The LEADER Method
Transferring Experience of the Visegrad Group Countries to Georgia

Edited by:
Łukasz Sykała
Magdalena Dej
Oskar Wolski

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INSTITUTE OF URBAN DEVELOPMENT
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CHAPTER 6
NEEDLE IN A HAYSTACK:
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Introduction

The main ideas of the LEADER programme were gradually introduced in Hungary in the frame of SAPARD and PHARE programmes from the 1990’s. From 2001, as a further step of the country’s EU accession process, certain elements of LEADER were launched as pilot programmes. Following Hungary’s EU accession in 2004, the LEADER+ programme was implemented. During its two-years-long period (2004–2006) two bids were launched. All in all, 2332 settlements created 186 local communities (these were predecessors of LEADER Local Action Groups), out of which 70 received altogether 25 million EUR in financial support (25% of it was given by Hungary, 75% by the EU) (http://www.umvp.eu).

In the 2007–2013 EU programming period rural development policies became transferred from Structural Funds to the Common Agricultural Policy. This resulted in growing financial support, but with the risk of more centralized administration, and compromising important LEADER principles, like bottom-up approach (Maácz, Kónya 2007, 19; Kovács, Póla and Finta 2011, 94).

Based on previous, mainly positive experiences with SAPARD, PHARE and LEADER+ programmes, expectations set up by local stakeholders were quite high before launching the first LEADER program period in 2007 in Hungary. During the seven year period of the operating of the programme (2007–2013) numerous successful projects and initiatives were implemented, however the mistakes in planning and operation, malfunctioning in administration, as well as many other problems all came to the surface.
The aim of this paper is to present an overview of the implementation of the LEADER programme in Hungary, highlighting the most problematic factors for example those valuable initiatives which can be found scattered and partially hidden in the rural areas, just as needles in a haystack.

6.1. The legal and administrative framework of LEADER Programme in Hungary

*The New Hungary Rural Development Programme*¹ (following NHRDP 2007–2013) was prepared by the Ministry of Agriculture and Rural Development² (following: MA) in accordance with Article 15 (2) of Council Regulation (EC) No 1698/2005 as a single programme for Hungary, and applies to the entire territory of the country, covering all 7 administrative regions on NUTS 2 level¹ (NHRDP 9). The country’s agricultural and rural development plan was incorporated in this document, divided into four Axes. Axis I and II provided support for modernisation of agriculture. Axis III was entitled to the development of quality of life in rural areas along 4 measures. Two of them focused on enterprises, development of competitiveness of local economy, the third targeted local governments, especially infrastructural investments. The fourth one’s aim was the protection of local heritage sites and the preservation of cultural heritage. Axis IV was the LEADER axis, dedicated to innovative projects reflecting local needs and contributing to the development of local community. As it can be seen, Axis III and IV had partially overlapping aims. Since double-financing of projects is strictly forbidden due to EU regulations, the authorities had to clearly distinct calls and be very prudent when evaluating projects to avoid overlapping (Póla 2015, 177–178). For Axis III and IV altogether 1 billion EUR were aggregated, which made up for 21% of the NHRDP, out of which 6%, 300 million EUR, was allocated to the purposes of LEADER Programme. This percentage can be considered quite high in the European Union, and could have meant a proper basis for actual development plans.

Comparing to similar documents of other countries in the region, one peculiarity of the NHRDP was the application of LEADER procedure both in case of Axis III and IV (Chevalier et al. 2012, 15). Major methodical novelty of LEADER lies in its commitment towards bottom-up initiatives and partnership between co-operating local bodies. In theory, the LEADER method offers a more democratic, alternative way for rural development, with the retreating role of central government and administration. As it will be shown further

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² Since 2011 the official name is Ministry of Agriculture. In present article we will use this name, as acronym: MA.http://www.kormany.hu/download/8/9c/00000/FM%20scan.PDF#!DocumentBrowse.
in this article, during the practical implementation of the LEADER method in Hungary, the abovementioned principles were often compromised by more factors, for instance lack of social capital needed for efficient partnership building, lack of innovative local ideas or the strong control of central government.

The implementation of NHRDP took place on three levels, in accordance with EU regulation:

1) **Certification Body**: KPMG Hungary Kft. The Certification Body was appointed by the Minister of MA, after a public procurement procedure. “The Certification Body – KPMG Hungary Kft. – is a Hungarian limited liability company, and a member firm of the KPMG network of independent member firms affiliated with KPMG International, Switzerland. The Certification Body is totally independent from the Paying Agency from the Competent Authority. As an auditing firm, it has the necessary technical expertise as required by Article 5 of Regulation (EC) No 885/2006. The contract concluded with the Certification Body assures that it will conduct its examination on the Paying Agency – including IT system assessments – and the audit of the annual report and the issue of the certificate according to internationally accepted auditing standards taking into account any guidelines established by the Commission.” (NHRDP, 471)

2) **Managing Authority**: Ministry of Agriculture. The most important, apex institution of the agriculture and rural development. The person in charge of implementation is the State Secretary dedicated to EU affairs in the MA. The Managing Authority is “responsible for the effective, successful and regular control and management” of the NHRDP programme. Especially responsible for the following:

a) “ensures that operations are selected for funding in accordance with the criteria applicable to the NHRDP and furthermore with the Community and national legislation. In this competence, even though the tasks of selecting the projects and decision-making on the applications are delegated to the Paying Agency, it shall approve and check the rules of procedure of the Paying Agency and shall have the possibility to instruct the Paying Agency, in the framework of supervisory procedure, to carry out a new procedure.(...) Furthermore, the Minister is entitled to establish the eligibility criteria and the legislation determining the detailed implementation rules for certain NHRDP measures.” (NHRDP, 474).

b) ensures that beneficiaries and grantees are aware of new calls, programmes, financial rules etc.

c) it supervises the institutional system in charge of the NHRDP implementation, ensures that their operation shall serve the achievement of the programme targets.

d) leads the Monitoring Committee.

e) manages the Hungarian National Rural Network (HNRN).

