

## On the Governance, Investigation and Education of Local Development

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**Abstract** The article serves as the introductory editorial chapter of the book "Contemporary Drivers of Local Development". The book was born from the joint effort of the professors and researchers of a university course on Comparative Local Development, also called "Master CoDe". This Master Course and its predecessors have been offered for the last 15 years jointly by four European universities. The first part of the article elaborates on the paradigm of Local Development, which is a fruitful concept of development study integrating a wide range of research, education and policy making activities. In particular, research on Local Development facilitates evidence-based policy making on the local and regional level. Education of Local Development is based not only on lessons learnt from case studies of positive development, but also on the analysis of local stagnation and decay as well. The conceptual framework of Local Development differentiates clearly between (a) local changes attributed to policy measures on the one hand, and (b) local changes driven by spontaneous forces of markets, the society and of the environment. The collection of papers in the referred volume can be interpreted as a consultative, „bottom-up” definition of what the concept of Local Development means for the collective of those professors and researchers who have actively participated in this course of development education, that has been organised exactly around this very concept. The second part of the article describes the structure of the book and offers short summaries of every article published in it.

**Keywords:** • local development • local stagnation • local decay • development education • evidence based policy making

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## 1 Local development: a fruitful paradigm

This book was born from the joint efforts of the professors and researchers participating in a university course on comparative local development, also called “Master CoDe”.<sup>1</sup> This master’s course and its predecessors have been offered for the last 15 years through the collaborative efforts of four European universities. During the time of its existence, the course has involved the work of more than 50 professors and more than 300 students from at least 40 developing, emerging and developed countries. The former students of this course have found work at various levels of national, regional and local governments and in prestigious international organizations. Many of them have made their careers in NGOs, academic and research organizations, or are working as independent consultants and development practitioners.

International development has an inherently interdisciplinary nature, therefore any curriculum that covers this subject must find the delicate balance between covering a wide range of interdependent but relevant subjects on the one hand, and identifying some points of focus and accepting some limitations on its scope on the other.

The founders of the master’s course have chosen local development as an umbrella paradigm for integrating curricula, lectures, exercises and internships into a meaningful, coherent multi-country, multicultural activity. This paradigm<sup>2</sup> has proven to be very fruitful, as documented by the research papers that have been published and presented by the professors who teach on the master’s course, but also by the dissertations that have been prepared by the students of the course which cover an astonishing variety of relevant issues in their home countries.

While local development as a phenomenon has been eternally present throughout the course of human history, local development as an applied scientific discipline is relatively young. The founders of the CoDe Master’s Course have deliberately embraced a rather flexible interpretation of this term which has allowed for a wide margin of overlap with other associated, preexisting incumbent disciplines. In this special case, the lack of an exact definition arose from an active choice to incorporate contributions from several relevant and related scientific disciplines, and also from a wide range of policy areas in which the related findings can be applied. The framework of this research and education activity was defined using only a few principles, as follows.

- *Governance.* Local development as an area of applied policy research focuses on governance issues that aim at strengthening economic prosperity, social stability, and environmental sustainability at the local and regional level.
- *Investigation.* Local development as a discipline involving social, economic and institutional research aims at understanding, explaining, and highlighting the factors that lead to the development of settlements, regions, and urban and rural spaces. The aim of local development research is thus to facilitate evidence-based policy making on the local and regional level by creating the conceptual framework for the latter,

by identifying suitable theoretical explanations, and by collecting the necessary empirical evidence.

- *Education.* Local development as a field of higher education conveys the necessary knowledge to students who intend to become development practitioners at local and regional levels.

The above definitions can be further refined (a) by extending the scope of the term "local development," and (b) by differentiating between policy-induced and spontaneous mechanisms of development. Let us investigate two hypotheses which are conjectures closely related to the very concept of local development.

