

## Chapter 4

### The LEADER Programme in Hungary – Bottom-up Development with Top-down Control?<sup>1</sup>

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#### **Introduction: LEADER in the New European Union Member States**

Local democracy in the Central and Eastern European rural context has been driven by administrative reforms and the introduction of a new development policy, primarily the EU LEADER programme, in which actors have democratic access to development sources and control over planning and decision-making processes. The analyses focus on the complex social/economic and political/power aspects of LEADER. For example, Bruszt and Vedres (2013) offer three dimensions (associating, mobilising and politicising) to aid understanding of local developmental agencies. The implementation of LEADER in new European Union member states is discussed in the literature as an act of importing political models (Maurel, 2008), and the transfer of a governance model. According to Maurel's study, the impact of funding projects is not clear. Elected local officials may have initiated the formation of LAGs, but project managers were the ones who influenced the conceptualisation of development plans. Weak local participation, interest groups monopolising access to grants, traditional political practises such as paternalism, and interventionism may have sustained top-down power over bottom-up development practices. Furmankiewicz's paper on LEADER in Poland (2009) emphasises that the government distrusts voluntary, non-profit organisations; local government often considers NGOs to be rivals. In Romania, the administration has had difficulties in completing the SAPARD programme (Sharman, 2003). In Harghita county, 72 per cent of LAGs originated from micro-regional associations (Harghita County Council, 2005). According to a report about the

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Romanian LEADER programme (Chapter 10 in this volume), and the World Bank document (World Bank, 2008), the entire system is still over-centralised and fewer tasks and responsibilities are delegated to regional, sub-state institutional and private actors. Analysts point out that the decentralisation of competencies, tasks and responsibilities started after 2007 (with Romania's European Union membership), but the necessary financial means are still under the control of the central state authority (Dragos and Neamtu, 2007).

The rise of the project class (Kováč and Kucerova, 2006 and 2009) and the active participation of non-profit, civil associations in LEADER programmes has changed the composition of actors in rural development, but the 2007–2013 LEADER programme still sees national authorities as having a decisive role in terms of management, control and institutional mediation (Halamska and Maurel, 2010). By analysing the Czech LEADER Plus, Hudeckova and Lostak (2010) point out the problems involved with participation and involvement. In their view, the LEADER approach cannot be successful until important rural actors (farmers and others) and relevant rural activities have been marginalised. Only 35 to 45 per cent of Czech LAGs involve agricultural producers who have participated in LEADER (Hudeckova and Lostak, 2008). The LAGs were not able to instigate the type of programmes which would have met the aspirations of many significant rural actors. This is why the LAGs in the Czech Republic, or in the other new member states, have been lagging behind LEADER principles. Focusing on LEADER implementation in the Czech Republic, Mathieu and Marty (2010) found that mayors had a dominant position, and that there was an unbalanced proportion of entrepreneurs and NGO representatives, and also that local/municipal administration played a key role in LAGs. Aunapuu-Lents (2012) argues that, as a consequence of hidden mechanisms of power originating from the multi-position of local leaders (sometimes belonging to political parties), representatives of local administration were able to control the decision-making of LAGs. However, on the boards of Estonian LAGs, the three main sectors (administration, entrepreneurs, NGOs) are represented equally. Aunapuu-Lents emphasises that: 'Without a vital civil society in the new European Union Member States, regional/rural development may become an instrument of project-class formation and domination over development funds' (Aunapuu-Lents, 2012, 4).

Maurel (2009) presents, with the example of nature-protection projects, the way that local-interest groups limit the emergence of bottom-up principles. Provisions are made for local participation after the decision-making has taken place. Maurel also compared the implementation of LEADER in three Central

European countries: Poland, Hungary and the Czech Republic (2008). LEADER mobilised local elite groups: 'A young generation of local managers and design office consultants, mainly graduates with an understanding of English, has surfaced as an active vector in transmitting the new LEADER thinking. They have realised the value that European programmes represent for their future careers' (Maurel, 2008, 15). Another outcome of a LEADER initiative concerns the new relationships between citizens and their elected representatives, and the rise of new power-relation networks (Csurgó et al., 2010).

Local democracy has been attracting attention, given the core question of rural development. In this chapter, we study the power relations, the bottom-up and top-down character of LEADER in three Hungarian regions. In the first section, we present the implementation of LEADER in Hungary. In the second, we introduce three case studies by focusing on the motives of the actors involved, their networks, and the power relations inside and around Local Action Groups. In the final part, we compare three local models. In the summary, we put forward some of the criticisms of the political management of LEADER, along with potential new cooperation models for local democracy.

### **LEADER in Hungary**

In Hungary, the reception of the LEADER programme has been less enthusiastic than in other European Union member states. It is true that LEADER has only 10 to 12 years of history in Hungary and its implementation is still in a transitory phase arising from many unresolved or unanswered questions. From 2001 to 2004, there was a tentative LEADER programme; during 2004–2006, LEADER plus was managed; while presently, LAGs are working on the LEADER 4 programme.

After 1990, during the preparatory period for European Union accession, the state offices, in partnership with international associations and agencies, launched LEADER-type, bottom-up, micro-regional development programmes. The first activity took place in 1992, with the intercommunal cooperation of the PHARE Regional Development Programme in 12 micro-regions, and special Hungarian–USA training programmes for the management and planning of development programmes (1994–1999) for micro-region activists. After the institutionalisation of rural development in the Ministry of Agriculture and Rural Development in 1998, the implementation of SAPARD (Special Accession Programme for Agriculture and Rural Development) opened a new phase in the history of bottom-up rural development. A sub-programme of SAPARD initiated the involvement of local actors in the planning of rural development. This was a

learning process of planning and co-operating for many local leaders, managers, and civil activists, although SAPARD did not support any of the planned programmes. In total, 192 micro-regions joined the programme (about two-thirds of the current micro-regions). By 2001, 144 operational programmes were completed, including 4,300 fully elaborated project plans. The SAPARD started with significant leeway in autumn 2002 (Csirtes, 2005; Nemes, 2005).

