The ESPON 2013 Programme

Applied Research Project 2013/1/2

EDORA

(European Development Opportunities
for Rural Areas)

Country Profiles Report

HUNGARY

Report nº 25.12

Gusztav Nemes
Institute of Economics Hungarian Academy of Sciences

EUROPEAN UNION
Part-financed by the European Regional Development Fund
INVESTING IN YOUR FUTURE

CONTENTS

1. Introduction

Guidelines: please, add comments based on your local knowledge on the following (when possible, support your comment on provided tables and/or other sources):

- Key ideas/comments on the resulting DG Regio Typology (reasonable classification?, processes hindered?, degree of internal variation?, etc.)
- Basic comments on the main Drivers, Opportunities and Constraints affecting different typologies of regions in the country
- Basic comments on the implications of the three "Grand Narratives of Change" described by Mark Shucksmith in the rural areas of Hungary (ref. document "Narratives of Change Affecting Rural Areas of Europe")

Regional processes and territorial differences in Hungary

Today in Hungary the main courses of regional development are formed by the new structures emerging after the change of regime, as well as new economic and social institutions and actors. The impacts of the globalisation mechanisms are increasingly stronger (which measure the economic relation systems and human resources on the national level), and the creation of information systems and the increasingly important problems of environment protection have a stronger effect. Deviations from the earlier spatial structure and the movements of the most recent period are well reflected in the specific (projected to population) regional GDP Tables, generally used internationally for characterising regional development (Table 1). Our main findings are as follows:

(1) The domestic regional processes and spatial structure are both characterised by permanence, the presence of stable dividing dimensions, and the occurrence of prominent position changes. The best example for the former is perhaps the marked duality of the capital and the countryside, and the permanent relative under-development of the regions of the Great Plains (Alföld plain), while the latter is mostly represented by depression courses related to the restructuring of industry and spectacular growth. (The relative stability of the spatial structure is reflected by the 0.58 value of the correlation coefficient calculated between the year 1975 and 2002 county economic development levels (GDP/capita), which is 0.38 without the capital).

(2) The new, partly-modified and more segmented spatial structure evolved as early as the nineties, since then only minor movements have been perceivable (analogously with the above Tables, the year 1994 and 2002 correlations are extremely high, their value is 0.95, and 0.81 respectively).

(3) While the basic trend of the capital–countryside relation is an increasing development parity, the proportions within the country-side are shaped by „downwards levelling", and the waves of repeated differentiation (see the maximum/minimum rates of Table 1). The capital is the only such spatial unit that kept increasing its relative advantage all through the period under review, while its „negative pairs" Borsod-Abaúj-Zemplén, Békés and Csongrád, which – although with different character, but – keep lagging further down step by step. The past years were characterised by an increasing development- development level instability within the rural areas, and in several counties in the west the spectacular dynamics came to a halt. The most typical example of that is Fejér, but similar signs have appeared in the course of Győr-Moson-Sopron and Vas.

(4) The level of the economic development of more than half of the rural regions (11 counties) was closer to the national average during the period of „flourishing socialism" than today; only the capital and Pest county inseparable from it are on the (relative) peak today. The status of the already mentioned re-industrialised counties was the best between 1998 and 2000; several counties of the South Transdanubia ran a course of relative stability until the middle of the nineties, but recently has been visibly left without resources for growth. As opposed to the spectacular regional position changes of the nineties, in the Hungary after the millennium rather the signs of the stability of the spatial structure are apparent, although the development course of several counties and regions is still uncertain and vulnerable. Within this occasionally breaking stability, the continuous presence of three basic spatial structures are apparent.

a. The first and firmest out of these is the economic – social – cultural gap between the capital and the other areas of the country. There is no such other region or city in Hungary even approximately whose development could be comparable with that of Budapest. The capital is not only the number one centre of power, but also in the economic sense and due to the weight of its population heads the country out of proportionate. Its economic potential reaches far beyond the country borders, and gradually grows into a Central European centre. It sucks up with great force the impulses necessary for development: financial capital, highly qualified human capital, and holds out hopes of a relatively higher profit and living standards. 60% of the foreign capital invested into Hungary was realised here, employment opportunities are the best here within the whole country and salaries are the highest. This role of social-economic focus by now has gone far beyond the administrative borders of Budapest as a result of suburbanisation. Villages grow into cities around the capital in mass, and small settlements acquire higher value.

b. The other basic characteristic feature of the spatial structure is the east-west duality dividing up the country in almost all respects. This attribute, mostly perceivable in the economy today, roots back to several hundreds of years, and the transition period after the change of regime only emphasised the already existing differences. Today one of the most important resources of regions is their geographical location: the capital and innovation flowing into the country and fundamentally bringing modernity upvalued the regions located in western Hungary, being closer to the issuing areas. This could happen thus, as here the local economy was not based on the completely bankrupt heavy industry, and the people's working culture, enterprising activity and their willingness to receive innovations are completely different from those in the eastern part of the country. Alföld (Great Plain) has remained an agricultural area to date, only some of its bigger cities have adopted a more modern image. Northern Hungary has not been able to recover yet from the shock it suffered from the disintegration of the one-sided heavy industry economic structure, which is well reflected in the still very high employment rate of Borsod-Abaúj-Zemplén and Nógrád counties.

