

INSTITUTIONS AND NETWORKS IN RURAL DEVELOPMENT

Two case studies from Hungary

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The purpose of the study

Temporary organisations have become more and more important in Hungary, as in other countries, over the last decade. To access new development sources, the flexibility and adaptive capacity of an organisation have become more important than they had been previously. Following the changes in regional and territorial development, local institutions have changed as well. Scholars of, and studies on, temporary organisations argue that the new forms challenge democratic accountability and result in the exclusion of locals from development processes.

This study aims to present networks within local communities and institutions of territorial development in two Hungarian micro-regions. Similarly to other European countries, the role of the different development institutions has changed in recent decades (Nemes 2000, Csicsvari 2005, Sjöblom 2006, Murdoch 2006, Marsden 2006), as a result of social, economic changes and EU accession. Traditionally most of the development policy regulations were created at the national level. These policy-regulations were delegated to the supra-national level on the one hand, while, on the other hand, management and planning activity was delegated to the local level. These changes were a result of different processes: regionalisation of government in Europe influenced by EU integration processes (Keating 1998, Dreier 1994, Larsson et al 1999). Several other factors also influenced it: the reduction of community sources, growing quality expectations of locals, and the continuous emergence of new tasks to be performed. These phenomena encourage the decision-makers to introduce the elements of market economy into public services: some of them are privatized; others are co-financed by stakeholders in the private economy. The dense structure of different coalitions and networks are also a result of the above-described changes (Buller 2000, Marsden 2006).

The study analyses the effect of social capital on the development activity of local communities. The first part presents some theoretical background on project proliferation and temporary organisations, as well as on the multi-layered character of social capital (Woolcock 1998, Gittell-Vidal 1998). Using this background, the paper presents a typology based on the amounts of different forms of social capital. This is followed by the presentation of two local communities; the analysis of the actors, institutions and their relationship and the comparison of the two cases can help to better understand the role of different forms of social capital in the communities and their effects on development projects. Finally, conclusions are drawn.

Theoretical background

The project

As a result of new models of rural development, the phenomena of project have also appeared also in this policy sector. The original idea comes from management literature, where a project is defined as a unique, once in-a-lifetime task with a predetermined date of delivery, consisting of a number of well-definable tasks, and which is subject to one or several performance goals (Packendorff 1995:320). Packendorff defines two different assumptions: the first is the traditional one (or “*common assumption*” as he terms it (Packendorff 1995:326)), which considers the project to be a tool to achieve certain goals. The “*alternative assumption*” is to view the project as a temporary organisation. According to him, the project, as a temporary organisation, is a descriptive theory, “*grounded in narrative studies*” (Packendorff 1995:326), and thus allows different stakeholder perspectives. A project as a tool is characterised by one actor and a linear process (of development); in contrast, “the temporary organisation is incessantly enacted by individuals continuously learning by experience and expecting further learning.” (Packendorff 1995:328). It results in stakeholders using knowledge sets in development activities (Kelemen et al 2008) and projects becoming “*temporary knowledge organisations*” (Sjöblom-Godenhjelm 2009). Thus, the author has modified the definition of the project: (1) “*it is an organised, collective course of action aimed at evoking a non-routine process and/or completing a non-routine product; (2) has a predetermined point in time (...) when the organisation and / or its mission is collectively expected to cease to exist; (3) has some kind of performance evaluation criteria; (4) is so complex in terms of roles and number of roles that it requires conscious organising efforts.*” (Packendorff 1995:327). Some new research questions derive from these new definitions: the analysis of expectations regarding the results of the project, the research into action in projects, and research on the learning in projects (Packendorff 1995:329-330). In the following, I pick up the second question and aim to conduct research, using social capital as an analytical tool, into interaction within projects.

Intermediate actors

Another relevant field of the literature on project proliferation analyses the role of intermediate actors (Halfacree et al 2002, Kovách-Kristóf 2009). The authors point out three driving forces for the emergence of this new group: “(i) *reforms within the administrative structures; (ii) change in the nature of developmental policies both on the EU and national levels; (iii) the increasing importance of the cultural and cognitive elements of territorial development.*” (Kováč-Kucerova 2009: 4). According to the articles of Kovách and Kucerova, the power and influence of the project class and intermediate actors stem from their knowledge (incorporated cultural capital – as Bourdieu would name it) (Kováč-Kucerova 2009) and from their dense network relations (Kováč-Kristóf 2009). They stress that the members of the group use their managerial knowledge and are key actors in project management. As Kelemen et al. (2008) have argued, actors in rural development use different knowledge sets, and the success of the actors is dependent very much on their ability to administer the project, on managerial knowledge. At this point, intermediate actors and locals

can have different aims, while for decision-makers advocating endogenous development and bottom-up initiatives, the lack on the part of locals of complex project-management and administration skills can sometimes be a hindrance (Ray 1999, Bruckmeier-Tovey 2009; Kelemen et al 2008). Thanks to their networks, their former jobs and also to their incorporated cultural capital, members of the so-called project class are closer to decision-makers than locals are, and although power-holders may change as a result of project proliferation, the new structures also mirror the power relations of the previous, pre-EU-accession networks (Buller 2002, Schucksmith 2000). The researches they have conducted has uncovered the changes in the development processes, but have focused only on a single, certainly important but not unique, stakeholder in the process. In the following, I broaden the analysis and describe other stakeholders and locals participating in development activities, and analyse development process as a temporary organisation.

Recent literature on rural development theories also emphasises the relevance of networks in rural development (Murdoch 2000, 2006, Ploeg et al. 2000, Ploeg-Marsden 2008). Analysing the development resources of different regions, he found that networks play a preeminent role in them. Murdoch argues that horizontal and vertical networks are both important. In the event that a region lacks market relations, it has two possible development pathways: the government may facilitate (private) companies (actors) to invest there (exogenous rural development) or to explore local resources (endogen rural development) (Murdoch, 2000). The author considers both pathways to be important, and argues further that existing networks create the real basis for efficient development activity. Commodity chains and food chains can be seen as vertical networks, which are also typical of the present day and which have a profound impact on the organisation of rural development. In his view, horizontal networks are more typical of the non-agricultural sector.

