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Parameters of the LEADER subsidy distribution with an institutional background in Hungary

Abstract: *The LEADER programme has been used for more than 20 years in the EU. Our paper examines 3 local action groups situated in the Hungarian Békés County. The objective of the paper is to examine them from an organizational/ institutional point of view. It is assumed that work organizations play a crucial role in the life of LAGs, and get an answer whether capabilities and territorial ties of their members have an effect on the existence and functioning of action groups. Moreover, personal interviews were made with administrative staff. Statistical data were collected from the website and integrated rural development strategies of LAGs and from the open database of the Hungarian Central Statistical Office These data were later used to prepare maps illustrating them. Hoover-index was used by the authors to conduct statistical calculations. The research findings suggest that the quality of local management organizations is of great importance to successfully strengthen local communities and governance. A local staff of adequate quantity and quality (education, salary) is indispensable. The geographical position and attachment of LAGs is a relevant factor in bottom-up rural development. Maybe, an EU-wide directive in this area can contribute to a more successful LEADER approach. The reseach results may help to improve the performance of the LEADER LAGs at a national or even the EU level.*

Keywords: *LEADER, subsidy distribution, Local Action Group, Hoover-index*

Introduction

The LEADER programme plays a very important role in the development of rural areas. It started as one of the community initiatives and it aimed to promote the rural areas development across the European Union. The programme has been very successful since the beginning. Nowadays, it has become the main path of the European rural development policy and there are still some active local action groups (LAGs) which were created in the 1990s.

The Council Regulation (EC) No. 1698/2005 (September 20) on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) states:

"The area covered by the strategy shall be coherent and offer sufficient critical mass in terms of human, financial and economic resources to support a viable development strategy."

The main goal of this research is to answer the following questions:

- How are the LEADER financial resources territorially distributed in Hungary and Békés County?
- How does the administrative staff in the LAGs in Békés County look like?

The research used a variety of methods to answer the questions above. First of all, the basic statistical data were collected from all the Hungarian LAGs, functioning between 2007 and 2013, from the websites and the text of the integrated rural development strategies of LAGs and from the open database of the Hungarian Central Statistical Office (KSH). The authors prepared a random sample from this basic database and conducted detailed analyses on selected LAGs concerning the spatial patterns of their practices of subsidy distribution.

In the period between 2007 and 2013, there were 96 LAGs in Hungary. Apart from the randomly selected 9 LAGs, other 3 were chosen from the Békés County area and they were examined from several perspectives. The authors made statistical calculations on the local action groups with the use of the Hoover-index method. This is one of the simplest inequality metrics measuring the deviation from the preferred equal distribution (Nemes Nagy, 1998). In a perfectly equal society, there would be no need to redistribute income in order to achieve equal wealth distribution.

Additionally, in-depth personal interviews were taken with administrative staff of the LAGs in the Békés County. Quantitative data were processed through elementary statistical methods and were partly graphed on maps.

Specialities of the LEADER development methods

The impact of the EU development subsidies is an important issue (Bakucs et al., 2018). The LEADER programme is a specialised method, a decentral-

ised channel for allocating funds to local actors by local governments. Bottom-up direction plays a decisive role in the operation of the local action groups. Additionally, an innovative approach is crucial in the functioning of LAGs. Its earlier success in Western Europe made this approach an attractive option to Eastern and Central European researchers. It was interpreted as a revolutionary catching up method for backward rural regions (Kovách, 2000).

Other authors interpreted LAGs as "collaborative organisations" creating "socially constructed landscapes" (Gailing, 2012). LAGs have a broad spectra of local partnership in planning and project implementation actions. They act as workshops of multi-level governance. Local decision-making may help to use available financial resources for a more coherent and smooth rural development process. At the same time, some researchers point to the fact that local governance sometimes evokes a less balanced distribution. Under such circumstances members of the local elites can exclude other social groups from funds by monopolizing decision-making processes (Shucksmith, 2000).

The LEADER philosophy has seven basic principles meaning a broad framework for the different national programmes. Different partners (municipalities, NGOs, enterprises) must join-in the local action group and at local decision-making boards neither of them can have more than 50% majority.

