

**EVALUATING RURAL DEVELOPMENT:
A CRITICAL INVESTIGATION OF TECHNIQUES
AND OBJECTIVES USED TO ASSESS THE LEADER
PROGRAM OF THE EU IN HUNGARY**

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ABSTRACT

This paper investigates the evaluation of endogenous development from a methodological perspective both in theory and practice in the context of the LEADER program of the EU in Hungary. It argues that the LEADER approach consists of a handful of features that cannot be evaluated entirely by quantitative measures. Although the use of exogenous methods is justified for the sake of information needs of certain stakeholders, endogenous evaluation incorporating qualitative measures is more appropriate to assess the value-added of LEADER.

As opposed to the current approach, which overly emphasizes the exogenous forms of evaluation, the paper argues in favor of an evaluation design that takes into account the insight of the local actors as well. The paper responds to the challenge of satisfying the diverging information requirements of the stakeholders by introducing an evaluation tool that builds upon the endogenous appraisal of local stakeholders and at the same time enables the aggregation of the results on the extra-local level.

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LIST OF ABBREVIATIONS

ARDA – Agriculture and Rural Development Agency

ARDOP – Agriculture and Rural Development Operative Program

EU – European Union

LAG – Local Action Group

LEADER – Liaisons entre Actions de Développement de l'Économie Rurale (Links between Actions for the Development of the Rural Economy)

MARD – Ministry of Agriculture and Rural Development

TABLE OF CONTENT

ABSTRACT	ii
ACKNOWLEDGEMENT	iii
LIST OF ABBREVIATIONS	iv
TABLE OF CONTENT	v
INTRODUCTION	1
CHAPTER 1 – Evaluation and its purpose in the case of the LEADER program.....	6
1.1. Definitions	6
1.2. The four levels of stakeholders.....	8
1.2.1. The EU-level.....	8
1.2.2. The national level.....	9
1.2.3. The LAG-level	10
1.2.4. The project level	11
CHAPTER 2 – The LEADER-approach	13
2.1. Rationale for unique evaluation.....	13
2.2. The seven features of LEADER	15
CHAPTER 3 – How to evaluate endogenous development programs?	20
3.1. What is the adequate method of evaluation?.....	21
3.2. What are the appropriate types of measures?.....	26
3.3. What is the appropriate level of evaluation regarding the value-added of LEADER?..	27
CHAPTER 4 – Current evaluation practices in Hungary	29
CHAPTER 5 – The development of an evaluation technique for LEADER.....	34
5.1. The main question for evaluation	34
5.2. The stages of evaluation.....	35
5.3. A methodological tool for carrying out the proposed evaluation	38
CONCLUSION	42

“Not everything that counts can be counted. Not everything that can be counted counts.”

(Albert Einstein cited in UNESCO 2005, p.2)

INTRODUCTION

Rural development has gradually evolved from an abstract notion into a sector of high priority with institutionalized recognition among the common policies of the European Union. The theoretical basis of rural development has evolved in the previous decades, placing today more emphasis on locally and area-based, bottom-up approaches than in the past, with greater participation, integration, decentralization and partnership. This paper, in line with Ray (2000) uses the words “bottom-up”, “endogenous”, “grass roots” and “participatory” interchangeably to refer to the process in rural development that “arises from within” as opposed to “exogenous”, or “top-down” rural development that is “driven from without” (High et al. 2007, p.105). The basic philosophy behind these concepts is the recognition that local circumstances as well as the needs and interests of the inhabitants are crucial factors that need to be taken into account in order to carry out effective policies in rural areas. The assumption of top-down policies about the “convergence and the unilinearity of development processes is no longer considered valid” (Saraceno 1999, p.451). As Lukesch points out:

“As each and every rural territory is unique, the local partnership will be unique in its style and behavior, its intrinsic qualities and its vulnerability.” (Lukesch 2007, p.3)

This means that there are no ‘one size fits all’ solutions for the problems of rural areas. Bottom-up policies correspond to this development ethos. One of the rural development measures of the EU is the LEADER initiative that follows such an approach. Although, the share of LEADER within the EU budget is relatively tiny, it has been regarded as a successful policy-design (Saraceno 1999, p.442) for the enhancement of the local potential for rural development and the chances are that its application will widen in the future. Therefore, as

various scholars agree (Ray 1999, Saraceno 1999, High et al. 2007) it is a significant and timely topic that is worth investigating.

The introduction of the LEADER program in the EU has generated a debate both on the effectiveness of such an approach in rural development and on the methods of evaluation (Ray 2000, p.456). The assessment of the approach itself is beyond the scope of this paper. The focus of the research is instead the evaluation of the initiative. There is an extensive literature on evaluation both from a general policy perspective (Rossi et al. 1993, OECD 1999, Knoepfel et al. 2007) and concerning rural development or the LEADER program in particular (Moseley 2003, Saraceno 1999, Ray 1999, High et al. 2007, Schuh 2006, OIR 2003, Lukesch 2007). Evaluation in general can be undertaken for various reasons, such as to identify means to improve a policy or a program, to assess whether changes have occurred in an appropriate way, or to fulfill the accountability requirements of funders (Chelimsky 1978 in Rossi et al. 1993, p.34). The stakeholders involved in LEADER require different kind of information from evaluation. In order to justify that a measure is worth financing, the European Commission and the program managers need quantified data focusing on output and financial indicators (High et al. 2007). On the other hand, for local stakeholders, a qualitative assessment of the achievements on the local level is more appropriate in order to improve the program delivery. While the first function can be achieved through exogenous evaluation, endogenous evaluation is more appropriate for the latter (Saraceno 1999). The problem with the evaluation of bottom-up rural development programs is that they are

“...complex, and multi-dimensional processes; they generally comprise multiple actions, pursued by multiple actors in pursuit of multiple goals. Just ‘what affected what’ is difficult to entangle – a problem exacerbated by the often intangible nature of some of the outcomes being pursued – for example a ‘culture of enterprise’ or a ‘greater sense of local identity’.” (Moseley 2003, p.197)

Article 61 of Council Regulation 1698/2005 defines the LEADER-approach based on its distinctive features that represent the operational principles of LEADER (Lukesch 2007, p.4). A great deal of literature has been published on a reformed evaluation methodology that takes into account the specific features of LEADER (Saraceno 1999, LEADER II Observatory 1999, Ray 2000, Lukesch 2007, High et al. 2007). The EU also recognizes the need for a novel approach in evaluation, which is reflected in its guidelines (European Commission 2002, 2006a). The evaluation frameworks developed so far with respect to LEADER (LEADER II European Observatory 1999, OIR 2003) have contributed significantly to the progress in techniques and methods for the assessment of endogenous development. However, they lack an evaluation design that allows the assessment of LEADER with the complementary use of both exogenous and endogenous methods that could satisfy the information needs of all the stakeholders. The literature found on the subject mainly deals with the question of evaluation methodology concerning LEADER in general. However, as acknowledged by the EU, the LEADER initiative is highly embedded in the local context, with different ways of program delivery (European Commission 2002, p.7). It means that each Member State should design its LEADER program according to their particular rural needs and develop different administrative structures for the implementation of the measure (Hungarian LEADER Center 2007, pp.25-26). This particularity of program delivery has to be taken into account when assessing the practice of evaluation, which justifies the rationale to investigate the evaluation techniques and objectives in the context of an individual Member State. Therefore, the research question of the paper is: *what is the appropriate method of carrying out evaluations of the LEADER program in Hungary?*

This paper will address three main challenges of LEADER from a methodological perspective identified by Saraceno (1999). First, how to develop an evaluation methodology that takes

into account the specific features of the LEADER program. Secondly, how to compare and aggregate the results of the local territories on the national and EU level. Third, how to provide all the stakeholders with relevant information from evaluation. It will be shown that the LEADER approach consists of a handful of features that cannot be evaluated entirely by traditional quantitative measures through solely exogenous methods. The purpose of the paper is to investigate the evaluation methods and objectives of endogenous development both in theory and practice emphasizing the distinctive features of LEADER in order to find answers to the above-mentioned challenges and to design an evaluation technique that is more adequate to evaluate the effects of the program.