The definition of social capital¹

The concept of social capital is widely used in rural studies as well as more generally in sociological literature (Lee et al, 2005). Traditionally, two main interpretations of the concept can be found. According to Portes (1998), the two interpretations can be understood best by analysing the source and effects of social capital in the definition of Coleman and Bourdieu. Bourdieu defined social capital as “*the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition*” (Bourdieu, 1985:248). This is a highly instrumental interpretation of social capital, since it builds on the idea that “*the profits which accrue from membership in a group are the basis of the solidarity which makes them possible*” (Bourdieu, 1985:249).

The interpretation of Coleman is based on the American tradition of social capital, which associates social capital with larger entities like communities or even nations (Coleman, 1988). Scholars following this definition emphasize that social capital is a resource which derives from the network of these entities. However, several authors (Portes 1998, Portes

¹ This part of the study is based on the following article: Megyesi, B., Kelemen, E., Schermer, M.: Social capital as a Success Factor for Collective Marketing Initiative. You can find a more detailed interpretation of social capital here.

2000, Adler and Kwon 1999) criticize this approach. As Portes argues, this interpretation is circular, because it obscures the difference between the possibility for obtaining membership in the group and the advantages stemming from such. He also criticizes Putnam's interpretation for being circular (Portes 1998: 19), thus failing to explain the differences between the amount of social capital existing beforehand and its effects on different groups. Some critiques go further and reject that a nation could have social capital at all, instead emphasising the context-dependency of social capital (Svendsen and Svendsen, 2000; Svendsen, 2006). In this study, I shall use the following definition of social capital: "*many authors argue that the effects of social capital should be interpreted first of all at individual level while at group level this can be done only metaphorically. However, its sources are always rooted in networks and the community. Thus, we use in our analysis a definition which combines the individual and community based approaches by considering social capital 'the property of individuals, but only by virtue of their membership in a group'.*" (Sztreter and Woolcock 2004:654).

Woolcock (1998) was one of the scholars who started to conduct research on the multi-layered character of social capital. He analysed the policy and economic environments in order to understand the differences between economic outputs in different regions. He used two central terms: embeddedness ("*as the inherent social determinateness of all economic activity*") and autonomy ("*a set of weak social relations often balancing the negative effects of embeddedness*").

This distinction at the micro level was used by Woolcock and other scholars (Woolcock and Narayan 2000; Woolcock 2001; Putnam 1993, 2000; Leonard, 2004) as bonding versus bridging social capital. Bonding social capital refers to horizontal relationships within homogenous groups (family or neighbourhood) where members share histories, identities and viewpoints. Bridging social capital links members of more distant horizontal groups enabling them to mobilise external resources (Woolcock 2000). The distinction between the micro and macro level lead to a third category of social capital, called linking (Woolcock 2001) social capital, which refers to linkages "*between people who are interacting across explicit, formal or institutionalised power or authority gradients in society.*" (Sztreter and Woolcock 2004:655).

Typology of institutional settings

By focusing on the multi-layered character of social capital, it is possible to analyse social capital with greater precision, and at the same time to also assess its quantity with greater precision. Using the three different types of social capital: bonding, bridging and linking, a three-dimensional table can be drawn.

In such a table, there would be nine cells, and the three axes would measure the three types of social capital. The presented typology is based on differences in bonding (horizontal axis) and linking social capital (vertical axis), as Figure 1 shows. Bonding social capital refers to in-group and horizontal social capital assets, while linking social capital refers to social capital assets, which exist between-groups (and between non-group member stakeholders), and to vertical relationships. The figure shows the connections among local actors and local

institutions, as well as todistant stakeholders and institutions, thus social capital can be analysedat different levels.

Figure 1 TO BE INSERTED HERE

The four possible models are the following:

3.1. *Case of the 'lonely hero'*: It shows the setting in which there is a strong local stakeholder, who intermediates between the central institutions and the local actors. The connectionsamongthe local actors are infrequent and weak; the strong local stakeholder keeps the development institutiontogether and creates the matches between local activity and central organisations. Weak and infrequentconnectionsamonglocals result in lowbonding social capital. Despite the low bonding social capital, linking social capital is high, thanks to the central figure (the 'lonely hero').

3.2. *Established institutions – dense networks*. In this case local development institutions are built out, and these institutions have their regular links to the central institutions. Locals have dense and regular connections to each other, which results in both linking and bonding social capital beinghigh.

3.3 *Missing links*.In the third case, the connections within the local community are low: there are few interactions between the different local actors and institutions. Also, there are very few links toward central institutions, whichare missing as well. Both bonding and linking social capital are low.

3.4 *Locally embedded*. In this case, local networks are strong and dense, which results in a high level of bonding social capital, despite its links withcentral agencies being infrequent and uncertain, usually limited to the necessary, formal contacts. Thismeans that linking social capital is low, but bonding social capital is high.

In the following, I present a framework to measure social capital as the property of individuals, with effects also at the community level. In order to operationalize the typology for the following analyses in the next part, I first review some papers and articles discussing measurement of social capital. Although thisstudyis based on qualitative methods it overviews articles using quantitative methods as well.

There is a consensus that the density of social networks and trust are the most important indicators of social capital (Lillbacka 2006, Putnam 1993, 2000, Hjollund-Svendsen 2000, Paldam 2000, Dudwick et al 2006). The networks can be characterised by their density, by the number of members and by the diversity of membership. Also,with referenceto Granovetter, the relational properties of the connections among the network can be different: frequency, intensity and spatiality (Granovetter 1985, Franke2005:16). In the following analysis, trust and trustworthiness (Ahn-Ostrom 2007:75) will be presented as characteristics of the relationship among the stakeholders, and among the institutions.

The World Bank's Qualitative Guide distinguishes six dimensions of social capital measurement: in addition to the networks and trust, it suggests describing and analysing (3) collective action and cooperation, (4) information and communication, (5) social cohesion and

inclusion and finally (6) empowerment and political action (Dudwick et al 2006). While the first four can be used as indicators of social capital, the latter two are usually held to be a consequence of social capital, or at least issues that can be better understood by analysing social capital assets (Franke 2005:38). It is very important to note that the Guide to the World Bank refers to the norms as a background variable, which appears in several papers as a dimension of social capital. It is also important that Dudwick et al (2006) refer to actual, one-time collective actions; thus their analysis avoids using the number of voluntary associations as indicators. With reference to Putnam as well as Paldam, they have stated that voluntary organisations are “*an easy proxy to apply*” (Paldam 2006:7), but this can be misleading without due consideration of the differences of the origin and aim of the organisations. Also Lillbacka, using survey data from Finland argues that civic activity and participation in voluntary associations are problematic indicators of social capital (Lillbacka 2002). Despite this, the author offers self-efficacy, defined as the potential of the individual to influence (local) affairs, as an indicator of social capital. Self-efficacy correlates with the trust and social ties of the respondents.