Bottom-up approach is explained by the relevance of local knowledge related to socio-economic conditions and of participation-driven development technics. Local management supplements the former one with the fast and effective control of decentralised institutional forms. Integration is a relevant character and appears in the creation of compound rural development plans. An innovative use of existing assets is a must as well. Networking means the co-operation of LAGs with different partners at regional, national and international scale.

The seventh principle, i.e. the area-based character of the LEADER programme, is the most important from our point of view. Local action groups are spatial formations and their functions influence the structure of the micro region. Accordingly the territorial shape of action groups should be coherent, integrating localities of similar natural, ethnographic or socio-spatial characteristics.

During their evolution, four dimensions can be differentiated, such as: operational, strategic, organisational and symbolic (Lukesch, 2007). The evolution of local action groups is leading to a well-institutionalized, partly network-based system (Fig. 1). At their early stages, when the local partnerships are being created, the operational function is crucial. Rapid-reacting local development agents are of primary importance as they steer local society and find potential participants (1st stage). At the second stage, a whole system of co-operating organizations and individuals try to participate in the local development process (2nd stage). Maturity means a fully institutionalized system with fixed roles in different realms. Now, the only function of LAG managers is co-ordination of a network towards the four related spheres (3rd stage). A stability

of LAG management personnel may support healthy evolution of the local communities. The success of LAGs very often depends on a management unit that has a competent and experienced professional staff (Salchner, 2014).

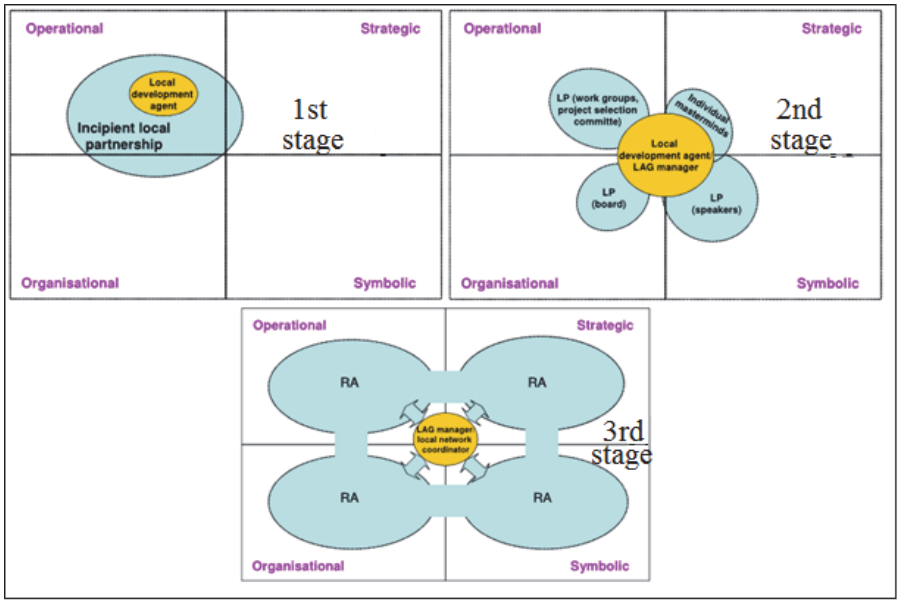

Figure 1. A possible way of evolution of LAGs
Source: Lukesch (2007).

A short description of the target area

In Hungary, the implementation of the bottom-up LEADER-type programmes began in 2001. During this experimental period fourteen LAGs were generated and a total of 270 individual projects were given financial support (Krolopp et al., 2005).

After the EU accession, Hungary joined the LEADER+ cycle. After a two-round selection process, 68 action groups were recognised and got a support of HUF 90-100 million. The total area of local development communities covered one third of the country's area and 16% of the population (Bogár, 2011). Unfortunately, many of the experimental action groups were absent from this cycle and members of administration were replaced by new staff having no earlier rural development experiences.

After 2007, the territorial scope was extended to almost every rural area of the country, mainly with the spatial expansion of former LAGs. Totally 96 local communities (Fig. 2) started to operate connecting 3,020 villages and eligible towns into the world of the LEADER (Kiss, 2016). During the cycle, some of the groups were terminated or re-organised because of malperformance.