The policy interest in the topic of the paper is that it could serve as a pre-evaluation framework and could contribute to institutionalize an evaluation practice that is appropriate to the LEADER program in Hungary. Various experts and policy-makers agree that there is a great potential in LEADER, mainly due to its value-added features. An evaluation design that enables a more realistic appraisal of the results and impacts of LEADER is crucial for the sake of political justification of the reason of existence of such programs as opposed to top-down rural development measures.

In the research process I will examine the conditions for designing an evaluation practice related to the LEADER initiative on multiple levels (i.e. EU, national, local). Evaluation guidelines are prepared on the EU-level, the principles of which will be discussed in the paper. In addition to these guidelines, a wide range of secondary sources will be studied in order to understand the specificities of bottom-up rural development and the implications they have on evaluation. The debate on the appropriate method of evaluation will also be discussed in detail through a literature review. The state of play of evaluation related to the LEADER

program in Hungary will be investigated through reports on the subject and in-depth semi-structured interviews with public officials and experts. In addition, the empirical research will consist of a significant number of semi-structured in-field interviews with stakeholders in two Hungarian Local Action Groups (hereafter: LAGs) participating in the LEADER+ program. All 18 interviews¹ were conducted between June and August 2008. Before the interviews, a guideline was prepared including certain topics and questions the research seeks to cover, such as LEADER in general, the formation and running of the program on the LAG-level, the implementation of the specific project, evaluation and monitoring. These interviews were useful to understand attitudes of stakeholders and to learn about their perception of the program and opinion about evaluation. The qualitative research aims at identifying what local people regard as key factors affecting the results of LEADER and to understand the way local people see the changes occurred in their community due to the initiative.

The structure of the paper is as follows. First, concept and purpose of evaluation will be defined emphasizing the diverging interests of the relevant stakeholders. Then, in Chapter 2 the LEADER approach will be assessed based on its specific characteristics. Chapter 3 analysis the techniques of evaluation used to assess endogenous development. In Chapter 4, the current evaluation practices in Hungary will be discussed. Finally, in Chapter 5 an evaluation technique will be developed based on the findings of the research, taking into account the interests of stakeholders, the objectives of the program as well as the particular characteristics of LEADER.

¹ The 18 interviews gave different insights from various sources: two leading public officials at the Ministry of Agriculture and Rural Development, three public officials at the Agricultural and Rural Development Agency, three employees of LAGs, eight beneficiaries of the LEADER program and two experts on the field.

CHAPTER 1 – Evaluation and its purpose in the case of the LEADER program

There is a consensus on the legitimate place of evaluation within the policy cycle for that evaluation activities play a crucial role in understanding the effectiveness of policies (Kearney et al. 1996, p.31). However, in order to assess the effectiveness of evaluation itself, it is necessary to define the term as well as to understand its purpose from the perspective of the different stakeholders. The responsibilities, interests and the understandings related to evaluation differ among the main structural constituencies within the multi-level governance system of the LEADER program (High et al. 2007, p.104). In this chapter, first the concept of evaluation will be defined. Then the role of the main structural bodies will be explained with an emphasis on evaluation in order to show the differences among them concerning the kind of information they seek. The purpose of evaluation will be differentiated according to whom and why it is carried out.

1.1. Definitions

Evaluation in general can be defined as follows:

“It is designed to supply information about complex social and economic problems and to assess the processes through which their resolution is pursued.” (Fischer 1995, p.2)

A more detailed definition of evaluation is developed by Casley and Kumar:

“Evaluation is a systematic ... analysis of performance, efficiency and impact in relation to objectives, its ultimate purpose being not to pronounce a verdict but rather to draw lessons from experience in order to adjust existing action and to modify and improve future effort.” (Casley and Kumar 1987 cited in: Moseley 2003, p.194).

A slightly different definition on evaluation is provided by OECD:

“Evaluation ... provides feedback on the efficiency, effectiveness and performance of public policies and can be critical to policy improvement and innovation. In essence, it contributes to accountable governance.” (OECD 1998, p.1)

From these definitions we can identify a number of key terms, or purposes that will be important when we relate the activity of evaluation to specific interests of the stakeholders in LEADER. These are: information on problem resolution, achievements vs. objectives, policy improvement, draw lesson, innovation and accountability. Although not stated explicitly in the above-mentioned definitions, it is important to point out another purpose emphasized by Moseley (2003, p.195), which is empowerment. Moseley refers to the improvement of the capacity of those directly involved in the development process through active participation in its evaluation as well.

For the sake of clarity, the terms monitoring and evaluation should be distinguished. Monitoring is the checking of the direct results with respect to the targets of the program, while evaluation refers to the assessment of the effects of the intervention (European Commission 2008a, p.35). The two activities are highly connected in the sense that data from monitoring provide the basis for evaluation (IDEA et al. 2005, p.34). Therefore, it is important to investigate what kind of data are generated through monitoring activities in Hungary for that they are used for evaluation purposes as well at a later stage. This will be discussed in Chapter 4. However, for the purpose of evaluation additional data is required so that a systematic assessment of the program can be carried out (IDEA et al. 2005, p.34). While monitoring takes place throughout the whole programming period, evaluation is only carried out at specific stages of the programming process (European Commission 2002, p.41). At each of these stages, the focus and the purpose of evaluation differ. Rossi et al. (1993) and Moseley (2003, p.196) distinguish three different kinds of evaluation: one that assesses the context of an intervention to design the implementation and define the expected outcomes, the second that monitors the execution of a program in order to improve the performance and the third that appraises the effectiveness and efficiency of the program through the measurement

of the actual effects. The first can be identified as the ex-ante, the second as the mid-term and the third as ex-post evaluation. Besides the above-mentioned categories, Fischer (1995, p.2) points out another way of categorization based on the focus of evaluation: it can be the outcomes of certain programs (“outcome or impact evaluation”), or the process through which the program is implemented (“process evaluation”).

1.2. The four levels of stakeholders

After having defined the term evaluation, we need to look at what it means in the case of LEADER for those involved in the program. Ray (2000), based on an assessment produced by AEIDL in 1998 distinguishes three types of stakeholders in the LEADER program, namely the European Commission, the Managing Authority of the Member States and the LAGs, each of them seeking different information from evaluation. In addition to Ray’s triple typology, we can distinguish another circle of stakeholders, i.e. the beneficiaries of the program.

1.2.1. The EU-level

As Ray (2000, p.451) points out, the European Commission, more specifically the Directorate General of Agriculture and Rural Development is primarily interested in comparing the performances of the various LAGs and in assessing the value-added of the LEADER initiative compared to other rural development programs. For that reason, there are a handful of studies carried out by expert groups assigned by the European Commission, which analyze the peculiarities of the LEADER-approach (AEIDL 1999, OIR 2003). In the case of LEADER+ a series of magazines dealing with best practices as well as thematic case studies were published by the European Commission, which are accessible from the official website of the European Commission. These evaluations on LEADER contributed to the sophistication of the evaluation guidelines of LEADER (European Commission 2002, European Commission 2006a) introducing program-specific questions in addition to the general guidelines to be used

for the other rural development measures (High et al. 2007, p.111). (The value-added characteristics of LEADER and their implication to evaluation will be elaborated in detail in the following chapters of this paper.) These achievements are related to one specific purpose of evaluation that is expressed as policy innovation above. However, the fulfillment of the accountability requirements is also an emphasized interest of the European Commission. The European Commission (2008a, p.35) states explicitly that the purpose of the formal evaluation reports is the legitimization of public spending, i.e. to demonstrate ‘value for money’ (O’Keefe 2006) for the European Commission. These formal evaluations are based on a framework of standards for outcomes established by the European Commission and they are aimed at the program level (European Commission 2008a). Recently the role of evaluation as a tool for improving policy implementation has also become strengthened on the EU-level with the establishment of the European Evaluation Network for Rural Development (European Commission 2008b). The information needs of the EU would require the use of two evaluation approaches; one that assesses physical and financial indicators the same way as other EU programs, and another that evaluates the unique characteristics of LEADER as opposed to other rural development measures (LEADER II Observatory 1999).