Professional tasks were carried out by:
i.) Ministry of Agriculture Department for Rural Development (DRD), which assisted during PHARE, SAPARD and LEADER+.  

ii.) Ministry of Agriculture Rural Development, Educational and Advisory Institute (RDEAI), which institution is under the supervision of the Managing Authority. “The Institute carried out delegated technical and expert tasks the DRD has no capacity to perform, renders information connected with NHRDP and acts as working organisation of the Allocation and Quality Project Selection Supervisory Committee” (NHRDP, 474). From 2012 it was renamed to National Agricultural Advisory, Educational and Rural Development Institute (NAERDI). In the early period of the LEADER implementation, this institution nominated delegates, called Regional Coordinators, to supervise the establishment of LAGs and Local Rural Development Offices.  

iii.) partially the Central Agricultural office (CAO).  

3) Paying Agency: Agricultural and Rural Development Agency (ARDA)  

ARDA is the only Paying Agency in Hungary, performing the paying agency tasks of EAFRD and of EAGF. Its task is to process and pay out the most applications possible in proper quality, with lower possible expenses, on schedule, with minimal risk. Its “duties include the management of CAP agricultural aid schemes, the processing of support applications, the performance of necessary administrative and physical controls, and the allocation of funds to the Beneficiaries. ARDA began its operation in 2003 and since then it is an independent legal entity which consists of a central office in Budapest and 19 county branch offices. The Central Office consists of 6 directorates (mainly managing different groups of aid schemes) and 10 departments (mostly providing back office). “4 It is responsible for (among others):  

a) the authorization and control of claims, performs administrative and on the spot controls;  
b) executes payments;  
c) records all payments in the Paying Agency’s separate accounts for EAGF and EAFRD expenditure in the form of an information system, prepares periodic summaries of expenditure, including the monthly, quarterly and annual declarations to the Commission;  
d) handles advances and securities, keeps the debtor’s ledger, collects overdue debts (NHRDP, 477–481).  

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The whole apparatus included numerous other centrally established offices or authorities mentioned in the NHRDP out which we mention here:

1) **Monitoring Committee**: “provides the efficient and successful implementation of the NHRDP by means of regularly comparing the objectives and the achieved results” (NHRDP, 483). This committee collected and analysed data along the set of indicators (based on EU indicators). Informed the Managing Authority about the progress of NHRDP and suggested possible changes in order the reach the development goals. Among the members representatives of MA and other central authorities, civic associations and territorial appointees of LEADER LAGs could be found.

2) **Hungarian National Rural Network** (HNRN). Its role is “to organise a network of all parties interested in rural development that means the organization of a network of interested governmental, local government and civil contributors, business and social organizations, professional bodies, as information and cooperative network and the harmonization of its activities.” Basically its purpose was to better integrate NGOs and induce more circulation of expertise between public bodies, experts and civic sphere (Chevalier et al. 2012, 18). This body was established in all EU member states.

### 6.2. The creation of Local Action Groups

In Hungary both the process of creation of LEADER Local Action Groups (LAG) and the methodology of development of Local Rural Development Strategies (LRDS) were over-regulated in many points of view (Póla, Chevalier and Maurel 2015, 178). The LAG’s registration process was regulated by the now repealed Directive 93/2007. (VIII.29.) issued by the Ministry of Agriculture, in accordance with the EU EAFRD regulation.

As a first step, the Ministry of Agriculture established **Local Rural Development Offices (LRDO)** in all micro-regions. Generally speaking, LRDOs can be considered as local ‘legs’, local representatives of the MA, making connection between the centre and all micro-regions. Such offices are absolutely unique to the Hungarian rural development policy in the EU. Generally, “LRDOs are organisations with the capacity and capability for animating the rural actors. LRDOs will have a key role in setting up the potential LEADER groups” (NHRDP, 417). The operation cost of the LAGs was financed through the LRDOs. Practically, they played crucial role in the creation of Local Communities (LC), later the establishment and registration of Local Action Groups, coordination of preparatory works of Local Development Strategies and the implementation of Axis III and IV bids and projects (Jávor 2013, 597–598; Chevalier et al. 2012, 17).

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LRDO’s first important task was to organize Local Communities (LC) (as antecedents of future Local Action Groups). Local Communities are grass-root organisations which are formed by civic, business and public sector participants. Their main operating principal is based on partnership, cohesion and synergy. LCs main objective was to become Local Action Groups, to which they needed to meet certain criteria (see further) and the preparation of their Local Rural Development Strategy. Once the LCs became registered by the MA, they established the Coordination and Planning Group to work on Local Development Strategy (more details in section 3). Coordination and Planning Group was elected from the members of LC and consisted of at least 5 members: 1 from academic sphere, others representing public, private and civic sector all having experience in the field of management and rural development. This body was responsible for the planning and elaborating the Local Development Strategy, which was necessary to finalise the registration process by the MA. When the Local Development Plan successfully passed the evaluation process, the Local Community officially became a Local Action Group (Chevalier et al. 2012, 17). In the following lines, we will show the specificities of LAGs creation, while the planning of Local Rural Development Strategies will be explained in details in section 3. (These processes were conducted on a parallel basis).