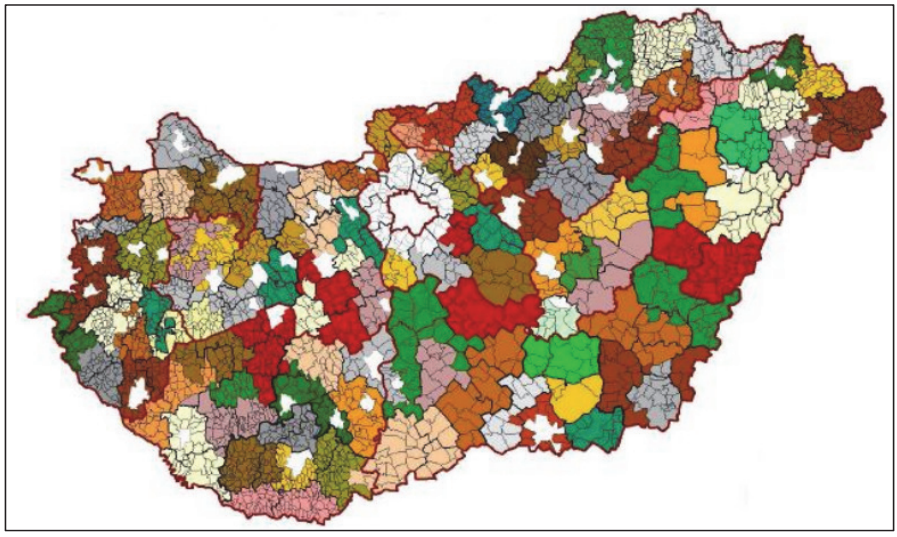

Figure 2. LAGs in Hungary during the 2007-2013 programming period
Source: ÚMVP (2007-2013).

The broad analyses were made on a sample of Hungarian LEADER LAGs, but special focus was put on the position of the Békés County, conducting a detailed examination of its LAGs.

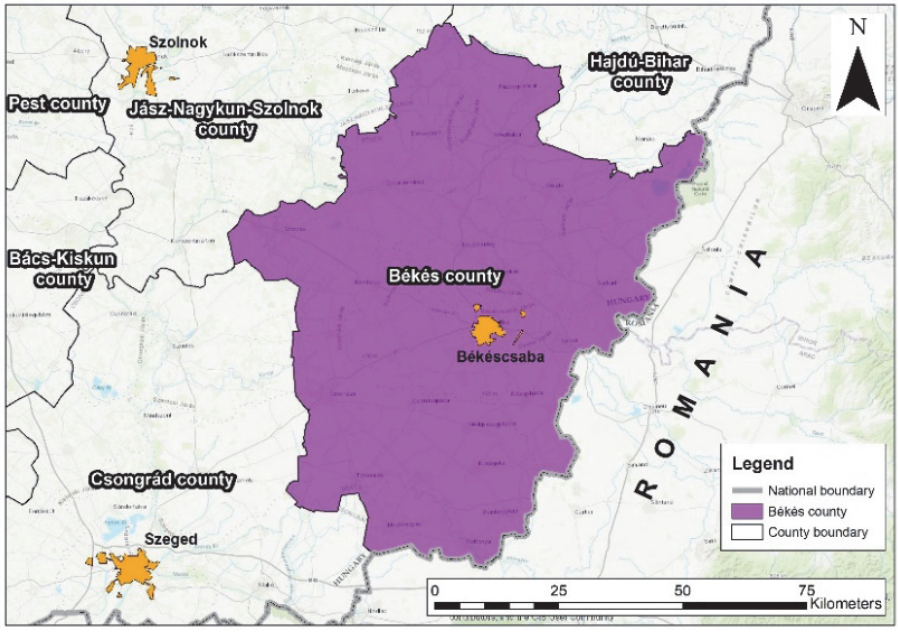

Figure 3. Békés County
Source: authors' edition.

Békés County is an administrative unit in South-Eastern Hungary on the border with Romania. The capital city of the region is Békéscsaba (Fig. 3). In the recent decades, the population of the county is permanently decreasing. The rate of the agricultural land is significant and high-grade. The area is underdeveloped, outward migration is typical.

During the period of 2007-2013, the following three LAGs were functioning in Békés County (Fig. 4):

- Kertészek Földje Akciócsoport Egyesület,
- Körös-Sárrét Vidékfejlesztési Egyesület,
- Körösök Völgye Vidékfejlesztési Közhasznú Egyesület.

