

"PLACE BASED" RURAL DEVELOPMENT: HUNGARIAN EXPERIENCES CONCERNING THE RURAL DEVELOPMENT PLAN AND THE LEADER PROGRAM

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ABSTRACT - Rural development, namely the LEADER program, plays an important role in reducing regional disparities in catching up backward regions not only in Hungary but also in Romania. The study, or the lecture, is going to focus on those essential elements in which member States have wide competence and the different decision making options basically affect and even determine the success of the implementation. In case of the LEADER program, the definition of the demarcation criteria of geographic coverage, size, form of organization, planning, staff procedures, and various community programs can be regarded as such element. The presentation and knowledge of the Hungarian experience can contribute to a more successful implementation of the Romanian LEADER or rural development program and to avoiding the errors that have occurred in the Hungarian program.

Keywords: rural development, LEADER program, regional disparities, cohesion policy

This study contains the presentation of the *National Rural Development Program 2014 – 2020 – Utilizing the Rural Potential of Romania*, 10th June 2011, București. The study is going to highlight the most important elements which are the sources of serious problems in Hungary. It will try to contribute so as Romania should avoid making the same mistakes as Hungary.

1. The first important issue is **territorial coverage**:

In the entire beneficiary area of Hungary (territories with population density under 120 persons/kilometre and settlements with less than 10 000 inhabitants), LEADER local action groups were formed, so that the 2007-2013 Programme covers the entire territory of the country. Currently, the number of action groups reaches 96 (Figure 1).

However, the experience shows that the size of the action groups is often too large. The territories covered by the action groups are often not homogenous, neither socially, nor economically, and in the previous period they had no functional relationship at all. For this reason, exactly the common interest is lacking, which is one of the central elements of LEADER planning and task implementation.

The starting point of this situation was the central expectation that the size of the action groups in Hungary shall be similar to the European average, which is some 50 000 inhabitants per action group.

The settlements and other actors used to centralised distribution – unfortunately often alongside political lines of force – were eager to match the sectoral expectations in a servile way.

That is another matter, that the European rural is not at all homogenous, for instance, the best practices of the French rural with a fairly high density in the Scandinavian highlands with low population. Consequently, the homogenisation of the rural development policy and the alignment with the European averages, as well as adaptation without criticism, did and does not defiantly mean the best solution for setting the ways of domestic rural development policy.