- The first hypothesis is that it would be more fruitful and more practical to extend the scope of the term by defining a somewhat wider paradigm which could be called "Local Change". This would incorporate not only local development, but local stagnation and decay as well. Case studies of local stagnation and decay abound, and are frequently more spectacular and deliver more lessons than local success stories of development. In such an extended conceptual framework, there would be a clearly defined, non-overlapping and complete set of so-called "drivers" that have been identified to facilitate local development, and it would be the lack of some of these very same drivers (or a poor combination of them) that exerts a negative effect on the attractiveness of a locality, and ultimately leads to local stagnation and decay. Thus, by using the umbrella term "Local Change," development (and its negation) could be investigated through a unified and coherent conceptual framework.
- The second hypothesis relates to the identity of the agent(s) that drive local development. Accordingly, it would be more logical and more productive to use a conceptualization of local development that clearly differentiates between (a) changes attributed to policy measures, and (b) changes due to spontaneous market forces societal pressures and environmental challenges.<sup>3</sup> Public policy interventions include certain instruments such as regulations, subsidies and services that are packaged into projects, while spontaneous changes can be conceived of as being driven by a combination of (a) autonomous market forces, such as supply and demand, (b) social pressures, such as aging and migration, and, (c) environmental processes such as erosion and climate change.

Worthy of further investigation is whether the application of the above conceptual framework could eventually lead to better governance, to a deeper understanding of development forces, and to more comprehensive university curricula.

The call for papers for this book was disseminated among the professors and researchers of the master's course in the summer of 2017. The contributions can be regarded as a representative sample of local-development-related research papers and the associated disciplines. This volume can thus be interpreted as a consultative, "bottom-up" definition of what the concept of local development means to a collective of professors and researchers who actively participated in a course of development education which was organized exactly around this very concept.

It would have been overly ambitious to create a predetermined structure for this volume based on substantive categories (e.g. sectors, policy areas, or countries). Such an approach may be more appropriate for a handbook or for an analogous, all-encompassing, encyclopaedic effort. However, it would not have been possible to classify articles into a completely exhaustive, non-overlapping system of categories of local development: the subject is just too colourful for that.

For the above reasons, the structure of this book has been organized according to the *genre* of the contributions. The categories of this classification are reflected in the chapter titles of this volume:

- Conceptual framework, theory and measurement;
- Analyses of legal and institutional arrangements;
- Sectoral and spatial analysis;
- Innovative policy interventions, plans and initiatives;
- Evaluation of projects and programs

Each of the *genres* identified in the above classification represents typical, widely used approaches to tackling local-development-related problems. All of these genres have been frequently used by researchers, consultants, educators and students of this subject. In what follows, we apply the above-defined structure to present an overview of the publications in this volume.

## 2 Conceptual framework, theory and measurement

As local development is an applied science, it relies heavily on the terms, models and empirical strategies of other disciplines, such as Economic Geography, Sociology, Political Science and Regional Science. The analysis of local development – as is also the case in other disciplines of social inquiry – starts with the selection of the proper terms, hypotheses, and theories. Following some efforts at measurement, the thus-collected empirical material is incorporated into a conceptual model which can be of a mathematical-statistical nature or, in the case of qualitative research, a qualitative model (for example, which compares case studies). Subsequently, the results of the above reasoning are used to test the validity of the selected hypotheses and the applicability of the theories within the scope of the particular area of research (King *et al.* 1994).

The following articles are good examples of the design of conceptual frameworks, identification of theories for structuring models, the measurement of statistical indicators, and the use of these instruments to investigate spatial economic processes. The added value of the articles in this chapter lies predominantly in their contribution to the theoretical underpinnings and methodological tools of local development.