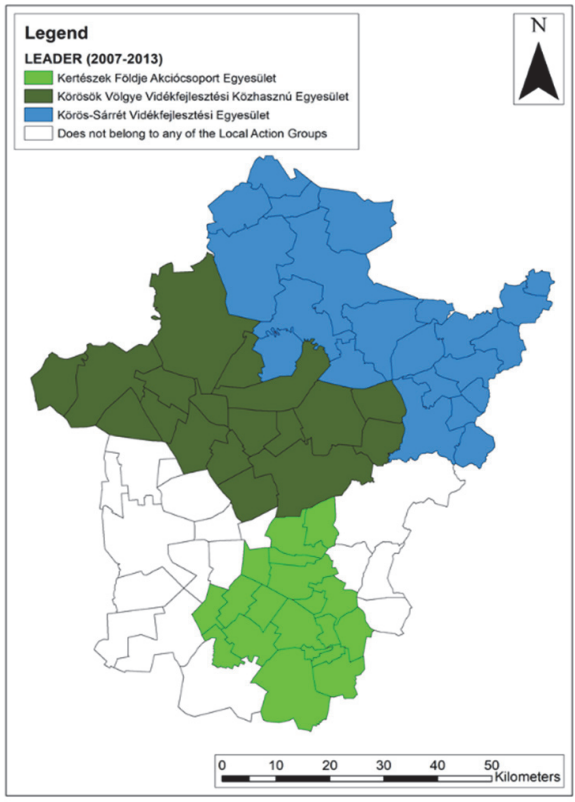

Figure 4. Map of the Local Action Groups in Békés County (2007-2013)
Source: authors' edition.

Results

The distribution of the LEADER funds was examined through the Hoover--index method in the selected 12 Hungarian LAGs (Fig. 5). The LEADER funds were distributed unequally in case of almost all of the LAGs. The Hoover-

-index shows to what extent the money should be re-distributed to equally divide the funds between the localities in a LAG. In this case, the minimum value was 35% and the maximum was 64% and these values are very high. The researchers tested the connection in the locality number and the Hoover index results, but could not find any correlation between the outcome of the Hoover--index and the locality number of LAGs.

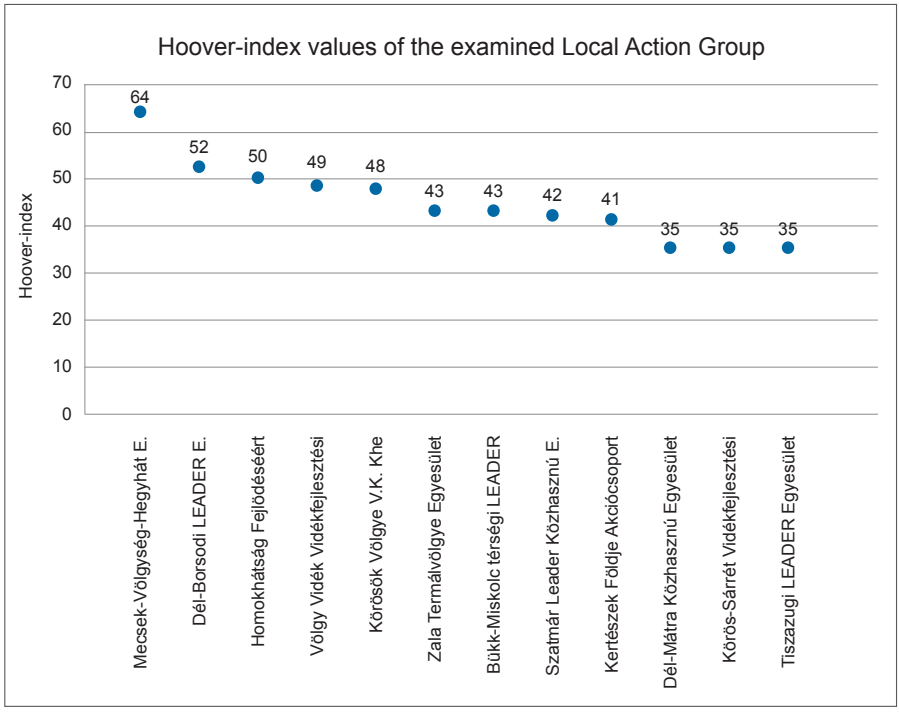

Figure 5. Hoover-index value (%) of the Local Action Groups
Source: authors' edition.

