the organic space of economic and social ties shaped territorial integration through the definition of a frame built on the concept of the West-Balaton area. The socially skilled entrepreneur, the mayor of a small village near Keszthely played an important role in outlining and then putting in practice the concept of the West-Balaton area. The organisational integration of the three territorial associations and the functional integration of diverse sectors within the Helikon Office and the Resource Centre in return were established to strengthen the framing of territorial integration. In this period only minor changes occurred in territorial re-scaling of the West-Balaton area. Examples of these were the joining or leaving of one or two villages of territorial associations. In the case of the Small Balaton Association 1 settlement left the Association (because it did not want to pay membership fee), while in the case of the Keszthely-Hévíz Association 6 new settlements joined the organisation in 1999.

The institutional logic of the 1996 Act on Spatial Development did not inflict changes in the organisational, functional or sectoral domains of governance in the micro-region of Keszthely-Hévíz. The institutional context of the MPA however induced major transformations in the territorial scaling of the statistical micro-region of Keszthely-Hévíz. The synergistic effect of integrations in the various dimensions is displayed by the disintegration of the micro-region's territorial disintegration following the disintegration of functional and organisational associations.

Territorial disintegration took place in two steps. Firstly, the settlements of the integrated West-Balaton area were assigned to several different statistical-administrative micro-regions that sliced the 55-60 settlements of the three territorial associations into several administrative districts of the new micro-regions. Reorganizing administrative territorial scales cut organic cross-settlement ties and tied up settlements in new relations whose boundaries were drawn by public administrative logics by the central state. Such territorial fragmentation resulted in the disintegration of organisational and functional associations. The territorial associations based on functional integration of the development efforts of three groups of settlements in the West-Balaton area were terminated in 2004/05. In the second phase of territorial re-scaling, the territorial fragmentation and organisational disintegrations eventually led to the territorial disintegration of the statistical-administrative micro-region of Encs in 2007.

### III.6.5 Mode of association (decision-making)

In terms of decision-making patterns, parallel to the challenging of the encompassing frame of the West-Balaton area and the disintegration of organisational, functional and territorial diversities there has been a shift from consensus-oriented decision-making mechanisms to accommodate heterogeneous interests of various sectors of the initial period, to decision-making patterns dominated by the single sector of local governments.

Priori to the MPA-period, there were several forums for consensus-based, deliberative decision-making mechanisms. The regular meetings of mayors, the entrepreneurial club and the advisory board for NGOs and entrepreneurs provided forums for the integration of non-governmental actors in decision-making mechanisms. Such deliberative decision-making was present in all the organisations in the initial period that had more formal or informal modes of organization. The regular meetings of the mayors of the territorial associations were less for-

mal while decision-making patterns were more formal in the non-profit Ltd. or within the associations themselves.

In the post-MPA period, the institutional logics of the MPA provided the single decision-making authority in the micro-region. Since then, binding decisions are made exclusively by local governments in these two organisations; non-governmental actors can participate in this decision-making process in the narrow and formalistic mode provided by the institutional framework.

## IV. Summary of development patterns and paths

The case studies on the evolution of six micro-regional institutional ecologies in Hungary demonstrate variations in the way micro-regional governance has been organized with regard to the scope of association (in the organisational, functional, sectoral, and territorial dimensions) and the mode of association of micro-regional governance. On the systemic level the case studies have provided explanations about the role endogenous and exogenous factors have played in the shaping of various degrees and kinds of associations in micro-regions.

The case studies indicate a developmental framework in potentially all CEE Member States that distinguishes them from most EU15 countries. The lack of endogenous "own" resources of municipalities throughout the studied institutional periods made municipal governments vulnerable to the institutional logics of external developmental resources. While in Western Europe resource mobilization is about planning and mobilizing own resources based on a largely local consultative process, in Hungary/CEE the lack of own resources for all sectors of local actors has meant that the mobilization of external resources is about application based grant or per capita state funding, which provides the only source of developmental mobilization.