According to the intention of policy makers, Local Action Groups should efficiently assist the realignment of less developed rural areas. Besides, LEADER encourages free thinking, bottom-up initiatives and implementation of innovative plans. In an ideal case, a LEADER project is unique, deriving from and serving local needs and purposes, additionally based on local decision and agreement. An important element of the original programme was the principle of free networking, which would make possible the creation of such units where geographical cohesion is taken into account instead of simply following certain micro-regional, county or regional administrative boundaries.

The selection criteria for LCs were linked to population: such communities were accepted for registration process, where 10,000 or less inhabitants lived, or where the population density was equal or below 120 people per km². As partners were free to ally, it happened that for instance, in the same settlement the civic association wanted to join a different LC, than the local government, which resulted in territorial overlapping (all in all, there were 222 overlapping cases). At first, 71 communities were accepted by the MA, 3 registration requests were refused. Due to the great amount of unsettled territorial overlapping cases, the registration was reopened. According to the original plans, the future Local Action Groups would have competed with each other for the title, but later the decision was modified and the full coverage of the country’s territory became prime importance. Finally, 96 communities were registered and gained the right to form Local Action Groups. All in all, 3085 settlements, 78% of the total number of settlements of Hungary, were incorporated to Local Actions Groups, which made up 45% of the total population of the country (see table 6.1).
Tab. 6.1. Number of entitled and entitled with peripheries settlements based on directive 93/2007 (VIII.29.) issued by Ministry of Agriculture and Rural Development

<table>
<thead>
<tr>
<th>Number of settlements</th>
<th>Population (person)</th>
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</thead>
<tbody>
<tr>
<td>Settlements entitled with their full territory</td>
<td>2987</td>
</tr>
<tr>
<td>Settlements entitled with their peripheries</td>
<td>98</td>
</tr>
<tr>
<td>Total</td>
<td>3085</td>
</tr>
</tbody>
</table>

The policy of almost full coverage of the country (88% of its territory is covered by LAGs, Póla, Chevalier and Maurel 2015, 179) with LAGs was criticised, because 30% of LAGs did not have any previous experience with rural development, which forecasted the unbalanced professional level of programming and management, eventually hampering the implementation of the LEADER program in time (Kovács, Póla and Finta 2011, 96–97). However, it is also needed to be mentioned, that according to the MA’s viewpoint, the full coverage of the country’s territory with LAGs was based on a specific development characteristic. Given the fact that the Local Action Groups co-ordinated the distribution of rural development funds under central control both for Axis III and IV of New Hungary Rural Development Programme, measures such as the development of quality of life in villages, preservation of rural heritage, development of micro businesses and tourism (Axis III) belong to LAGs scope of action as well. In case of a settlement entitled for developments have had not been incorporated into any LAG it would have not been enabled to apply for funds for the aforementioned purposes in Axis III either. Due to the fact that double financing is strictly prohibited according to EU regulations, other funds were not available for the same rural development purposes.

The other critic concerned the territoriality of the LAGs. Even at the beginning of the registration process it became obvious that the important LEADER principle of free networking was mainly ignored and practically the existing territorial, geographical or other linkages rarely served as basis of cooperation, mainly with exception of LAGs that participated in LEADER+ (2001–2006). Among others, Chevalier et al. (2012, Appendix2) and Kovács, Póla and Finta (2011, 96) state, that the MA informally encouraged the formation of larger LAGs, which might contributed to the final picture, i.e. in most cases LAGs were composed of two statistical micro-regions. Furthermore, their territory approximately corresponds to the country’s electoral circumscription (Chevalier et al. (2012, Appendix2; Kovács, Póla and Finta 2011, 96).

With the exception of Budapest, the capital and its agglomeration, plus the major towns, the whole territory of the country was covered with LAGs, though the overall picture is far from uniform: with regard to number of settlements or population size LAGs show a great variety. If it comes to the number of settlements in a given LAG it varies from 4 to 88, while number of inhabitants ranges from 11,000 to 90,000. LAGs with lower number of settlements are to be found in the lowland (Alföld), where the settlement structure con-
sists of few, but populous towns. Whereas in the north-eastern and south-western periphery LAGs are made up by 60–80 small villages and their population is below the average number of inhabitants in LAGs in Hungary.

All in all, it is important to highlight that the LEADER Programme in Hungary had started with a network of LAGs with significant territorial differences, deriving partly from geographical specificities and partly from requirements specified in LEADER directive. Furthermore, great number of them can be characterised with a limited level of internal cohesion (Varga 2010, 618).

6.3. The creation of Local Rural Development Strategies

Local Development Strategies are complex strategies in a sense that during their creation not only the Axis III and IV of New Hungary Rural Development Plan had to be taken into account but other development documents, like Regional Operative Programmes, as well. While there are other programmes that made fund allocation possible to rural areas, LEADER programme is unique among all due to its territory based thinking.

The spine of the design process of Local Rural Development Strategy (LRDS) was an on-line interface in which one part of data had already been uploaded (e.g. demographic, economic) with the intention of assisting the planning. At the first step, more statistical data was required concerning local social and economic background of the Local Community7. At the next stage, strategy reports had to be written, revealing possible development priorities of the given regions (e.g. tourism, local bio products, etc.) in a seven year long term. However, the reports reflected to the already existing regional development disparities (Western Hungary vs. North-Eastern Hungary, small villages vs. industrial towns), more interestingly they also highlighted such generally existing problems (like out migration, unemployment, lack of services), which are to be found throughout rural Hungary.