Usually collective action and cooperation are measured through civic participation, community support, voluntary work, involvement in collective activities of a different nature (Svendsen-Sorensen 2007), but also through measuring political activity (Putnam 1993).

Obviously, there is a long debate about the relevance and usefulness of these indicators, which I cannot present here. In analysing the interviews, I have developed an analytical framework, which focuses on the relationships among the stakeholders; both in terms of the quantity and quality of these relationships (frequency, on the venues of their meetings, on the situation in which stakeholders meet each other), on the level of trustworthiness (the probability of reciprocate of trust) (Ahn-Ostrom 2007), and on self-efficacy (Lillbacka 2002). I have also analysed the character and density of collective actions and cooperation.

Research questions and methodology

The main question of this study is to understand the effects of social capital on development activity. In order to answer the research question, this study analyses the roles of the different stakeholders and temporary organisations in on-going development processes within local communities. In order to gain a deeper insight, the research focused on the relationships between local stakeholders and temporary organisations, as well as on the aims and attitudes of local actors. In this study, I analyse social capital as a set of different relationships with several characteristics which have a strong effect on the rural community. I analyse the role of the different actors and institutions in local development processes and especially in projects: their contribution to aim setting and on project management. I also analyse the development performance of the local actors, and to some extent I refer to the background of these developments.

Also the research questions are based on the multi-layered understanding of social capital: what are the effects of a high level of bonding social capital? How does bridging social capital contribute to the development of temporary organisations? How do bonding and bridging social capital affect the use of different knowledge sets? What is the role of linking social capital in the analysed communities, and how does it influence project proliferation?

I have chosen development policy as my research area, as it appears at different levels, in all regions, and interests almost all actors. In development processes, several interests or aims are articulated, thus it is a rich field to investigate the dynamics of social capital. The research is based on casestudy methodology. It enables me to use a wide range of information sources, and also to use different empirical material to understand the interconnections between development institutions and rural communities. The qualitative approach offers fine and detailed analysis of both rural development processes and local communities. The case studies were conducted in two Hungarian micro-regions. I carried out semi-structured interviews with local stakeholders: mayors, local civic activists, entrepreneurs, farmers, participants in projects, managers of local companies, as well as local and national representatives of development agencies.

In parallel to the interviews, I have collected and analysed basic statistical data, earlier papers about the micro-region, development plans (Rural development plan, Development plan for the micro-region, LEADER+ plan), public minutes of the local governments, and newspapers: the county's daily news, local news in the respective period (2007-2009). To contextualise the case study, I have analysed the regional and national development plans, and searched for locally relevant news in the national media (in the two most important Hungarian dailies). I used the websites of the settlements and the most important local institutions, the official website of the National Election Office², and the website of the Hungarian National Development Agency³.

The interview analyses are based on a "semi-opencoding" method, drawing inspiration from different scientific papers (Kvale 1994, Kovács É. 2007, King 1994, Ryan-Russell 2000). According to the scientific literature and the first round of interview analysis, I was looking for the following indicators of social capital in the interview texts: networks and relationships, self-efficacy, cooperation and trustworthiness. I developed a coding framework to find the indicators within the interview texts and then conducted an analysis of the relationship between the codes and subcategories within them, and as they related to each other across the different interviews. During the interview analysis, I continuously controlled the codes and categories and modified them if it seemed necessary; thus the analysis was an iterative process. The document analysis was based on context analysis methods.

I complemented the interview and document analysis by triangulation methods to control the results: transect walking, participatory observations and focus groups. The focus group discussion was held after the first round of interviews. The local participants had the possibility to comment on both the preliminary results and the final report; this analysis incorporates these comments.

The case studies

² Homepage of the www.valasztas.hu; the English version differs considerably from the Hungarian: <http://www.valasztas.hu/en/onkval2010/index.html>.

³ Homepage: www.nfu.hu; the English version differs considerably from the Hungarian one.

*Vasvár*⁴

The first case study was conducted in the Vasvár micro-region⁵, which is situated in the western part of Hungary. The landscape is diverse: forests, orchards, farmland, meadows and small villages make the hilly countryside a colourful place. Although the natural environment is lovely, the micro-region is poor in natural resources. Vasvár used to be the centre of the County Vas from the first millennium C.E. until the Middle Ages, when it became almost entirely depopulated (Sill 1982). Although it never regained its original role, the micro-region and its central town have flourished since the late 17th century. The Dominican Monastery in Vasvár, the churches, old parochial buildings and mansions are remnants of these eras.

Although in the middle of the 20th century the Vasvár district had more than 27,000 inhabitants, and natural reproduction balance was positive: in the last fifty years the number has decreased mainly because of out-migration. Today, with its 14,500 inhabitants, the micro-region is among the ten smallest Hungarian micro-regions; the central town itself accounts for 4500 of them, while the other 22 villages in the region are much smaller. The Human Development Index of micro-regions shows that both the relative and absolute values of Vasvár have improved over the last fifteen years, thus a slow equalization can be seen within the country (Csikszentmihályi-Németh 2007). There is only a small Roma minority in the micro-region, with estimates as to its size ranging from 5% to 20%⁶ of the total population.

The settlements of the micro-region belonged to the same district even in the 19th century, although there are slight differences in the present borders. During the 20th century the central town of the micro-region gradually lost its administrative role. The economy of the micro-region in the nineties was based on the service sector (38%) and on agriculture (33% of the employed); changing profoundly by the beginning of the 21st century, when 48% of the employed inhabitants worked in industry, 40% in the service sector, and only the remainder in agriculture. There are medium-sized factories in the central settlement, small metalworks, food processing, and some cloth-making enterprises in the bigger villages. As major industrial investments were made in the neighbouring towns, the number of commuters increased, and has become one of the highest in the country. The infrastructural indexes of the micro-region are fair. Despite the economic and political changes of the last two decades and the rapid development in the Western Hungary region, the social economic processes of the micro-region have not turned out much better. The recent changes, like industrialisation, have had only minor effects on the economic character of the micro-region: agriculture still has a dominant role in economy (but not in employment), light industry which used to be important,

⁴ For the case study made in the Vasvár micro-region, more than 30 interviews were conducted with local decision-makers and local inhabitants over two time periods (the second cluster of interviews were conducted in the summer of 2008), and also two focus groups with local inhabitants regarding the perception of the results of development.