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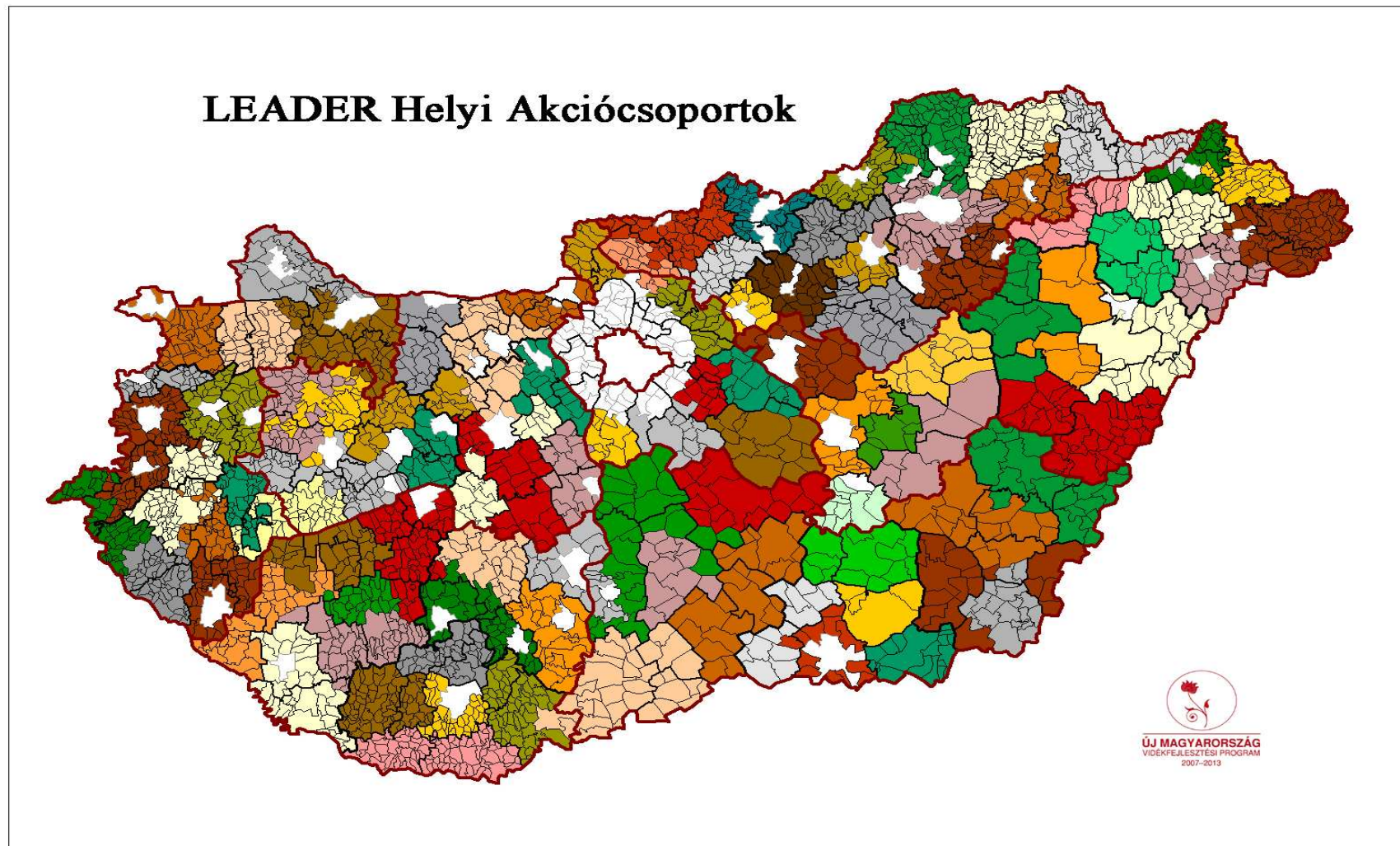


Figure 1. Local Action Groups in Hungary

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The next problem is represented by the **interconnections of the territorial scale and the membership of local action groups.**

Hungarian legal regulations stipulated that within the memberships of local communities the public sphere cannot have a higher rate than 60 per cent. However, the optimal rate of the civil, private and public spheres would be one third for each. This however means that the often quoted principle of partnership would be in this case not only an empty expression but the sine qua non of the programme. We have to mention that this requirement has on the other hand an unfavourable side as well, mainly due to the large size of territorial units. In the fairly fragmented regions with a large number of tiny villages, extremely large and therefore almost unrecoverable action groups were formed. (In a community with 86 settlements, where the public was represented by 86 mayors, the optimal number of members would be 240 persons. In such case it is almost impossible to provide for the quorum or functionality.)

2. Parallel the issue of **the organisational form of local action groups** was and is currently a serious issue. At the time of the setting up of local action groups, the opportunity was opened to choose the organisational forms of the association, non-profit limited or non-profit stock company. The government taking office in 2010, after one year, in 2011, expressed its ambition to eliminate the local action groups functioning in the forms of non-profit limited or stock companies. As a result, local action groups would be able to function exclusively as associations. (The argument is that limited and stock companies are less opened than the membership of associations.)

At the same time, the association form is optimal neither for the central government, since the association is such a civil organisation which cannot be governed at the government's pleasure.

The managing authority and the disbursing agency have degraded the local action groups by different rulings to simple local state administrative organs.