The Ministry of Agriculture and Rural Development set up a pilot LEADER programme in 2001 which, due to the slowness of central administration, slippage of acquaintances and over-centralisation, had limited success (Fazekas and Nemes, 2005). In a pilot LEADER programme, 25 million HUF (Hungarian Forint) were given to 12 associations, and 270 projects received support. After the re-assignment of 199 micro-regions in 2004, the SAPARD micro-regional development programmes were renewed. Learning how to plan was the most important outcome of the SAPARD pilot development programme, which highlighted the inefficiency of agricultural and rural administration.

One year after the Hungarian European Union accession in 2005, a two-phase programme commenced (AVOP LEADER Plus). In the first phase, local communities participated in a training programme and the most successful took part in the second step. Application deadlines were in September and October 2006. The beneficiaries were contracted in 2007, and 186 potential LAGs submitted proposals. The committees distributed 6.4 billion HUF to 70 selected LAGs (Figure 4.1). This affected 1.5 million people living in 920 settlements. The LAGs received 3,600 applications, and of the finally designated 2,700 projects, one third of funds were allocated to tourism and the preservation of cultural heritage, and the remainder financed co-operation, local economic development and farming. On average, the contracting took place 250 to 300 days after the application deadline.

[Insert Figure 4.1 here – portrait]

#### **Figure 4.1 LEADER Local Action Groups in 2006**

*Source:* Váti Kht.

The new phase of LEADER in Hungary started after the elaboration of the New Hungarian Rural Development Programme. In the spring and summer of 2007, local rural development groups began their activity. The political authorities initiated the enlargement of LEADER districts to 50,000 inhabitants. A total of 108 LAGs were founded by the end of 2007, although the New Hungarian Rural Development Programme calculated 150. The application procedure for the resources of the Third Pillar of Rural Development Plan started in 2008 October. The LAGs evaluated the proposals, but state offices oversaw the assessment procedures, and defined minimum scores which meant that LAGs could not carry local points.

The Agricultural and Rural Development Office has electronically registered and publicised the development objectives of 96 LAGs since 2009. The compulsory Delegation Contract between the Agricultural and Rural Development Office and LAGs permitted the receipt and evaluation of programme proposals. According to the evaluation of LAGs, the Delegation Contracts worked to dictate the conditions of cooperation, evaluation tasks, and the ranking of submitted project plans. An act declared that the Agricultural and Rural Development Office, on the basis of disposable sources and funds, would make the final decisions regarding financial support. The decision-making was long and complicated; applicants had to wait 10 to 11 months for information. LAG members, the local elite and experts, critically reflected on the long, state-controlled application procedure, and the over-bureaucratisation of the bottom-up LEADER programmes.

Compared to 2006, the permeation and territorial expansion of the LEADER Local Action Groups was considerable, as the map below suggests (Figure 4.2).

[Insert here Figure 4.2 – portrait]

#### **Figure 4.2 Municipalities Covered by the LEADER Local Action Groups, (VKSZI)**

*Source:* ÚMVP Report 2009

It is true that the implementation of LEADER-type rural development programmes in Hungary is very inconsistent and conflicting. But, on other hand, we can agree with High and Nemes that: ‘The interplay between institutions at different levels of governance can be seen in Hungary, for example, where accession

to the European Union has led to a significant growth in the influence of civil society by inducing the state to involve NGOs and civil organisations in decision-making processes' (High and Nemes, 2007). Kiss and Szekeresné (2010) explain that capacity building can be the main benefit of the 2007–2013 LEADER Programme. According to Varga's study (2009) on the Southern Transdanubian Region LEADER Programmes, 37 per cent of the supported entities were municipalities or municipality-related institutions/companies, and 25 per cent were non-profit, civil associations. This chapter recognises the power-network nature of Local Action Groups (in relation to local democracy), and attempts to explain what kind of social and political motives work in LEADER projects.

### *Presentation of Cases*

This chapter is based on three case-study analyses from different LEADER regions in Hungary. Between 15 and 20 interviews were conducted in each study area with members of Local Action Groups and with the relevant LEADER project actors. The case studies focus on the actors of the LAG, on the institutional linkages between the LAG and different institutions, on the forms of participation, on the decision-making process, on the forms of knowledge used in the LEADER system, and the regional specifics of LEADER outcomes. This case study analysis focuses on the type and amount of LAG members and the position of local government in relation to the LAG. As an indicator of the involvement of actors and their networks, we analyse the role of LAG personnel and the MVH (the Agricultural and Rural Development Agency) in all cases. The Agency consists of a central organisation operating on horizontal issues and directorates with official power, as well as county offices providing 19 representatives. MVH, as an institution, was founded to manage the applications for support, as well as for the allocation of support and the implementation of measures for the regulation of the market. It is financed by the European Union's agricultural and rural development resources and by the resources provided from the Hungarian national budget.

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The participation of locals in the project, and the characteristics of supported projects will be presented in order to demonstrate the decision-making processes, conflict resolution and knowledge use of the LEADER system in Hungary at the local level. Case studies will be analysed according to the analytical themes and related issues presented in Table 4.1.

