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THE ROLE OF LOCAL COMMUNITIES IN THE LOCAL ECONOMIC DEVELOPMENT

ROLA WSPÓLNOT LOKALNYCH W LOKALNYM ROZWOJU GOSPODARCZYM

Key words: local economic development, local communities, regional economics

Słowa kluczowe: lokalny rozwój gospodarczy, wspólnoty lokalne, gospodarka regionu

Abstract. Local economic development is a complex system. While searching for its objective or expression, we need to take into account several aspects and we come to the conclusion that there is no widely-accepted and acknowledged expression existing for local economic development. Most of the definitions consider it as a conscious intervene into the economy with aiming at the increase of the standard of living of the population as well as realizing sustainable economic development. However, the intervention requires the work of several players, therefore the various approaches to development allows the stepping in from different levels as well.

The study is dealing with the importance of local communities in realizing success while developing their settlement/micro-region. It is not to be forgotten to involve the local communities in the local development projects, because if one do not do it, they might be even against developments which are basically necessary, meet their demand and serve the increase in their standard of living. This “human” factor cannot be replaced by financial means if it is missing from the local development process, so it is extremely important to find the perfect tools to encourage, motivate and control them. In the case of Hungary, knowing the behavior, attitude, openness of Hungarian people, this task seems to be even more difficult. Unfortunately, based on the data on projects realized so far, it can be stated that in many cases the local players have been the only obstacles of the developments.

Introduction

There are several approaches of local economic development for its definition, however, there is no such which would be acknowledged by everyone. As a starting point, we can state that it can be distinguished from the rural development, spatial development or even the settlement development concepts, although there are some overlaps or similarities.

According to some experts, rural development is part of spatial development. Conscious interferences are carried out mainly on such areas where the population density is relatively low and agricultural activity is characteristic [Fekete 2005]. According Faragó László, spatial development is the targeted intervention into the spatial processes carried out by the municipalities and government [Faragó 2001]. Farkas [2006] says that the aim of the settlement development is to influence the different processes in the settlements according to planned implementation [Farkas 2006]. It is the realization of spatial development processes at the settlements’ level, while regional economic development refers to primarily the dominant regions concerning the economic processes [Lengyel 2002].

In addition to the overlaps, there are several differences between them. While local economic development focuses on processes that derive from the territorial concentration of local players, we cannot mention such concentration in areas which are the target places of rural development. Local economic development takes rather economic aspects into consideration, while spatial development can be interpreted in economic, social and environmental dimensions as well. Furthermore, the levels where we intervene are also different. Local economic development is carried out only at local level, while spatial development can be interpreted at regional or even national level.

It is not only its legislative background that is different from that of settlement development, but the size of the target area. Settlement development is for one settlement, while the target area of local development can be wider, e.g. a micro-region [Nagy, Káposzta 2006].

Based on the abovementioned, we can state that local economic development is a conscious intervention into the life of local economy. It might be initiated by foreign capital, government or other external player. It may use external and internal resources as well. The most important elements are the local players who may be the drivers, modifiers and adopters of the development [Kollár 2011].

However, some questions may arise: e.g. what does “local” mean? The European Union considers settlements and micro-regions as local territorial units. Lengyel Imre says that local area consists of a town and its agglomeration. Local area can be also defined as an area where the employees can change workplace without moving to another place. In this case the local area is such a territory which attracts workforce, while the commercial, education and healthcare services are also available [Lengyel 2002].

Even the definition of economic development aims is controversial among experts. Some say that the major aim of local economic development is to improve the productivity, while others consider natural and human factors more important than productivity. Some say that the aims of local economic development equals to local culture or job creation. According to Mezei, the aim of „local economic development is not only to achieve economic growth, but to achieve quality changes, e.g. employment increase, solution for social problems, as well...” [Mezei 2006].

There are various players in the local economic development. Lengyel Imre distinguishes four groups of players: local government sector, business sphere, knowledge-transfer institutions, development agencies [Lengyel 2010]. This classification also refers to the fact that local economic development is not a process driven by the central government and it is not the task of only the local government. It is important to mention that the local population cannot be classified in any of the groups, although they may be active players in local economic development, either individually or as a member of a civil organization. However, the first two “legs” have greater role in the “four-legged” system.

The local government has significant role in the local economic development. It is influenced by the legislation, municipal organizations and the dominant political trends. The latter influences the objectives and methods applied. However, we must not forget the importance of local players, since the development driven by them can be successful and they might contribute to the local economic development with financial, confidential and intellectual capital. Confidential capital can be considered as one of the engines of local economic development, since the cooperations based on that type of capital are the prerequisite of success. Such developments usually use mainly local resources and adapted to local conditions.

Local businesses can be either the target groups or active players of local economic development. Due to their various sizes and activities, they are not homogenous target group. Since large-scale companies can involve more money, time, resources in the process, they might become the managers of the development without letting other factors to be realized. However, we must consider the birth and growth of new industrial branches. In addition, the knowledge-transfer institutions have also serious impact on the given area’s competitiveness. Their major role is to train the human resource and create new knowledge. Such institutions are e.g. the higher educational institutions. Knowledge can initiate various processes in the region, e.g. the increase in productivity, the setting up of new, innovative businesses and the improvement of creativity in the region.