3. The planning

Planning is one of the most important elements of the LEADER Programme. The LEADER principles shall or should dominate during planning, which are the following:

- local private and public partnerships;
- bottom-up approach;
- multi-sectoral planning and implementation of the strategy;
- innovative approaches;
- networking of stakeholders;

The LEADER Programme is unique among European Programmes, since here the accomplishment and implementation of a part of the basic principles is not only a wish but also a requirement. Only a fairly short time was provided for planning and the principles had to be implemented according to the schedule in the following table:

Table 1. *Milestones of local planning process*

	Analysis	Priorities, measures and resource allocation	Recommendations for solutions	Confirmation, finalisation
Required status of LRDS (local rural development strategy) (at the time of the reconciliation about the acceptance of LRDS)	95% of the settlement scale data is filled up	75% of available resources is allocated to concrete measures; 100 % of the settlement scale data is filled up	At least one SPSR (situation- problem- solution- result) for each measure filled up	Accomplished LRDS
Final deadline	5 th week	9 th week	13 th week	17 th week

The activation of actors was a significant problem during the planning process. This became obvious especially when, at the finishing of the planning phases, the previously approved membership of the local action groups had to be assembled and they had the opportunity to learn the results of the planning and modify the programme as well as to join the performance of tasks. Even though we have no national data and experiences in this respect, the county level experiences show that only a fragment of the membership, and within that the civil and private membership, was present at the consultations, although in very low rate. Despite all efforts of the membership, the rural population has shown a fairly passive behaviour during the entire planning process. This can mainly be explained by the fact that the time for the publication and socialization of planning was insufficient so that the population was not touched by the idea of Leader Programme and the opportunity behind it. The programming put the emphasis rather on the fulfilment of mechanic type of tasks and on the production of outcomes instead of the organisation, information and motivation of local communities. Consequently, a very important element of the Leader idea could not emerge, which is social concentration, cooperation, and common targeting on wide basis.

However, it was a very positive central decision that the planning was not limited within the frameworks of only the LEADER programme, but it was extended to the third axis as well. Within the third axis, the opportunity was provided for planning concerning the non-horizontal targets (such as village renewal, preservation of rural heritage, development of micro-businesses, rural tourism development). (The recentralisation of this was exactly expressed by the department.) It was also a positive decision that during the planning, a minimum of 45 per cent had to be allocated to economic development targets. This – in opposite to the Hungarian way of using the resources from the Structural Funds – could counteract the situation that the well-informed public actors, with a much stronger ability to enforce their interests (such as local governments), consume the majority of resources before the economic and civil actors.

As result of planning, the action groups had the chance to submit application by 15 November 2009 for 1008 target areas, and 4076 tenders were submitted. (The second highest number of tenders per target area in national scale was submitted by the Mecsek-Völgység-Hegyhát Association.)

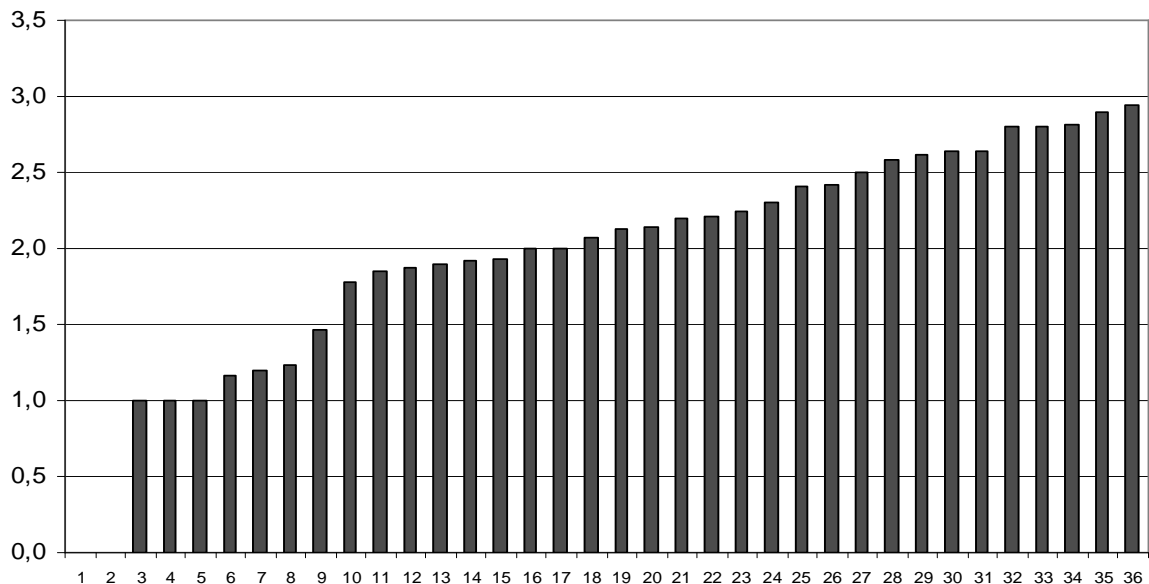


Figure 2. *The number of applications submitted by action area between 0 and 3*
 Source: own calculation based on the database of the Managing Authority, 2010