**Table 4.1 Analytical Themes and Issues**

<b>Themes</b>	<b>Issues</b>
Formation and composition of the LAG	Number of LAG members Position of local governments in relation to the LAG Main LAG actors
Involvement of actors and institutional relationships	Role of MVH Role of LAG personnel
Decision-making conflict resolution and knowledge use	Participation of locals in the project Characteristics of supported projects and knowledge use

From the case-study areas, two LAGs are located in the eastern part of Hungary, both with different agricultural features, and the third in a tourist area in the region of Lake Balaton.

The first case-study region is situated in the eastern part of Hungary, in Hajdú-Bihar County. The topography of Hajdú-Bihar County is characterised by the Great Plain. The LAG area includes seven settlements: four small towns and three villages. The area covers the main part of the historical Hajdúság region. The case of the Hajdú Competitiveness/Hajdú Versenyképesség (HAVER) Local Action Group highlights the multi-dimensionality of actors in rural development (Knickel and Renting, 2000) and demonstrates several aspects of social-inclusion theory (Shucksmith, 2000).<sup>2</sup> The case of the Nagykunságért

<sup>2</sup> Interviews have been conducted with 19 different LAG members and representatives of LEADER projects for this case study. Three interviews were conducted with organisation staff of LAG; 13 were conducted with LAG members including local

Local Action Group region demonstrates how the LEADER, as the main form of local development, is generated by pre-existing local networks, and impacts on local community building. The case-study analysis refers to the theory of social inclusion (Shucksmith, 2000), which presents the LEADER as a contributor not only to building local networks and community-related social capital, but also to promoting social inclusion.

The Nagykunságért LAG region is situated in the eastern-central part of Hungary, in Jász-Nagykun-Szolnok County. The LAG area includes eight settlements: five towns and three villages. The LAG region is located in the south-eastern part of Jász-Nagykun-Szolnok County. The most important sector of the economy is agriculture, which can be considered quite stable and productive. The population of the region is decreasing.<sup>3</sup>

The third case, the Dél-Balaton LAG, presents how the local project class acquires a central position in the local development system. As Kovách and Kucerova (2006) have proven, experts, designers, European and national administrative staff, holders of intellectual capital and representatives of the civil sector, along with other actors, occupy new social and project class positions. LAG staff (and other local institutions connected to the LAG) are occupied by local project-class members, and this has resulted in several conflicts and the re-structuring of the local power structure. The case-study region is in the western part of Hungary, in Somogy County. The LAG area includes 33 settlements, most of which are small villages; there are only five towns. The LAG area covers the larger part of the southern shore of Lake Balaton and a smaller region to the south-west of the lake. The LAG area is located in the region of Lake Balaton and its surroundings. Lake Balaton is already a proven tourist attraction: the most important economic sectors of this area are tourism and wine production. The LAG region is located in three micro-regions: some settlements from the Marcali micro region; the whole of the Lengyel-tóti micro region; and the Fonyód micro region. Settlements within

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governments, civic organisations and entrepreneurs, and three were conducted with independent project leaders.

<sup>3</sup> Interviews were conducted with 16 different LAG members and representatives of LEADER projects for this case study. Two interviews were conducted with organisation staff of LAG; 13 were conducted with LAG members including local governments, civic organisations and entrepreneurs, and one with an independent project leader.



the Lengyeltóti and Marcali micro-regions are underdeveloped small villages characterised by a decreasing population and economic and social problems. The Fonyód micro-region is a popular tourism area.<sup>4</sup>

### *The Multi-Actor Development Network and Embryonic Democratism – the Case of the HAVER LAG*

#### *The formation and composition of a Local Action Group*

The case of the HAVER Local Action Group proves the multi-dimensionality of actors in rural development (Knickel and Renting, 2000) and aptly demonstrates several aspects of social-inclusion theory (Shucksmith, 2000).

The HAVER LAG has continuity with the first LAG in the region, which worked within the framework of a local civic organisation named the Malomkő Association. In the second LEADER period (2007–2013), according to the national rules, all the supported LAGs had to create a formal organisation with the participation of all local LAG members. The HAVER LAG chose the form of a non-profit enterprise. It includes two different organisational parts: (1) personnel; and (2) LAG members separated into several subgroups and the Board. The LAG personnel include four types of employment status: one director, two project managers and one secretary. The LAGs can use 10 per cent of the support as a personnel cost.

Involvement in the LAG is based on the business share of the LAG enterprise. All members of the LAG have a different business share, which they bought when LAG was organised. There are 81 members in the HAVER LAG. According to the rule of the Hungarian LEADER system, 30 per cent of LAG members can be comprised of local government, and 30 per cent should be civic organisations, and 30 per cent should be economic enterprises. In the case of HAVER, there are 28 civic organisations, 45 entrepreneurs and eight local governmental institutions, so the share of local governments is less than 10 per cent.

A total of 21 subgroups are active in the HAVER LAG area (for example, a subgroup of civic organisations for tourism in Ebes and another in the spa town Hajdúszoboszló, etc.). One subgroup has to have at least a 100,000 HUF business share. Sometimes, one institution – for example, a local government – can create a subgroup; but mostly, three or four organisations create a subgroup. All subgroups have an

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<sup>4</sup> Interviews were conducted with 17 different LAG members and representatives of LEADER projects. Three interviews were done with organisation staff of LAG; 14 were with LAG members, including local governments, civic organisations and entrepreneurs.

elected delegate on the board (six delegates from civic organisations, ten from entrepreneurs, and five from local governments). The share of local governments on the board is only 24 per cent. The board is the decision-making body. One of the subgroup delegates pointed out that he always has to stand for the interests and opinions of his subgroup; all the questions are discussed before board meetings: ‘Sometimes I do not agree with my subgroup, but I have to vote according to their instructions’.