In case of 25% of the examined LAGs, the locality, where the action group's official seat was located, got the highest rate of *per capita* LEADER support.

In Hungary, the LEADER action groups participated not only in the distribution of Axis 4 financial resources, but as an intermediate body also took part in the allocation of Axis 3 subsidies. What should be examined are the differences between the spatial distribution of money belonging to both axes. For example, Figure 6 shows the data of one LAG (Körös-Sárrét) from Békés County. The Lorenz curves and Gini coefficients are indicated in the case of absolute and *per capita* values too.

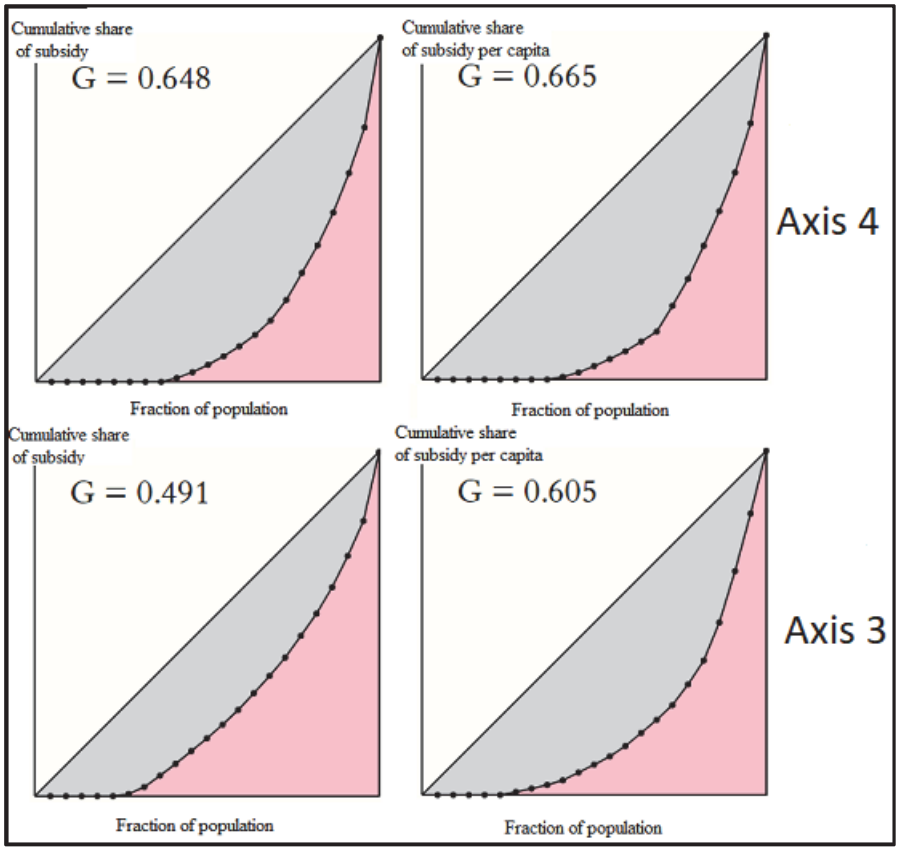

Figure 6. The spread of subsidies belonging to Axes 3 and 4 in case of Körös--Sárrét LAG

Source: authors' edition.

We may argue that locally allocated Axis 4 LEADER funds are distributed more unevenly than the centrally earmarked funds. The dominant position of some members of the local elite in the decision-making processes and the low level of social inclusion may explain this fact.

The research shows that in Hungary, in the case of the chosen LAGs the distribution of the LEADER sources is evidently unequal. In the future, this survey may be extended to the whole country.

In Békés County, from the total of 75 local municipalities, 58 took part in the programme. During the last planning period, 3 LAGs got – from the LEADER funds – about HUF 1.2 billion (EUR 3,771,179). From these funds, 47 localities had a share. In Békés County, there were 430 winners in the LEADER call for proposals during the period of 2007-2013.

In every LAG in Békés County there was a locality which was awarded much more money than its peers. After the personal interviews in the Körösök Földje LAG, it turned out that 66% of its employees lived in Medgyesegyháza, a locality which won the most of the LEADER calls for proposals. Thus, it may be argued that the Kertészek Földje LAG localities, being the home of administrative staff members, were more successful in applying for funding.