1.2.2. The national level

On the national level, it is the Managing Authority that is responsible for the rural development programs of the EU. It is formed within the Ministry of Agriculture and Rural Development (hereafter: MARD). The Paying Agency, closely linked to the Managing Authority, is the designated body for administering and controlling the payment of the rural development subsidies. In Hungary this task is carried out by the Agricultural and Rural Development Agency (hereafter: ARDA). According to article 34 of Council Regulation 1260/1999, the tasks of the Managing Authority, narrowing it to the topic of this paper, is to set-up a system to collect financial and statistical data for monitoring and evaluation purposes

and to complete an implementation report on a yearly basis (MARD 2006, p.147). In addition, as an interviewee who is a public official dealing with issues regarding LEADER+ in MARD pointed out, the Managing Authority is also responsible for selecting the LAGs among the candidate local groups based on their local action plan. In Hungary, as far as the LEADER+ is concerned, seventy LAGs were selected among approximately 300 applicants. Their main priority is the activation of as much funding as possible from the EU budget (MARD 2006b, p.7). According to an interviewee from ARDA, the task of the Monitoring Department that is responsible for issues of evaluation of all the rural development measures is to develop an indicator table based on the Common Monitoring and Evaluation Framework of the EU and the Program-complementary Document (MARD 2006c) and to record the monitoring data on a specific computerized database. The main interest of ARDA from evaluation and monitoring is the justification of compliance with EU regulations.

1.2.3. The LAG-level

The third type of actors is on the local level. The LAGs are the central constituencies of the LEADER program, the members of which are actors from the private, the public and the voluntary sector, who define and implement a local rural development strategy of their area through a set of innovative measures (Delgado et al. 2002, p.7) The geographical area covered by each LAG is not necessarily parallel to the areas delimited by the counties. As a general rule, the total number of the population covered by each LAG has to be above 10 000, but cannot exceed 100 000 (ARDOP 2006, p.123). Their task is the preparation of the local rural development plan. In addition, for the programming period of 2004-2006, a working group was founded within each LAG to manage, and coordinate the local project applications. As an interviewee from MARD explained, they were entitled to spend 15% of the budget allocated to the LAG for their functional expenses, such as personal and technical equipments, travel costs, or organizing events. Unlike the bodies mentioned previously, the LAGs are more

interested in demonstrating accountability to the Managing Authority as well as acquiring feedback about the implementation of their local strategy (Ray 2000). In order to receive the payments from the Paying Agency, the working group is interested in demonstrating that the money was spent in a duly manner. For that reason they are required to submit a quarterly report in which they evaluate their performance. These reports however, merely monitor the progress of the programming process. As an employee of a LAG pointed out in the interview, in order to enhance evaluations that exceed the formal requirements, the partnership between the Paying Agency and the LAG needs to be strengthened, so that the working group does not have to put all its effort in justifying their spending. The working group of the LAG had an important role in surveying the local needs that provided the basis for the local development strategy. At the same time, they are closely acquainted with the beneficiaries. Therefore, their insight is crucial for the evaluation of the effects of LEADER. The evaluation of LEADER at program level provides an aggregate picture of the initiative, which is expected to have valuable information for the LAGs as well in terms of evaluating their local strategy, benchmarking and exchange of knowledge among the localities (European Commission 2008a, p.35). However, evaluation undertaken by the LAG is crucial for the long-term improvement of program delivery (Lukesch 2007).

1.2.4. The project level

The fourth group of stakeholders is the beneficiaries. Although, some of them are also members in their LAG, many remain outsiders from that local constituency. As one interviewee, who is both a member of the LAG and an applicant from the business sector explained, the importance of being the member of a LAG is twofold. First, they can define the different fields of development for which the applications can be submitted. Secondly, the members of the Local Monitoring Committee, whose task is to evaluate the applications, are elected among the LAG members. Some of the beneficiaries, on the other hand only get

involved actively in the program after the local strategic plan has been announced. Their main interest in evaluation is to point out the difficulties of the programming process, which could eventually lead to the improvement of the implementation. The beneficiaries interviewed were generally dissatisfied with the administration of the program, although they appreciated the work of the LAG as well as the Paying Agency in helping them with the applications. One interviewee, whose responsibility was to manage the LEADER application of a municipality, remarked that the process of the application was rather bumpy due to the fact that the rules of the administrative procedure often changed in the last minute. During the empirical research, almost all the beneficiaries mentioned the slowness of the payments as an important shortcoming of the program administration. One of them, who is a member of an association that participated in the program referred to participants in other LAGs whose businesses went bankrupt because they did not receive the payments as expected.

Having discussed the different interests from evaluation of the four groups of stakeholders in the case of LEADER, we can conclude, in line with Kearney et al. (1996, p.23), that those who conduct evaluations should not disregard the different interests of the stakeholders and should instead establish an approach that explicitly acknowledges these differences and provides valuable information for all concerned.

CHAPTER 2 – The LEADER-approach

LEADER is made up from the French acronym “Liaisons entre Actions de Développement de l’Économie Rurale”, which means “links between actions for the development of the rural economy” (European Commission 2008a). LEADER was first launched in 1991 in the 15 Member States of the EU with the aim to reduce poverty and stop the ageing of the population in rural areas (Biro-Nagy 2007, p.19). The message of the program was to initiate innovative measures that valorize local resources for the sake of sustainable rural development (Nemes et al. 2005). LEADER+ is the third generation of the initiative, referring to the programming period of 2000-2006. Although Hungary participated in a pilot LEADER program prior to its accession to the EU, LEADER+ is the first generation of the program that Hungary has experienced in its full-scale potential.

2.1. Rationale for unique evaluation

In order to carry out an effective assessment of the evaluation of LEADER both in theory (Chapter 3) and practice (Chapter 4) as well as to design an appropriate evaluation technique (Chapter 5) we should understand the main concepts that the program is based upon. The LEADER-approach implies a number of distinctive features regarding its logics of development, which can be described as the value-added of the program (Saraceno 1999). It is important, because “different logics of development suggest different logics of evaluation” (High et al. 2007, p.106). According to High et al. (2007) and Saraceno (1999), seven primary features of LEADER can be distinguished: it is bottom-up, locally based, integrated, emphasizes innovation, promotes networking activities, centered on the autonomy of a LAG in terms of selecting actions and beneficiaries and also allows the LAGs to allocate funds from a given allowance. The European Commission also recognizes the rationale to take into

account the specific characteristics of the initiative in the evaluation and states in its notice to the Member States that

“the evaluation exercise, while drawing on physical and financial indicators, will also be supplemented by specific indicators relating in particular to the integrated territorial approach, the pilot nature of the actions, the operation of the partnership, the organization and role of the participating administrative structures, networking and the environmental impact” (European Commission 2000, p.11).

The features indicated as the characteristics of LEADER have to be reflected in the evaluation questions of the program in order to acquire a better picture about the effects of the initiative (Saraceno 1999).

The LEADER II European Observatory study (1999, p.12) provides an example to demonstrate the importance of measuring the value-added of LEADER with a project on rural tourism. The study asserts that although the diversification of jobs, the generation of extra income and the increase in the number of visitors are important achievements, that can be measured in quantitative terms, the project has numerous added benefits, such as the promotion of local products or the enhancement of participation, which would not appear in the statistical results. Therefore, the unique elements of LEADER need to be appraised for the sake of a more realistic assessment.

The methodological challenge, as pointed out by Saraceno (1999, p.441) is how to measure these features, which are rather abstract and “mostly intangible”. Somehow, they have to be transformed into a more concrete, however still qualitative measurement variables. However, at the same time the evaluation method should allow the aggregation of the results. Therefore, as Saraceno puts it,

“the issue is not so much to find appropriate indicators ... but rather to find appropriate and meaningful classificatory variables and categories of analysis to understand what has been achieved.” Saraceno (1999, p.441)

In order to do so, first the seven features should be defined, which characterize the LEADER-approach. This would lead to the identification of certain classificatory variables that can be related more directly to actions.