Involved actors in the HAVER LAG are mostly non-agricultural enterprises and local civic organisations. Finding members for the LAG was one of the main tasks for the personnel during the creation process. Most of the local actors thought that only the LAG members could apply for LEADER funds; it was the most important motivating factor for their participation. However, local actors can apply for LEADER funds without formal LAG membership. There are some local governments in the area supported by LEADER without LAG membership.

#### *The involvement of actors and institutional linkages*

MVH, in the view of local actors, is a really bureaucratic body which has a central position in the rural development project system. Many interviewees regarded MVH as slowing down the process, and most of them emphasised that the LAG seemed redundant and without a real function. The relationship between the LAG and MVH is bureaucratic and hierarchical. The LAG staff, as a local development body, intermediates between local actors and the MVH as a public body. LAG personnel do not comprise an independent development organisation.

The LAG has an important position in the local development system as an intermediate actor (Kováč and Kristóf, 2009). The HAVER LAG is a good example of multi-actor rural development with a very strong bottom-up approach. Rural sociology offers classification and an actor-based analysis of rural activities (Tovey, 1998; Kováč and Kucerova, 2006). Kováč and Kucerova (2006 and 2009) argue that the theoretical categorisation of actors being involved in development projects is classified as a triangle of decision-makers/controllers, recipients of development funds, and goods and mediators between these two groups. LAG personnel engage with different actors in the region. MVH appears as the decision-maker/controller, while all the other local actors may be seen as recipients of development funds.

[insert here Figure 4.3 – portrait]

### **Figure 4.3 Institutional Links of the HAVER LAG**

Local governments can participate in the LAGs as members if they buy business shares from the LAG organisation. Four local governments in the region bought business shares, but there are three which are not members of the LAG. The LAG-affiliated local governments have stronger connections with LAG personnel and also with other LAG members, participating in decision-making processes, and they apply for LEADER projects. Non-LAG-affiliated local governments have links with LAGs as applicants; the connection between that kind of local government and the LAG is very weak. These local governments feel that LEADER is less important in the development of their settlements, as well as in the region.

The HAVER LAG is linked to several local civic organisations. LAG personnel encourage them to participate and to apply for project funds. The most important civic organisations are the board-member organisations participating in decision-making. LAG personnel try to create connections with almost all the civic organisations of the region, and facilitate participation and application. The LAG also cooperates with local entrepreneurs. The most active entrepreneurs are members of the board, while others only appear as applicants.

Associations of the Micro Region are important development bodies in the region. The HAVER LAG covers two micro-region territories. These associations manage the common charges of local governments and appear as applicants for development projects. Personnel with these associations have the intellectual capital and experience needed for project management. Most staff members of the LAG have worked in this kind of association. There is a strong informal link between the LAG and associations, based on personal connections between the staff.

The institutional links of the LAG have two levels (Figure 4.3). Links with MVH are bureaucratic and hierarchical; LAG is under the control of MVH. At the local level, the LAG has informal links with different institutions, and the position of the LAG in the local-development system is horizontal. Relationships between the LAG and different local actors depend on the informal connections between them, and the level of involvement of LAG actors.

*Decision-making, conflict resolution and knowledge use*

The HAVER LAG successfully activated local society, resulting in the LAG being able to support 112 projects from 2007 until the end of 2010. The LAG used several forms of involvement. They organised information forums for locals to introduce the work of the LAG along with application possibilities, and they collected local plans and demands, allowing local citizens and institutions to give feedback on the work of the LAG. LAG personnel organised forums several times a year. Other important form of participation for locals has been a survey on project ideas and interests run by LAG personnel.

There are 81 members in the HAVER LAG. Members of LAG were divided into several subgroups and a Board with the main role of decision-making. The Board is comprised of subgroup delegates. Delegates stand in for subgroup members and their interests and demands. Delegates are elected by their subgroup members. There are six delegates from the civic organisations' subgroup, ten comprised of entrepreneurs and five from local governments. The main role of 21 subgroups is to handle negotiations; before any decision-making, they can send their opinions to the board on strategies, on projects, and on all the relevant LAG tasks. The Board decides on strategy and also on project support under the control of MVH. Before the decision-making process, the LAG personnel prepare all the documents according to MVH regulations. The project-application process, and also the administration process of the project, needs intensive cooperation with LAG personnel staff. Most of the project leaders emphasised the important role of LAG personnel, from project planning to the administrative closure of the projects. However, some of them stated that, because of the power of MVH, LEADER is too bureaucratic and complicated, and many local citizens are not able to meet the requirements. They highlighted that, because of MVH's position, the role of the LAG is only formal and without real power.

In order to prevent conflicts, LAG staff have organised meetings to negotiate planning. What is especially important is that they organised presentations of project ideas and plans. This resulted in most of the applicants' projects fitting in with the Local Development Programme, as well as the guidelines of LEADER in general.

Another potential time for conflicts is during the project application phase. The LEADER board decides on which projects can receive LEADER funds. Before this decision, LAG personnel discusses potential projects, assisting applicants to tailor their project to the formal regulations of LEADER. LAG personnel create a list of potential projects. After the local decision-making of the board, the LAG personnel

sends the list of potential projects to the MVH, which controls all the project plans and makes the final decision on funded projects.

