DECENTRALISED FUNDING ACTIVITIES OF THE LEADER LOCAL ACTION GROUPS OF THE NORTH HUNGARIAN REGION FROM A GOVERNANCEPOINT OF VIEW

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Abstract: Our article investigates the utilisation of EU support from the EFARD Axes 3 and 4 in the 2007–2013 period in North Hungary, with a special emphasis on the role of the LEADER local action groups (LAGs) and their forms of governance. A brief study of the results of the 2014–2020 period was also included. The distribution of resources was examined by a spatial inequality indicator, the Gini coefficient. Additionally, a questionnaire survey was conducted to explore the level and forms of governance in the case of LAGs. Our research results suggest that the distribution of Axis 3 resources within local action groups shows greater inequality in fewer LAGs. The Axis 4 denotes higher inequality. The level of governance of LAGs is relatively low as it is achieved through strong local leaders. This may explain high spatial inequalities of fund distribution.

Key words: LEADER, territorial inequality, Local Action Group, development resources, local governance

Highlights

- In Hungary, the rural development policy favours more urbanized settlements.
- The centrally tailored Axis 3 sources are more evenly distributed than locally managed Axis 4 ones.
- More resources from Axis 3 were allocated to settlements with lower population density.
- Rural development projects are evenly distributed among the different participants.
- The LEADER action groups in Northern Hungary are still at the beginning of evolution.

1. Introduction

In the literature of regional and spatial development, there are different approaches relating to the origin of support. On the one hand, exogenous models emphasise the relevance of the availability of different production factors (population, savings rates, human capital, technology) including those originating from outside (Pike et al., 2016). On the other hand, some theories stress the importance of indigenous socio-economic processes (McDonald et al., 2019). The regional policy paradigm shift strengthens the latter approach accentuating the mobilisation of underutilised local potentials, functional regions and integrated development programmes (OECD, 2009).

Theoretically, decentralised resource distribution and funding, combining external and local resources, can reduce spatial differences to a great extent (Nemes & Fazekas, 2007; Nardone et al., 2010).
Beyond the complex analyses of the effects of the EU’s rural policy, there are research projects aiming to examine the impact of the individual axes including Axis 2 (Piorr & Viaggi, 2015) or NATURA 2000 (Sarvasova et al., 2019) related support.

In 2010–2013, an FP7 project aiming to measure the spatial dimension of EU rural development policy, the Spatial Analysis of Rural Development Measures (SPARD) highlighted the issue from many directions (Viaggi et al., 2015; Piorr & Viaggi, 2015; Desjeux et al., 2014). The question of diversities within rural regions is a principal question (Saraceno, 2013). Csata (2018) used a broad spectrum of quantitative methods (descriptive statistics, correlation and cluster analysis) to describe the use and effects of rural development funds. At the same time, she specified the incompleteness of statistics and the lack of data as serious barriers in such analysis.

From a governance point of view, the functions of the spatial micro and meso levels are crucial in funding (Schuh et al., 2010). The SPARD project concentrates on the EU27 level in a quantitative form (Reinhard et al., 2013), and using qualitative case studies, local initiatives are highlighted too (Viaggi et al., 2015) in different member states, such as in Germany (Pollermann et al., 2013, Pollermann, 2017), Italy (Lopolito et al., 2011) or in Spain (Navarro et al., 2017, Cañete et al., 2018).

The spatial differences in the effects of EU rural development policy resources are examined by a broad range of literature. Camaioni et al. (2016) concentrated on the NUTS III level and three factors were differentiated to explain the distribution of financial support (country, rural and other spatial effects). It is assumed that more rural areas can receive larger amounts of support. Bonfiglio et al. (2017) and Lange et al. (2013) state that there are huge spatial differences in the diffusion of support to rural development projects. Budget allocation problems were addressed by Kirschke et al (2014) in their study aiming to introduce multi-objective modelling tools to support decisions. They state, however that any model can be useful only if the given local institutional framework is taken into consideration. Accordingly, local trust is a must factor.

The role of the LEADER local action groups (LAGs) is multi-fold and diverse. The mobilisation of local resources and the facilitation of the local society is relevant, but the redistribution of central financial aid is a frequently occurring factor.