The LRDSs can be divided to five major and more subchapters:

1) Analysis of local conditions – partly based on local data
2) Main development priorities and measures
3) Proposed solutions
   a) local economic development plan
   b) local development plan for services in settlements
4) Additional notes
   a) situation analysis

7 After evaluation and acceptance of Local Development Strategy by the Ministry of Agriculture, LCs became Local Action Groups (LAGs). Note that in the followings we will use both terms of LAG and LC equally.
b) main priorities of development and measures
c) proposed solutions

5) Central, country level data input (already uploaded)

The LCs had 120 days for to plan and finalise their Local Rural Development Strategy by using the provided interface. The planning period could be divided into four milestones:

- Strategic analysis
- Priorities, measures and fund allocation
- Proposed solutions
- Finalisation

First, the Coordination and Planning Group in each LAG started to upload necessary data concerning the local level (point 1). In the second phase, based on the data and texts, four major local development priorities were emphasised (point 2). In the meantime, the Coordination and Planning Groups were responsible for collecting local data and writing new subchapters of the development strategy each week. By the fifth week, the Coordination and Planning Groups had to present the preliminary Local Rural Development Strategy which, after discussion, was accepted by the LAG. In the next phase, the Ministry of Agriculture opened the chapters of priorities and measures. By the 7th week, based on LRDSs, the priorities and possible fund allocation were planned, on the 8th week those chapters were also finalised. The plan was presented in front of the LAGs on week 9. The phase for solutions (point 3) took place between week 10 and 14. At this stage, the most important task was to link priorities and measures of NHRDP to proposed local solutions, so as to find the possible LEADER measures fit the development ideas. The finalisation of the whole document lasted for four weeks, during which the harmonisation of the text and the whole planning document happened (point 4) and the final version was accepted on week 17. Each closed and accepted milestone was certified by LAG and forwarded to the Regional Coordinator.

It is quite obvious that the planning was a centrally controlled process, both in term of deadlines and content. As each phase and chapter had to be uploaded to the on-line interface, the MA and other responsible bodies were able to follow up whether LAGs meet the deadline of given work phase. Due to several factors, in numerous cases milestone deadlines were prolonged in order to provide a better quality of work. Regarding the content of LRDSs, even before the launch of the NHRDP, the idea of central planning software was considered problematic. As Maácz and Kónya (2006, 19) noted: the application of a planning software, where local development ideas had to fit into previously prepared and uni-

\[\text{Regional Coordinator was a representative of background institution of Ministry of Agriculture and Rural Development, see details on page 3.}\]
form categories, titles might make the evaluation more efficient and less “subjective” from the point of the Managing Authority. Nevertheless, it carries a risk that the accumulated experiences, practical background knowledge about locality especially important in rural development, becomes bypassed in a uniform system.

The LRDS planning interface prepared a standardised “skeleton” of LRDSs. In-built quality control software previewed the strategies’ content. The uniform chapters were finalised and published in .ppt format available on the website of LAGs. The LRDPs had to be prepared following the guidelines and structure in the software. The standardised format was criticised due to its complicated applicability and determinacy (Varga 2010, 615). Póla, Chevalier and Maurel (2015, 178) consider the strict deadlines and uniform planning interface as factors suggesting the powerful state control, significantly impairing the bottom-up principal of LEADER.

6.4. Operation of LAGs during the implementation period (2007–2013)

By the end of the evaluation period of LRDSs each LAG became accepted by the Managing Authority, the Ministry of Agriculture. By officially acquiring the title ‘Local Action Group’, LAGs obligation was to implement the respective Local Rural Development Strategy, in harmony with the Council Regulation No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

Following the publication of LRDPs and official acceptance of LAG title, the change of legal status was the next step. During the implementation period all LEADER LAGs had to be registered as legal entities, either as a form of association, non-profit limited or non-profit private company limited (Jávor 2013, 599). Due to this legal obligation the implementation period of LRDS was highly differing from the more flexible planning period. To establish a stable form of legal entity, either as a form of association or non-profit limited or non-profit private company limited, meant a guarantee for the reliable work during tender and implementation period and the whole project management process (from the point of view of Managing Authority).

During the implementation period, major task and responsibility of LEADER LAGs was the allocation of funds in Axis III and IV based on the priorities elaborated in LRDSs and in harmony with the NHRDP at the same time.

The first call for Axis III funds were launched in October 2008. The role of LAGs was simply administrative: they were responsible for the collection of bid applications and their electronic forwarding to the MA. They also participated in the preliminary evaluation process, where the criteria were already centrally established by the MA. Thus, the LAGs did

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9 From 1st January 2012, following the decision of MA, only associations can be legal entities.
not have real power to influence the decisions about Axis III applications in their territory. Eventually, the decisions about the first round bids were made only in September-October 2009 (it took an average 278 days, Kovács, Póla and Finta 2011, 98), it became clear for the MA and ARDA that the involvement of LAGs to the decision process is necessary.

In case of LEADER programme (Axis IV) a brand new evaluation method and novel measure titles were created by the Managing Authority. The titles were the following:

1) LEADER community based entrepreneurship,
2) LEADER entrepreneurship based development,
3) LEADER event,
4) LEADER education,
5) LEADER intra-region cooperation,
6) LEADER inter-region cooperation,
7) LEADER plans and studies.

The LAGs had to fit their specific development aims detailed in LRDPs under the aforementioned seven points (Kovács, Póla, Finta 2011, 99) Consequently, a review process of LRDPs was launched to make necessary changes in the LRDPs and monitor whether new development needs occurred locally in the LAGs. LAGs were also responsible for creating the evaluation system.