- *Joachim Möller's* article, "*Theories in Regional Economics in the Light of Local Development,*" is a short introduction to the principles of Regional Economics. It

demonstrates some basic concepts and models for investigating the spatial aspects of economic phenomena such as productive activities, co-operation, exchange, labour migration and per-capita income by highlighting the impact of population density and distance. The author offers an overview of contemporary literature about the advantages and disadvantages of agglomerations and the market potential of locations. The quantitative part of the article demonstrates the gravity model as applied in the regional context. This is a distance-sensitive regression analysis based on registered data about either transport streams or commuting data. The model is frequently used for measuring the economic importance of locations, both at the sending and the receiving end of these resources. The gravity model can be refined and extended by taking into consideration not only the sending and the receiving location, but also the attracting power of the so-called "intervening opportunities"; i.e. the market potential of locations along the route.

- *Peter Haller and Joachim Möller's* article, "*Infrastructure and Local Economic Development*," discusses various ways of assessing the impact of investments in infrastructure on GDP and on future regional and local economic development. Infrastructure is generally defined by its constituents, such as water and power supply, communication networks, road and rail. The analysis investigates various ways of measuring the effects of proximity to main transport and communication axes on the economic growth of cities, suburbs and peripheral regions. The paper offers an overview of current findings in this field. A case study from Germany puts the literature into perspective: the impact of transport infrastructure on regional labour market development is investigated. For this purpose, the long-term effects of the autobahn (motorway) network on regional wages, local employment structure and efficiency are assessed by quantitatively analysing geo-spatial data.
- The paper by *Wolfgang Dauth*, "*Measuring regional economic dynamics*," explains some widely used statistical instruments for modelling the interrelationship between (a) national and, (b) regional growth of (1) regions, and (2) industries (sectors). The article explains the uses and limitations of the "shift-share" model as a predictive tool. Subsequently, a calculation exercise illustrates the use of this model. A database of employment data relating to the regions and industries of Germany is analysed at a very deep level of temporal, spatial and sectoral detail, whereby employment data extending to 20 years for the 402 administrative districts of Germany are disaggregated into 422 categories of economic activities. The paper ends with an interpretation of results, whereby the development trajectories of four case-study settlements are explained.
- The study of *Márta Kiss and Katalin Rácz* "*Factors and Policy Measures Influencing Local Economic Development: An Overview of the Conceptual Framework*" shows the considerations and dilemmas that arise when attempting to identify the driving forces that influence local economic development. The authors offer a wide overview of international professional publications devoted to

analogous tasks, and recommend a hierarchical classification of factors, the applicability of which is tested by analysing their own empirical observations in Hungary. Subsequently, the role of specific leading development factors are discussed, such as local endowments, social capital (interpreted as the cohesiveness of the local collective), institutional behaviour, market-based economic processes and the policy measures of the central government. The article also identifies major public, private and non-profit stakeholders.

### 3 Legal and institutional arrangements

According to the influential theory of new institutional economics, economic change is profoundly influenced by legal norms and rules, and by their enforcing organizations (North 2016). In central and local public administrations, regulations shape modes of governance, hierarchical structures, organizational arrangements and enforcement mechanisms associated with ownership, while the role of legal provisions in market transactions are crucial in determining the strength of commitments of exchange, in establishing contractual safeguards, and in shaping bargaining strength. History has shown that political and institutional choices contribute significantly to national and local changes and can be decisive in terms of whether an area will develop, stagnate or decay (Acemoglu and Robinson 2012). It has been recognized that the quality of regulations and the efficiency of the enforcing institutions have a direct effect on development. In international organizations, the assessment of the impacts of regulations on national, sectoral and local development has evolved into a routine activity (OECD 2009).

The following articles are good examples of the analysis of the regulatory environment of local development, with special respect to highlighting the impact mechanisms of various provisions. The added value of the articles in this chapter lies predominantly in their contribution to understanding (and reforming) the legal and institutional arrangements of implementing local democracy, granting equal opportunities to minorities, and the provision of local services by public and private stakeholders. Some of the publications apply a comparative method, which enables the authors to make generalizable conclusions.