The LEADER LAGS are small area-based regions and sub-regional units on which the process of institutionalisation took place after their establishment. The theory of the institutionalisation of regions by Paasi, A. (2002a, b) distinguishes four phases (Figure 1.) Accordingly, the region is a distinct territorial dimensioned unit, regardless of its size – so it may be extended to sub-regional units (e.g., to LAGs) too. According to Paasi, institutionalisation is a socio-spatial process, a continuous embodiment of the goals set by local, regional, central-state and international forces, actors and organisations and the decisions made by them.

![Fig 1. The four phases of institutionalisation of regions. Authors’ edition based on Paasi, A., 2002a, b](image-url)
The territorial shape refers to the boundaries and the spatial framework of the LAG. In order to distinguish this spatial unit from other similar entities, different symbols are needed.

The third phase is the formation of regional institutions within the area. Organisations and institutions are created during the formation of the region. In theory, formal and informal organisations can be distinguished. In the fourth phase, the creation of a region or locality means continuity in the process of institutionalisation. The life and development of the created regions only guaranteed if it goes through continuous reproduction. This process can also be called the cross-section of institutionalisation. During the social transformation, the region is constantly being shaped and regenerated. The rescaling of governance frameworks in the modern state is ongoing as new actors emerge with diverse functions (Anderson, 1995; Paasi, 2009).

Decision making is a relevant task of LAGs and its nature should meet the criteria of social participation. Local groups are the pioneers of partnership-based and locally bounded decision-making (Derkzen, 2008).

The LEADER action groups, beyond suffering from the constantly changing regulatory framework, as Chaves & Terra (2017) states, from the mainstreaming trap to the multi-fund trap, have to face the discrepancies of their internal institutional patterns. Participatory decision making does not guarantee even redistribution of resources. Some scholars emphasise that more dynamic small town areas are more successful in winning local LEADER resources, than peripheral – sometimes mountainous – villages (Cañete et al., 2018, 2020). In Hungary, some local action groups are “misusing” decision-making rights (Finta, 2015).

According to multiple scholars (Maharaj, 2008; Marquardt et al., 2012; Volk & Bojnek, 2014), beyond the formal roles in the LEADER programme, informal circumstances (personal knowledge, group identity and values) must have an influence on decision-making too.

An adequate inner geographic composition of action groups can support the success of LAGs. Bosworth et al. (2015) argue that the integration of market towns with their surrounding area into the same action group can result in more prosperous development activities.

Our recent study is novel in concentrating on the special Axis 4 topic (the LEADER approach) at a regional scale combining qualitative and quantitative methods. A comparison between Axis 3 and 4 fund distribution is new in literature too. The research is in line with the request of the European Court of Auditors (ECA, 2010) criticising the lack of adequate monitoring of the value-added of the LEADER programme.

2. Research aims and methods

In our target area, in Northern Hungary, there are significant socio-economic problems, it is one of the most backward areas in the country. The region is characterised by a demographic imbalance; weak regional revenue-generating ability; inadequate use of environmental resources; isolation; barriers to meeting needs) (UMVP 2015, Lipták, 2014). In these underdeveloped areas, all available external support (e.g., financial aids through tenders) are of great importance. The LEADER programme can also help to develop these areas, including the most backward ones. There were a total of 602 settlements in the LEADER associations in North Hungary.

The difference between the two axes is that in Axis 4, the resources were distributed among the members by the LAGs in their respective areas of competence, but in Axis 3 resources were distributed centrally. Axis 3 provides support to improve the quality of life in rural areas and diversification of the rural economy, to develop local infrastructure and human capital in rural areas, to improve the conditions for job creation in all sectors, and to diversify economic activities (NHRDP). Axis 4 presents the possibilities of innovative governance, based on the experience of LEADERs through a local and bottom-up approach to rural development (NHRDP).

During our research, the distribution of sources belonging to the EFARD Axes 3 and 4 (2007–2013) were examined in North Hungary.
The aim of the study was to describe the spatial patterns of the distribution of LEADER resources in the LAGs of the North Hungarian region in the 2007–2013 period. This research objective can be adopted to the studies investigating the distribution of rural development funds cited above. The novelty comes from the speciality of the Hungarian system as Axis 3 and Axis 4 resources support similar issues, but the decision is made by either central or local bodies.