The first LEADER call was opened in October 2009, which was followed in November with the opening of the second round of the Axis III. By this time, the LAGs had gained more important role due to a delegating contract signed with ARDA; they were entitled not only to collect but also to evaluate the Axis III bids. Needless to say, LAGs were overwhelmed with work at that period. Consequently, the evaluation of Axis IV applications suffered delay and took also 8–10 months. As Kovács, Póla and Finta (2011, 96) mention – based on the mid-term report of NHRDP – out of 4268 applications only 531 (12%) were approved.

Various other problems turned up during the implementation of the LEADER programme which resulted in the review of the whole process in 2011. The Review Committee was made up by members involved in the implementation of projects and representatives of LAGs. Based on the results, the transformation of LEADER system started in 2011. It covered numerous fields including personal changes, correction of financing LEADER LAGs, strengthening decision making competencies on local level, and some other system level and administrative shifts.

One of the major reforms touched upon the legal form of LAGs, namely that LAGs, previously operating as non-profit limited or non-profit private company limited had to change their legal entity to association. This affected altogether 21 LAGs (the rest originally chose the legal entity of association in 2007). In most cases the administration of the
legislation took a long time, while in some LAG certain partners decided not to follow co-operation under the new legal circumstances. In those cases the whole registration procedure of LAG had to be repeated from the beginning, which – consequently – caused major delay in the given LAGs work.

The other decisive change covered the aforementioned on-line planning interface. The prepared programme intended to be user friendly, planning was assisted with built-in examples and help menu, additionally the work was assisted by the Ministry of Agriculture and related background institutions, like Local Rural Development Offices. As it was mentioned earlier, the centralised, uniform system had its advantages, but on the other hand it hampered creativity and negatively influenced unfolding of unique characteristics of LAGs, which is one of the most important principle of LEADER programme. Following the state initiated review, the on-line software was replaced with a basic planning tool (the updated versions of LRDSs were simple .doc files lacking any centralised frame), which provided more freedom to the planners, but the principle of comparability, traceability, efficient organising became neglected. This rapid change gave freedom to the planners but at the same time the review of the project implementation, any comparison between Local Rural Development Strategies and their previous versions, became almost impossible. The quality of new LRDSs was varying, as there was no training, mentoring or detailed guidance available at that time.

What is more, in the meantime the personal composition has also changed in the LAGs, and the freshly involved experts, without any professional guidance and sometimes lacking practice in rural development, had a very difficult task to write the new LRDSs.

During the implementation period of NHRDP, LEADER bids were launched three times. Following the launch of each central bid, local calls were announced in each LAG, which had created a local competition between possible beneficiaries in the territory of the given LAG among submitted proposals.

As it was mentioned, the LAGs were responsible for allocating Axis III and Axis IV (LEADER) sources as well. General tendency show that Axis III projects were overwhelmed by local governments development plans and interests and economy development objectives (e.g. micro-businesses, tourism development). Main measures were aiming to develop micro businesses, tourism, rural heritage protection and improvement of quality of life in rural settlements. In comparison, in Axis IV the focus was rather on strengthening cohesion in the whole territory of the LAG by identifying possible location specified, unique sources of development. Consequently, most of the supported developments were development of local business, infrastructural improvements, organising LEADER events enhancing networking inside and co-operation outside of LAG. Additionally, projects on the field of education and development of human capital were also accepted and supported.
6.5. LAGs activity outside of the LEADER programme

Generally, the LEADER LAGs activity show big variety when it comes to their external activities. The questionnaire survey carried out for the purposes of present International Visegrad Fund project, inquired about the external activities of LAGs, especially in financial terms. The results in Hungary show substantial differences between LAGs in this manner. The participation in the survey was voluntary. Out of 95 LAGs operating at that time, 76 LAGs responded. It is worth mentioning that even the submitted surveys reported missing data about their external activities. It can be stated that LAGs were rather reluctant to share information about their external incomes, which supposedly derived from such activities that are not covered by centrally allocated operational and development sources. Two reasons can be identified behind this specificity. On the one hand, until the middle of the programming period it was not clarified whether LAGs can apply and especially involve external sources to their budget. On the other hand, due to missing or incomplete regulations and/or unclear communication and methods of implementation, there was no apparent, clear standpoint whether the LAGs staff members are allowed to sign on tasks different from their delegated ones but relevant to the given LAG’s development. (Whether they are allowed to work on such jobs in their work time or only in their free time; or is it possible to carry out work by using the LAGs material resources?) Discussion concerning this question took a long time, while, as a consequence of delays in payment or less busy periods between tenders, numerous LAG decided to look for alternative solutions to accumulate extra sources. All external income supposed to be registered and accounted separately; consequently – at least in theory – there was no place to mix items from altering sources. Still, the data provided during the survey revealed inaccuracies (involving Axis I or II funds as well, other cases no external source was mentioned in the survey but according to the website of the given LAG, they implemented projects financed by eternal sources, e.g. Norway or Swiss Grants). In summary, LAGs activity outside LEADER, especially the involvement of financial sources, is loaded with difficulties, mainly due to unclear and overregulated legal background, and what is more, the communication was inefficient.