The main action of the HAVER LAG for preventing conflicts is the practice of ‘supporting as many projects as possible and all settlements’. This means that they allocate a lower budget to a greater amount of projects; for example, in the case of rural tourism, the total support would be a maximum of 5 million HUF (€17,000). During the decision-making process, attention is paid to giving support to all the settlements of the LAG region. The most important actors of conflict prevention and resolution are those LAG personnel who are in contact with all the other actors. Their social networks determine the activities of local society. The LAG personnel also have direct contacts with MVH. Knowledge and central network positions of LAG personnel provide the basis for their central role among other actors.

We argue that paying attention to the networks of social relationships can help to understand the dynamics of social involvement and relationships between actors and capacities, as well as their place in the development process (Lee et al. 2005). According to the perceptions of informants, the question of accountability is not central to the thinking of the LAG. The LAG is responsible for its work and its activities. The LAG is responsible for the legal and administrative workings of LEADER in the region. On the other hand, as the informants stated, each local actor is responsible for its activities. Local governments are responsible for the development of their settlement, entrepreneurs for their own enterprises, and civic organisations for their activities. Local actors do not perceive that the LAG has overall responsibility for local development; it is only responsible for the short-term outcomes of LEADER through supported projects.

Most of the informants perceive that MVH has overall responsibility. It is responsible for the framework and rules of LEADER, and therefore, it is responsible for the long-term outcomes of LEADER-type development in Hungary. MVH supervises LEADER, and local informants believe that it has a moral and legal responsibility. Most of the informants have criticised LEADER, regarding it as too generalised and bureaucratic. As we described earlier, LAG’s work and position in the LEADER system is thought to be only formal, without real power or responsibility.

According to Ray (2001), the LEADER system can be seen as a new form of governance which gives more power to local institutions. The replacement of local institutions involves a change in the way

that knowledge is used for management. Local institutions tend to use their local, mostly tacit knowledge (Bruckmeier, 2004). The shift of the knowledge system is one of the major impacts of local institutions on government methods because it is often accompanied by a change in control over resources. (Csurgó et al., 2008) The main form of knowledge used by the LAG personnel is managerial. The members of the LAG mostly use their lay knowledge. Because of the lack of managerial knowledge, most LAG members and potential applicants need the help and assistance of a professional project manager. There are some project managers locally who are aware of the LEADER system, and they mostly write and manage the local LEADER projects. Only some of the local project applicants use the assistance of external project managers without any local embeddedness.

Most supported projects are connected to rural tourism and rural heritage. Civic organisations, entrepreneurs, and also local governments have been active in rural-tourism projects. However, there were not enough applicants to develop the competitiveness of the Hajdú region; there was a form of development programme for local SMEs, but they were not active enough in the application process. So, the LAG aims to transfer resources from the budget towards tourism. This kind of decision needs the permission of the MVH.

The case of the HAVER LAG has demonstrated the multi-dimensionality of actors and their activities in rural development, and the success of social involvement through LEADER-type development. This demonstrates the relatively wide participation and multi-dimensionality of actors. HAVER leader groups have been innovative in this respect.

#### *LEADER and the Local Oligarchy – the Case of the Nagykunságért LAG*

##### *Formation and composition of the LAG*

The story of the Nagykunságért Local Action Group demonstrates how LEADER, as the main form of local development, can be generated by local networks and can have an impact on local community building. The case-study analysis refers to the theory of social inclusion. Shucksmith (2000) presents LEADER as a contributor not only to building local networks and community-related social capital, but also to promoting social inclusion. The current LAG organisation is strongly connected to the first LEADER organisation in the region; and in the new LEADER period (2007–2013), most of the previous members had joined the LAG. The current action group consists of eight settlements from the original ten. The legal form of the LEADER in the region is a flexible non-profit enterprise; if local actors want to join the LAG, they only

have to buy shares in the business. The amount of support has become much higher; the LAG can obtain more subsidies for supporting local projects. In the first period of LEADER action, a local rural-development expert group and the LAG personnel made decisions without any formal control; the LAG was a pre-decision-making body, and the final decisions were made by MVH as the control organisation. The independence of the LAG organisation of the local government resulted in many problems. LEADER projects are post-financed, so the LEADER organisation needs credit to finance the cost of personnel. Nevertheless, the support could not cover the extra cost of credit. During the first period, the local government needed to manage the problems of post-financing.

The case of the Nagykunságért LAG illustrates how local notables dominate the process of rural development, referring to the social-exclusion characteristics of LEADER-type development (Shucksmith, 2000; Shortall, 2004). Exclusion is a much broader concept than poverty (Shucksmith and Chapman, 1998), referring to the power of actors (Csurgó et al. 2008) and participation. Shucksmith argues that: 'the more articulate and powerful individuals and groups were better able to engage with programmes and to apply for grants and submit proposals, while others lacking the former's capacity to act were unable to benefit' (Shucksmith, 2000, 210). Only those actors who have knowledge capital and networks are able to participate in the rural-development process (Csurgó et al., 2008).

The principal LAG actors are the LAG personnel, including the president of the LAG, two project managers and two project assistants. The president of the LAG is a local expert who was the leader of the LAG personnel in the first period when serving the post of local mayor. The importance of the LEADER is very high in local policy, as most of the local interviewees emphasised.