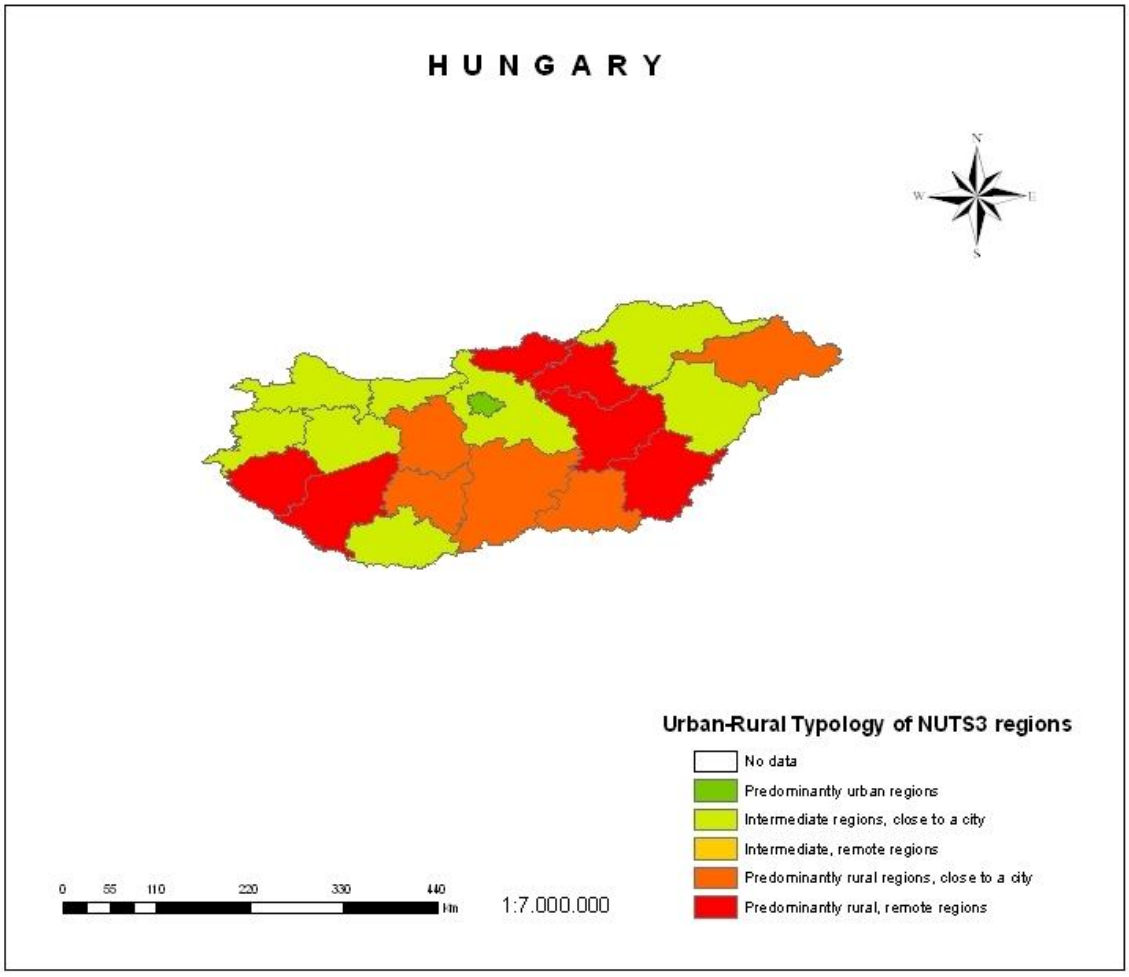
c. The third basic characteristic feature is the village-city duality in all regions. This actually only means that settlements with a bigger population are usually in a better economic position than those with a smaller population.

d. There are many inner peripheries, even in the more developed regions of the country. Nevertheless, these only appear on NUTS 4 and 5 level and not on the county level.

Table

The DG Regio classification in Hungary is reasonable. Nevertheless, the map below obscure many spatial differences and problems, emerging on a micro-regional level. The two best examples are the North-east (county of Borsod-Abaúj-Zemplén) and the South-west (county Baranya). Both counties are traditional regions of heavy industry and mining, and have large cities included in the region, resulting in being classified as 'intermediate regions being close to a city'. Nevertheless, both counties have extremely scattered settlement system, very bad roads and transportation, high level of unemployment, ageing, diminishing population in one hand, problems with Roma minorities on the other, failing industry, poor agriculture and often environmental degradation as a result of industrial past. Therefore, these regions are amongst the most remote and peripheral ones in Hungary, having serious rural development problems, that is not reflected on this map at all.

Figure 19.1 DG Region modified Urban-rural typology of NUT3 regions: Hungary



Source: own elaboration from http://ec.europa.eu/regional_policy/sources/docgener/focus/2008_01_rural.pdf

2. Demography

Guidelines: please, add comments based on your local knowledge on the following (when possible, support your comment on provided tables and/or other sources):

- Which are the main demographic processes in the country?
- Which are the features of the "natural growth"? (positive or negative growth, ageing process)
- Which are the features of migration processes? (dimensions, size, directions, prevalence, tradition, consequences on territorial model).
- Are there significant variations in the above processes depending of the types of regions considered (ie. PU, IRA, IRR, PRA, PRR)? Please, describe briefly.