6.6. Major problems of LEADER programme and LAGs

During the first seven years of LEADER programme and operation of LAGs in Hungary, thousands of projects were implemented but the efficiency and innovation of such projects, but also the realisation of LEADER principles and aims, show substantial differences in terms of achievements, results and creativity. In the following sections we would like to briefly point out the most common and typical problems which hampered or negatively influenced the accomplishment of certain LEADER principles in LAGs in Hungary.
6.6.1. Differing competency levels of LAGs in Axis III and IV

LEADER Local Actions Groups are the motors of local rural development in the LEADER programme. According to the LEADER principles, they supposed to be the creative hot spot locally, where bottom-up initiatives find support to flourish and contribute to the sustainable development of rural areas. This assumes – on the one hand – an active, organising, initiator agent role of the LAG. While – on the one hand – in case of Axis III, the LAGs task remained on a lower, rather administrative level. This situation might contribute to a confusion regarding the expected attitude: when to behave as an initiator and when to limit the agenda to merely executing central instructions? In Hungary, between 2007 and 2014, the Ministry of Agriculture and the Agricultural and Rural Development Agency were the responsible authorities managing and directing the implementation of the execution of New Hungary Rural Development Plan. Due to decree modifications (123/2009. (IX. 17.), 30/2012. (III. 24.)), the LEADER LAGs also took over substantial part of the duties of the Paying Agency, the ARDA. Locally, from many points of view, they functioned as a practical “unit” of the Paying Agency for Axis III applications. As a consequence they had to take more active part in the administration and communication with the applicants. Although this resulted in extra duties, it also contributed to a more efficient management and implementation, because the overall communication with applicants, opening and managing bids, overseeing the administrative tasks from the very beginning until reporting contributed to more visible project management process, closer to real life processes.

Regarding the creativity hot spot role of LAGs, the overall picture was quite diverse. Next to well-functioning LAGs, the majority seemed to lack innovative ideas, and/or did not manage to find the unique, local force of rural development, which resulted in quite unified development programmes, at least when available Local Rural Development Strategies are taken into account. It is important to emphasise that the limited presence of healthy competitive spirit between LAGs and the low level of internal cohesion presumably had an unfavourable effect on the overall assessment of the LEADER programme.

6.6.2. Bureaucracy

Although one of the main LEADER principles would be the encouragement of bottom-up initiatives and free, interest based networking between different related partners in the area, in Hungary the central control remained decisive during the seven year period. The multi-layered system of regional development, state related institutes and background agencies (ministry, background institutions, regional, sub-regional, local level administration) practiced control over the main items and steps of the programme. In some cases their role was highly questionable. For instance the network of Regional Coordinators was one of those extra administrative levels. When the LAGs registration process was finalised and accept-
ance of LRDSs also happened, their task was completed (basically in 2008). Eventually, the network of regional coordinators was abolished in October 2010.

Despite the size and number of related institutional units, the time management was far from being efficient. Far too much time had passed between each steps in the programming and implementation period: opening a call, evaluation of submitted project plans, evaluation of reports were slow and eventually, late payments were typical in the whole period (Varga 2010, 618).

Further critics touched upon the difficult and not user friendly project submission and reporting forms, having not enough time to submit invoices and required financial documents, both in case of paper-based and on-line systems.

On the level of LAGs, administrative commitments included for instance organising LEADER forums for dissemination and information services in each tender period, managing projects from proposal submission until reporting, managing payments and financial tasks, answering arisen questions of beneficiaries and so on and so forth. To cater for all those tasks the LAGs had usually 3 to 5 employees, working at one or two locations, depending on the territory of the given LAG. Not surprisingly, in the case of approaching deadlines the LAGs were overloaded with work, while – due to the (over-)centralised control – in case of (not exceptional) delays in launching new tenders, the whole work process was frozen. Consequently, unbalanced work load, sometimes stressful work environment and overall feeling of unpredictability (see further below) were typical.

6.6.3. Lack of and/or inefficient communication

From the very beginning a poor information flow caused serious problems. In the field of communication, the Agricultural and Rural Development Agency operated with a wide network of regional and county branches. Later, when the problems deriving from inefficient communication became obvious, both the Managing Authority and the Agricultural and Rural Development Agency made attempts to work out and use various channels. From 2012 the National Agricultural Advisory, Educational and Rural Development Institute (NAERDI) and the Hungarian National Rural Network (HNRN) also engaged in enhancing better communication flow. As the Managing Authority operated in the Ministry of Agriculture, naturally, the latest and most reliable news was to be found there. Due to the great number of central agencies (and agents), the formulations of each proposal, directive, decree, document were discussed in a wide plenum resulting in frequent delays in launching bids for instance. Moreover, if the information flow was slow and place was left for confusion and inaccuracy even on the top level, one can imagine the quality and reliability of information reached territorial units, including LAGs. There were several cases when the misinterpretation of a given point of decree only turned up during a regional meeting, where representatives of LAGs from North Hungary presented an alternative interpreta-
tion from the ones arriving from West-Hungary. (Not to mention such cases when none of the interpretations would have met the original intention of the Managing Authority). In such cases it was the Managing Authority’s responsibility to find a common, equally acceptable solution. Furthermore, the communication flow suffered shortcomings the other way around as well: problems and proposed solutions articulated by LAGs also did not find their way easily to the upper levels, this way various ideas intended to increase efficiency were lost. All in all, the improvement of communication is out of question while being one of the most important issues and interest of all parties involved.

6.6.4. Unpredictability

Interestingly enough, one essential problem of the first LEADER programming period was its unpredictability in terms of regulations, timing, implementation, reporting, and finances.

For instance, the slow and often changing formulation of rules and legislation, the very narrow (sometimes insufficient) timeframe for submission of documents can be mentioned here. In 2011 – as it was mentioned earlier – in case of 21 LAGs the whole registration period had to be reopened due to new requirements of legal entity. The unpredictability, mainly in form of delay, was typical in financial terms as well, which resulted in the disillusionment of many partners (especially coming from the business sector).