#### *Involvement of actors and institutional networks*

There are 39 members in the LAG with their own business shares. The share capital is 1,950,000 HUF (€7,000); six local governments are members of the LAG. In the case of the Nagykunságért LAG, only 15 per cent of LAG members are from local governments. The LAG board has 13 members, representing 13 subgroups of the LAG; each subgroup consists of 3 LAG members. The most active actors of the local LEADER are from Mezőtúr, which is one of the biggest towns in the LEADER region. The local government of Mezőtúr is a member of the LAG. The local government of Karcag (another large town) does not participate in the LAG. Local informants emphasised that Karcag wanted to create its own LAG, and

when it was frustrated, the settlement joined the Nagykunságért LAG; however, local actors from Karcag are mostly unmotivated.

The villages in the region have a special position in the LEADER. In some cases, they receive positive discrimination as applicants; this means that there are special programmes and funds inside the LEADER and only village actors can apply. In addition, only the local governments are able to send applications from these villages; there are no local actors able to do so.

Agricultural enterprises (Figure 4.4.) were the most active actors in the region during 2004–2006; 55.8 per cent of projects financed by the European Union were connected to agriculture. Agriculture had a central position in future-development strategies and plans. Local agrarian actors had the knowledge and capacity to participate in development projects. In addition, they only ran individual projects, and did not take part in cooperation. Agriculture was one of the main topics of the first LEADER plan. According to the new regulations of LEADER 2007–2013, agriculture is excluded from LEADER funds. The rule is that firms making more than 51 per cent of their profits from agriculture may not apply for LEADER funds. Local actors re-wrote the LEADER development plan, focusing on local community building and the development of non-agricultural enterprises. Most active actors became non-agricultural enterprises.

[insert here Figure 4.4 – portrait]

#### **Figure 4.4 Institutional Relationships of the Nagykunságért LAG**

The Nagykunságért LAG demonstrates the limits of actors' involvement in local development. Actors are characterised by their strong knowledge production and reproduction capacity, and their intensive use of different knowledge sets. Having goals, knowledge, the capacity to act, and special skills regarding administrative mechanisms, form the basis of involvement and participation, and determine who gains and who loses in the process (Csurgó et al. 2008).

*Decision-making, conflict resolution and knowledge use*



The Nagykunságért LAG supported only 33 projects until the end of 2010. They aimed to support financially bigger projects, but did not want to diminish their funding, which amounted to about 342 million HUF (€1,222,000). Because of this, the involvement of the broader local society is very weak.

The decision-making process at a local level can be divided into two phases. The first phase is connected to the LAG personnel. LAG personnel prepare all the documents and tasks before any decision-making. The second phase of local decision-making is connected to the LAG, and especially to the Board, while final decisions are a top-down mechanism from the MVH.

The Nagykunságért LAG does not use explicit conflict-resolving mechanisms, and several conflicts can arise. The main reasons for conflicts are connected to the double decision-making system of the Hungarian LEADER. Local project applicants and project leaders often feel that the LAG personnel have insufficient knowledge and competence, and that they need to be connected directly to the MVH. Project owners evaluate that administrative management is too slow, and they are not aware of the function of the LAG.

Participation in rural-development projects requires knowledge-intensive actors. Many types of local knowledge were used in the case of the Nagykunságért LAG, relating to the level of involvement of local actors. At the same time, the lack of local knowledge causes problems and can lead to failure (Csurgó et al. 2008; Kelemen et al., 2008).

The main knowledge form used by the LAG personnel is that of managerial knowledge. As some interviewees stated, actors with a knowledge of project systems have, locally, a central role in the LEADER system, because of the bureaucratic rules and framework of LEADER. The central role of managerial knowledge has resulted in networking with other LAGs; development actors (e.g. development offices of micro-regions, project-management experts and enterprises, NGOs) are rather less important and visible; the most important partner is the MVH.

Project participation in this region strongly depends on the financial capacity of actors. Actors with capacity have an important involvement in the project, but without capacity they are crowded out and are less able to gather resources (Kelemen et al., 2008; Shucksmith 2000).

The main purposes of the Development Strategy are connected to rural life and tourism, and to the development of non-agricultural SMEs. Most of the supported projects are connected to community building.

Civic organisations and local government were active in community-building projects. The second most popular project aim was the development of SMEs. Most of the applicants who implemented enterprise-development projects came from Mezőtúr. The Nagykunságért LAG uses several forms of participation, but most local actors are not involved in the LAG.

### *The Powers of the Project Class in Local Rural Development – the Case of the Dél-Balaton LAG*

#### *Formation and composition of the LAG*

The case of the Dél-Balaton LAG demonstrates the emergence of local project-class power in the local-development system. As Kovách and Kucerova (2006 and 2009) have highlighted, experts, designers, European and national administrative staff, holders of intellectual capital and representatives of the civil sector, along with other actors, occupy new social and project class positions. Local project-class members have taken dominant positions in the Dél-Balaton LAG, which has led to several conflicts and the restructuring of power networks and relations.

Actors with intellectual and knowledge capital represent their political, financial and class interests with great potential in a projectified development system, as many scholars have argued in the rural sociology literature on the LEADER system (e.g. Halfacree et al. 2002).

The Dél-Balaton LEADER region is one of the biggest LEADER areas in Hungary, with 33 settlements covering two and a half micro-regions. The centre of the LAG is in Buzsák, but the LAG office is in Fonyód. The legal form of the LAG is a non-profit public limited company. This is the only LAG in Hungary to have chosen this form; most LAGs work as a non-profit enterprise (limited company) or civic association. Several informants emphasised that the form of a public limited company offers transparency and a well-developed structure.

The LAG received 1.5 billion HUF for supporting local projects, and some extra funds for supporting underprivileged settlements; 20 per cent of the total funds can be used for the operational costs of LAG personnel.