In the absence of "own", endogenous resources amidst socio-economic crisis micro-regional associations were initiated in every case with the functional goal to mobilize external financial resources. It was not only in the case of the earliest bottom-up, cross-settlement associations – Cserehát Alliance (1989); Abaúj Alliance 1990); Zala-Kar Association (1992), Ormánság Foundation (1990) – where institution-building was driven by functional financial needs of external resource mobilization. The trend that "money makes the world go around" in creating micro-regional associations of various kinds lingered on in the post-accession equilibrium as well. In different institutional periods money made the world go around in different dimensions of micro-regional associations, nevertheless affecting the whole of micro-regional governance.

Overall, it was this need for functional integration that generated organisational, inter-sectoral and territorial associations and since socio-economic problems were numerous and diverse, the "alliances" that came about to resolve them copied this diversity in the encompassing organisational structure of associations. It was due to this that the first spontaneous bottom-up associations based on encompassing inclusion of a diversity of actors and organisations came about in areas with small rural settlements at the peripheries and in the northeast of Hungary (Zala-Kar Association, Ormánság Development Association, Cserehát Settlement Alliance, Abaúj Alliance for Regional Development, Homokhát Local Governments' Micro-regional Spatial Developmental Association, Tátika-Rezi Association, Small-Balaton Association). The generating role of functional integration was also present in the fact these associations were often formed with some specific functional goals. This kind of functionally generated association of diverse local actors was also encouraged by the institutional framework and development programmes of this period: without prescriptions on the composition of "alli-

ances" they provided financial incentives for encompassing associations to resolve local problems of the transition.

This aspect of the institutional framework and development programmes changed in subsequent institutional periods. In the period between 1996 and 2003 the institutional framework (1996 and 1997 legislation) reorganized the sectoral representation scheme of micro-regional governance by encouraging the coming about of single sector-driven associations with the financial incentives of decentralized state funds. Hence, the criteria of association was monosectoral representation of local governments that generated monofunctional, but at the least much narrower scope of functional integrations. Monosectoral associations also entailed a strict definition of territorial boundaries – i.e. the territories of member municipalities – as also defined by relevant legislation.In the third institutional period (2004 - ) it was territorial integration that was reorganized by the institutional framework by assigning strict territorial and organisational boundaries. Territory-driven integrations entailed strict organisational criteria for associations encouraged by financial incentives of standard state funding. The nature of territorial and organisational integrations of course affected inter-sectoral association and functional integration; the prior becoming monosectoral and the latter narrow in scope.

The case studies of the six micro-regions demonstrate that changing the logic of action in one of the dimensions can set in motion synergistic or dysergistic effects in other dimensions. This means that association in one dimension can produce integration in another dimension as much as fragmentation in one dimension generates disintegration in other dimensions. Upon the central state's prescriptions and restrictions on particular dimensions of associations in the second and third institutional periods local actors faced the dilemma of what to do with the "recommended" organisational form of the MPA, how to combine it with the existing micro-regional framework. Whether synergies of integration between dimensions could be maintained or dysergies of disintegration were set in motion seem to have been depended on the presence or absence of socially skilled entrepreneurs who could create associative frames even in the face of restrictions of the institutional framework. In the cases of the micro-regions of Zalaszentgrót, Mórahalom and Sümeg such Streeckian entrepreneurs (turning constraints into opportunities by taking what the system offers at any moment) have managed to maintain and create associative frames in each dimension with small changes in the "system". In other cases, such as Encs/Abaúj-Hegyköz, Sellye and Keszthely-Hévíz local actors could not find a collective frame in dimensions reorganized by the state leading to the disintegration of micro-regional governance.

The case studies of Sümeg, Mórahalom and Zalaszentgrót demonstrate that "there is life after the MPA" in spite of the fact that in the other cases integrated developmental ecologies of the 1990s fell apart after the coming about of the mandatory MPA. Although the institutional framework of the MPA considerably restricted the scope of associations it did not entirely dissolve existing bottom-up associations. The legislation in fact leaves the possibility of the free association of local governments (with any other organisational form) open and at the discretion of local governments. The financial incentive of per capita standard state funding although changed balances of power within the micro-regional developmental ecology, the way it was used in the micro-region depended on local actors' combinations of their existing associations with the new associative model.