2.2. The seven features of LEADER

The first and perhaps the most important feature is the *bottom-up approach*. The bottom-up approach implies consultation with all the stakeholders in order to formulate a development plan (Saraceno 1999, p.443). But it is more than just consultation, it creates effective participation. In fact, the notion of endogenous development has been used frequently by various organizations and development agencies to refer to “participatory decision-making” (European Commission 2002) as an emerging approach to rural development. According to an OECD publication (2003, p.40) participation should not be promoted because it is a required democratic phenomenon per se, but because it is the effective way of bringing about progress and improving society. It is based on the belief that local communities, through the participation of citizens from the public, private and civic sector are adequate sources to define problems, assess alternative options and find solutions for the improvement of their socio-economic well-being (Ray 2000, p.447). An important element of the bottom-up approach is capacity-building, which consists of the mobilization of the local people to participate in the planning, implementation and even after the termination of rural development programs (European Commission 2002, p.33). Moseley (2003, pp.4-6) argues that the knowledge and experience of local people are indeed crucial resources in rural development, but also points out that participation is only possible if the people believe that their contribution would bring about beneficial change regarding the particular problems of their specific area. This brings us to the notion of empowerment, which means that “participation is more than nominal” and participants have real power in determining the strategy of their area (Storey 1999, p.308). In addition and closely related to participation,

endogenous development is also based on the principle of subsidiarity and partnership (Osti 2000, p. 172). The first suggests that public matters should be handled at the lowest level, as close as possible to the local citizens, while the latter refers to the shift from a hierarchical structure of decision-making into a mechanism of negotiations (Osti 2000, p. 172). It suggests that decisive development in rural areas is only possible if there is a joint effort to do so by the municipalities, entrepreneurs and the voluntary sector (Biro-Nagy 2007). Ray defines the term endogenous as the antithesis of exogenous (Ray 2000, p.447). However, Schuh rejects that bottom-up development in the case of LEADER would be the perfect opposite of top-down approach, and argues that it is rather a structure and process of a “multi-tier learning” (Schuh 2006), where the local groups act as linkages between the authorities and the people.

The second feature of LEADER, closely related to the bottom-up approach is that it is *locally-based*. It emphasizes the use of local resources, both physical and human as opposed to exogenous development where decision-making and the supply of resources are driven from outside the local territory (Ray 2000, p.447, Saraceno 1999, p.446). While in some respect all rural areas share common characteristics, their socio-economic circumstances and consequently their development needs vary (Moseley 2003, p.5). For that reason, the rural development programs, as Moseley (2003, p.5) puts it, have to be “locally sensitive”. Such an approach is based on the idea that giving a greater emphasis on local circumstances as well as the needs and interests of the inhabitants leads not only to better quality of decisions but also increases the chances of successful implementation (Curry 1993 cited in Storey 1999, p.308).

The third feature that LEADER implies is the *integrated* strategy, where the policy has shifted from the traditional, sectoral intervention to a territorial one (Ray 2000, p.449). It is based on a multi-sectoral thinking and is not equivalent to simply bringing the sectors together (Laan

2007). This means that the program for rural development is implemented by the shared effort between actors of different sectors and through the interaction of projects (European Commission 2002, p.34). Since integration suggests the inclusion of all the actors with interests in the delivery of the development strategy, it is closely linked to participation (Storey 1999, p.308).

Networking, as the fourth distinctive feature of the LEADER-approach, refers to the exchange of information (experiences and know-how) among the actors affected by the initiative in order to learn from each other (European Commission 2002, p.35). As the European Commission document (2002) points out, it requires active participation and meaningful cooperation from the stakeholders. According to Shucksmith (2000) the criterion of social inclusion is a related concept. He argues that the building of collective capacity of marginalized groups should be a crucial element of LEADER; however, experience show that often it merely gives greater power to those who already enjoy a more advantageous position to participate in the program.

The fifth important component of the approach is the emphasis on *innovation*, which also implies learning in that it supports activities of experimental nature (High et al. 2007, pp.107-108). The requirement of innovation means that the strategies must incorporate projects that create new practices compared to the measures of the mainstream rural development programs (European Commission 2002, p.34). Since innovation generally implies the introduction of new product, or a new market (LEADER II European Observatory 1999, p.29) it can be linked to diversification.

The sixth feature of LEADER is the LAG, with the establishment of ‘horizontal partnerships’ (LEADER II European Observatory 1999, p.15). The LAG, as a key constituency in the system “must consist of a balanced and representative selection of partners, drawn from the different socioeconomic sectors in the territory” (European Commission 2002, p.34). The representation of different interest groups leads to enhanced partnership and increased economic diversification (LEADER II European Observatory 1999, p.27). The LAGs are entitled to define the content of the local rural development strategy. The administrative structure of the system implies a multi-level governance, which requires the cooperation among all the levels (i.e. EU, national, local) throughout the entire process of programming, including the stage of evaluation (Tvrdonova 2007). Osti (2000, p.177) points out the important effect of local persons with power and responsibility as well as the power structures within the LAGs as important elements of the the local group. He employed the threefold model of social order based on Polanyi’s work as a framework of analysis and grasps the internal functioning of the LAGs through the notion of reciprocity. He claims that reciprocity (i.e. relationships based on trust) within the members of the LAGs as well as between LAG members and the groups they represent is of crucial importance in understanding the way LAGs are working.

The seventh core feature is related to the “*methods of management and financing*”, which implies certain autonomy and decentralization in financial decision-making (LEADER II European Observatory 1999, p.15). The LAGs are allowed to allocate their resources to various measures identified in their Local Rural Development Plan and the project applications are evaluated and approved or rejected by members of the LAG (LEADER II European Observatory 1999, p.36).

Having defined the primary features of the LEADER-approach, we could see that the seven features are highly interrelated. Although there are certain concepts that are unique characteristics of a specific feature, we could identify five that correspond to more than one feature. These concepts are labeled as classificatory variables and are shown in Table 1 with the corresponding features of the LEADER-approach.

Table 1: The seven features of LEADER and the corresponding classificatory variables

LEADER features	Classificatory variables
Bottom-up approach	Participation
	Empowerment
	Capacity-building
	Partnership
	Social inclusion
Locally-based approach	Indigenous
	Context-specific nature
	Decentralization
Integrated	Partnership
	Cooperation
Networking	Participation
	Cooperation
Innovation	Learning
	Economic diversification
Local Action Group	Partnership
	Economic diversification
	Trust
	Cooperation
Methods of management and financing	Decentralization

CHAPTER 3 – How to evaluate endogenous development programs?

As we have seen, there are various purposes of evaluation, depending on the time of the evaluation and its focus with functions varying from controlling where the money goes to contributing to the improvement of the programs. We have also seen that there are seven distinctive features embedded in LEADER that are described by Saraceno (1999) as “soft factors”. Saraceno (1999, p.445) argues that although these features highly influence the tangible results and impacts of the program, it is unclear to what extent and how they trigger them. This brings us to the question of how LEADER-like development measures can be evaluated. Perhaps the most significant feature of LEADER is its bottom-up approach. Since LEADER highly encourages participatory decision-making, one would expect that participation in planning would spill-over to the evaluation stage of the programming cycle. However, a significant number of academics criticize the institutional framework of evaluation concerning LEADER for being “exclusively exogenous” (High et al. 2007, p.111, Chambers 1997, Saraceno 1999, Ray 1999, Moseley 2003).

Endogenous development is not a unique invention of the EU. There is already a significant tradition of grass root initiatives outside of the EU, mainly led by international organizations dealing with development assistance in Third World countries, such as the World Bank (World Bank 2000). It is based on a change in the political discourse recognizing that “renewal starts from a proper understanding of communities” (DETR 1999 cited in Dobbs et al. 2002, p.157). Dobbs (2002) argue that while endogenous development initiatives have gained significant support in the rhetoric, it is still rather obscure what it is meant to achieve. The bottom-up approach to development is seen to be more effective than top-down policy-

making, since participation increases the number of different perspectives and ideas, which could contribute to improve the quality of the policy or a program (OECD 2003).