There are 165 members in the LAG, all of whom are shareholders in the public limited company (33 local governments, 5 local minority governments, 70 civic organisations and 57 SMEs); 23 per cent of the LAG are public bodies (local governments and minority governments). This complies with the national rule which states that only 30 per cent of LAG members can be local-governmental bodies.

The most important actors are the LAG staff, who take forward the LAG's own issues. The president of the LAG is a local politician, experienced in local development. The General Assembly of the LAG is participated in by all LAG members. Other organisational bodies inside the LAG are: a governing body with nine members; and a board of supervision with eight members elected by the LAG. Only half of the LAG members are active in different LAG organisations and project-application processes. Each organisational body includes all kinds of LAG members.

The most active applicants of the local LEADER are the civic organisations. Community-building through the organisation of local events and tourism development is the most frequent project goal. The activity of local economic actors is very weak. Cooperation of actors is based on regional links and networks. The LAG staff hold the most power, possessing the knowledge, and organising most of the LAG issues. Local governments have still more power in the LAG because of their status and position in the region and inside the settlements, with institutional links to the LAG office and its staff. Only civic organisations have a better position in the LAG, with informal relationships to the LAG staff. Informants emphasised that not all members of LAG appear as project applicants.

#### *Involvement of actors and institutional relationships*

The case of the Dél-Balaton LAG follows the theory of Csurgó et al. (2008) concerning the power of the project system over actors. Lack of capacity, cooperation or suitable knowledge leads to the exclusion of actors (Shucksmith 2000). Inclusion depends on suitable capacity, and usable forms of knowledge.

[insert here Figure 4.5 – portrait]

#### **Figure 4.5 Institutional Relationships of the Dél-Balaton LAG**

Local governments can participate in the LAG as members if they buy shares from the LAG public limited company (Figure 4.5). In the case of the Dél-Balaton LAG all (33) local governments bought shares. Many informants emphasise that, because of political interests of the president of the LAG local governments with a politically left or not-strong right interest have a better position in the LAG. Several local enterprises

(SMEs) are involved in the LAG. The LAG personnel have a weaker connection with SMEs than with civic organisations. Local SMEs are mostly inactive as project applicants because of the current economic crisis. They are not able to finance development projects. The specifics of this region mean that church communities are amongst the most active actors. Almost each local church applies for LEADER funds. They have good informal connections with LAG personnel.

The institutional links of the LAG have two levels. Links with the MVH are bureaucratic and hierarchical; the LAG is under the control of the MVH. At the local level, the LAG has informal connections with different institutions, and the position of LAG in the local development system is hierarchical. Relationships of the LAG with different local actors depend on the connections between them and the level of involvement of actors in the LAG.

#### *Decision-making, conflict resolution and knowledge use*

The Dél-Balaton LAG supported only 60 projects until the end of 2010, including 20 European Union financed rural-development projects, 21 LEADER framework projects, and 19 Integrated Community Place framework projects. The total amount of the support was about €5,757,000. The biggest part of the total amount is connected to the Integrated Community Place Framework, and the smallest is concerning to the LEADER. Several LAG members are not active in project applications. According to our results, the exclusion of local actors and LAG members is very strong in the case of the Dél-Balaton region.

LAG personnel use several ways to involve actors, without any success. They organise forums in each settlement to inform local citizens about LEADER and other local development opportunities. They participate in local events, such as Village Days, presenting the LEADER Community as an important actor in the local regional society. Nevertheless, the involvement of actors is based on their network position in the local development system. We can find a hierarchical power-knowledge structure dominated by local elites, controlling the development process and power structures as a result of a projectified local development system. The involvement of actors in that kind of projectified local development system is based on the capacity and network of actors. Cooperation and participation is a chance to reach the goals of actors (Csurgó et al., 2008). Some respondents pointed out that political conflicts had arisen between LAG members and LAG personnel. Conflicts occurred in the case of tourism projects. There were some projects which the LAG

had to refuse because of a lack of money. These project applicants feel they have a disadvantaged position because of different interests, and a weak network position.

Civic organisations are very active applicants, as are LAG members. An other type of member expressed the view that local civic organisations received too much support, while there were not enough funds for economic development because there were too few motivated applicants among SMEs. They complained that LAG personnel have not done enough to motivate local economic actors.

The Dél-Balaton LAG does not explicitly use conflict-resolution mechanisms. In this LEADER region, tourism is the most important economic sector. The general regulation of LEADER for 2007–2013 stated that actors in the mass tourism areas do not apply for rural tourism development funds. Several settlements from the region, mostly from the Fonyód micro-region are excluded from such LEADER funds. This form of exclusion causes several conflicts and disadvantages where the tourism-based settlements could stimulate the local economy, as well as tourism for the whole region.

The regulated system of local rural development resulted in involved actors who need special knowledge to put forward a development project. Managers and bureaucrats have appeared and have played important roles in the project process. Most of the supported projects are connected to community building. Civic organisations and local government were active in community-building projects. They organised several local events. The most successful was situated in Kisberény, where there is a large Roma minority population. The result of the project is that this local minority became involved in local community life and events. The second successful project aim was the preservation of local heritage buildings. Many churches in the region received renovation funds.

All the successful projects and project leaders have strong connections with LAG personnel, including local project-class members. Those projects supported in the Dél-Balaton LAG region are strongly controlled by LAG personnel, as a part of a local project-class. Network positions provide the basis for involvement and participation, and determine who gains and who loses in the process of local rural development.

#### *Summary of Case-Study Results*

The results of the case studies are presented in Table 4.2 according to the themes and issues used for the focus of the analysis.