- The paper by *Simona Kukovič and Miro Haček*, “*Comparative Local Governments In Europe*” starts with a thorough and logical overview of various typologies of local governments. The typologies taken into consideration are based on the representative features, democratic guarantees, structures and tasks of European local government arrangements, as well as their relations with regional and national levels of authority. The authors have elaborated their own typology, the “inclusive model,” which covers not only the types of local governments institutionalized in traditional European democracies, but also those of the new democracies of Central and Eastern Europe. This typology enables the reader to distinguish between three models of local government: the technocratic, the bureaucratic, and the

transformational model. The findings can readily be used in comparative research of local authorities in different national settings.

- The paper by *Simone Penasa*, “*The protection and promotion of linguistic minorities - The Italian Law of Diversity at the local level*,” first outlines a general conceptual and legal framework for the investigated policy area. The author describes and evaluates the legal tools and constitutional principles that have been elaborated and enforced by authorities at national and international levels. The subsequent case study focuses on the legal arrangement for protecting and promoting linguistic diversity in Italy. Special attention is paid to Italian Framework Law 482/99, which, as an application of the Constitution, recognizes twelve minority languages and provides for their protection in that country. Finally, the paper focuses on the role of local communities in effectively implementing the international and constitutional principles aimed at protecting and promoting linguistic minorities.
- The essay of *Matteo Ferrari*, “*The Role of Contracts, Standards and Certification in Protecting Fundamental Rights*,” deals with the role of privately elaborated rules in economic transactions. The paper focuses on rules agreed and implemented by private parties in order to guarantee and protect the fundamental rights of exporters, importers, suppliers, buyers, wholesale and retail traders and consumers participating in international supply chains. Recourse to standards and certification can be interpreted as a way of creating uniformity in protecting the fundamental rights of economic players, including consumers, whereby the specific requirements are agreed by professional bodies of private parties. The contract is an additional legal mechanism designed to make standards and certification binding for such actors. The author demonstrates the important role of these privately conceived legal instruments in rural development, human rights, safety at work, environment protection, and food safety by elaborating and comparing three case studies. The case studies explain various mechanisms of private self-regulation in the supply chain of the coffee industry: they describe standards and certification systems that help implement important norms and principles, thereby facilitating network-building among various stakeholders in the sector. Compliance with these norms is enforced by private contracts, thus facilitating co-operation between multinationals, their suppliers, the retailers of the final products and consumers.
- The two papers from *Don Elliott*, “*Environmental Protection and Sustainable Local Development in the USA*,” and “*Land Use Planning and Zoning as Key Tools in Sustainable Local Development in the USA*,” describe the division of labour and authority between various levels of government in governing the respective policy areas. The U.S. legal system includes very little federal regulation over land use – except for some general provisions on water, air, and endangered species and the application of Environmental Impact Assessment for projects that use federal government money. Most cities and counties are given substantial authority to

regulate the division, development, and redevelopment of land as they see fit – subject only to the requirement for constitutional protection of property rights and fair procedures. However, local governments must take into consideration global economic competition, the pressure for efficient public administration, and the desire of citizens for more effective participation. The article identifies some of the best practices of cities aimed at enhancing attractiveness and economic growth. The recommended measures are meant to develop public transit, housing, tourism-related facilities, to encourage local art and cultural activity, small business development, regional co-operation, the clean-up of polluted properties and the training of a workforce suited to the available job openings. Case studies of the metropolitan areas of Denver, Colorado and New York demonstrate the innovative and collaborative practices of local governments that result in environmentally and economically sustainable local development.