Hungarian population is ageing and diminishing. Dependency rate is 45,37, which is 2.2% worse than the EU average, which difference comes almost entirely from having more people older than 64 years. Moreover, considering that especially in remote rural areas (IRR and PRR) the ratio of disadvantaged children (living in poverty, Roma minority), having small chance for suitable education and facing unemployment during their adulthood.

In Hungary the basic demographic trend is that the population of larger cities (with special regard to Budapest and some cities of former heavy industry areas) has been reducing, while the population of rural areas is growing. Nevertheless, the population of most small villages in IRR and PRR areas is further reducing, while in some of these villages the population is growing significantly. All this is due to the speciality of counter-urbanisation processes. In Hungary, similarly to EU15 countries, around Budapest and some other cities a wide ring of suburbs have been developed, for wealthy middle-class people, moving out from the city. Another way of occupying rural space by city dwellers is buying houses in picturesque villages, mainly in traditional holiday areas (Lake Balaton, Danube bend, Mátra, Bükk, etc.) and vine regions and to move there or using them as second homes. Nevertheless, there is another, very different type of counter-urbanisation too. Many poor, disadvantaged families, often Roma minority, with low education, after loosing their jobs and becoming long term unemployed, as a last resort, sold their flats in the city and moved into mainly small remote villages. Often they had been seriously indebted and would have lost their flats anyway, sometimes they intended to use the money for starting a small business, or they just simply lived on the price difference. As a result, some of the most disadvantaged rural areas (North-east, South-west, Eastern Hungary) have positive migration and natural growth. Nevertheless, going to a one way village often proved to be a one way road. Though there are lots of young people in these areas, they are disadvantaged on many ways, tend to remain uneducated and face 'life-long-unemployment'.

Educational level and participation of 'life-long learning' are generally very low in Hungarian rural areas, less than half of the EU average. This is partly due to the ageing and/or disadvantaged rural population, partly to failures of the Hungarian educational system.

Table 19.1 Demography indicators

DEMOGRAPHY		PU	IRA	IRR	PRA	PRR	Average country	Average EU 27 +CH+HR+ IS+LI+MK +NO+TR	Average EU 27
Variables		1	21	22	31	32			
Census population 2001	% people aged 0 to 14 years	12.80	17.20		17.59	16.72	16.93	16.75	16.70
	% people aged 15 to 64 years	69.56	68.53		67.87	67.19	68.01	66.62	66.65
	% people aged 64 years and over	17.64	14.27		14.55	16.09	15.05	16.532	16.55
	Age dependency rate	25.35	20.83		21.44	23.95	22.14	25.09	25.09
Population*	Population change 2001-2007 (Index pop. 2001=100)	101.47	98.60		97.57	97.24	98.08	96.58	96.31
	% pop. 0_14_2007	14.32	15.17		15.36	15.63	15.31	16.68	15.97
	% pop.15_64_2007	69.37	69.12		68.73	68.34	68.80	69.75	70.18
	% pop. >64_2007	16.30	15.71		15.92	16.03	15.89	13.55	13.84
	Age dependency rate	44.15	44.70		45.52	46.34	45.37	44.08	43.17
Education	Natural increase change_01_06	-3.89	-0.26		-1.69	-2.88	-1.59	-5.99	-6.09
	Net migration change_01_06	3232.49	107.98		84.88	74.41	248.36	7.09	8.97
	% ISCED 0_2**	21.03	29.15		31.16	31.43	29.93	33.62	36.65
	% ISCED 3_4**	48.25	49.91		48.36	48.84	49.12	43.29	47.14
	% ISCED 5_6**	21.01	11.58		10.69	10.19	11.41	17.03	18.54
	% of farmers with basic or full educational attainment	59.30	13.21		14.26	14.27	16.10	35.34	39.54
	Life-Long Learning in Rural Areas*	5.65	3.55		3.28	3.20	3.48	7.69	8.61

*Values NUT3 are replaced by values NUTS2

**% ISCED by groups is calculated for population more 15 years.

3. Employment

Guidelines: please, add comments based on your local knowledge on the following (when possible, support your comment on provided tables and/or other sources):

- Main processes and trends in relation to the labour market (employment/unemployment, disadvantaged groups and territories). Explanatory reasons
- Are there significant variations in the above processes depending of the types of regions considered (ie. PU, IRA, IRR, PRA, PRR)? Please, describe briefly.
  One of the most severe macro-economic problems of Hungary is the extremely low level of employment/high level of inactivity amongst the population in working age. Unemployment rates are not very much higher than the EU average (an exception is young people between 15-24, where unemployment is some 5% above the EU average). The main problem is therefore not unemployment, but inactivity. In 2005, activity rate in Hungary was almost the worst in Europe (only in advance of Malta), 56,9 compared to the EU25 average of 63,3[1]. The situation is worst amongst young people, between 15-24, only 21,8% of whom are active. Reasons for inactivity are also worrying, 41% being retired (for health reasons or as early retirement), 30% for studying, only 10% childcare and 19% for other (meaning mainly living on social benefits).
  Recently, as a result of the current economic crisis, unemployment as well as activity rate has been further worsening. In 2009 February the unemployment was 9%, compared to the EU average of 8% and with more than 45% of long term unemployment. Activity rate was at the same time reduced to 55,4%, meaning that currently 3.764.000 employed people is keeping up the whole population 10.045.000, (that is only 37,4% working for everyone).