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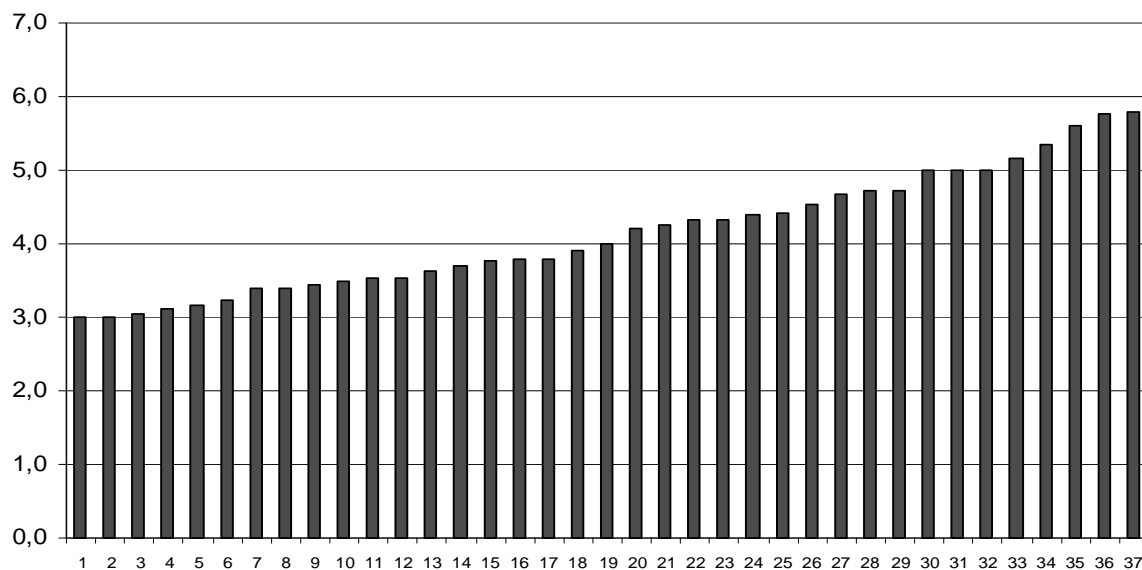


Figure 3. *The number of applications submitted by action area between 3 and 6*
 Source: own calculation based on the data basis of the Managing Authority 2010

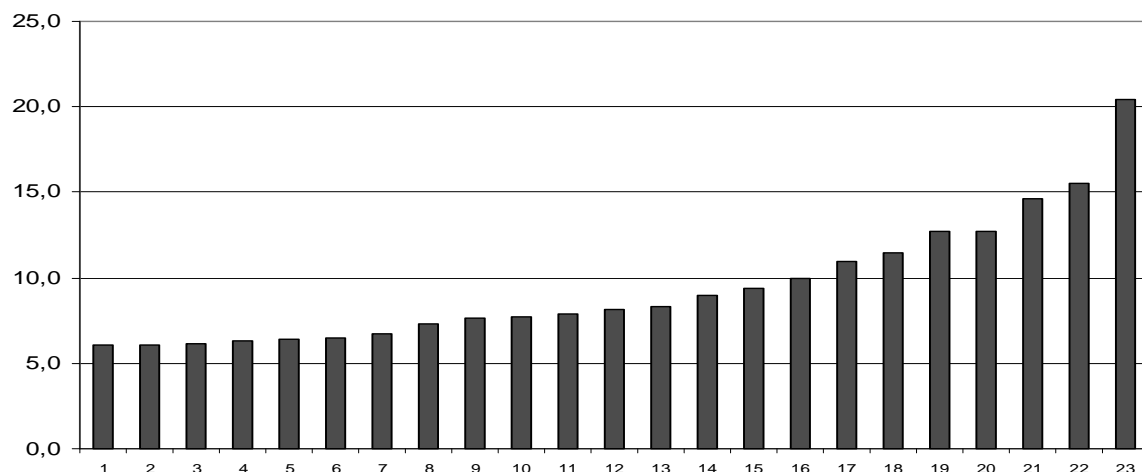


Figure 4. *The number of applications submitted by action area is more than six*
 Source: own calculation based on the data basis of the Managing Authority 2010

4. Procedural form

The success of the implementation of European programmes, thus the rural development programme depends significantly on the procedural forms established.