Materials and methods

Instead of introducing the details of a concrete research, in our study we rather intended to call attention to some significant factors, difficulties and challenges that occur while investigating local economic development initiatives in Hungary. At the moment we are carrying out a research in which we intended to collect those local economic development initiatives which were realized between 2004-2006 and in the current period up-to-now in Hungary so that we could examine how important role the local players have in reaching the success of the projects. However, this paper is rather about the theoretical background of the issue, since the research is underway at the moment. We have started the investigation with collecting the most important details of the local development projects from the database of the National Development Agency, for the 2004-2006 period as a first phase. Based on the data collected, we can state that there are some difficulties we need to face during the research, since local economic developments can be funded by both the Structural Funds [regarding economic development projects] and the European Fund for Agriculture and Rural Development [regarding agricultural developments]. The projects financed by the two abovementioned funds are managed and monitored by different agencies and the availability of and access to project information is limited. It is partly due to the fact that local economic development is not limited to rural areas, so such development projects include urban developments as well and can be financed also from Structural Funds. However, in the period examined, rural areas received more funds from the EFARD.

In many cases, local economic development is considered as equal to rural development, but it should not be the case. This fact results in the challenge in researches in the field of local economic development. At the moment, local economic development projects are mainly coordinated by the LEADER local action groups which are rather artificial creatures in development policy, therefore their motivation in local economic development is not always clear. At the same time, urban developments usually are not

mentioned and registered among local economic development projects, while they should also belong to that field. According to the classification, rural areas are defined as settlements with population density under 120, although there are some settlements where the population density is above 120 person per square kilometer but the necessary services are not available, meaning that they can be considered as rural areas, but the nomenclature excludes them from such classification.

Overall, the collection of data and information about local economic development projects is quite problematic in Hungary, but we are trying to find a compromise regarding the methodology applied in the research. Anyway, based on the interviews that we have done with local players involved in local economic development projects, we can state that the local players are key to the success of such initiatives. In order to realize such projects, special communication with and within the local community is necessary and inevitable.

Results

One of the development potentials of local communities is hidden in the bottom-up local and regional development. In such economic development, the logic of the development, the group of factors to be developed and the players with their roles are all set. This type of method reacts on the global competition, realizing that there is competition between territories with individual characters.

Each local area has its own characteristics and the success depends on how they are able to utilize those characteristics/conditions, how the local businesses can benefit from them. This is the explanation for the different development level of regions or local areas with similar conditions. The harmonization of existing abilities, conditions as well as the increased productivity, we can achieve increase in the standard of living and quality of life (Fig. 1). The key to success is the partnership between the local players with different interests. The pace of growth in production greatly depends on the technological change and the fast transfer of innovations. These factors can strengthen and keep the advantage in the competition. However, we must not forget that competitiveness is only a tool to increase the standard of living steadily [Káposzta 2007].

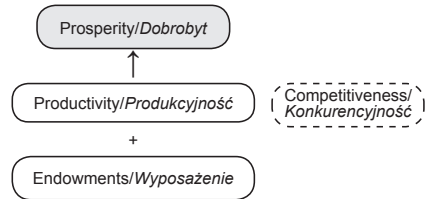


Figure 1. Defining competitiveness
Rysunek 1. Proces definiowania konkurencyjności
 Source/Źródło: Porter et al. 2008

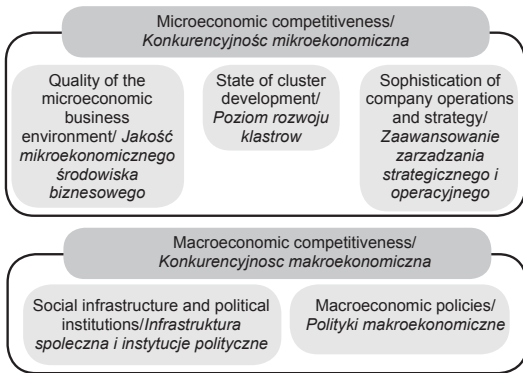


Figure 2. Foundations of productivity
Rysunek 2. Podstawy produktywności
 Source/Źródło: Porter et al. 2008

The basis of lasting advantage in competition depends on the micro-and macroeconomic base [Fig. 2]. The appreciation of macroeconomic conditions is characteristic to the global competition, since the market players have various features. Microeconomic base, however, means the quality of local business environment and the strategy of businesses. The sophistication of business strategy greatly depends on the corporate strategy and the technological level of the company. Microeconomic base includes the quality of local business environment as well. Though the two bases require different development programs: enterprise- and economic development, yet there is a great overlap. They also have something in common: the development of clusters, paying attention to the fact that the improvement of the competitiveness of the successful branch negatively influences employment [Lengyel 2010].

Based on all this, local economic development has three fields: first is the local enterprise development that serves the improvement of operation and strategies of individual enterprises. The second is local economic development in a narrower sense that intends to strengthen the local business environment. The third is the support of local success branches. Environment has high priority in spatial development, however, the economic trends related to local economic developments do not mention the environment as a factor. According to the EU strategies and objectives, environmental aspects should not be forgotten when planning, implementing or monitoring development projects either at local, regional or national level.

Conclusions

Local economic development is a complex system. It is a targeted intervention into the economic processes, aiming at the increase in the standard of living and sustainable development. A bottom-up approach may encourage the consideration of environmental values and lead to an acceptable compromise. However, the development status of areas fundamentally determines what the local economic development can result.

Local economic development can be influenced through local players, thus it is inevitable to make all the players conscious. Based on experiences on local development in Hungary, we can see several best practices whose success was due to the strong commitment and personal involvement of local players. However, in many cases the local development projects failed because the local population and businesses could not be addressed at the beginning and could not adopt even the success of the development. All in all, the role of local players is essential in local development and cannot be "bought" with money. Therefore further researches should be carried out to find out the best motivation methods for Hungarian rural population to be able to actively take part in local developments.

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Streszczenie

W artykule przedstawiono rozważania na temat roli wspólnot lokalnych w kreowaniu lokalnego rozwoju gospodarczego na przykładzie Węgier. Ekonomiczny rozwój lokalny to złożony system. W badaniach podkreślono ważną rolę społeczności w rozwoju mikroregionów.

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