⁵ Micro-regions are statistical units in Hungary, but during the last fifteen years they have become organisers of several compulsory and voluntary local services: elementary education, health care, care for the elderly and other social services

⁶ More details on the problems of estimating the ratio of the Roma population, see: Kemény, 2004, Hablicsek, 2008, Neményi, 2000.

keeps on declining, while only the administrative and service sectors are developing and providing new jobs for educated people.

On development activity

In the following I present local development projects, focusing on the results of the National Development Plan (NDP)⁷. The entrepreneurs and civic organisations of the Vasvár micro-region showed an outstanding performance in the projects of the National Development Plan. In the micro-region, the number of competing projects was the fifth-highest per thousand inhabitants, while the number of subsidised projects (per thousand inhabitants) was the highest in Hungary. The total amount of aid reached 2,787 billion HUF (around 11 billion EUR). 69% of the supported projects were agricultural projects (Agricultural and Rural-development Operational Programme – ARDOP); around 10% of the supported projects were financed by the Human Resources Development Operational Programme (HRDOP) and the Economic Competitiveness Operational Programme (ECOP). 51% of the competitors were entrepreneurs; the proportion of local governments among those applying for financial support approached the Hungarian average. The high proportion of ARDOP projects and of the local governments among project participants suggests that the LEADER+ initiative was successful. In the following, I present the most active competitors and the most important local actors of the micro-region.

Main actors of the micro-region

Local governments

The *mayor* of the central town was elected in 1998, and he has won each election since then, usually without strong opposition; he is also a Member of Parliament (opposition) since 2002. The main aim of the mayor is to increase the number of workplaces and improve local services (to attract supermarkets and banks) – as the local development plans and media interviews state – and he is a real “local booster” – as our interview states.

The mayor has a secure majority in the *local council*: opposition is fragmented, but there are no strong conflicts within the council, which supports the commonly and long-since defined development aims: creating workplaces, development of infrastructure (canalisation, renovation of the town centre).

There are some other active *settlements* that have a strong effect on the economic and social life of the micro-region. One has become a local economic centre; two big international enterprises have settled there, and another of them has become the most important local employer in the service sector. The mayor has established a good personal relationship with the manager of the company and develops local infrastructure according to the demands of the company – as several interviewees have stated.

The *Micro-regional Association* is the main alliance of the local governments. It provides education, health and social care services and is an active project applicant: the so-called

⁷ In Hungary, the projects of the National Development Plan were running between 2004 and 2007; the projects were financed by the European Commission. For the governments, minor subsidies were available from the central government and from the County Councils, and the EC subsidies also arrived through CBC programs. In the following, I present data from the NDP projects.

Employment Pact is managed by the Association. In the framework of the Employment Pact, local governments, local and regional entrepreneurs and local transport companies cooperate to solve local employment problems. The president of the Association (also the mayor of a small village) is a central figure of the micro-region. He is plugged into the local region, having been born there and having worked there: he knows everyone, and he is accepted by everyone. He has become a mediator between the different stakeholders, and also a contact between non-local stakeholders and institutions.

Civic Organisations

The *Foundation for Welfare Services on the Ridge* (FWS)⁸ is an almost twenty-year-old civic organisation founded by the local governments to provide different social services. After continuous growth, by 2005 it had become an active competitor and offered more than fifteen different services: tele-cottage service, elderly and disabled care among others, and it also started some entrepreneurial activities (take-away kitchen) using project-based subsidies. It has become the second largest competitor in the sector and one of the biggest employers in 2006, with around 105 employees. The president is an enthusiastic middle-aged man who is, as he says, in a “*symbiotic relationship with the Foundation.*” He has a dense local network, and he is supported by the local political opposition. As a result of this, there has been tension between the mayor and the president of the FWS. The professional work of the FWS is highly valued by the central institutions and accepted by the local governances as well, but which has not helped the management to solve problems related to project financing.

The *Hegypásztor Foundation* has been a bit less active in the NDP projects, but it has several CBC projects and is the founder of the Local Action Group (LAG). The active members of the civic organisation are locals, most of whom have university degrees and work as project consultants. They are active in the protection of cultural heritage, and have made it an important element of local development plans. The Foundation is also active as an entrepreneur: it builds traditional peasant houses using traditional methods and offers accommodation and tourism services for students. Through these activities, it employs around ten locals, and provides part-time jobs for another 40 persons. They have professional connections in the region and in the neighbouring countries.

Entrepreneurs

Agricultural entrepreneurs are the most active competitors in the micro-region. Although socialist-type agricultural cooperatives are still conducting farming activities, the biggest developments and projects can be linked to three agricultural entrepreneurs. All of them are producing arable crops and farm more than 1,000 hectares. The biggest one is also integrating agricultural crop farmers from the region. A local consultant prepares the project bids for them and provides project management as well. These farms are linked to the national and international markets through their suppliers and buyers. One of the agricultural entrepreneurs has invested in food processing. He produces plum, apple and apricot brandy, and also purchases fruit from local farmers, products that are sold on the national market. He is an

⁸ The Foundation for Welfare Services on the Ridge (FWS) – Hegyháti Jóléti Alapítvány

active member of the local community who organises local events to promote his products. Although agricultural entrepreneurs have gained a great deal of support, they employ only around a dozen people.

Enterprises in the service sector and industry have been much less active competitors. Only one of them has received a – minor – subsidy. Despite this, they have an important role in the local economy and community life, as they are important employers. Most of these companies are owned by non-locals, and the management has very limited possibilities for influencing central decisions. In spite of this, mayors have frequent and everyday contact with the managers. Possible cooperation has a wide range: usually local governments are flexible with local taxes: they help entrepreneurs and managers to find the appropriate employees within the settlements. In another case, the local council developed offices for a company, which then provided qualified jobs for the inhabitants of the region. Entrepreneurs and managers are rarely engaged in local affairs, but there are exceptions. The manager of perhaps the biggest local employer, a leading multinational telecommunication company, is also the member of the local council and of a minor, but active, civic association. He is surrounded by a small, but effective team, and they organise local events, help the FWS and try to improve local education.