- *István Tózsza's* article “*A model of centralizing local government finances*” explains how the Hungarian Government after 2010 bailed out indebted local governments, and which other measures accompanied the financial reforms. In contrast to international trends of increasing local autonomy and shifting responsibility for expenditures and revenues to lower levels of government, the government of Hungary implemented a centralizing reform of the local government system of the country. The reform included the reduction of local autonomy in many respects by centralizing the governance, administration and public infrastructure of a wide range of public services, partly into the central government and partly into the seven administrative regions of Hungary. Significant steps toward centralization were made in the administration of public healthcare, education, environmental protection, unemployment policy, and local finances. Corresponding measures were also taken to reform local elections and local administration. The article describes the legal techniques involved in the above-described reform of responsibilities and finances. In particular, the formerly normative financing of the local governments was replaced by task-based financial support from the central government. This means that instead of using population size as the basis for financing local public service tasks, the financing regime now takes into consideration the amount of local tax and duty revenues.
- *Simona Kukovič, Colin Copus and David Sweeting's* paper, “*Local Democracy in Comparative Perspective*,” provides a comparative analysis of the local government systems and local democracy in three countries: England, Spain, and Slovenia. Emphasis is given to the rules concerning the election and accountability of mayors and local councils. Local government in the three case-study countries has evolved along fundamentally different historical trajectories, traditions and political cultures. The paper demonstrates the various conceptualizations, systemic differences, and choices of local politics and leadership. The institutional arrangements of the three countries are comparable, although wider national



developments have influenced and shaped local government in profoundly different ways.

#### 4 Sectoral and spatial analysis

Sectoral and spatial analyses are a form of meso-economic investigation. The scope of meso-level analyses is narrower than that of macro-level investigations, and in the case of local development studies is constrained either to sub-national geographic entities (e.g. a city or a group of districts) or to particular sectors of the economy (e.g. tourism or information technology). This limitation of scope enables researchers to pay more attention to the specific means, methods, impact mechanisms, organizational structures and geographic features under which the economic forces of supply and demand play out (Matkovskyy 2012).

The papers in this chapter are based on a rich body of empirical detail and are of significant analytical depth. This is achieved by consciously respecting related spatial and sectoral limits, and skillfully using geographic and sectoral specificities to reveal patterns of local development.

- The paper by *Italo Trevisan*, “*Local Development in Italian districts 'after the deluge'*,” describes the historical and economic significance and the adaptation strategies of Italian industrial districts. Italian industrial structure is characterized by the importance of SMEs and their weighty contribution in terms of employment, sales and exports. The international competitiveness of Italian SMEs has been enhanced by another peculiarity of Italian industrial structure: the sectoral concentration of production in small, specific areas. Industrial districts have been instrumental in the development of many areas of Italy. However, the last two decades have been rather disruptive for these Italian districts due to the increasing tension caused by globalization, and competition from low-cost countries. The author pays special attention to adaptation strategies such as enhanced outsourcing and increasing internationalization and delocalization. The study contains a historical and a statistical overview of Italian industrial districts. Subsequently, the adaptation strategies of industrial districts are demonstrated by two case studies containing rich empirical material: (a) one district specialized in the tannery industry and the manufacturing of leather products and, (b) another district specialized in the manufacturing of chairs.
- The paper by *Nicole Litzel and Christoph Rust*, “*History of Success: Regensburg – A local growth miracle*,” is an analysis of the development path of a city and of the impact of its university on employment and know-how transfer in Germany. Local development in the city of Regensburg was driven by a successful regional economic policy, by the evolution of a high-technology industrial cluster which extended networking to many sectors, and by the establishment of the University of Regensburg. The nationwide impact of the university is demonstrated by tracking

the professional and geographical path of its graduate students. The indicators for this impact assessment are calculated based on the student registries of the university, covering all 95,000 students who obtained a degree between 1995 and 2015. This database has been merged with the national social security database that spatially covers the territory of Germany. The results of the calculation show that while many students have found workplaces in the city of Regensburg, in Eastern Bavaria, in Munich, and in the capital Berlin, the impact of the university extends to the whole country. The spatial and sectoral components of the employment decisions of the university's students are analysed with the help of mathematical models, and the factors influencing students' employment decisions are identified and ranked by applying a logit model. It is found to be characteristic of the Regensburg region that very small (less than 50-employee) and very big (more than 1000-employee) local firms have exerted a relatively stronger attraction on graduate students than medium-sized local companies.