Table 19.2 Employment indicators (a)

EMPLOYMENT	PU	IRA	IRR	PRA	PRR	Average country	Average EU 27 +CH+HR+IS +LI+MK+N	Average EU 27
Variables	1	21	22	31	32			

[1] See for details:
http://www.google.hu/url?sa=t&source=web&ct=&cd=1&url=http%3A%2F%2Ffoldrajz.ttk.pte.hu%2Fmunkaero%2Fppt%2Fcsizmar.pps&ei=LN7eSb-JKIu__Qaw17WdCQ&usg=AFQjCNFvjuRIsWxeIgnF2IvBdPVjB57sRQ&sig2=tu0ByI5zrnaiMnrCkt1P6A

								O+TR	
Employment rate*	T15_64 years	62.70	58.20		54.78	53.65	56.21	66.40	66.42
	Tmale 15_64 y	69.60	65.18		61.46	60.13	62.96	73.05	73.12
	Tfemale 15_64 y	56.40	51.49		48.38	47.43	49.74	59.72	59.70
	Total 15_24 y	21.60	22.51		20.22	20.08	21.17	39.66	39.67
	T 45_64 years	59.40	53.53		49.59	48.78	51.41	62.37	62.34
	Total 45_54	79.40	73.74		69.62	68.10	71.30	78.30	78.38
	Total 55_64	39.40	33.31		29.56	29.47	31.53	46.44	46.30
%Employment in principal sector	%Emp_primary	0.56	5.53		7.40	6.97	6.18	7.95	7.97
	%Emp_secondary	21.23	37.33		35.69	36.00	35.72	26.71	26.71
	%Emp_tertiary	78.21	57.15		56.91	57.02	58.10	65.33	65.31
Unemployment evolution 2002_05	Total > 15 years	132.87	126.55		134.21	178.55	144.38	187.25	188.17
	Total 15_24 years	80.36	116.35		141.08	300.78	176.06	255.25	257.16
	Total >25 years	145.49	130.32		133.54	153.97	138.98	82.27	82.21
	Male > 15 years	115.69	107.64		123.73	111.36	113.18	82.45	82.35
	Female > 15 years	152.59	145.42		143.90	150.41	146.90	94.74	94.79

*Values NUT3 are replaced by values NUTS2

Table 19.3 Employment indicators (b)

EMPLOYMENT		PU	IRA	IRR	PRA	PRR	Average country	Average EU 27 +CH+HR+IS +LI+MK+N O+TR	Average EU 27
Variables		1	21	22	31	32			
Unemployment rate 2007*	Total >15	4.90	6.81		9.28	9.17	8.04	7.61	7.63
	Total Male >15	4.40	6.50		9.00	8.88	7.74	7.06	7.05
	Total Female >15	5.40	7.23		9.64	9.50	8.42	8.61	8.59
	Total 15_24	11.10	16.29		24.10	21.38	19.51	15.80	15.64
	Total >25	4.50	6.06		7.94	8.22	7.10	6.66	6.66
Long term unemployment*	% long term unemployent rate_07	51.39	45.22		44.44	46.02	45.57	43.07	43.12
	Evolution of long term unemployment 2002_07	100.67	106.60		114.03	110.22	109.25	111.33	110.94

*Values NUT3 are replaced by values NUTS2

4. Rural business development

Guidelines: please, add comments based on your local knowledge on the following (when possible, support your comment on provided tables and/or other sources):

- Which are the features of the rural businesses (size, dominant activities, employment, profitability, innovation, use of IST, etc)?
- Which is the profile of the rural entrepreneur?
- Which are the niches of activity in which rural companies are being created?
- Which are the opportunity sectors for future rural business operation?
- Which are the main constrains that need to be overcome?
- Are there specific policies/programs/initiatives that could be labeled as "best practices" in rural business promotion?
- Are there significant variations in the above processes depending of the types of regions considered (ie. PU, IRA, IRR, PRA, PRR)? Please, describe briefly.

  The only significant variation concerning the distribution of firms between regions is that in PU (meaning Budapest) some 44% of firms are in 'Real state, renting and business activities'. Apart from this there are no significant differences between types of regions with regard to the percentage distribution of firms by industry (Table 4). The activities that concentrate a greater percentage of companies are real state, renting and business activities and wholesale and retail trade. These activities occupy about 60% of the active population in each case, without significant differences between regions. In urban regions, this percentage reaches 67%, and values in rural areas are somewhat lower (58%). The building sector shows stronger growth in rural areas (around 14%) without further variation concerning remoteness. This is a reflection of the suburbanisation processes.

  For the redistribution of employment the picture is quite different. Manufacturing is the absolute winner here, implying that manufacturing firms have generally more employees than others (12% of the firms cover almost 35% of all employment). It is somewhat surprising that according to the table manufacturing is equally important in every rural areas, disregarding remoteness, and is only half as important in urban areas (Budapest). A reasonable explanation could be that most of the employment in manufacturing can be attributed to large foreign owned companies. These were receiving special state support to establish factories in deprived regions, so the largest factories (car, machinery, electronic, etc.) are in rural areas.

  Some traditional industries (first of all mining) have almost completely disappeared from Hungary, the energy consist of much less firms (due to our nuclear power-station, providing more than half of the electricity consumed) and much more employees (due to the low technical level of other facilities) than the EU average.