Prior to the preparation of the study, the following hypotheses were set up:

- Source distribution belonging to Axis 4 is more balanced than that of Axis 3 as local knowledge could play a more significant role.
- LAGs that had been in existence for longer distributed support more evenly.
- Settlements with lower population density are favoured by Axis 4 support.

![LEADER coverage map of Hungary](image)

**Fig 2. The LEADER coverage map of Hungary in the 2007–2013 period. Authors’ edition**

To achieve the research goals, the LAGs in the North Hungary Region were examined. Calculations of territorial inequality were performed using the financial data from the LAGs. A Gini index was used to show the inequalities.

Gini coefficient is frequently applied methodology in the investigation of social and economic inequalities and spatial disparities are also regularly expressed with the help of this concept (Coulter, 1989). The Gini method (and its decomposed specification) was an important tool to detect inequalities in the field of rural development (Efremova, et al., 2017), as well as agricultural incomes or rural development resources (Bojnc & Fertő, 2019; Rubén, et al., 2020).

Spatial inequalities of the financial resources are worth to analyse in relation to the distribution of population (in the current computation, this indicator expresses the differences between the territorial units), for this reason the per capita values of the financial resources were involved into the weighted Gini
calculation. The weighted Gini coefficient is calculated by the following formula (on the basis of Major & Nemes Nagy, 1999; Langel & Tillé, 2013):

\[ G_w = \frac{1}{2\bar{y}_w} \sum_i \sum_j \frac{f_i f_j}{(\sum_i f_i)^2} |y_i - y_j| \]

where \( y_i \) and \( y_j \) express the financial resources per capita in the territorial units, \( \bar{y}_w \) is the weighted average value of the financial resource per capita in the given LAG; \( f_i \) and \( f_j \) are the number of population in the territorial units (LAU 2 settlements).

The data was provided by the Hungarian Payment Agency (Hungarian State Treasury). Additionally, a detailed questionnaire research was used to examine the level of governance of LAGs. Its compilation was based on the study by Lukesch (2007). The questions were aimed to identify different forms of governance that could help place the LAGs in the system of levels of governance. The online questionnaire – mainly consisting of closed questions – was sent to the LAG offices to all action groups (17) in existence in 2020 in the North Hungarian Region. Most of them were in existence in the previous period as well. In total, 50 responses were obtained from 14 LAGs. From the results of the questionnaire local groups could be positioned according to their level of governance.

3. Results

Firstly, population density categories were created into which the settlements were classified. Secondly, the amount of resources in EUR allocated in Axes 3 and 4 to municipalities in the different population density categories (Figure 3) and the average resource allocation to the individual population density categories were examined (Figure 4). In Axis 3, much more money was distributed than in Axis 4. Most of the money in Axis 4 went to settlements with a population density between 50.1–100. In Axis 3, most resources went to settlements with a population density of 1–50. In Axis 3, there was a larger difference between each category in terms of resources allocated. The difference between the categories of 1–50 and 201 and above is very sharp.

After processing the data concerning the distribution of rural development resources, it can be stated that 35.22% of member municipalities did not receive any support from Axis 4. In the case of Axis 3, this ratio was only 9.9%. The largest support in Axis 3 was given to Edelény and in 4 was received by Bükkaranyak, two settlements in Borsod-Abaúj-Zemplén County. It can be stated that more resources from Axis 3 were allocated to settlements with a lower population density.

Municipalities with the lowest population density (1–50 km²) can be characterised by the lowest average support from both axes. This is due to the fact that there are many settlements with low population density in the studied region. The municipalities to benefit the most in both axes were the settlements with a population density between 150.1 and 200.

4 https://forms.gle/Bdf7b297jytmmu819
For settlements with a lower population density, on average, the total amount per settlement is lower in Axis 4.

Using the Gini index, the inequality of resources distributed among the settlements within the created population density categories was examined (Figure 5).