3.1. What is the adequate method of evaluation?

Taking into account the recognized benefits of bottom-up development, various researchers have come to the conclusion that evaluation should also follow such an approach. They argue that the problem with conventional evaluation practices is that they fail to take into account the added value of the LEADER program and focus mainly on the accountability objectives (Midmore 1998, Saraceno 1999 in High et al. 2007 p. 110). Saraceno (1999) claims that endogenous rural development programs, such as LEADER require different methods of evaluation than the conventional approach, and should provide “more substantial feedback on the effectiveness of local policy making” (Saraceno 1999, p.439).

The European Commission also recognized the peculiar nature of LEADER and therefore published a program-specific guideline for the mid-term evaluation of LEADER+ in 2002 in order to help the national authorities to carry out high quality evaluations the results of which can be aggregated on the Community level (European Commission 2002, p.4). The guideline seeks to remedy the shortcomings of the conventional evaluation methods by introducing a novelty approach that enables the measurement of the value-added of the LEADER program. It recognizes the context-specificity of LEADER, hence expects the program authorities to define the indicators and target levels corresponding to the common questions given by the European Commission for all Member States. In addition, the Member States are invited to supplement the common evaluation questions with specific ones along with relevant indicators addressing effects of the national implementation of the program that are not covered by the common evaluation questions (European Commission 2002, p.20). These questions and indicators should be developed by the Member States in a flexible way, but

keeping the coherence with the general principles related to the use of indicators for evaluation (European Commission 2006a, p.9). The European Commission (2002) does not require LAGs to carry out evaluations. However, it underlines the important benefits of such an evaluation both in terms of local management and participation and in terms of contribution to the evaluations at the program level. It is worth noting that evaluation activities at local level were eligible for co-financing under one of the sub-measures of LEADER+ (European Commission 2002, p.7). These novel approaches to evaluation can provide some evidence about the value-added of LEADER (High et al. 2007, p.111). However, while the formal evaluation that needs to be submitted to the European Commission by the Member States remains exclusively exogenous and still focusing largely on quantitative indicators, it can only capture the results on the program level, and will lack the meaningful insights of the local people.

The bottom-up approach in general could refer to different levels and kinds of participation, ranging from “open-ended participation” to “social dialogue” (Rose Ackerman 2005). For the sake of clarity, we should note that in the case of LEADER the advocates of endogenous evaluation imply solely the participation of those local stakeholders who are actively involved in the actions of the LAGs. We should distinguish participation as the aim of LEADER and participation as an approach to evaluation. While the aim of endogenous development is to enable the participation of a wide circle of local actors, including the marginalized groups, participation in evaluation concerns only a limited group of people (i.e. beneficiaries, members of the LAGs).

Based on the fact that “local people have the greatest wealth of subjective knowledge of their own experiences” (Watt et al. 2000 cited in Dobbs et al. 2002, p.159), Dobbs et al. (2002,

p.159) argue that the role of the local stakeholders should go beyond the mere submission of data and should provide active participation in the evaluation process. Ray (2000, p.452) justifies the participation of local people in evaluation with the argument that since local people are the ones who are the most directly involved in the policy processes, they should be involved in the animation of change. If local people are encouraged to recognize their mistakes, they can better adjust to perform better in the future (Chambers 1997, p.15). Estrella (2000, p.4) also emphasizes the benefits of endogenous evaluation for that it allows an internal learning mechanism to take place through the self-assessment of the stakeholders, which strengthens their capacity to contribute actively to changes. Similarly, Ray (2000) and High et al. (2007) also highlight the idea of “social learning”, meaning that LEADER has an important role of transforming the mentality of the people, which is seen as a long term process. Ray also points out that the initiative is highly embedded in the local context, therefore models of best practice cannot be transferred from one place to another. The above-mentioned factors also justify the need of an evaluation methodology with measurement criteria that reflects these features of the initiative rather than focuses on the measurement of concrete, immediate results (Ray 1998, p.86). In essence, from a methodological perspective the advantages of participatory evaluation is its flexibility and the fact that it takes into account the local contexts, the changing circumstances and the diverse needs and interests of stakeholders (Estrella 2000, p.4).

Rossi et al. (1993, p.153-154) in their work on evaluation also touch upon the question of who should be conducting the evaluations. They argue that the evaluator is required to have sufficient knowledge of the program, which justifies the advantages of internal evaluation. However, they also point out that an internal evaluator could raise doubts about the authenticity of the findings. Osti (2000, p.177) argues that evaluation carried out by people

independent of the LEADER is required for the sake of a clear understanding of its innovative character. Rossi et al. (1993) recommends the combination of both internal and external evaluators with the use of consultants or advisory bodies who can assist in the evaluation and at the same time provide oversight in order to ensure the objective assessment of the program. The authors stress that these external evaluating groups need to provide real service and do not just serve as “window dressing” (p. 440).

We have seen in Chapter 1 the different purposes of evaluation. It has been shown that the tasks of evaluation goes beyond the demonstration of the achievements of the programs for the funders, but also provides an “opportunity to foster social learning in rural development and to demonstrate integrity between the values of the program and the practices which it institutionalizes” (High et al. 2007, pp. 111-112). Various researchers argue, as demonstrated above, in support of endogenous evaluation. However, we have also seen in Chapter 1, that it is a legitimate interest of the EU, as provider of funding, to ask for results that clearly show the achievements of the program (Saraceno 1999, p.441) in order to support the argument that LEADER is a successful policy-design (High et al. 2007, p.109). While the first function is political and requires standardized data and assessment by independent evaluators, the second function cannot be fulfilled through exogenous evaluation (High et al. 2007). It is clear that both functions have significant value in the case of endogenous development. Therefore, the evaluation of LEADER should incorporate both methods. High et al. (2007) argue in favor of a “hybrid evaluation”, which reconciles exogenous and endogenous evaluation. It implies the simultaneous use of both approaches to evaluation providing a “shared understanding that arises in the interactions facilitated in the project” (High et al. 2007, p.114).

A different solution is presented in an AEIDL study (1998 in Ray 2000) for the problem related to the evaluation methodology. The study suggests the application of a “bilateral approach”, where two distinctive evaluations would be carried out on LEADER. One would focus on the accountability criteria and would require quantitative indicators, while the other would emphasize the “process and structures of local participative development” using mainly qualitative data. Ray (2000) criticizes this approach in that in practice the evaluation demonstrating the use of public funds would ultimately be the official evaluation, the one that would determine the flow of future funds.

Lukesch (2007) also acknowledges the necessity of exogenous evaluation, but argues that it should be complemented and supported by “internal monitoring and self-evaluation” of the program. He claims that the two kinds of evaluation activities can be combined in a “two-tier learning cycle” (Lukesch 2007, p.53), where LAGs are linked to the program authorities as well as the local actors through feedback loops. According to Lukesch (2007, p.53), the successful implementation of this form of evaluation depends on three main factors. First, the managing authority should give sufficient autonomy for LAGs in their realm of decision-making in order to fulfill their linking role between the top and the bottom effectively. Secondly, the continuity of structures should be guaranteed over more than just one programming period. Finally, there is a need for trust among the various actors within the different levels of administrative constituencies. In addition to that we can add the factor of willingness by local actors to take part in the evaluation process. According to Farrel et al. (2008, p.7) the difficulty with carrying out evaluation lies in the fact that it is “often seen as tedious and unwelcome by many relevant stakeholders”. They claim that there is a negative connotation by stakeholders concerning evaluation. Based on their findings the general attitude towards evaluation is rather dismissive for that many people tend to regard it as

“intimidating”, a “passing of judgment”, an “obstacle to their work”, or “a required activity that must be endured” (Farrel et al. 2008, p.7). That is why it is important not only to dismiss the myth of evaluation as an “assessment of good and evil” (Farell et al. 2008, p.7), but also to convince the local stakeholders that it is carried out for their own benefit.