The way local actors managed to combine different institutional logics in terms of the scope and mode of micro-regional associations describes the governance of the micro-region. The case studies demonstrate three main groups of governance patterns that although do not correspond exactly to the ideal-types, they are closer to one or to the other. In this sense, the governance pattern found in the micro-regions of Zalaszentgrót, Mórahalom/Homokhátság are

closer to the heterarchic and integrated model of governance although their heterarchies and integration is organized in two different ways. The best case scenario of heterarchic micro-regional governance was found in the micro-region of Mórahalom where diverse organisational forms are integrated in a loosely coupled development coalition that distributed and shared competencies and had inter-sectoral membership. The viability of the Mórahalom model lies in this system of checks and balances and the "cabinet of three social entrepreneurs" that made associative frames durable in the face of challenging restrictions from the external environment. "Standing on more feet" in terms of the scope of association helps to preserve the embedded autonomy of a micro-region.

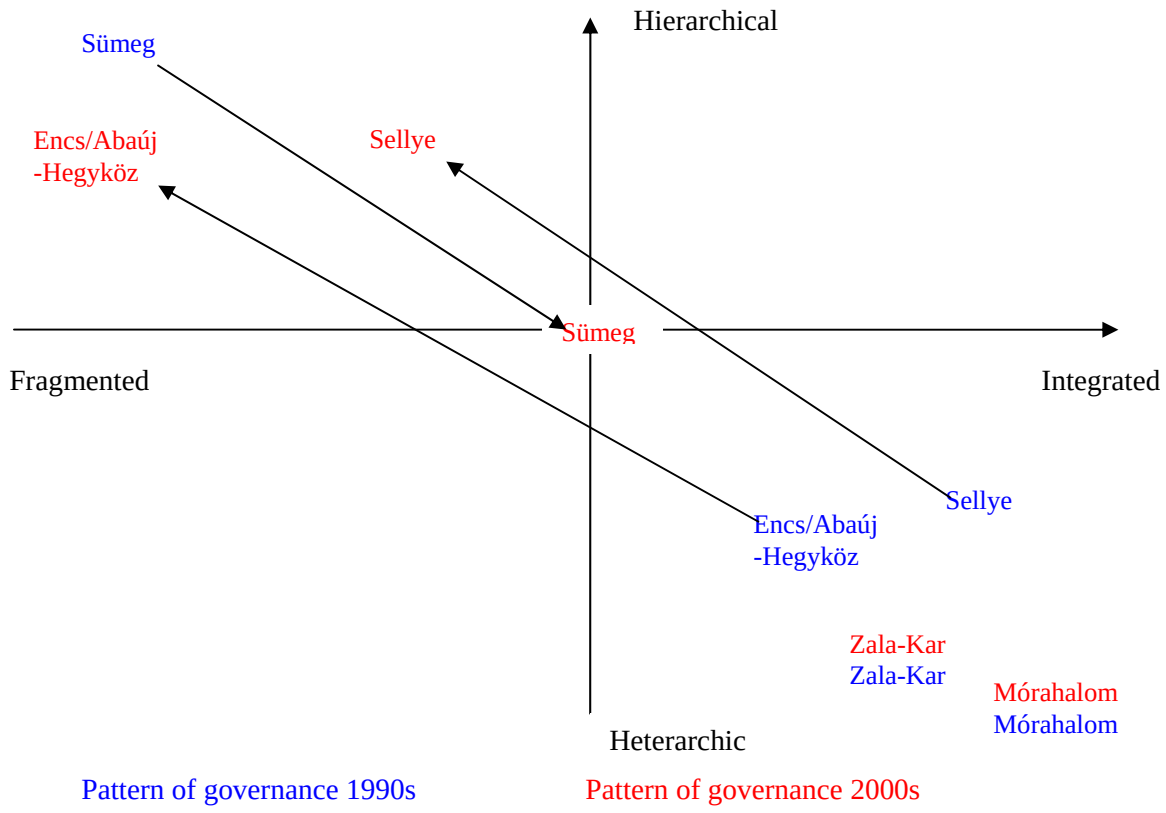
The second best case scenario of heterarchic micro-regional governance was found in the micro-region of Zalaszentgrót. The Zalaszentgrót model is an embryonic form of heterararchy because it is a single organisation that diffuses intelligence and authority through a single social entrepreneur in the Zala-Kara Association. The satellite organisations of the Association lacked cross-organisational passage points with the single entrepreneur being the central node in the system. The durability of this model is questionable in the case of the socially skilled entrepreneur "leaves the system".