  Hotels and restaurants seem to have less employees than the EU average, though the percentage of enterprises in catering is close to average.

Table 19.4 Rural business development indicators

RURAL BUSINESS DEVELOPMENT		PU	IRA	IRR	PRA	PRR	Average country	Average EU 27 +CH+HR+IS +LI+MK+NO+TR	Average EU 27
Variables		1	21	22	31	32			
Nº FIRMS BY SECTOR OF OPERATION (1_2 digits)_2006	% Mining and quarrying	0.06	0.14		0.10	0.13	0.12	0.30	0,30
	% Manufacturing	11.05	12.01		12.32	12.10	12.07	14.08	14,05
	% Electricity, gas and water supply	0.17	0.36		0.39	0.46	0.39	0.61	0,63
	%Construction	10.22	14.36		14.17	14.05	14.01	9.48	9,46
	%Wholesale and retail trade	24.28	27.56		30.04	29.85	28.70	23.02	21,83
	%Hotel and restaurants	3.87	6.75		6.78	7.26	6.77	6.52	6,15
	%Transport, storage and communication	6.69	7.30		7.22	7.30	7.25	8.69	8,46
	%Real state, renting and business activities	43.67	31.52		28.98	28.85	30.69	37.29	39,12
EMPLOYMENT BY SECTOR OF OPERATION (1_2 digits)_2006	% Mining and quarrying	0.11	0.29		0.27	0.31	0.28	0.58	0,52
	% Manufacturing	18.63	35.91		34.91	35.64	34.71	29.18	28,08
	% Electricity, gas and water supply	1.05	2.61		2.44	3.03	2.61	1.14	0,89
	%Construction	8.06	9.67		10.53	10.42	10.03	9.09	9,14
	%Wholesale and retail trade	28.10	21.55		23.54	22.17	22.56	26.14	26,93
	%Hotel and restaurants	5.56	5.16		5.16	5.18	5.19	8.27	8,37
	%Transport, storage and communication	11.43	8.95		9.12	9.34	9.24	8.65	8,52
	%Real state, renting and business activities	27.04	15.78		13.96	13.84	15.31	16.78	17,51
Employment in high and medium technologies manufacturing activities_2004	Employment in high and medium tech manufacturing activities_2004_ Media	6.55	10.61		7.08	8.53	8.90	6.88	7,42
	Employment in high and medium tech manufacturing activities_2004_ %EU 25	104.83	154.02		109.37	123.01	131.10	95.89	107,13
%firms with own website		41,50	36.03		32.74	34.05	34.89	50.21	50.21

*Values NUT3 are replaced by values NUTS2

5. Rural-urban relationships

Guidelines: please, add comments based on your local knowledge on the following (when possible, support your comment on provided tables and/or other sources):

- Are there established or incipient initiatives for cooperation between urban and rural areas?
- Is the "territorial approach" developed? (ie. Territorial Employment Pacts, supra-municipal planning, etc.),
- are there rural-urban partnerships? If so, which are their goals and ways of operation? Where is the power located?
- Which is the importance/extent of suburbanisations processes?
- What are the main demands/uses over rural areas from urban inhabitants? How these are met?
- Are there specific policies/programs/initiatives that could be labeled as "best practices" in promoting appropriate rural-urban relations?
- Are there significant variations in the above processes depending of the types of regions considered (ie. PU, IRA, IRR, PRA, PRR)? Please, describe briefly.

Rural-urban relationship is in general problematical and full of conflicts in Hungary. This has various roots:
One is a political one: for the last almost 8 years the majority of rural local authorities are from the conservative party, while Budapest, the central government and more of the larger urban centres are led by the socialists. This means different values, lots of prejudices, political considerations altering rational decisions, etc.

The second is a fiscal-political one. After the first elections (resulting from the Local Self-government Act) local authorities received large autonomy and considerable financial resources. Ever since subsequent governments (meaning the central political power, represented and embodied by Budapest) have been reducing this autonomy (especially financial one), resulting in growing conflicts between central and local governments, mirrored in political speeches and everyday conversations.

The third is a historical one, and it is based on the unmistakeable dominance of Budapest as the main overwhelming urban centre. (See the notes on regional processes and demography.)

The fourth one is the fact that remote rural areas and former heavy industrial regions became the main loser of the last two decades' socio-economic changes. Negative effects accumulated in remote rural and former industrial (mining) regions, where industrial and agricultural jobs, commuting and local employment possibilities were lost at the same time. Further difficulties occurred about the Roma population as a result of prejudges, low education and cultural differences. By 1993, some 70% of adult Roma male became unemployed and most of them never found another job, and most of them live in rural ghettos, north-east and south-west Hungary. The situation was worsen by a special counter-urbanisation process, through which disadvantaged, unemployed people (many, but not all Roma) sold their apartments in cities and urban industrial centres and moved to cheep housing in remote areas. This, in some cases at least, was enhanced by urban and rural local authorities, providing often free housing to large Roma families. On this way, many social problems were exported from cities to villages, without providing substantial financial resources to solve them.

There are almost no initiatives for urban-rural partnership (the ones that exist are aimed at political campaigning more than anything else, adding further burden to the

problems). Where there is some close relationship, normally urban centres overwhelm power relations within the partnerships.