3.2. What are the appropriate types of measures?

Many researchers argue in favor of the use of quantitative data, rather than qualitative data, since it is cheaper, it is more appropriate to get comparable results and avoids the risk of misinterpretation (Rossi et al. 1993, p.254). On the other hand, various experts advocate qualitative methods for the reason that it “provides better understanding of the causal processes obtained from intimate acquaintance with people” (Rossi et al. 1993, p.254). Basically, this means that if the goal of the evaluation is either the comparison of practices, or the objective monitoring of the funding, quantitative method is a more appropriate methodological design. However, qualitative data can provide substantial information on the aspects of the program that cannot be measured in numerical terms.

While the features of LEADER are difficult to measure in quantifiable ways, it does not mean that their effects cannot be accounted for. Bryden (2002, pp.9-10) also suggests the use of different kinds of indicators simultaneously: one that *measures* and another that *explains* performance. Ray (2000, p.451, 1998, p.79) also emphasizes the explaining function of evaluation and argues that it should focus on processes, structures and learning. He asserts that the LEADER program addresses socio-economic changes the achievements of which exceed the funding time scale of the program, therefore, measuring the immediate tangible results of the activities does not cover the whole picture.

3.3. What is the appropriate level of evaluation regarding the value-added of LEADER?

An interviewee at ARDA pointed out that the LEADER+ initiative, unlike any other measures of ARDOP is financed through the program and not through individual projects, which means that one program consists of several projects. The programs are launched by the LAGs who are responsible for finding the potential beneficiaries based on their local rural development plan. This is important concerning evaluation, because it also justifies why the LEADER program cannot be evaluated in the same way as the other measures of ARDOP. In terms of evaluation, we should rather regard the individual program of a LAG as a mini-ARDOP. The local rural development plan in a LAG defines the general objectives, as well as the operational objectives of their program. Each objective can be related to one or more LEADER-concepts that have been developed in Chapter 2. However, there is a difference among the LAGs in which features they emphasize in their LEADER program (Saraceno, 1999). For example, one of the Hungarian LAGs involved in the research defined six sub-measures in their Local Rural Development Plan that can be identified as operational goals. These goals include the development of small scale food processing, the promotion of local identity, the creation of local market, the restructuring of agriculture, the enhancement of community development and communication and the promotion of cultural events. Four of these objectives are closely linked to the enhancement of indigenous resources, while the latter two can be related to capacity-building and cooperation. If we want to evaluate the achievements of the LEADER program concerning its distinctive features in a local context, the locally defined objectives should be taken into account. Saraceno (1999, p.449) argues that since each feature has different weight for a LAG in contributing to the value-added of the program, we cannot calculate the overall value-added in a mechanical way. The value-added can only be measured in the level of each LAG. However, in order to acquire an

assessment on the entire LEADER program, evaluation in a coherent and aggregate form is also justified. Therefore, there needs to be a link between the evaluation of LEADER in the local-context consisting of an extremely heterogeneous set of projects as well as different emphasis concerning the LEADER-approach and that of the entire program in Hungary.

We have seen in this chapter, that although the importance of exogenous evaluation through quantifiable measures of the performance of LEADER is highly valued, there is also a rationale for endogenous evaluation with qualitative data. The evaluation design needs to be constructed in a way that exogenous evaluation would build upon endogenous evaluation. This idea will be elaborated further in Chapter 5. However, after having seen what *should* be done in theory, it is important to examine what *has been* done in Hungary concerning evaluation of EU rural development programs.

CHAPTER 4 – Current evaluation practices in Hungary

Although Hungary as a relatively ‘newcomer’ in the EU does not have the same experience with evaluating EU development programs as the 15 ‘old’ Member States, there is some evidence based on which the practice of evaluation can be assessed. Prior to the accession to the EU, the SAPARD program represented an important milestone for rural development, which was introduced in 1999 as a forerunner of the Structural Funds of the EU with the aim to introduce and legitimize rural development policy in Hungary (Kovacs et al. 2005, p.111). Kovacs et al. (2005) published a review on the implementation of the SAPARD program in Hungary. The goal of the review was to provide an impact assessment of the program emphasizing its specificities in the Hungarian context, analyzing its implementation and pointing out worst and best practices that could lead to policy recommendations for future rural development policy-making (Kovacs et al. 2005, pp.115-116). The study provides a comprehensive analysis of the SAPARD program in Hungary with a rather critical view about its implementation and the institutional set-up. As far as the monitoring activities are concerned, the results of which were used to carry out the evaluation, Kovacs et al. (2005) criticizes the lack of certain indicators, such as measures on the environmental impact. The authors of the study due to the lack of time and resources only used secondary sources of research material and official documents to carry out their evaluation. Some key actors were interviewed at an earlier stage of the programming process, but the stakeholders were not involved in the evaluation process itself.

Currently, the Member States of the EU are in the process of shifting from one programming period to another as far as the implementation of the rural development measures of the EU are concerned. According to the information from public officials, The LEADER+ program

was scheduled to terminate in September 2008. At the same time, within the framework of the new programming period, the potential LAGs already submitted their rural development plan, and the applications for local development projects would start at the beginning of 2009. In the programming period of 2004-2006, the LEADER program was included in the Agriculture and Rural Development Operative Program (ARDOP). Unlike the 'old' Member States, Hungary and the Managing Authority do not have to carry out mid-term evaluations of the LEADER+ program, due to the shortness of the programming period of 2004-2006. However, the Managing Authority revises the indicators and assesses the implementation of the rural development measures on a yearly basis (MARD 2006, p.158). The yearly reports are highly concentrated on financial data, and the indicators that are used to measure the achievements of the rural development measures are very vague and sometimes even meaningless. According to EU regulations, the LEADER program, just like other programs co-financed from EU funds is evaluated through a method that uses indicators related to the output, the outcomes and the impact of the programs (Lukesch 2007, p.53). The output indicator in the yearly report of Hungary is the number of LAGs. The outcome indicator is the number of organizations subsidized through the program. These organizations are differentiated based on location, sector and gender. The impact indicator is the number of jobs created or maintained, also differentiated by gender and location. The assessment of the indicators is limited to the comparison of the expected and the actual results. It is hard to draw any conclusions from these data about the socio-economic consequences of the program. Even the measurement of the number of jobs gives data that cannot be linked directly to the effects of LEADER, since it is calculated by adding up the number of jobs reported by the beneficiaries, who record only the total number of employees in the organization and not only the number of those who got or maintained their jobs there (MARD 2007). In addition to the yearly reports completed by MARD, a comprehensive evaluation of the sub-measures of ARDOP was also carried out by

external consultants (MARD 2006b). The section on LEADER+ in the report is very short, which is due to the fact that by the time of the evaluation it had only been recently been launched. However, there has not been any updated evaluation on the program.

According to the Agriculture and Rural Development Operative Program of Hungary (ARDOP) the ex-post evaluation of the whole program should be completed by the end of 2009 (MARD 2006, p.158). The official document of ARDOP (MARD 2006, p.158) states that its purpose is to analyze the effectiveness of the measures. In addition to the mandatory evaluation requirement, the Managing Authority, based on the guidelines of the European Commission is invited to design an evaluation system that catches the value-added and the overall impact of the program and hence goes beyond the mere monitoring of outputs and outcomes (European Commission 2002, p.20). According to interviewees, who are responsible for monitoring issues in ARDA, in Hungary the evaluation is limited to horizontal criteria, such as equal opportunities and sustainability and only includes data that are sufficient to complete the report for the European Commission. These data, according to the interviewees at ARDA focus on input and output indicators, and are collected with the help of the reports by the beneficiaries during and after the implementation of their projects as well as the application and payment documents. One of the final beneficiaries from the business sector mentioned during the interview that the Paying Agency had expected to receive a report after each milestone of the project to demonstrate whether it was implemented according to schedule. Apart from that, the beneficiary had sent a written evaluation after the first milestone of the project explaining in detail its achievements, but was told that it was not necessary. The interviewees noted that a distinguished system of indicators has not been elaborated in Hungary and as far as LEADER+ is concerned, its ex-post evaluation will not be detached from ARDOP. The problem of evaluating the LEADER+ initiative within ARDOP

is that the main goals of the initiative differ from those of the mainstream rural development measures. The other measures mainly focus on economic development and job creation in line with the general strategy of the Structural Funds (MARD 2006b, p.11). A number of beneficiaries during the interviews complained about the fact that current application templates as well as monitoring reports contain indicators – such as number of jobs created, change of production, or size of the land – that make only sense in agricultural development and cannot be interpreted in many cases within LEADER due to the nature of the projects. However, it is misleading to judge the performance of the LEADER initiative on the basis of economic indicators. Since the ex-post evaluation of ARDOP has not been completed, its results cannot be assessed in this paper either.