According to the literature, a 0.4 value on the Gini-index can already be interpreted as a relatively significant inequality (Németh & Simon, 2011). The Gini index was above 0.4 in all examined categories. Both axes show the highest inequality in the least populated areas. As the population density increases, the Gini-index value decreases, consequently the level of inequality also falls. Overall, the degree of inequality is the smallest in Axis 3. The most even distribution in Axis 3 was observed in the category of settlements with a population density of 100.1–150 km².
Concerning Axis 3 and Axis 4, the distribution of allocated resources among the municipalities within the action groups was also examined (Figure 6). The weighted Gini coefficient was used. There are plenty of action groups with inequality greater than 0.4. In Axis 4, the most even distribution was found between the settlements of the Dél Mátra LAG and the Borsod-Torna-Gömör LAG. In Axis 3, the most even distribution was found between the settlements of the Cserhátalja LEADER LAG.

The relationship between the year in which the LAGs were established and the evenness of resource allocation was examined too. There was no correlation found between the distribution of resources and the time of setting up the LAGs.
Final financial data for the 2014–2020 planning period are not yet available. However, partial data can be reached on the number of projects. At the same time, it should be mentioned that the number of projects may still increase until the end of the programme cycle. Based on the data collected from the payment agency, it can be seen that out of the three counties examined, Borsod-Abaúj-Zemplén County has implemented the most projects so far (Figure 7).

In Nógrád County, there are currently four LEADER LAGs, in Heves County five and in Borsod-Abaúj-Zemplén County eight. An average Hungarian LAG consists of municipalities and civil sector representatives accounting for one-third each, while the for-profit sector makes up 25% and the ‘other’ category means private persons (self-employed entrepreneurs).

Fig 7. Number of projects supported by Axis 4 in 2014–2020. Authors’ edition

Within counties, inequalities between individual sectors are small, based on the Gini coefficient; being 0.23 in Heves County, 0.22 in Nógrád County and 0.13 in Borsod-Abaúj-Zemplén County.

Concerning the relationship between the spatial size of LAGs and the value of the Gini coefficient related to the evenness of the spread of Axis 4 support (Figure 8), it can be argued that there is no significant connection between the two data.

Fig 8. Correlation of LAG size and Gini coefficient of Axis 4 resources. Authors’ edition
A questionnaire covering issues of governance was sent to the members of 17 local action groups in Northern Hungary. Responses were received from 14 LAGs, from a total of 50 people (usually the bureau managers and LAG members). 78% of respondents have a degree, suggesting that the participants in the programme are professionally qualified. 78% of respondents live within the boundaries of their own action group. So it can be assumed that the majority are aware of the demands of their place of residence and its immediate surroundings. According to the actors, among the activities so far, planning was the most significant to be carried out by the action group. The distribution of the LEADER financial resources is a relevant function of LAGs and respondents are satisfied with its implementation. Respondents considered the activity that needs the most development within the action groups is the acquisition of resources outside the LEADER programme.

The questionnaire contained questions about the modes of governance, a system compiled by Robert Lukesch (2007). (Table 1)

<table>
<thead>
<tr>
<th>Level</th>
<th>Main theme</th>
<th>Mode of governance</th>
<th>Main LEADER features addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Survival</td>
<td>Sustenance</td>
<td>Context not appropriate for LEADER</td>
</tr>
<tr>
<td>2.</td>
<td>Identity</td>
<td>Allegiance</td>
<td>Area-based approach</td>
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<tr>
<td>3.</td>
<td>Power</td>
<td>Charisma</td>
<td>Charisma</td>
</tr>
<tr>
<td>4.</td>
<td>Legitimacy</td>
<td>Planning</td>
<td>Partnership approach</td>
</tr>
<tr>
<td>5.</td>
<td>Achievement</td>
<td>Competition</td>
<td>Multi-sectoral integration innovation</td>
</tr>
<tr>
<td>6.</td>
<td>Equality</td>
<td>Conciliation</td>
<td>Bottom-up approach, Partnership approach</td>
</tr>
<tr>
<td>7.</td>
<td>Uniqueness</td>
<td>Strategic vision</td>
<td>Multi-sectoral integration - Networking and cooperation</td>
</tr>
<tr>
<td>8.</td>
<td>Sustainability</td>
<td>Shared responsibility</td>
<td>Networking and cooperation Decentralised management and financing</td>
</tr>
</tbody>
</table>

Action groups at an early stage of evolution on the governance ladder can be characterised by loose cohesion. During their later phases, the level of governance increases.