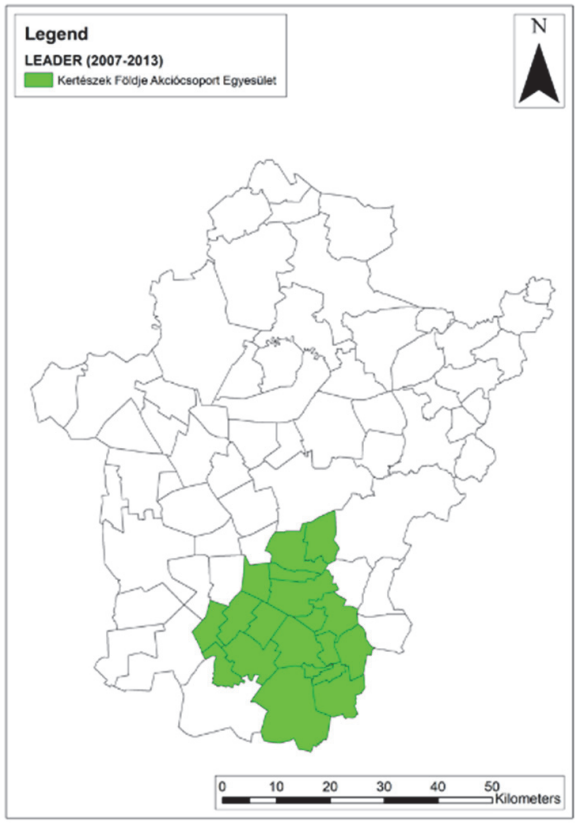

Figure 7. Territorial map of the Kertészek Földje LAG
Source: authors' edition.

The Kertészek Földje LAG has been running since 2004 (Fig. 7). This is one of the oldest LAGs in Hungary. Now the organization has 58 members from the business, civil and public sectors. There are 9 members of the Presidium. The office of the LAG is at Medgyesegyháza and it employees 6 people. The area of the action group is coherent in geographical and economic terms. There is significant horticultural activity in the area. The LAG wants to support some small local actors instead of helping large projects. The group had 2 international co-operations with two bordering Romanian LAGs, geographically similar, in the last planning period. The LAG had 19 localities. According to the office manager, 19 localities was the optimal number for

them. The allocation of the LEADER funds between the localities was unequal, Medgyesegyháza received 38% of the LEADER funds in this LAG. The LAGs office employs 3 women and 3 men. Everybody has a degree, with one exception, and everybody can speak at least one second language, also with one exception. From the 6 office workers, 5 have qualifications in economics. In our opinion, the LAGs office would require a much greater variety of skilled employees.

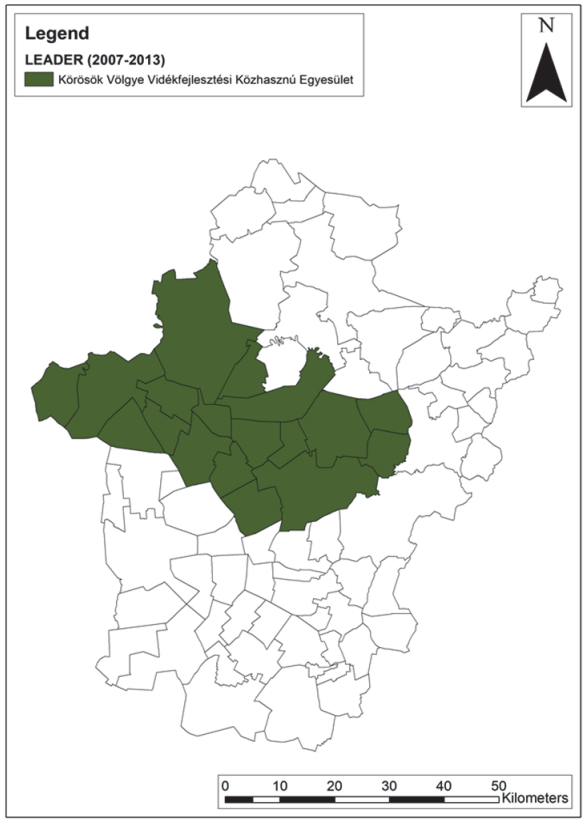

Figure 8. Territorial map of the Körösök Völgye LAG
Source: authors' edition.