In this chapter it has been shown that the current practices of evaluation in Hungary come short of addressing the important effects of the value-added features of LEADER. The crude measures on job creation do not tell us much about the real effects of the program, not only because – as an interviewee who is an expert in the field pointed out – most of the projects don't create additional jobs directly, but also because the greatest impact of LEADER is not related to the question of *what*, but rather to the question of *how*. That is not to degrade the importance of measuring the extent to which LEADER is able to create extra income and employment that have been lost as a result of the decline of agriculture (van der Ploeg et al. 2000). However, if we want to compare the effectiveness of LEADER, with other rural development measures, concentrating solely on the above-mentioned indicators could lead to false judgments about the success or failure of the program. Therefore, we should concentrate on the value-added of the program related to its particular features. Information about the degree to which these distinctive features have effected implementation would be critical to

make a judgment on whether the program is worth funding. In the next chapter, a possible evaluation design will be presented taking into account the particular features of LEADER.

CHAPTER 5 – The development of an evaluation technique for LEADER

We have seen in Chapter 4 that in spite of the recognition that the specific characteristics of LEADER call for adjustments in the methods of evaluation as well (European Commission 2000), they are still overly quantitative and lack endogenous input. In this chapter, an evaluation technique for LEADER will be developed in light of its specific features as identified in Chapter 2 and based on the conclusions of Chapter 3 on the suggested methodological approach. The following aspects of evaluation practice will be considered:

- 1. What is the main question that evaluation seeks to find answers to?*
- 2. What are the stages of evaluation?*
- 3. What is the appropriate tool to carry out the evaluation?*

5.1. The main question for evaluation

According to Knoepfel et al. (2007, p.31) the evaluations should focus on the direct and indirect effects of a program from the aspects of effectiveness, efficiency and relevance. These aspects are completed by the EU with that of utility, coherence and sustainability (European Commission 2002, p.38). An IFAD study (2000) includes the extent of impact as one important evaluation question. However, the relevance of these aspects depends on the stage of the program (European Commission 2002, p.38). In the ex-ante evaluation, the aspects of relevance and coherence are more meaningful than in the later stages of the implementation. In fact, according to a public official at MARD, the LAGs are selected by the Managing Authority based on the relevance of the priorities with respect to the prospects laid down in the local rural development plan and the coherence of the actions. Therefore, these two aspects are evaluated prior to the implementation of the programs. On the other hand, the mid-term evaluation should mainly focus on utility, effectiveness and efficiency. Finally,

besides the aspects that are important during the implementation period, ex-post evaluations should also assess the program from the perspective of sustainability. It means that the judgment criteria and the corresponding indicators also vary depending on the aspect of evaluation. This paper does not aim to provide a full-scale evaluation guideline, but rather to show a possible design of evaluation. This evaluation design focuses on the aspect of effectiveness. Therefore, the basic question, based on IFAD (2000) is: *to what extent have the planned objectives been achieved?*

5.2. The stages of evaluation

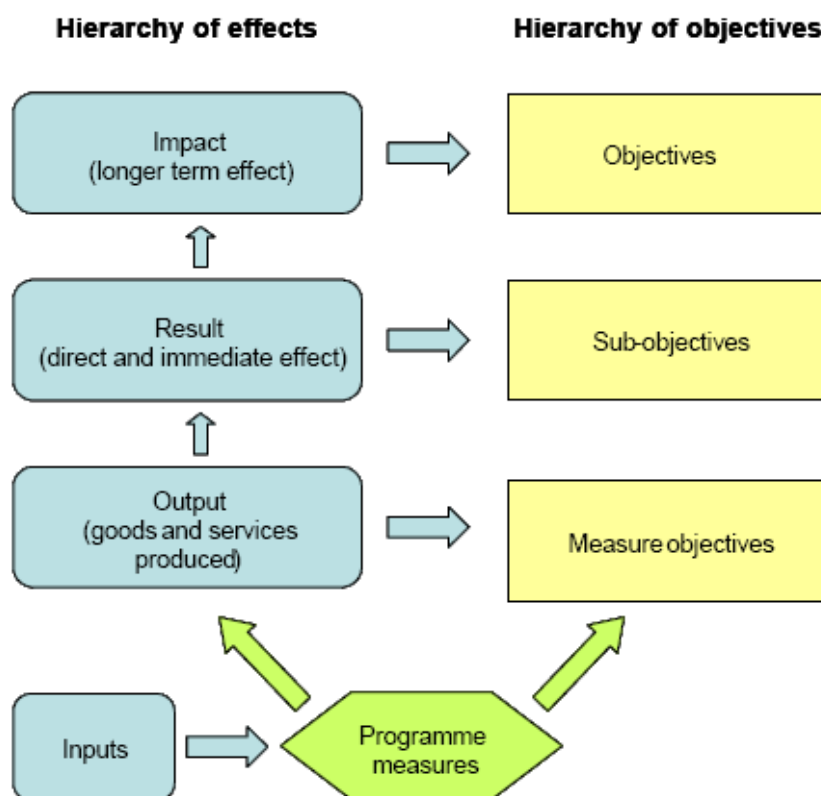
We have identified in Chapter 3 various reasons why the evaluation of LEADER should involve appraisal on the LAG-level. Nevertheless, as we have seen, the exogenous evaluation with comparative and aggregate results is also necessary. Therefore, the stages of the evaluation should consist of an endogenous evaluation through which the achievements would be assessed in each LAG, and an exogenous evaluation on the program-level incorporating the findings of endogenous evaluation, which would produce the comprehensive appraisal of the program on the national-level.

First, in order to evaluate the effects of the LEADER-approach, the classificatory variables need to be assessed by the stakeholders on the local-level. Then, once we have got the information on how the local stakeholders perceive the degree to which the classificatory variables have been taken into account during the implementation of the program, we can link that to the original features of LEADER. For example, if the local evaluators find that participation and capacity-building were achieved to a great extent, while economic diversification was considered to be poor, then we can say that the innovative feature of LEADER was incorporated in the programming to a lesser degree than networking and the bottom-up approach. It is important to note, that as we have seen in Chapter 3, various

classificatory variables correspond to more than just one LEADER-feature, although not in the same weight, which needs to be taken into account when the results are assessed.

These results can provide the basis for the next stage of evaluation, when the program is assessed on the national-level. Now the objectives can be compared to the results, that not only consist of the tangible outcomes and impacts, but also measures on the extent to which the LEADER-approach has been effectively implemented based on the assessment of the local stakeholders. Although the peculiarities of LEADER affect the choice of methodological approach, the general logic of evaluation still applies. It means that the impacts, the results and the output should be juxtaposed with the general objectives, the specific sub-objectives and the operational measure objectives respectively as shown in the Figure below (IDEA 2005).

Figure: Relations between objectives and effects in the programming cycle



(Source: IDEA et al. 2005, p.6)

The evaluation should reflect the extent to which the pre-defined goals of the program have been achieved. We need to clarify which goals are relevant for the exercise. In Hungary, we can distinguish three levels (i.e. the EU, the national, and the LAG) where the goals have been set with respect to the LEADER program. In the case of LEADER+ the EU expects from the program

“to encourage experimenting with new ways of enhancing the natural and cultural heritage, reinforcing the economic environment in order to contribute to job creation and improving the organizational abilities of the communities” (European Commission 2000, p.6).