Fig 9. The presence of the eight modes of governance in North Hungary. Authors’ edition
Among the questions, 8 were related to the evaluation of the forms of governance by Robert Lukesch. Every group contained one characteristic sentence for one form of governance. These answers were summarized and figured in the spider chart. The majority of the answers belonged to the “survival” (No1) category.

According to the results of our questionnaire, the majority of the local action groups in the North Hungarian Region are only at the beginning of the governance scale. As Lukesch (2007) states, their performance does not correspond with the LEADER principles (Figure 9).

4. Discussion and conclusions

According to our results, significant imbalances exist in the distribution of rural development resources. The remotest areas seem to benefit the least from Axis 3 (centrally assigned) and from Axis 4 (locally distributed) financial support. This supports the statements in the literature concerning the unevenness of EU fund expenditure (Bonfiglio et al., 2017, Kundolf, S. & Küpper, P. 2017). The most favoured beneficiaries of both axes were settlements with a population density of 150–200 cap./km². It can be argued that more urbanised places receive more from these rural subsidies. The findings of our questionnaire research show that the LAGs of North Hungary are at a very elementary stage of their multi-level governance evolution process. This verifies the suggestion of Dargan and Shucksmith (2008) that social capital development in these areas should be prioritised.

Our assumption that Axis 4 support – that provides smaller financial aid per project – should result in a smoother intervention, has failed. Comparing with centrally distributed Axis 3 resources – moreover, supporting relatively bigger projects – the spatial unevenness of LEADER subsidies is apparent. Additionally, in our target area, Axis 3 resources are more rural centred, as these smaller settlements are supported to a relatively greater extent. Theoretically the decisions made in the LAGs should mirror local circumstances. As found in the literature (Cañete et al., 2018), Axis 4 supported projects usually strengthen already developed areas, settlements and rural actors, thus more peripheral and marginal zones, and for-profit and non-profit LAG members, rarely become beneficiaries. This argument is in parallel with Thuesen (2009) and may refer to an elitist approach prevailing in some local action groups.

The role of local prominent people is crucial in the life of the examined LAGs. The influence of the leaders of some settlements seems to be too great within the LAG. Governance is achieved through strong local leaders. This argument fits the theory of the forms of governance (Lukesch, 2007).

The assumption that in the case of smaller LAGs, there is a greater possibility for smoother intervention and a more even redistribution of sources (Küpper et al., 2017) could not be confirmed in this target area. This can be explained by the low level of socio-economic development and the lack of multi-level governance experiences of the examined action groups. Curiously, the centrally tailored and managed Axis 3 sources showed a more even distribution. Axis 3 provided more money to the settlements. The number of settlements supported by the centrally distributed Axis 3 is greater. Overall, the distribution of Axis 3 resources within LAGs shows greater inequality in fewer LAGs. The higher inequality in Axis 4 may be caused by the specificity of LEADER in that decisions are made locally on the allocation of resources by local champions.

In the 2014–2020 planning period, the number of projects is evenly distributed among the spheres participating in the LEADER programme. In the period between 2014 and 2020, there are some changes in the fact that county government offices were already playing a more important role in the administrative processes of resource allocation.

In connection with our hypotheses, we found that:

- According to our examinations, financial support connected to Axis 3 was spread more evenly than the LEADER subsidy.
- No correlation can be established between the distribution of resources and the time of setting up LAGs.
For settlements with a lower population density, on average, the total amount per settlement is lower in Axis 4. We can state that more resources from Axis 3 were allocated to settlements with lower population density.

Our research results can provide some information for the formation of a more successful LEADER institutional constellation at both central and local levels. However, there are some notable limitations. As the quantitative data used in the analyses were available only for the 2007–2013 cycle, the results could not be compared with the outcomes of the questionnaire examination, since the latter was completed by LAGs of the recent (2014–2020) period. After the closure of the current cycle, a statistical examination is planned and a possible governance development path might be investigated.

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Academic references


Other sources