As one can see, the leaders of the major civic organisations and the managers of the enterprises have a clear idea about the aims of the organisation, and organise their development activity accordingly.

Analysis of the case

The analysis of the main local actors' role, networks and trustworthiness within the community shows that there are two main circles. One is based around the FWS, and another around the coalition of the Micro-regional Association and the central town of the micro-region.

As I have written, the FWS was originally founded by the local governments, but it has taken over more and more services and become one of the biggest employers, thus it has outgrown the local governments themselves. It has developed new and popular services in the micro-region, and its reputation has grown rapidly. The non-local manager has profited from these successes as well and became a prestigious member of the community. He and the civic organisation of the manager have contacted each other and started to cooperate, first in organising local events, and later also in local politics. The manager of the FWS has become a mayoral candidate in 2006, the first real rival of the local governing elite for a long time. The managers of the multinational company and the FWS, together with the minor civic association, have mainly official contacts with the local government of Vasvár, and they rarely cooperate. Despite this, they have a well-established cooperation with another minor local government, which developed offices for the multinational company. This cooperation appears also in civic activities. The stakeholders from this circle emphasise that, for the long term, one has to invest in people, which means that education should be the most important development aim, in parallel with other human-resource development.

The president of the Multifunctional Association⁹ is a central actor of the local community. The Multifunctional Association forms a coalition with the central town, together providing services for minor settlements and harmonising projects. The role of the president is to negotiate and manage local affairs among the different aims and interests of the local governments. He has to prepare the service contracts with the FWS, thus it is a matter of course that, if needed, he mediates between the manager of the FWS and the mayor (the competition between the two people does not entail a serious conflict). The other local civic association, the Hegypásztor Kör, and one of the big agricultural entrepreneurs are linked to this circle. They also view unemployment as the most depressing problem of the micro-region. The mayors belonging to this circle wished to spend a huge amount of development resources on infrastructure and the renovation of churches and community buildings.

Being part of a circle does not mean that the actors would coordinate development ideas and plans regularly, even project plans are harmonised only if it is a common project. In special cases like the LEADER+ programme, the Hegypásztor Kör organised meetings and forums to collect project ideas and to discuss the strategic plan with local inhabitants and local decision-makers, thus a broader cooperation was realised.

Although there are two visible groups, this does not mean that there are no connections among the members of these organisations. There are several official occasions, which create space and time for the connections among the different members of the two circles: they meet at the City Hall, at the meetings of the Micro-regional Association, or simply on the street or at the local events.

Although *conflicts* are rarely communicated to the researcher, who is from outside the micro-region, the analysis of the interviews shows the differences among the ideas of the two groups. Their view on the micro-region's problems and future, and their development aims are profoundly different, as I showed previously. Differing opinions result in conflicts among the stakeholders which although coloured by political competition, did not result in separation or harsh struggle. It seems that local stakeholders continuously seek the minimum point, the last point where they can cooperate and work together. Thus the access to information is quite good. There are other actors in the micro-region who are less linked to these circles, but local actors take them into consideration when planning and managing development projects.

Up until this point, I have mentioned only very briefly the role of *non-local institutions*: the role of central government, the National Development Agency, and other authorities. These institutions appeared in the interviews very frequently, but only in passing; usually in a one-sided and simplistic manner as unknown and unpredictable actors that define rules without considering local characteristics. In analysing the non-local connections of the local stakeholders, it can be seen that the density of networks decreases according to the distance from the micro-region. There are dense informal, personal connections to the county centre – some of the locally active stakeholders live there, or used to live there or have family there. Formal links to the county centre are also important: a lot of locals work or used to work there, health care and educational institutions are also here, and as it is an administrative centre, almost everyone has to manage things here. As an administrative centre, the county

⁹ Multifunctional Association – Vasvári Többcélu Kistérségi Társulás

centre is described in a manner that is similar to that of the central institutions. The reputation of central offices, agencies and authorities is poor and simplistic in the view of the local stakeholders. According to the local stakeholders, these organisations set unpredictable and useless rules, reject any kind of responsibility, but require punctuality and flexible, quick management from locals under any circumstances. Although the mayor is a Member of Parliament, local actors do not have any established relationship with central institutions. In several projects they had to contact the National Development Agency for modifications in the projects, for permits, or to accelerate payments, but in each case they established new contacts. Winning various professional, local or national awards also did not help to overcome problems concerning projects.

Amount of social capital in the micro-region

One can use the above-presented typology to analyse the amount of social capital within the micro-region as a complex formation consisting of many different stakeholders and groups, or as one uniform formation: here I present the analysis on the quantity of social capital in the micro-region as a complex formation.

Members of the circle based around the FWS have the common idea on development: they feel themselves to be able to influence local affairs (high level of self-efficacy (Lillbacka 2006)), keep regular contact both informally and formally (dense and vivid networks within the group show higher level of social capital (Hjollund-Svendsen 2000, Paldam 2000, Franke 2005), and harmonise their ideas about the main problems of the micro-region and on development projects. Accordingly, the level of social capital within the group, bonding social capital, can be considered to be high (Woolcock 1998).

The members of the circle organised around the Micro-regional Association have fewer contacts, they generally meet at the official meetings and harmonise development aims only in the case of a common project, or if it is necessary and several members feel that they have only weak influence over local affairs. This means that this network is looser, cooperation is less common, and the level of self-efficacy is lower, which means lower bonding social capital in this group than in the previous one (Dudwick et al. 2006).

Social capital between groups, or bridging social capital, is higher in the latter group, as it has a denser network: several civic organisations, enterprises are linked to them; the group based around the Micro-regional Association has a great many locally embedded members, who meet other local stakeholders formally and informally. They also have both formal and informal relationship with the FWS circle. The conflict between the mayor and the manager of the FWS does not hinder necessary cooperation between the different stakeholders. Thus, the amount of bridging social capital in the group based around the FWS is lower than in the case of the group based around the Micro-regional Association. The lower amount of trust toward the circle around the FWS is obvious, but institutional factors force local stakeholders to cooperate.