The governance pattern of Encs/Abaúj-Hegyköz, Keszthely-Hévíz and Sellye, on the other hand, are closer to the fragmented and hierarchical model of governance given the non-associative and exclusionary character of their governance dimensions. Although the nature and degree of disintegration is different in each case the overall framework of governance in these micro-regions displays exclusionary decision-making mechanisms, a monosectoral representation scheme and the dominance of the single institutional logic of the MPA.

The micro-region of Sümeg alone constitutes the third, hybrid pattern of micro-regional governance, where both fragmented-hierarchical and integrated-heterarchic governance modes can be found. In Sümeg, the hierarchical institutional logic of the MPA has been coexisting with the heterarchic ecology of the Famulus Association since 2005. The varying of their institutional ties from ad hoc to institutionalized cooperation in the Leader programme without hierarchic "submission" of Famulus suggests the viability of a horizontal association of civil associations with MPAs different from the contracted coalition in Abaúj-Hegyköz or the decoupled coexistence in Encs and outlines a different mode of governance.

The paths micro-regions have travelled to since the early 1990s to get to any of the ideal-types of governance modes describes various models of institutional change. In terms of the evolutionary path of micro-regional governance the case studies demonstrate three main models of institutional transformation.

**Patterns of governance change over the decade**




Patterns of change in governance modes demonstrate the directions and dynamics of institutional change in associative relations over the decade. In this sense, closest to the ideal-type one finds the micro-regions of Zalaszentgrót and Mórahalom/Homokhátság, where the integrated-heterarchic model of governance has been preserved throughout the decade. The micro-regions of Sellye, Encs/Abaúj-Hegyköz and Keszthely-Hévíz have moved from being close to the first ideal-type of governance mode in the 1990s, closer to the second type by the 2000s. Although in terms of dynamics these micro-regions display varying degrees of hierarchic mechanisms and different scopes of disintegration, the overall pattern of institutional change in their case can be described from heterarchic association to hierarchic disintegration. The third group constitutes the single case of the micro-region of Sümeg that in the 1990s was very close to the second ideal-type and by the 2000s it has gone closer to the third type of governance mode. This is a model of institutional upgrading, unique to the overall pattern of micro-regional governance change in Hungary, which nevertheless demonstrates – along with the Zalaszentgrót, Mórahalom models – that it is possible to organize and to maintain heterarchic associations even in the "shadow of hierarchies", if constraints are turned into opportunities by social entrepreneurs.

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## ANNEX: Tables 1 – 3: Institutional contexts

### Institutional context of national regulations

| | Dimensions | 1989 Rights of association | 1990 Local Government act | 1996 Spatial Dev. Act | 1997 LG Association Act | 2004 LXXV | 2004 CVII |
|---|---|---|---|---|---|---|---|
| **Institutional logic of association** | **Organisa-tional** | Free association of organisations into any organ-isational form | Free association of LGs into any organ-isational form (e.g: civil association, LG partnership) | Voluntary Spatial Devel-opmental Partnership of Local Governmental | Free association of LGs with each other and any other organ-isational form | Micro-regional de-velopment council accountable to the State Treasury | Multi-purpose association of LGs |
| | **Sectoral** | Free association of citizens re-gardless of sec-toral identity | Free association of LGs with each other | Exclusively LGs | Free association of LGs with govern-mental and non-governmental or-ganisations | LGs and non-governmental or-ganisations | Exclusively LGs |
| | **Functional** | Free association in any functional domains | Free association of LGs in any func-tional domains | Integrated planning and programming coordi-nated in cooperation. Interest representation at county development councils | Free association of functions in service provision, institu-tional/organisational maintenance, em-ployment | Coordination of MR development with upper state levels Preparer and super-vises MR spatial development pro-gram | Specific functions in LG public service provision in education, health and so-cial care, public education, infrastructure development, employment, spatial development |
| | **Territorial** | Free association without territo-rial prescriptions | Free association of LGs without territo-rial prescriptions | LGs within one statisti-cal micro-region defined by the NSO Multiple affiliations are possible across counties | Free association of LGs without territo-rial prescriptions | Statistical micro-regional boundaries | LGs within one statistical-administrative micro-regional unit defined by 244/2003 (XII.18) Govt Decr. |
| | **Decision-making** | Defining freely the terms of de-cision-making | Defining freely the terms of decision-making | Defining freely the terms of decision-making | Defining freely the terms of decision-making | Decision-making rights for LGs Non-governmental actors with consulta-tive rights | Making decisions based on proportion of population, unless defined differently by the MPA |