There is a reasonably developed micro-regional system in Hungary, or rather there are various overlapping systems. One is called statistical micro-regional system (with an ever changing number of micro-regions, currently 174). It was originally established (by the National Statistical Institute) only as a framework for statistical data-collection, then it was given a growing role in development, planning and public administration by various political forces. Beside this another micro-regional system (called voluntary or/and development micro-regions, and recently LEADER micro-regions) is also in existence, covering all rural areas in the country, with 92 micro-regions. The parallel existence of the two systems creates confusion, competition and a waste of resources.

6. Cultural heritage

Guidelines: please, add comments based on your local knowledge on the following (when possible, support your comment on provided tables and/or other sources):

- Which are the main cultural resources?
- Which are the main cultural resources of rural regions?
- Is cultural heritage used? If so, in which senses (ie. tourism, other economic activities, identitary reference, education, other non profit uses?
- Which are the main demands upon cultural heritage?
- Are there specific policies/programs/initiatives that could be labeled as “best practices” in protecting/promoting sustainability of cultural heritage?
- Are there significant variations in the above processes depending of the types of regions considered (ie. PU, IRA, IRR, PRA, PRR)? Please, describe briefly.

The use of cultural heritage, if understood within the framework of cultural economy, is very important for Hungarian rural regions. Volk-culture, customs, arts and crafts, built environment, music and dances are widely used for creating or reinforcing local context and identity and attracting tourism at the same time. There is a very well developed local rural-village festival culture, from one day village festivals aimed at the local community and its immediate neighbourhood, to large festivals, accommodating high level performances and hundreds of thousands of visitors and an international audience (the best example is the Valley of Arts). There are some resources (recently within the third and the fourth axes of the Hungarian RDP) to support these events, nevertheless, there are also many problems with finances, much of the smaller events are based on small local resources and the large ones sometimes do not take place at all due to lack of money (the Valley of Arts was cancelled the last two years, for example).

7. Services of General Interest

Guidelines: please, add comments based on your local knowledge on the following (when possible, support your comment on provided tables and/or other sources):

- Which is the general situation of the services of general interest (SGI) in the country?
- Which are the main problems in relation to accessibility and provision to SGI for rural residents and visitors?
- Which are the main forms of provision of services in rural areas? Are there innovative solutions to low accessibility areas?
- Are there specific policies/programs/initiatives that could be labeled as "best practices" in promoting accessibility/provision of Services of General Interest, particularly in rural areas?
- Are there significant variations in the above processes depending of the types of regions considered (ie. PU, IRA, IRR, PRA, PRR)? Please, describe briefly.

Accessibility and provision of services are conditioned by an urban-rural divide, meaning that while in most categories there is significant difference between urban and rural areas, there is little variation between rural areas. Peripherality by car to population is very low in general (one third of EU average).

Table 19.5 Services of general interest indicators (a)

SERVICES OF GENERAL INTEREST		PU	IRA	IRR	PRA	PRR	Average country	Average EU 27 +CH+HR+IS +LI+MK+NO+TR	Average EU 27
Variables		1	21	22	31	32			
Density of motorways		0.06	0.01		0.01	0.01	0.01	0.04	0.04
Density of trunk road		0.34	0.08		0.08	0.08	0.09	0.17	0.17
Density of railways		0.33	0.08		0.08	0.07	0.09	0.10	0.10
Area (km2)**		525.00	38583.00		26706.00	27214.00	93028.00	5659749.80	4600910.40
DENSITY	Evolution density 2001_06*	-3.89	-0.26		-1.69	-2.88	-1.59	96.58	96.31
DENSITY	Density of population 2006***	3232.49	107.98		84.88	74.41	248.36	3712.44	4066.61
Daily population accessible by car*		7691.00	7691.00		7691.00	7691.00	7691.00	18078.54	19285.23
Time to nearest hospital		15.72	24.76		14.87	10.75	17.63	22.83	22.83
Time to nearest university		15.72	49.17		53.86	77.47	57.16	45.10	45.10
Time to nearest airport		14.67	127.18		141.22	136.36	127.82	83.44	83.44
%households with broadhand access		NA	NA		NA	NA	NA	49.07	48.00
% households with internet at home		NA	NA		NA	NA	NA	81.46	81.20

* Values NUT3 are replaced by values NUTS2

** The findings of these variables are the sum of values, not the average, as the others.

*** These values are only indicatives and aren't real because in the calculation there are values NUTS2 and NUTS3.

The table on services might be somewhat misleading, especially concerning the transportation system (roads, railways, airports). The density of the road system is well under the EU average (less than half), but the real situation especially in remote rural areas is even worse, for two reasons. First of all, the density of roads (and railways)

does not say anything about directions and arrangement. The main transport routes in Hungary all start from Budapest (all motorways, for example) as a result of historical traditions and mistaken strategy, therefore it is reasonably easy to move towards Budapest, but often difficult amongst peripheral regions. Also, while roads starting from Budapest are reasonably well maintained (the motorways are in especially good condition, due to EU subsidies and huge national effort) smaller roads, far away from the centre are often in very bad condition.
Railways, apart from being centred on Budapest, have the problem of bad timetables, often very bad quality, no harmonisation of other means of public transport, etc. There seem to be a strategy to reduce the importance of railways and in the long run only keep inter-cities and suburban local railways.
In remote and even intermediate rural areas it is almost impossible to move around with public transport, it is expensive, rare and bad quality in general.
There are 4 airports in Hungary registered as public ones, however, some 99% of the airplanes take off from Budapest airport (Ferihegy), the others are only used by some not too frequent budget airlines.