The Körösök Völgye LAG has been running since October 2011 (Fig. 8). The organization has 74 members, from the business, civil and public sectors and 5 associate members. There are 8 members in the Presidium. Its office is situated in Békéscsaba and it employs 2 people. The area is coherent in terms of its economy and it is in close relationship with agriculture. The aim of the LAG is to develop local tourism, expanding alternative methods of earning money, selling local products, handicrafts, rural and agro tourism. The group established international cooperation with a Romanian LAG from Covasna County in the last planning period. In the period of 2007-2013, the LAG had 16 locali-

ties and 14 of them received the LEADER funds. Szarvas, a small town, shows a particularly high value because it received 28% of the LEADER funds. The LAGs' office employs two people, who are both women. One of them holds a degree, but the other is only a high school graduate. Both employees can speak a second language.

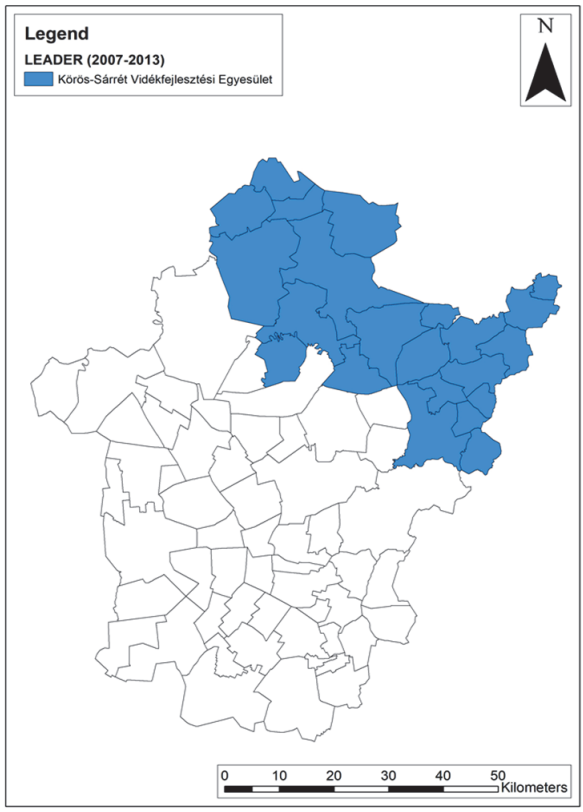

Figure 9. Territorial map of the Körös-Sárrét LAG
Source: authors' edition.

The Körös Sárrét LAG has been functioning since 2008 (Fig. 9). The organization has 57 members, from the business, civil and public sectors. The Presidium has 5 members. Its office is located at Szeghalom and it employs 2 people. In the last period, there were 21 localities in the LAG. The area shows a geographically coherent landscape, the localities belong to the Berettyó-Körös Mid-Land Landscape Unit. These are typical lowland small localities: villages and small towns. Generally, member localities are mostly agricultural with only a few industrial large companies in the area. In the last planning period, 77 winning LEADER calls for proposals were announced. Only 14 localities received funding in the LAG. The research also revealed one locality (Füzesgyarmat) where the funds from the LEADER allocation

were concentrated. The LAGs office employs 2 people: one women, who is an Accountant, and one man, who is Mechanical Engineer in the Agriculture and Food Industry.

Conclusions

It can be argued that the financial redistribution function of the LEADER LAGs is transgressive. The closer target area, Békés County has the same tendency. Comparing with the centrally distributed rural development funds, the LEADER seems to be even more inequitable. Presumably, some municipalities or members of LAGs have dominant influence in the local tendering processes.

Local management organizations may help to buffer this monocracy with active steering processes and help the formation of more dispersed local networks. Unfortunately, on the one hand, the offices of the LAGs are too small and ineffective and, on the other, the territorial attachments of staff members may influence the distribution of financial resources too. The functioning LAGs are not transparent enough.

The authors' recommendation is to determine the number and the qualification of people working for the LAG's office at the EU level. Uniform wages should be set for the office team at the EU level. And a centralized LEADER database should be created and managed by the EU.

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