**Table 4.2 Case Study Results**

<b>Formation and composition of the Local Action Groups</b>			
	HAYER LAG	Nagykunságért LAG	Dél-Balaton LAG
Number of LAG members	large	low	large
Position of local governments in LAG	non-central	central	non-central
Main LAG actors	non-agricultural entrepreneurs	local governments and non-agricultural enterprises	LAG personnel and civic organisations
<b>Involvement of actors and institutional relationships</b>			
Role of MVH	bureaucratic power	bureaucratic power	bureaucratic power
Role of LAG Personnel	motivational	bureaucratic	central power
<b>Decision-making, conflict resolution and knowledge use</b>			
Project participation of locals	wide	narrow	very narrow
Characteristics of supported projects	tourism development	community building and development of SMEs	community building
Knowledge use	lay and expert knowledge	expert knowledge	administrative knowledge

An important characteristic of LEADER in Hungary is the strong control of MVH as a national bureaucratic authority, as demonstrated by the case studies. The system is over-bureaucratized, which contradicts with the bottom-up principle of LEADER. However, LEADER is important in the local development process, but LEADER regions differ in the operation and implementation, which results in differences between the local democracy and the involvement of local society in the local development process.

The number of LAG members, the role of local governments in LAG, and the types of main LAG actors determine the involvement and participation of local actors, and also determine the operation of the LEADER system from project application to decision-making at the local level. The case of the HAYER LAG presents a relatively high level of local democracy. Large numbers of LAG members, the weak power of local governments, and the strong position of local entrepreneurs and civic organisation in the LAG prove the relatively wide integration of local stakeholders in the local LEADER development system. The case of the Nagy-kunságért LAG, with fewer actors and a stronger position of local governments, along with the high importance of knowledge and the capacity of actors in the involvement of local development, demonstrate the way in which the position of the elite in local societies is supported and strengthened by the LEADER

system. Finally, the case of Dél-Balaton LAG has presented the highly bureaucratised ways of LEADER at a local level, where the LAG personnel have had a strong administrative role and the LAG works as an administrative body of local development at the local level. It is characterised by the weak participation of local actors and the domination of administrative knowledge and power in the local development system.

## **Conclusions**

The case studies give much evidence that LEADER has great potential in the local development process; however, many informants criticise the political management of local LEADER. As they explain, LEADER practice does not meet European Union principles and it is not a real bottom-up development system. LAGs do not have real power over decisions. Local actors were unable to localise development; all decisions are controlled by the Agricultural and Rural Development Agency, MVH, and national bureaucratic authorities. According to such criticism, the system is over-bureaucratised, which contradicts with the bottom-up principle. Several local actors feel that this system is much more characterised by top-down principles than bottom-up ones. LEADER and the local action groups are instruments which channel development funds to local actors; however, the three case studies presented demonstrate that the challenge of profit-earning through projects may devalue the bottom-up character of LEADER.

The case studies in Hungary do not paint an overly optimistic picture of decision-making in Local Action Groups, which is seen as a more aggregative democratic process than the case of integrative democracy. Andersson and Kovách argue that ‘the model of integrative democracy may seem to be the right point of departure if one aims at analysing LAGs/LEADER, making use of core democratic theory’ (Andersson, 2010, 16). After analysing the case studies, one may ask if LEADER practice is a sign of democracy in Hungary or not.

Comparing case studies, it is obvious that many elements of LEADER activity in Hungary are formally analogous with each other, for example, the legal form of the LAGs is that of non-profit enterprise. Through the participation and involvement of civic, governmental and economic institutions and actors, formal democratic decision-making comes to fruition. The LAG staff plays a decisive role, and their managerial knowledge is of great importance. From another side, we can say that locals do not have enough independence. The most powerful actor is MVH, the national authority. The result is that the LAG does not

have real power; the LEADER system in Hungary is characterised by elitism. It demonstrates the illusion of bottom-up development.

The main differences between LAGs, and also LEADER regions in Hungary, are connected to the participation process and the outcomes of the local LEADER-type development. Our cases demonstrate different types of participation in local development. The HAVER LAG has adopted several forms of participation, from forums to project collection. The LAG gives financial assistance to several smaller projects. The aim is to support a variety of actors from all kinds of settlements. The Nagykunságért LAG also uses several forms of participation, but most local actors are not involved in the LAG; instead, they support bigger projects. The Dél-Balaton LAG does not succeed, despite many attempts, in integrating their members into LEADER. Local actors and applicants are under the control of powerful actors, who are especially connected to the LAG personnel.

In the case of the HAVER LAG, most of the supported projects are connected to rural tourism and rural heritage. In the region of the Nagykunságért LAG, most of the supported projects are connected to community building. Civic organisations and local government have been active in community-building projects. Another popular project aim has been the development of SMEs. Renovating community buildings and protecting local heritage buildings were the most popular project aims in the case of the Dél-Balaton LAG. Supported applicants also organised local events. Many churches received support for renovation.

LEADER-type development can be seen in Hungary as the first step for local democracy. According to our data, the system is over-bureaucratised and over-controlled. The predominance of general rules results in the exclusion of several important rural actors from the system (e.g. agricultural entrepreneurs cannot get support from LEADER). From the other side, according to the Hungarian case studies, the experiences are not only negative. LEADER has been able to contribute to a rising dawn of a bottom up system: learning and networking; the emergence of cooperation; sharing influence amongst stake-holders; an innovative project class which replaces monopolistic domination and the power of local economic and political elites; strengthening local identity; revitalising local culture. All this may provide a basis for the advent of local democracy.

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