Table 19.6 Services of general interest indicators (b)

SERVICES OF GENERAL INTEREST		PU	IRA	IRR	PRA	PRR	Average country	Average EU 27 +CH+HR+IS +LI+MK+NO+TR	Average EU 27
Variables		1	21	22	31	32			
Nº STUDENTS ISCED 0_6*	Nºstudents ISCED_0 per 1.000 inhabitants	NA	32.22		33.00	33.17	32.75	29.59	29.46
	Nºstudents ISCED_1 per 1.000 inhabitants	NA	41.87		42.15	43.49	42.49	61.66	60.76
	Nºstudents ISCED_2 per 1.000 inhabitants	NA	48.79		49.39	49.17	49.08	43.21	43.28
	Nºstudents ISCED_3 per 1.000 inhabitants	NA	54.84		56.77	55.71	55.67	48.05	48.03
	Nºstudents ISCED_4 per 1.000 inhabitants	NA	6.51		6.57	6.81	6.63	3.06	3.10
	Nºstudents ISCED_5_6 per 1.000 inhabitants	NA	33.96		35.70	36.24	35.20	37.37	37.23
BEDS IN HOSPITAL PER 100.000 inhabitants*	Nº of beds in hospitals per 100.000 inhabitants_05	920.80	763.78		715.82	740.26	752.59	696.91	704.88
	Evolution nbeds 2000_05	91.97	95.50		95.90	96.56	95.74	91.53	91.94
	Density of hospitals	53.33	0.73		0.61	0.66	3.31	5.44	5.44
	Hospital beds per head	12.51	5.40		5.94	6.27	6.15	4.98	4.98
	Doctors per inhabitant	564.00	314.66		309.10	291.12	318.68	171.35	171.35

*Values NUT3 are replaced by values NUTS2

8. Farm structural change

Guidelines: please, add comments based on your local knowledge on the following (when possible, support your commen0t on provided tables and/or other sources):

- Which are the main DOC in relation to agriculture?
- Are there specific policies/programs/initiatives that could be labeled as “best practices” in promoting agriculture?
- Are there significant variations in the above processes depending of the types of regions considered (ie. PU, IRA, IRR, PRA, PRR)? Please, describe briefly.

Most important features concern the differences of Hungarian farm system compared to EU average. In Hungary the farm structure is overwhelmed by small farms (over 90% on average, compared to 23% EU average). (Nevertheless, land-use system would show a significantly different picture from ownership.) The ratio of medium and large farms is at the same time very small in EU comparison. Nevertheless, the changing of farm structure is very rapid in PU regions and is doubles the EU average in rural areas. The ratio of full time agricultural workers amongst landowners is 1/6th of the EU average. The situation is the worse in remote rural areas, where less than 5% landowners were working full time in agriculture. This shows the importance of self-subsistence farming.

In fact, in Hungary two different farming systems exist. One is concentrated on self subsistence and to a smaller extent providing some additional income to the household. This concerns most of the small agricultural holdings, does not have much relevance to agricultural policy, agricultural trade, and rather belong to social policy than to commercial agriculture. At the same time, there is a small number of firms, working with huge areas of leased land and with high level of technology, providing much of the commercial agricultural production of the country. In between, there are some 60-80 thousand agricultural enterprises, representing a growing ratio within agricultural production.

A recent study of the Agricultural Research and Information Institute found that only some 20% of the agricultural payments actually stay in the rural economy in Hungary, the rest goes away to investors, large firms or to vertical integrators. At the same time in very remote and disadvantaged rural areas (the north-east, for example) one can find very intensive, large scale agricultural production, run by large, unengaged firms, occupying natural resources, but having no positive effect on the local economy and society whatsoever.

Table 19.7 Farm structural change indicators

FARM STRUCTURAL CHANGE		PU	IRA	IRR	PRA	PRR	Average country	Average EU 27 +CH+HR+ IS+LI+MK +NO+TR	Average EU 27
Variables		1	21	22	31	32			
% HOLDINGS 2005	< 2 ESU	90.30	89.21		84.46	87.52	87.57	33.42	33.89
	2 to 100 ESU	9.43	10.48		15.24	12.23	12.14	57.56	57.02
	>100 ESU	0.27	0.31		0.30	0.26	0.29	8.33	8.38
%CHANGING Nº HOLDINGS 2000-2005	% Change in number of total holdings 2000-2005	-18.93	-25.24		-26.84	-27.56	-26.02	-9.53	-9.19
	% Change in number of holdings less 2 ESU 2000-2005	-92.76	-29.34		-28.46	-32.79	-33.32	-2.22	-0.65
	% Change in number of holdings 2 to 100 ESU 2000-2005	1.95	0.62		1.33	2.13	1.32	-13.91	-13.73
	% Change in number of holdings over 100 ESU 2000-2005	150.00	20.81		24.41	9.02	24.86	32.21	31.28
HOLDERS	% Holders working full time 2005**	8.52	5.37		6.51	4.86	5.66	35.42	35.50
	% Change in Number of Holders working full time 2000 – 2005**	-1.24	-29.88		-41.76	-43.98	-35.65	0.00	0.33
	Economic Farm Size (RDEU07)	35.40	3.06		3.02	2.43	4.48	41.93	41.93
	Farmers with OGA (RDEU07)	41.40	41.61		37.70	36.77	39.17	37.56	37.56
	% holders > 55 years 2007*	58.05	56.52		54.23	55.07	55.59	50.19	50.62
	% holders < 35 years 2007*	6.27	6.61		8.05	7.32	7.17	6.35	6.32
	% change in holders > 55 years 2000 – 2005*	24.07	4.20		3.46	5.15	5.29	5.88	5.62
	% change in holders < 35 years 2000 - 2005	-14.04	-16.56		-15.04	-17.96	-16.48	-34.01	-33.96
% farmers with basic and full education in agriculture attained (RDEU07)		59.30	13.21		14.26	14.27	16.10	42.30	42.30