The Hungarian decision maker had essentially three choices:

- a completely new independent legal regulation;
- the employment of an existing procedural order;
- the establishment of a new procedural order based on an existing one.

In the case of the Structural Funds (which is provided for the majority of the European development resources), the decision maker assumed the point of view that the elaboration and establishment a complete new procedural order is necessary. One of the assumable reasons of this could have been that none of the existing procedural orders fitted to the targets serving the implementation of the programmes.

In the case of the rural development programmes, a regulation based on the public administration procedures was established, built partially on the past concerning also the public and state administrative status of the entire organisational system.

However, significant differences emerged between the certain procedural orders, the most important points – also influencing the success of implementation – are demonstrated by the following table:

Table 2. Procedural Order's Connections

Main aspects of the evaluation of differences	Act on administrative procedures	2007. year XVII. Act	Sui generis (new) regulation
Right of consideration	Yes	No	Possible (yes)
Form of decision making / agreement	Resolution or public contract	Resolution	Subsidy contract
Legal redress	System of forums, judicial way, without real limits	System of forums, judicial way, without real limits	Limited legal redress
Legal status of decision maker	Public administrative organ	State authority	Private organ

The application of an inadequate procedural order is in Hungary one of the main problems of the LEADER and other rural development programmes. The public type of proceeding is inadequate since the development policy does not require authority type of intervention (it is not a contravention or housing and building affair). An example showing the malfunctioning of the procedural order is that the final decision on applications submitted by 20th December 2009 was made by the spring of 2011. During this period many micro-businesses failed.

5. The delimitation problems of Hungarian programmes (NHRDP, NHDP)

The issue of defining the eligible areas and settlements

The geographical intervention areas of the two determining tools of the European development policy in Hungary – the Structural Funds and the Common Agrarian Policy (CAP) – are sharply demarcated, which is definitely perceptible in the system of targets and resource allocation practices of the Hungarian programmes. In Hungary, the programmes connected with the Structural Funds were called in the 2007-2013 programming period, at first, New Hungary Development Plan, and later, from 2010, New Széchenyi Plan, while the programme connected with Common Agrarian Policy is still called New Hungary Rural Development Programme. In this interest, to avoid double financing, the two programmes shall be delimited from each other. Currently, the most common and simple delimitation of the two programmes is the 100 persons/square kilometres density, and the 5000 or 10000 inhabitants per settlement. Above the indicated values, the settlements belong to the New Hungary Development Plan, while below the values, to the New Hungary Rural Development Programme. Consequently, the New Hungary Rural Development Programme covers 95% of the settlements, 87% of the entire territory of the country and 45% of the population. This delimitation, however, is only competent in case the two programmes set similar or identical targets (such as the development of micro business, for instance). If there is no such concurrence, the geographical delimitation of the two programmes is unnecessary and the given development target concerns the entire territory of Hungary, which, of course, means that it is accessible for the entire country and all beneficiaries may obtain the available resources in equal way.

The issue of critical mass of division and accessibility of available resources

In the cases where there are sharp boundaries between the two programmes, the eligible areas of the New Hungary Development Plan were able to administer more than 7,000 billion Forints while the programmes belonging to the New Hungary Rural Development Programmes had only 280 billion

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(not including the resources of the New Hungary Rural Development Program's first and second axes, which give the 79% of the entire New Hungary Rural Development Program).

The mission of the LEADER and other rural development programmes in the programming period 2007-2013 is no less than stopping the economic and social decline of the rural and start the development. If this task is not fulfilled, then it can be predicted that the majority of rural settlements – especially the tiny and peripheral villages – will take the road of irreversible decline in an always accelerating tempo. It is only a poetic question whether the rural development resources on their own have such a critical mass which enables them to stop the decline of rural areas and reverse these processes.