Linking social capital of the different local stakeholders is low, as I presented above. The bitter opinions regarding the activity of central institutions show that none of the respondents feel that they would be able to influence central decision-making, neither to help a single project nor to improve local situation. There is no cooperation among the locals and the

central institutions, relationships are scarce and accidental; trustworthiness toward central institutions is extremely low, which also shows low social capital.

*Lengyeltóti*¹⁰

The second case study was conducted in the Lengyeltóti micro-region, which has a highly diverse geography. The northern part is bordered by the mould of the Nagyberek, while the southern and eastern parts are hilly. In the north-eastern part vineyards can be found, while going toward the south there are forests, orchards and huge arable croplands. All villages are accompanied by manors or farmsteads, which used to be the centres of estates, and then later agricultural holdings (state farms); once flourishing settlements, now most of them are depopulated or suffering from social problems. Although the micro-region is near to Lake Balaton, a popular tourist destination, its cultural values and historical sites are hardly known outside the area. One of the villages could be famous for folk art and for an old, socialist-type spa, another for the Krishna Valley and a third for the ruins of a very old church, but these sites do not attract numerous visitors.

After the Middle Ages, until the 18th century, the region was depopulated. Lengyeltóti used to be a small administrative centre since the middle of the 19th century. Later in the 20th century as Lake Balaton became a popular holiday spot, the town lost its significance, the administrative roles were delegated to the neighbouring town. In the seventies, several previously independent villages were subordinated to the settlement council of Lengyeltóti; these villages became independent again after 1985. When Micro-regional Associations were founded in the nineties, the mayor of Lengyeltóti insisted on creating a separate administrative unit; thus the present micro-region with its 10 settlements is a new formation which has geographical and historical ties with its northern neighbour.

The natural reproduction balance was positive in the micro-region until the eighties, but because of out-migration the ethnic structures have changed and the population's age structure has become unfavourable. The smaller manors and farmsteads and previously independent small villages became depopulated; schools, other public services and workplaces have disappeared from there in the last twenty years. Also, this micro-region, with its 11483 inhabitants, is among the ten smallest Hungarian micro-regions. The size of the settlements is less diverse: while the central town has 3300 inhabitants, there are several villages of between 1300 and 1900 inhabitants, thus the central role of Lengyeltóti is less definite. The Human Development Index of micro-region shows that neither the relative nor the absolute values have improved over the last fifteen years. According to the index, the area is stagnating (Csikszentmihályi-Németh 2007). All settlements of the micro-region have a considerable Roma minority; official numbers of the census are around 5%, but the estimates of the mayors and the Roma elite range from 10 to 15%¹¹. The Roma minority lives in separate streets and settlement parts, typically subject to high levels of unemployment, as is typical throughout the county (Kemény 2004, Neményi 2000, Ladányi-Szelényi 2000). This population lives along the outskirts of

¹⁰ For the case-study conducted in the Lengyeltóti micro-region, twenty five interviews were made, mostly in the summer of 2008, and also in the spring of 2009.

¹¹ Micro-regional Plan to combat discrimination in Education: http://www.lengyeltoti.hu/ftp/dokumentumok/ptkt_kozok_eselyterv.pdf

communities, and although some of the local governments have not neglected them, they are exposed to social problems. In several villages there are educational programs for Roma pupils, local government provides some public-sector work for the adults, but these initiatives cannot alone solve their social problems.

The economy of the micro-region was based on agriculture, food-processing, and other minor industrial activities until the nineties. By 2004 the service sector employed 63.2% of the employees, agriculture sank to 7.6% and industry to around 29.2%.

According to the statistics of the National Employment Service, the activity rate is around 47%, while the employment rate is 39-41%, thus unemployment is over 13%, approximately both the county and country average¹². Industry is represented by an engine-building company, two water-bottling companies, and some small enterprises. Agricultural holdings provide mainly temporary jobs from May through October in the vineyards and orchards. Commuting to the lake shore and the county centre is also important. Small-scale farming is declining also in this area. The most important employers are the local governments. The infrastructural indexes of the micro-region are fair.

To sum up, the economic performance of the micro-region is extremely low. Recent changes, such as industrialisation and improved infrastructure have had no effects on the economic character of the micro-region: while agriculture has a preeminent role in the economy, animal husbandry is lacking, and thus cannot provide jobs for locals. Small scale farming is declining and industry is weak in the micro-region. There are some minor factories in the neighbouring areas, and tourism can offer jobs in the neighbouring towns along the shores of Lake Balaton during the short tourist season.

On development activity

In the following, I briefly present the activity of the local actors in development projects, focusing on the results of the National Development Plan (NDP). The micro-region has been more successful in gaining subsidies from the County Council. This source has provided less than 10 million HUF over the period, but as decision-making has become more transparent for local mayors, and more local governments have been able to access these subsidies, they have been mentioned increasingly frequently in the interviews and continue to be more and more helpful. Nevertheless, the local governments, entrepreneurs and civic organisations of the Lengyeltóti micro-region have demonstrated extremely poor performance with the projects of the National Development Plan. In the micro-region there have been only five supported projects, which is among the smallest numbers in Hungary, even when extrapolated on a per capital basis (per thousand inhabitants). The entire amount of aid has only slightly exceeded 200 hundred million HUF (800,000 euros). One of the five projects received more than 91% of the entire amount for the development of the local elementary school. A local bottling enterprise, a local farmer and a non-local agricultural entrepreneur were the other competitors. The most important project was financed by the Human Resources Development Operational Programme (HRDOP), the agricultural projects

¹² (Home page of the National Employment Service)

by the Agricultural and Rural-development Operational Programme (ARDOP). The micro-region has not won any LEADER+ initiatives during this period.

Main actors of the micro-region

Local governments

The *mayor* of the local government was first elected in 1980, as a president of the settlement council. Everyone knows him in the region: he is the president of the Micro-regional Association, a vice-president of a regional civic association which functions as a political party, and a member of the county's general assembly. He is a locally embedded, active person in the county, and an autocratic leader of both the small town and the micro-region. County level subsidies were easily available for him, he developed plans and goals on his own, without harmonising them with other local stakeholders. As the previous analysis of the economic situation shows, Lengyeltóti is a depressed settlement, thus cannot attract neighbouring villages as their economic centre. The town and the villages are forced to cooperate in education, as the common school receives higher subsidies than independent schools would.