*Values NUT3 are replaced by values NUTS2

**Some values NUT3 are replaced by values NUTS2

9. Institutional Capacity

Guidelines: please, add comments based on your local knowledge on the following (when possible, support your comment on provided tables and/or other sources):

- characteristics of the governance system (type of administrative system, levels of government, distribution of powers),
- Dominant types of interactions among levels of government (formal/informal, hierarchical/cooperative, open/closed, top-down/bottom-up, etc.)
- Which are the main problems in relation to government and governance?
- Are there specific policies/programs/initiatives that could be labeled as "best practices" in promoting better institutional capacity, particularly in rural areas?
- Are there significant variations in the above processes depending of the types of regions considered (ie. PU, IRA, IRR, PRA, PRR)? Please, describe briefly.

The spatial division of GDP from 2005 tells us little information about institutional capacity for rural development in Hungary. It is defined by factors, such as political culture, the state (existence or lack) of a functioning multi-level governance system, partnership working, bureaucratic efficiency, etc. The main problem in Hungary with institutional capacity is as follows:

EU policies are designed to fit functioning multi-level governance systems, where power, responsibilities and resources are dispersed throughout different levels, there is public-private-civil partnership working on all these levels, there are functioning institutions with decisions are made on a transparent, democratic way, and public institutions (an bureaucracy) are under social and moral control. In Hungary (and in many other European countries) there is not such a working multi-level governance system in place. In fact, the less developed a country or a region is, the closer it is to past dictatorship – ergo the more social and economic development it would need – the less likely it is to have a strong civil society and a working multi-level governance system. In Hungary it definitely does not work. Development programmes and EU subsidies are often used to reach political ends and are designed to support the government and the ruling political party. In order to this, control and resources are mainly kept in the centre, lower levels (even within public administration) do not have sufficient resources to develop institutions, and there is little feedback or co-operation amongst various levels of the system. At the same time, central political and bureaucratic institutions do not have enough capacity to actually exercise the control they have retained. As a result, programmes start without proper legislation, forms, institutions and IT background set up, etc. Rules can (and do) change all the time, creating confusion and lots of waste of time and energy, especially on the lower levels, which have no means to defend themselves and has no other choice than trying to co-operate with the badly functioning project state.

Table 19.8 Institutional capacity indicators

INSTITUTIONAL CAPACITY		PU	IRA	IRR	PRA	PRR	Average country	Average EU 27 +CH+HR+ IS+LI+MK +NO+TR	Average EU 27
Variables		1	21	22	31	32			
GDP DISPERSION OF GDP_2005	GDP in Mio. Euro 2005	31928.2	3962.65		2786.78	1891.75	4445.69	9722.69	9856.11
	GDP in PPS per inhabitant 2005	30707.9	12578.25		10442.02	9431.86	12006.76	20926.83	21110.46
	GDP in euro per inhabitant in percentage of the EU average 2005	84.00	34.39		28.54	25.80	32.83	94.38	95.48

10. Climate change

Guidelines: please, add comments based on your local knowledge on the following (when possible, support your comment on provided tables and/or other sources):

- Which are the main perceived threats in relation to climate change for population, authorities, interest groups?
- Are there any scientific evidence pointing to climate change? Please describe
- Are there specific policies/programs/initiatives that could be labelled as "best practices" in counteracting the effects of climate change, particularly in rural areas?
- Are there significant variations in the above processes depending of the types of regions considered (ie. PU, IRA, IRR, PRA, PRR)? Please, describe briefly.

Climate change represents a serious threat for Hungarian agriculture, especially in the form of drought, and for the country in general for the possibility of more frequent and serious floods (Hungary has the most rivers/floating water per capita around the world). Nevertheless, there is little public talk and even less observable action about it in Hungary. Environmental awareness in general is on a very low level, it only becomes important when attached to some political consideration or economic interest. In fact, environmental rules are frequently used by strong interests to squeeze small stakeholders out of business. Small sewage systems could be a good example. Sewage treatment is missing from rural infrastructure in many remote rural areas, lots of which have scattered settlement system and mountainous geography. These areas would be best off with small sewage plants (grouping 2-3 villages) from environmental as well as economic considerations. Nevertheless, as a result of lobbying by the construction industry, the vast majority of the money, devoted to sewage system development is devoted by the low in Hungary to plants serving more than 2000 people. This means that in some areas 15 villages have to come together and a hundred kilometre of pipeline has to be built. At the same time environmental regulations forbid to build or develop anything in some places without sewage systems (around the Lake Balaton, for example) therefore all developments are on hold at the moment, while the state does not provide financial resources to build even the large scale sewage systems (they are clearly too expensive).