According to the Commission notice (2000) these goals should be achieved with the help of effective cooperation of local actors and through the implementation of integrated measures and original strategies for the sake of long-term development. The second level of the objectives are stated in ARDOP, which the Managing Authority have had approved by the European Commission. These include the improvement of living and working condition, development of a living community, the improvement of organizational and cooperative capacities, the generation of new and sustainable ways of income and the creation and maintenance of employment (MARD 2006b, p.114). These general objectives are to be achieved through the introduction of local products and services that take into account local needs, the enhancement of community participation in the planning and the implementation of the program and the diversification of economic activities (MARD 2006b, p.115). The objectives of the LAGs show a great deal of heterogeneity, although they are required to align with the objectives of the extra-local level. The Local Rural Development Plan that has been studied thoroughly in this research contains the objectives, the sub-measures and their respective output and outcome indicators in quantitative terms. Since the research question of this paper concerns the evaluation of the LEADER program in Hungary, the task is to produce aggregate results on the national level about the achievements of the program. The evaluation on the program-level means that the objectives set forth in ARDOP would be the most

relevant when assessing the effects of the program. Whether the general objectives or the sub-objectives need to be considered depends on whether the results or the impacts are to be assessed in the evaluation.

5.3. A methodological tool for carrying out the proposed evaluation

A methodological tool is required for the first stage of the evaluation process, which measures qualitative indicators (i.e. the classificatory variables) with the contribution of the local people. A useful tool for such an evaluation could be the so-called KIPA methodology.² The basic idea of the methodology is that it ranks factors of a complex system that cannot be measured on a quantitative basis (Schneller 2007). If we were to apply it for LEADER, it could be done in the following way: the factors that need to be measured are the various classificatory variables derived from the specific features of the LEADER program. For example, we are interested in finding the answer to the question: “to what extent have the specificities of the LEADER method been taken into account for the realization of the operational activities of the LAGs?” (European Commission 2002, p.12). In order to get results from the local stakeholders that can also be interpreted by external evaluators on the program level, we have to find a methodology that gets aggregatable results. The KIPA methodology achieves that by ranking the variables (i.e. the indicators of the LEADER-approach) based on their importance (i.e. the extent to which the different features have been taken into account individually). In our case, the evaluators would get the following question: *“Which one of the following variable-pairs would you relate greater importance to in achieving the results of the LAG?”* Here, the evaluators are invited to answer that question by simply comparing two given variables according to their opinions and choosing the one that is relatively more important concerning the question. This is repeated until all the variables have

² It was originally invented by Kindler and Papp in 1975 as a multicriteria support scheme for decision-making and was applied by Schneller et al. (2007) for the evaluation of environmental sensitivity for the assessment of land suitability.

been compared with all the other variables. This means that the number of repetitions equals to $n*(n-1)/2$, where n is the number of variables. Therefore, it is important not to have too many variables. In our case, the twelve variables are within the limit of feasibility. The KIPA methodology first converts the results into a table that reflects the choice of preferences of the individual evaluator. In order to demonstrate how it is done, Table 2 below shows the hypothetical answers of an evaluator using only three variables for the sake of clarity.

Table 2: Comparison of classificatory variables

Which one of the following variable-pairs would you relate greater importance to in achieving the results of the LAG?			
Capacity-building	Decentralization	X	
Capacity-building	Partnership		X
Decentralization	Partnership		X

Then, based on Schneller et al. (2007, p.10) the results are put in an ‘individual preference matrix’. The results of Table 2 can be transferred to the matrix as shown in Table 3, in a way so that the rows would represent the preferred variables.

Table 3: Individual preference matrix

	Capacity-building	Partnership	Decentralization	Frequency (F)	F ²
Capacity-building			X	1	1
Partnership	X		X	2	4
Decentralization				0	0
Total				3	5

Then, the results are aggregated into the combined preferences of all the evaluators. This is shown in Table 4, with the example of 5 evaluators. In the actual evaluation, this table would aggregate the results of all the relevant stakeholders in the LAG.

Table 4: Aggregate preferences of the group

	Capacity-building	Partnership	Decentralization
Evaluator No. 1	1	2	0
Evaluator No. 2.	1	0	1
Evaluator No. 3.	1	1	1
Evaluator No. 4.	2	0	1
Evaluator No. 5.	1	2	0
Total	6	5	3
Rank	1	2	3

We can see on the table that in our example capacity-building is considered generally as the most important feature in contributing to the achievements in the LAG, while partnership is the second, and decentralization is third in the ranking.

Once the individual evaluations have been aggregated on the LAG-level, the results need to be transferred to the program-level. Since the objectives based on which the beneficiaries assessed the implementation of the LEADER-method in their local constituency vary among the LAGs, the criteria of the evaluation need to be weighed according to their priority in the local context in order to make them comparable. The KIPA methodology can do that by simply assigning a percentile value to the variables. The methodology also takes into account the consistency of the answers (with a formula using F^2) and due to the fact that evaluation is carried out simultaneously by multiple actors, the subjectivity of the final result is limited (Schneller 2007). In order to have the above-described evaluation method carried out on the LAG-level, with the participation of the beneficiaries, better communication is required so that the beneficiaries would have an idea about the activities of the entire LAG and not solely about their own project.

In this chapter, it has been demonstrated how a simple tool could contribute to the endogenous evaluation of the LEADER approach, which can be used for program evaluation

on the extra-local level as well. It needs to be stressed that the classificatory variables identified in Chapter 2 are rather arbitrary. However, the purpose of this methodological design is not to provide a golden rule on how the assessment of the LEADER features *should be* included in the evaluation framework, but simply to give an example on how it *could be* done.

CONCLUSION

Through an investigation of the evaluation techniques and objectives related to endogenous development, the paper has arrived to the conclusion that – as opposed to the current approach, which overly emphasizes the exogenous forms of evaluation – an evaluation design that takes into account the insight of the local actors as well is more appropriate for LEADER. However, the term endogenous and exogenous with respect to evaluation do not necessarily have to be regarded as a dichotomy. Ray argues that although there is a clear “tension inherent in top-sponsored endogenous rural development”, this tension can be seen as an advantageous co-existence of the local and the extra-local (Ray 1999, p.1). The reality is that evaluation cannot be solely endogenous as long as it is funded from the central budget. Although the LAGs have certain autonomy to decide how to spend a given amount of money on LEADER, it still remains an external source of development aid. The aim of evaluation from that respect is to assess whether the subsidies have been spent effectively. On the other hand, one has to acknowledge that the effects occur on a local level through results and impacts that are hard to measure in quantitative terms by solely exogenous sources. Therefore, endogenous evaluation provides crucial add-on to program evaluation. In addition, the active participation of those directly involved in the implementation of LEADER can not only provide essential information on how to improve the program, but also has the added value of social learning and community building by the citizens.

The investigation of current monitoring and evaluation methods in Hungary has revealed serious shortcomings. These are partly due to the fact that there was simply not enough time to carry out the evaluation, but generally the data provided for evaluation by monitoring activities are not sufficient to account for all the effects of the endogenous programs. It would

be important to gather monitoring data throughout the entire programming cycle that are not limited to output and financial indicators and can capture more effectively the effects of the LEADER program.

The three challenges identified in the paper have been met. First, an evaluation method that takes into account the specific features of the LEADER program requires qualitative indicators and the appraisal of the achievements on the local level. Secondly, the methodological design developed in the paper requires the participation of local stakeholders in the evaluation processes, but at the same time allows the external evaluation of the program due to results of the local assessment that are comparable and can be aggregated. Third, the advantage of the evaluation technique incorporating the KIPA methodology is that it can produce results that serve the purpose of justifying accountability for funders, and at the same time provides information for program improvement and also feedback to the local stakeholders. The paper achieved to identify an appropriate evaluation approach for LEADER and designed a useful methodological technique. However, since the identification of the classificatory variables is not based on empirical findings, the elaboration of the technique is subject to further research.

The LEADER program has the potential to be “more than just another grant scheme” (Ray 2000, p.451). It has many additional elements to traditional rural development, such as capacity-building, enhanced cooperation, or partnership, which could eventually lead to better economic performance. The real effects of LEADER are not to be found primarily within the individual projects. Its main strength is the enhancement of endogenous local development through behavioral changes (Lukesch 2007) and novel solutions for traditional rural problems.

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