

Table of Contents

Foreword	3
Acknowledgments.....	5
Assessment and Recommendations	11
Chapter 1. Transition and Territorial Disparities.....	27
Macroeconomic situation	27
Economic trends and empirical evidence of spatial disparities	29
Some factors explaining the new pattern of territorial disparities.....	37
Main consequences of economic trends on social cohesion	43
Principal forms of spatial disparities	50
Conclusion	54
Notes	56
Chapter 2. Spatial Policies.....	59
Reducing the gap in transport and communications infrastructures	59
Enhancing regional environmental quality and decentralising responsibilities.....	66
Urban and rural aspects	68
Conclusions and recommendations	80
Notes	82
Chapter 3. Economic Development Policies	85
Spatial redistribution <i>versus</i> regional competitiveness:.....	85
Development based on exogenous investments	86
Development policies based on endogenous investments	90
Challenges linking the foreign and domestic sectors	93
Conclusions and recommendations	97
Notes	99

Chapter 4. Social Policies	101
Living conditions and quality of life.....	101
Social welfare policies.....	103
Education and employment policies	106
The Roma minority: a special case	116
Conclusion and recommendations.....	121
Notes	125
Chapter 5. Institutional Reform, Regional Policy and Fiscal Decentralisation....	129
The framework of Hungarian territorial governance	130
Regional policy framework	134
Decentralisation and regional policy in Hungary: an uneven evolution .	136
Fiscal federalism and territorial development: an advanced, but unfinished agenda.....	148
Conclusions and recommendations	155
Notes	159
Chapter 6. Hungarian Regional Policy and EU Accession.....	161
PHARE framework and pre-accession context	161
EU compatibility	172
Conclusions and recommendations	177
Notes	179
Chapter 7. Budapest: Governance in a Politically Fragmented Area.....	181
Agglomeration growth and suburbanisation	181
Intra-city administrative fragmentation	189
Conclusions and recommendations	193
Glossary.....	197
Bibliography.....	199
List of Tables	
1. Sectoral and branch shares of GDP, 1997.....	39
2. Regional and county structure of HDI in Hungary, 1990 and 1996/97.....	45
3. Inequality of per capita income of households, 1987-97	45
4. Poverty rates in Hungary by territorial units, 1997-98.....	46
5. Life expectancy at birth in Hungary, Czech Republic, Slovenia and Poland	46
6. Education level of employed by regions, 1997.....	48
7. Education level of registered unemployed by regions, 2000	49
8. Youth unemployment by regions, 2000	49

9.	Internet hosts per 1 000 inhabitants.....	64
10.	Regional distribution of telephone networks, 1998	65
11.	Investment in environmental protection, 1998.....	67
12.	Urban infrastructure service coverage, 1996	73
13.	Regional breakdown of hospital beds and doctors.....	74
14.	Primary and secondary schools.....	75
15.	FDI regional data, 1995-98	87
16.	Share of largest FDI investors by region, 1998.....	88
17.	Expenditure of labour market programmes in underprivileged regions	112
18.	State support for minorities	119
19.	Change in municipal revenue and expenditure, 1992-96.....	133
20.	Separate state funds and sectoral budgetary allocations, 1999	137
21.	Subnational revenue and expenditure ratios, 1996	148
22.	PHARE regional development programmes	164
23.	Beneficiary counties of PHARE CBC programmes	166
24.	Distribution of decentralised allocations by county, 1998-2000.....	174
25.	Use of PHARE support, 1996	176
26.	Fund-sharing between districts and municipality, 1999	190

List of Figures

1.	Typology of Hungarian regions	31
2.	Winner and loser areas in Hungary.....	32
3.	GDP per capita by regions, 1997.....	32
4.	GDP per capita at county level, 1994-98	33
5.	Household average annual income by regions, 1998.....	33
6.	Taxable income per capita, 1997	34
7.	Unemployment trends by counties.....	36
8.	Geographical distribution of foreign capital stock, 1998	41
9.	GDP and FDI per capita, 1997	41
10.	R&D expenditure as a percentage of GDP, 1997	43
11.	GDP per capita by counties, comparison 1975 and 1995.....	51
12.	Local governments' own revenue	149
13.	Change in revenue resources for local governments, 1992-99	155
14.	Budget shares of the three pre-accession instruments in Hungary, 2000-2002	163
15.	PHARE programmes in Hungary, 1990-99	164
16.	Budapest and its functional region within Pest County	182
17.	Population change in Budapest, Pest County and Budapest urban agglomeration	183
18.	Personal income tax in Hungary, 1994-98	184
19.	Business tax revenue per capita, 1994-98.....	185
20.	Fund-sharing between districts and the municipality, 1996-99.....	191
21.	Central government grants to the municipality, 1996-99	193

List of Boxes

1. The new territorial organisation	30
2. The functional regions	35
3. The settlement network of Hungary	53
4. Tourism: an alternative endogenous strategy for regional Hungary	77
5. A foreign company with a local management in the Northeast	94
6. Case study of Borsod-Abauj-Zemplen County Labour Centre	114
7. Territorial pacts for employment	115
8. Some evidence of disparities affecting Roma	117
9. Governmental measures targeted at Roma population	118
10. The advantages of a decentralised municipal pattern	143
11. Government as corporate enterprise	144
12. Intermunicipal co-operation in France	145
13. Local property taxation in Eastern European countries	152
14. PHARE programmes	162
15. PHARE CBC achievements	167
16. The SAPARD Plan	169
17. PHARE contribution to more decentralised governance in Hungary	171
18. The IRP, an integrated regional programme	175
19. Public transport associations in functional areas: an example from Switzerland	188