One of the local mayors is also a Member of Parliament (opposition); he has good informal relationships locally and builds contacts at the county and national level as well, using his political background. He has definite and conservative ideas about the development goals for his own village, but does not harmonise those with the neighbouring settlements. Also, other settlements try to go their own ways, and do everything possible to preserve their independence. The stakeholders still remember the socialist times when all developments were planned and implemented in the central settlement. A typical example of the desire for autonomy is the following quotation from a mayor: "*we can cooperate much better in administration with the neighbouring village than with the micro-regional centre, although there is no road between us.*"¹³ Small villages have relationships with local entrepreneurs, and seeing that they have only a very limited potential to improve local circumstances, cooperation is restricted to the most necessary services, as well as to the closest settlements.

Enterprises

There are two major non-agricultural enterprises in the micro-region: a mineral water-bottling company and an engine-building company. The latter has a loose relationship with the local government, while the former has almost no local connections. They do not cooperate with civic organisations: their development aim is to modernise production methods.

Agriculture is a declining, but still important, sector of the micro-region. Small-scale farming has relevance in viticulture and fruit production, while big farms and agricultural companies are active in arable crop production and animal husbandry. The biggest nut plantation in Hungary can be found here. Although this economic culture requires an extensive labour force, the owners usually hire it from non-local companies. The manager, who is also the owner and the vice-mayor, is locally embedded, but does not trust the local workforce.

¹³ Thus by car one has to take a 20-kilometre by-pass through the centre to reach the neighbour.

Animal husbandry has changed over the last decade: nowadays only one huge farm has extensive (beef) cattlebreeding, thus the workforce demand is low. This company does not maintain contact with local enterprises, governments or civic associations: the managers live in the capital, while the owners live abroad.

Most of the entrepreneurs do not cooperate and do not harmonise development goals and plans.

Civic organisations

The biggest civic organisation of the micro-region is the Organic Valley Foundation, located in Somogyvámos, a small village in the micro-region. Its popular name is more telling: Krishna Valley. The Krishna Valley is an organic village, which was established in 1995 and now has approximately 130 permanent inhabitants who farm around 220 hectares using organic methods. They have a clear religious background (Krishna Consciousness). Some members of the faith live in the village, and they are also included among the members of the local government. The members of the religion are mostly – young and better educated – urban-dwellers who have moved to the village. Their presence in the village has raised all such questions as might be seen in similar situations (increasing prices for land and housing), accompanied by the conflicts deriving from different values. The president of the Foundation never mentioned the micro-region during the interview. The village and the locals appeared to them as “others”, and to have a sense of superiority. Locals have also referred to them as “those people”, and appeared to harbour some suspicion toward them. Nevertheless, there are efforts underway to establish contacts among the different groups.

The Foundation has a dense network outside the micro-region: it has formal agreements with several Hungarian universities, with the United Nations and with a number of Hungarian and international organisations.

Amount of social capital in the micro-region

There are no circles or groups of actors within the micro-region. Different actors follow their own interests, define development goals without consultation, feel themselves unable to influence local affairs, and cooperation is limited to the most necessary. The memories of the socialist times, when the central town won almost all the investment and ruled over the minor settlements, have been an obstacle to voluntary cooperation. Hierarchies have also been very strong in the micro-region: most of the decisions are delegated to the mayors, the mayor of Lengyeltóti was also the president of the Micro-regional Association, and while discussion and harmonisation is unusual, centralisation is strong. Most of the local leaders feel it is necessary to control all local activities (an example of this is the fact that subordinate colleagues were not allowed to talk to the researcher). Informal contacts are dense, but also in these, a strong hierarchical aspect can be seen. The Member of Parliament prefers to talk to the President of the County General Assembly, and the mayors prefer to talk to both of them, but not with each other. According to these indicators, owing to the low level of self-efficacy (Lillbacka 2006), scarce networks (Hjollund-Svendson 2000, Paldam 2000), the low level of cooperation (Dudwick et al. 2006), the quantity of bonding social capital is low in the micro-region. There are also signs that the local elite does not trust locals: they prefer to employ

non-locals even for unskilled work. This also shows that the level of social capital is low (Ahn-Ostrom 2007).

As there are no groups within these ten settlements, bridging social capital (Woolcock 1998) cannot be defined. Looking at the broader neighbourhood of the micro-region, it becomes possible to also analyse the quantity of bridging social capital. The stakeholders have dense informal and formal relationships with the settlements of the lakeshore. The mayors meet frequently, at local events (Village Days), during official meetings: the health-care services and shopping centres are in these neighbouring towns. The mayors and other actors in both micro-regions emphasised that cooperation in tourism would be of great benefit, but nevertheless do not cooperate. The reason for this is because they are afraid to lose guests by offering joint tourist destinations. The neighbouring Fonyód has a special role in the narratives of the stakeholders of the micro-region: if they can possibly avoid it, they do not mention the name of the town. They refer to it, as several people have jobs there, and as health care services and secondary education are available there, but in spite of this, they do not utter the names of the towns along the lakeshore. Poor cooperation and the special “silence” show the lack of bridging social capital within the study area of the neighbourhood. Linking social capital is also missing: the Member of Parliament has a minor role in party politics, while other actors have almost no connections. The mayor’s network in the county has become less valuable as the County Councils have no more development resources, and decisions have been delegated to the upper regional level. The micro-region cannot gain from the market relationships of the few bigger enterprises.

Comparative analysis of the cases

The geographical and natural characteristics of the two micro-regions are similar. Although only the Lengyeltóti micro-region has motorway connection, Vasvár also has good connections to the capital, and also has better connections to the county centres. Tourism facilities are also similar. The economy of the two study areas is basically different: the Vasvár micro-region still has light industry in existence, and locals have many opportunities to commute, whereas in Lengyeltóti, where industry was always weak and has not developed in recent decades, there is no possibility of commuting, as the neighbouring settlements also do not offer workplaces. Agriculture is similar: in both areas big agricultural enterprises produce agricultural crops.