6.6.5. Fluctuation

The aforementioned point, unpredictability, contributed to the unstable personal composition of numerous LAGs, where in most cases only the manager remained as a stable point for a longer period, while the staff was periodically changing. This also contributed to delays in implementation. Additionally, there were shifts in the composition of LAGs’ partnership structure also, partially due to legislation modifications. But with time, business sector, and partly civic sector became less interested in getting involved in further cooperation as the new call for tenders were quite rare. As a general rule, local governments’ projects overwhelmed the whole LEADER programme in the given period (Varga 2010, 618; Póla 2014a).

Fluctuation can also be explained with dynamics of personal relations and conflicts of interests in and outside of a LAG. Finally, the role of ever changing party politics also rather negatively affected predictability even on local level as political interests were deeply intertwined with development policies.
6.7. Some factors of success of LEADER programme and LAGs

Although aforementioned factors negatively affect the implementation and, especially, perception of LEADER by washing out “real LEADER spirit”. Nevertheless, one can find real, tiny “miracles” throughout the country that keep up the good spirit of those who believe in LEADER, as a sustainable and exceptionally efficient model of development policy. We find it important to stress out that a LAG’s quality of work and success is not only reflected in the number of projects executed or submitted project proposals. Furthermore, it should especially not be reviewed and evaluated by the amount of euros they had generated. As a matter of fact, we argue, that creativity, sustainability and local relevance of granted projects means much more to the local community and to the region than meeting the minimum level on a set of indicators established centrally. Additionally, it is important to notice that a good LEADER project is in harmony with relevant EU (and national government) goals while it meets the LEADER principles as well. In a properly operating LAG, the project documentation is an evidence of real cooperation and not only one more pile of paper ready-made with bunch of indicators for the future auditors, but lacking real content.

In the following section we would like to mention some factors that contribute to the success of LAGs.

6.7.1. The importance of human factor

When it comes to the question, what made a difference between LAGs, whose components can be identified behind success or failure, we argue that the human factor is the most decisive one, which makes the difference between efficient and less efficient LAGs and highly determines the overall value of work and atmosphere in the Local Action Group. If the leader of the LAG was a dynamic person working with a quite stable staff, it definitely contributed to the achievement of development goals in the given LAG. Consequently, if the leader was less motivated or lacking ideas, the given group or territory usually drop behind or reserved its position wasting years milling around in one place. An ideal LAG manager is an adequate leader and team player in one person, who has also strong attachment to the local environment, has excellent skills in networking in and outside of the LAGs territory. Furthermore, outstanding communication and people skills needed when it comes to negotiation with e.g. central government and its institutions. We agree with Póla (2014b, 271) when he states that the joint brainstorming of motivated, educated and creative local stakeholders is the first step in overcoming old paradigms of local development and taking a step toward future linking to global flows.
6.7.2. Social capital

We argue that the greatest power of LEADER relies in its ability to build (on) social capital, create networking and enhance personal relations. Although such human factors are way more difficult to be directly converted into numbers or euros, but definitely it is one of the dedicated goals of LEADER and an element that makes substantial difference between Local Action Groups.

As research (Megyesi 2012; Póla 2014a) and field experience show, personal human relations and social capital plays a crucial role in building networks and has a substantial influence on the development activity of LAGs, at least in short-term. In numerous cases, LAGs with outstanding results and beneficiary impact on local society are not among the ones with the highest number of projects or greatest amount of grants. Such LAGs, where excellent project ideas are invented and important projects are carried out, in most cases are based on a well-functioning social network, and run with the guidance of devoted and dedicated personalities. But such work is almost impossible to be presented in figures and numbers.

In the last chapter we make an attempt to present two Local Actions Groups, which – according to our opinion – offer a proper example of initiating projects in harmony with the spirit of LEADER. In both cases the personality of management, local stakeholders, all in all, the good social capital contributed to successful stories.

6.8. Needles in a haystack: examples for successful Local Action Groups

Out of the almost one hundred LAGs, the Szinergia and the Bükk-Térségi LEADER was chosen as an illustration for implementing rural development projects that really makes difference in the good sense of the word. These projects and initiatives are rare, but very valuable needles in a haystack.

Both LAGs are situated in less developed – from many aspects – peripheral part of Hungary and struggling with certain similar problems: high unemployment rate, out-migration, lack of investments, all in all, eroding social and economic environment.

The Szinergia Local Action Group10 is situated in South-Western Hungary. The LAG consists of 64 small villages (most of them with not more than few hundred inhabitants) and only two, small towns. The diverse landscape is definitely a strength of the area, and overwhelmingly agriculture provides (scarce) livelihood for the 32,000 people. Not only families are considered here to be of low income, but local governments are also underfi-