**Institutional context of national development programmes**

| | Dimensions | Spatial Development Fund 1990-1994 | Spatial Development Target Appropriation 1994-1997 | Spatial Development Target Funds 1996 - | ÖAR-MVA/Phare |
|---|---|---|---|---|---|
| **Institutional logic of association** | **Organisational** | Without prescriptions encouraging joint development efforts in any organisational form | Without prescriptions encouraging joint development efforts in any organisational form | Voluntary Spatial Developmental Partnerships of Local Governments (LGPs) | Without prescriptions encouraging joint development efforts in any organisational form |
| | **Sectoral** | Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation | Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation | Prescribing exclusively local governmental cooperation | Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation |
| | **Functional** | Economic development (job creation, enterprise development) and crisis management programmes | Infrastructure and employment investment | Spatial development, spatial balance, economic development, tourism development, labour market fund, agrarian support, environmental development/reconstruction, road maintenance/reconstruction, water supply | Tourism, agriculture, small scale industry, renewable energy resources, community development, job creation and cross-settlement cooperation |
| | **Territorial** | Municipalities mostly in "privileged" areas: crisis-stricken counties of Szabolcs-Szatmár-Bereg and Borsod-Abaúj-Zemplén; and areas with highest unemployment and in acute crisis | Municipalities mostly in "privileged" areas: crisis-stricken counties of Szabolcs-Szatmár-Bereg and Borsod-Abaúj-Zemplén and Hajdú-Bihar | Backwards and disadvantaged micro-regions as defined by the NSO through county development councils | Most disadvantaged counties: Baranya, Borsod-Abaúj-Zemplén, Hajdú-Bihar, Szabolcs-Szatmár-Bereg |
| | **Decision-making** | Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors | Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors | Prescriptions on decision-making mechanisms in LGPs not hindering the strengthening of local governmental representation | Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors |

**Institutional contexts for transnational development programmes**

| | Dimensions | Phare 1992, 1995 | Phare 1996-97 | Phare 1998-99-2000/01 | Phare 2002-2003 |
|---|---|---|---|---|---|
| **Institutional logic of association** | **Organisational** | Without prescriptions encouraging joint development efforts in any organisational form | Without prescriptions encouraging joint development efforts in any organisational form | Without prescriptions encouraging joint development efforts in any organisational form | Without prescriptions encouraging joint development efforts in any organisational form |
| | **Sectoral** | Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation | Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation | Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation | Without prescriptions, eligibility criteria: encompassing inter-sectoral cross-settlement cooperation |
| | **Functional** | Monofunctional: Economic development for job creation and innovative technologies, tourism development, entrepreneurial capacity building | Multiple functions: SME development, integrated rural development, institutional capacity building at sub-national levels | Two priorities: preparation of public administration for the management of SF, integrated rural and regional development | Integration of multiple functions: rehabilitation of industrial and military sites for job creation, regional infrastructure development to improve public transport, employment |
| | **Territorial** | Most disadvantaged counties of Szabolcs-Szatmár-Bereg, espcially Borsod-Abaúj-Zemplén | Northern and Southern Great Plains, Northern Hungary, South Transdanubia | Northern and Southern Great Plains, Northern Hungary, South Transdanubia | All NUTS II regions |
| | **Decision-making** | Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors | Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors | Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors | Without prescription on the rules of decision-making mechanisms, it allowed heterogeneous representations of a variety of actors |