The settlement structure is also different: the differences in size among the settlements are bigger in Vasvár, where the small town has a central position as administrative, economic and cultural centre of the micro-region, although some of the official tasks are delegated to mayors of smaller villages: for example, the president of the Micro-regional Association is a mayor of a small village and the manager of the Hegypásztor Kör is also from a small village. In contrast to this, in the Lengyeltóti micro-region, the central town has no possibility to become an economic or cultural centre of the micro-region, and it retains all official tasks, which reminds the locals of the centralised structures of the socialist times.

One can also identify profound differences when comparing the activity of the local stakeholders. There are two active circles in the Vasvár micro-region: stakeholders cooperate within these circles, create new initiatives to realise their aims, discuss the problems of the micro-region at official meetings (at the assembly of the local councils, or the micro-region, or other institutions), as well as at informal meetings (village days, festivals). The two circles have interactions, thus both bridging and bonding social capital is high in the Vasvár micro-region, which also means that the bonding social capital in the area is high, but as I wrote previously, they have contacts with the neighbourhood: thus bridging social capital is high at the micro-regional level. The stakeholders of the Vasvár micro-region feel themselves able to influence and improve local social and economic circumstances, in other words, they trust in the future. In contrast, the stakeholders of the Lengyeltóti micro-region do not form groups or networks, and the interaction and cooperation among them is infrequent and limited to the necessary. They feel desperate and do not believe that they or anybody else might be able to improve local life. It is a very interesting fact that several actors refused to believe that even the central government would be able to stop the out-migration of the younger generation or provide jobs in the micro-region. Bonding social capital is low by virtue of these characteristics. Considering that the micro-region has a fairly bad relationship with the neighbouring micro-regions (or no relationship at all) one can state that the amount of bridging social capital is also low.

Linking social capital is low in both cases; in neither case is there a strong local stakeholder with good connections to central institutions; although Members of Parliament are living in the micro-region, they cannot establish direct links upwards.

The amount of social capital is very different in the two cases: in the Vasvár micro-regions the existence of several stakeholders creates a dense network, and there are two strong circles that can cooperate if necessary. Both have a clear view on the micro-region's problems that is, in certain cases, compatible with that of the other circle, and all actors assume that they can improve the situation. In contrast, in the Lengyeltóti micro-region, interaction is scarce, has a top-down character when it does occur, and a common perspective and common initiatives are missing.

There are also huge differences in development activity: as I presented earlier, the Vasvár micro-region has received nearly ten times as much in subsidies than the Lengyeltóti micro-region did. The number of projects is also much higher, the stakeholders are involved in the projects, and the number of settlements in which the projects have been realised is much higher.

According to the differences in the amount of social capital, the network character of rural development is visible in the Vasvár micro-region, while missing in the Lengyeltóti micro-region (Van der Ploeg et al 2000, Murdoch 2006). The development of knowledge networks (Kelemen et al 2008), temporary organisations (Sjöblom-Godenhejm 2009) and the relevance of intermediating actors (Kovács-Kristóf 2009) is also more visible in the Vasvár micro-region than in the Lengyeltóti micro-region.

Conclusions

There are two main conclusions to be drawn from the comparison of the two cases: firstly huge differences in the amount of bonding and bridging social capital also result in differences in the existence, number and size of projects. A second conclusion is that linking social capital is not a prerequisite of temporary knowledge organisations.

The case-studies show that linking social capital is not a prerequisite of temporary knowledge organisations; actors can realise development projects even without direct connections to central institutions. In both cases, the level of linking social capital is low. But while the actors themselves do not hold vertical links to be strategically important in the Vasvár micro-region, in contrast, the actors in the Lengyeltóti micro-region hold them to be of great importance. In both cases, central institutions and regulations are held to be unpredictable, which means that local stakeholders cannot trust them, but this has a varying effect on the strategy of local stakeholders: in the Vasvár micro-region actors try to deepen local cooperation, whereas in the Lengyeltóti micro-region, local stakeholders look for alliances in the central institutions.

In the Vasvár micro-region, there are several associations, foundations, informal alliances, and economic or cultural initiatives that are based on the common ideas and aspirations of the local stakeholders. These organisations and events also create a framework which helps them to discuss aims, to learn from each other, to keep local project infrastructure development in continuous movement. The dense network and the regular formal and informal meetings help the more active stakeholders to feel that their activities have support. As an interviewee told me, there are perhaps too many actors with too many ideas, but it ensures flexibility for the whole micro-region. The common view of the problems of the micro-region and the feeling of responsibility toward locals help local decision-makers and actors to react to the continuously changing regulation and to develop local institutions according to it. In the Vasvár micro-region there are several actors and organisations, local knowledge exists in many forms, and through cooperation and interaction, can be available for several stakeholders. The Vasvár micro-region is an example of a project as a temporary organisation. Stakeholders continuously learn from their previous work and from each other; they are ready to start new projects and establish new organisations, or adapt the old ones to manage new projects. They involve new actors and form new alliances if it serves the success of the project or the micro-region. The high amount of bonding social capital both at the group level and the micro-regional level has helped the actors to establish temporary knowledge organisations.

Local institutions function differently in the Lengyeltóti micro-region, as I presented. There are very few organisations, and also these organisations are static. There are several barriers to interaction and cooperation in the micro-region, as I presented previously. Projects are tools. These are organised without cooperation: one actor has the idea, defines the aims, and develops it into a project, while the management also remains in a single pair of hands. Thus, the project becomes a linear activity conducted to reach one specific goal. In this case there is no accumulation of knowledge. These projects can also contribute to the accumulation of bonding social capital, but in a much slower manner. After the completion of a successful project, there is probably a growth in self-efficacy, but this does not necessarily develop the density and manner of communication or the readiness for cooperation and

harmonisation of projects. The lack of, or rather the meagre quantity of, bonding social capital results in a loss at the community level.

As the casestudies show, in communities in which the amount of bonding and bridging social capital is high, projects are more likely to become temporary organisations, or temporary knowledge organisations, while in communities in which the amount of bonding social capital is low, projects become and remain tools to reach certain developmental goals. Actors in temporary knowledge organisations are eager to initiate new projects, thus those organisations are condemned to grow continuously. The real benefits of this growth appear at the community level: the flexible alliances can always participate in new projects, which at least theoretically improve local living conditions. In contrast, if projects are tools, new initiatives and new projects are less likely to be started, which results in a loss at the community level.

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Figure 1.