If the rural areas – especially due to the current delimitation – will not be able to absorb the resources of the New Hungary Development Plans, then, the growth of rural economy and social development will both seem chanceless.

One of the declared main targets of the European Union's cohesion policy was – and probably will also remain – the moderation of territorial differences. Theoretically, both European tool systems should match these requirements. However, the following illustrations show to what extent the New Hungary Development Plan – and similarly the current New Széchenyi plan – and the New Hungary Rural Development Plan support the disadvantaged areas and to what extent they contribute to the catching up of these areas.

These data show that the primary intervention area of the New Hungary Development Plan is urban and developed regions. At the same time, the New Hungary Rural Development Programme, disposing of significantly less resources, is definitely unable to satisfy the development needs of rural and characteristically disadvantaged territories.

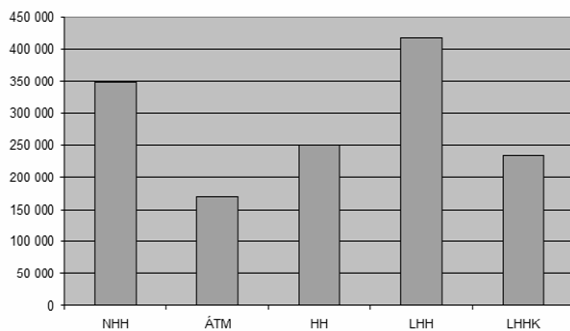


Figure 5. *New Hungary Development Plan's resources per capita by the micro-regional arrangement of the place of implementation²*
Source: own calculation based on the data basis of the National Development Agency December 2010

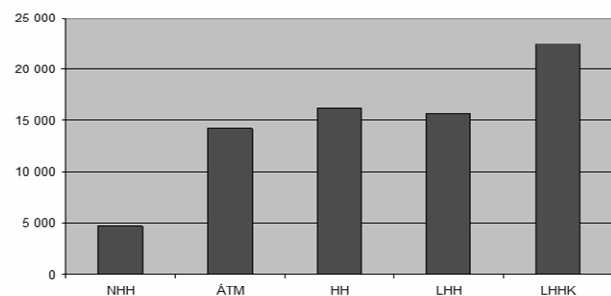


Figure 6. *New Hungary Rural Development Program's resources per capita, by the micro-regional arrangement of the place of implementation*
Source: own calculation based on the data basis of the MVH IIER, September 2010

And finally, some words should be mentioned about a Hungarian solution which is to be avoided, since in the Western part of Europe it is not at all in connection with the local action groups and is not at all element of the LEADER program. This solution is currently becoming complete in Hungary, as the function and tasks of local action groups are fundamentally modified. Until nowadays, they have performed (or at least should have performed) both local social development and payment

² In Hungary a special, so called micro regional system was established including 174 territorial units, covering characteristically one town and its attraction zone. Also, self governmental associations were organised governing these territorial units. The micro-regions were categorised in a governmental decree by their development in the process of a statistical evaluation based on 30 aspects – last time in 2007 – and based on this, the following categories of micro-regions were created: ND=not disadvantaged; TD=temporarily disadvantaged; MD=most disadvantaged; MDCP= most disadvantaged requires complex programme.

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authority tasks, as well. From among these tasks, they were mainly accounted only for their payment functions, and neither Managing Authority, nor the payment agency cared for the other task, which is the key task of local LEADER action groups.

Currently, the resources allocated for the functioning of the local action groups were significantly reduced. At the same time, the tasks – a part of which they perform in a delegated competency instead of the agency – remained unchanged. However, the limited capacities of the action groups allow hereupon only the performance of the agency tasks, even though the local action groups were not created in Europe as payment units, but much more for the aim of being a kind of miniature development agencies to generate projects, establish networks, etc. Due to this situation, the essential element of the LEADER Program will disappear.

Therefore, my recommendation for Romania is that the payment authority's task should not prevail in the case of local action groups. The happy medium can be the maintenance of the right proportions, which can ensure the success of the LEADER programme in the member states with the necessary wisdom.

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