10 http://leaderszinergia.hu.
nanced and belong to the group of most disadvantaged ones in Hungary. Under given circumstances, in harmony with LEADER bottom-up mechanism and principle of partnership, local stakeholders wanted to create synergy between the great number of settlement, overarching different interests and purposes. According to their local development plan, synergy should work in sphere of geography, nature, society and economy, while all LAG participants’ interest should be taken into account and harmonised. Regarding the main development aims, this LAG (similarly to many others), encourages production of local and family farm products. What makes the Synergy LAG’s development plan different in this regard is its systematised thinking: funds available from training (where applicants can learn how to produce quality products), through marketing, until financial support to travel to fairs introducing the products or organising thematic summer camps to discuss experiences and work on further developments (Balogh 2013). Although the local product development projects are successful, a different initiative what made one village from the Synergy LEADER famous country-wide: the “Cserdi miracle.” The mayor in Cserdi, László Bogdán, managed to achieve that local people, mainly Roma, not only grow fruits and vegetables for covering their own needs, but also participate in several humanitarian actions offering food for the needy in Hungary. The “Cserdi miracle” is such a positive model, which can be implemented, with minor changes, in other places as well. Of course, in this case the whole success of the project heavily relies on the shoulders of the leading figure, the local mayor. It is barely known even in Hungary that LEADER also contributed to the “Cserdi miracle” case, when it supported a project called “Köcsögmentesítés” (“Anti-fague” campaign). This was implemented as a project fit into the LEADER tender for development of local community and strengthening local identity. In the frame of the project youth living in Cserdi visited the prison in the regional centre, Pécs. In the prison they could see the cells where convicted criminals had to spend years of their lives. The aim of the project was to show where criminal lifestyle leads to and by visiting (the quite shocking) prison make youth think about their future with more responsibility, directly preventing youth from committing crimes (Balogh 2014). The program soon became very famous: thousands shared the available short videos about the project, newspaper articles and on-line posts were written about the successful project. Cserdi is an excellent example for the role and importance of human factor: the powerful and devoted mayor looks out for support and this attitude is an optimal fit to the spirit of LEADER.

Especially in terms of successful project implementation, the Bükk-Térségi LEADER is the other LAG (needle) we would like to mention. This LAG is situated in North-East-

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12 http://www.bukkleader.hu.
ern Hungary and made up by 40 villages and four towns, mainly surrounding the former important industrial town, Miskolc. The LAG’s current problems are – in a nutshell – deriving from its industrial heritage, precisely the collapse of numerous factories following 1990, leaving behind a polluted environment and thousands of unemployed people. The local leaders of the LAG identified a high dependency rate on external energy and other communal companies as one main reason of fall back and retraction in the area both on level of families and small businesses. As it is explained in their LRDSs, families without regular income gradually lost their ability to pay the bills, and eventually they ended up in a house without electricity and running water. The eroding local society and outdated infrastructure does not attract any investors, so local society will decay even further and this is how the vicious circle works. Their idea was to install 21st century technology in the LAG by using solar, wind and water and biomass energy and inviting innovative companies operating in the field of sustainable energy to invest in the LAG. They also believed that on the level of micro-, small or medium size businesses and local governments, introduction of energy saving possibilities or any cost efficient solution decrease operational costs, consequently contributes to their survival and hopefully to their development as well. All this eventually will generate local development and contribute to new employment possibilities. Consequently, the main slogan became renewable energy and all projects were related to this idea. The sustainable energy solutions were implemented on three different levels:

1) Makrovirka. This was launched in bigger settlements, where at first stage intelligent meters and operational solutions were installed to decrease energy consumption.

2) Mikrovirka was executed in smaller settlements, where the aim was to limit the energy consumption below 1 MW in each village, by using solar and wind energy. This part of the concept was 100% financed by LEADER.

3) Romavirka was designed especially for most disadvantageous settlements, where many families were often not able to pay their electricity bills. In these settlements the sustainable energy solutions were linked with introducing new employment as well. To operate biomass plants local inhabitants needed to grow and harvest the necessary amount of raw material, which provided work all-year-round.

Soon after the launch of the programme, the first results, particularly in the example of Makrovirka and Mikrovirka, confirmed the correctness of the idea. Tenders were open in all aforementioned levels and in the case of each call great number of proposal were submitted and later granted. The successful measure grabbed the attention of universities as well. Since 2013 the University of Debrecen operates an external department in Bükkkaranyos dedicated to studying renewable energy. The department participates in the education of MSc students by leading study visits or offering help in their diploma work. Furthermore, there are plans regarding joint research projects and innovations as well. The LAG and its
management’s work was accomplished both in national and international level, where the project was recognised as an attractive model for similar disadvantageous LAGs\textsuperscript{13}.

Whereas Szinergia and Bükk-Térségi LEADER follow different passes, what is common in them is the presence of real innovation based on knowledge about the territory and its social-economic characteristics. Furthermore, these examples also point out the importance of human factor.

6.9. Concluding remarks

Drawing conclusions about the operation of LEADER programme and Local Action Groups in Hungary is quite tricky, as opinions vary from “another cemetery of EU money” through the “this can never work properly in Hungary” to “really efficient rural development tool”. As a matter of fact, the first seven year period brought to surface and/or induced tensions, problems in the field of rural development. A great part of the criticised elements briefly described in present paper are already well-known and not considered to be country specific at all. What makes the Hungarian case special – as Póla (no date) argues – is the simultaneous and combined presence of majority of difficulties. Among the most important problems are the following over-centralised system, deep influence of politics, paralysing (already paralysed) bureaucracy, late payments, very short call and reporting periods, deficit in operation costs of LAGs, unpredictable legislative and personal environment, lack of spirit of competitiveness in LAGs and in between LAGs (Póla [no date], Varga 2010, 618).

Reading through this list rather decreases our expectations when it comes to evaluation, but still, there are few initiatives, project and Local Actions Groups, where the original ideas and principles of LEADER (partnership, area based local development, public-private partnership, bottom-up initiatives, etc.) were taken into account and resulted in great and innovative rural development projects. In such cases the human factor, the amount and quality of social capital and networking can be considered as major differentiating, qualitative element (Megyesi 2012, 217–244; Póla, 2014b).

In conclusion, we agree with Varga (2010, 618): before judging LEADER for malfunctions and failed development projects or lack of bottom-up initiatives, we should consider that such symptoms tell stories and reflects the actual state of the surrounding environment of LEADER and do not serve as a proof of inefficiency of LEADER Programme itself…

\textsuperscript{13} http://www.alternativenergia.hu/startvonalon-a-makrovirka.
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