- The paper by *Zsuzsanna E. Horváth*, “*Travel and Tourism: Impacts on Local Development*,” investigates the advantages of developing tourism and travel in a locality or a region. Economies that rely on this sector have the advantage of diversification and resilience to negative external events and developments. The development of travel and tourism facilitates sectoral restructuring of rural, low-income regions that have previously relied heavily on agriculture and natural resource extraction. Moreover, travel and tourism development promote cultural heritage and traditions. Two regional case studies demonstrate how heritage tourism development may become a specific driver of local development.
- The article by *Zsuzsanna E. Horváth*, “*Smart and Intelligent Cities*,” is devoted to the application of information and communication technologies to city management. Progressive city management increasingly relies on information and communication networks, sensors, actuators, and “big data” analysis while offering public services and involving citizens in decision making. The paper offers an overview of the findings of key international literature and describes the latest innovative developments in this domain. The author demonstrates the best practices of the application of IT in urban utilities, transportation, environment, environment protection and commerce. Case studies are presented from South Korea, Taiwan, Qatar, Norway, Netherlands, the UK and Spain.

## 5 Innovative policy interventions, plans and initiatives

During the last two decades, social and political experiments have become increasingly popular in sociology, political science and planning (Huitema *et al.* 2018). Experimenting is not only a research method widely used in medical research and in the evaluation of aid policy projects and programs (Gertler *et al.* 2011), but also a distinct approach to governing in terms of public policy and management. Experiments that involve innovative ideas about governance and management have the potential to become the starting points for policy reform, the re-structuring of certain markets, and for profound local change. Public and private stakeholders frequently try out specific innovative legal and organizational arrangements with a view to repeatedly and recursively improving upon them on the basis of experience. The lessons learnt from experiments in social systems and governance may contribute to a better understanding of the preferences, goals, and commitments of stakeholders and may also reveal the hidden impact mechanisms of policy measures.

The added value of the papers in this chapter lies predominantly in the fact that they describe innovative combinations of policy areas and policy instruments that have been tested in real-life situations of aid policy implementation. Their novelty lies neither in the underlying traditional policy aims (e.g. helping the poor), nor in the application of well-known policy instruments (e.g. offering microcredit to the enterprising poor people). Their innovation appears rather in the ingenious combination of the above-described policy aims and tools, which results in an efficient, interdisciplinary, inter-sectoral, inter-ministerial or inter-departmental approach. Subsequently, this approach can serve as the basis for promising policy experimentation.

- Šárka Waisová and Ladislav Cabada's paper, "*Environmental cooperation as a tool for local development and peacebuilding in conflict-affected areas,*" reports on the application of various policy instruments that couple environment protection with security-related and peacebuilding activities. Since the end of the 1990s, environmental cooperation has emerged as a tool for local development, conflict transformation, and peacebuilding. International organizations have implemented various related projects in conflict areas or in post-conflict settings, aiming on the one hand at improving security, while on the other hand at meeting environmentally relevant objectives (such as establishing a natural peace park, preserving the rainforest, or developing water infrastructure). The article demonstrates the innovative policy instrument "Post-conflict Environmental Assessment" which was increasingly applied by international organizations in the Serbia–Kosovo conflict, and also in Lebanon, Iraq, Afghanistan, Sudan and Liberia. Subsequently, "Post-conflict Environmental Assessment" is placed in the context of other assessment methodologies that are applied by international organizations to address environmental challenges.

- The paper by *Šárka Waisová and Ladislav Cabada*, “*Local development projects and security strategy: security-development nexus in the post-9/11 period*,” offers a literature review of various interpretations of the interdependence between development and security. The security-development nexus is a policy framework that combines the need for security with striving for development. Since the 1990s, international stakeholders and thinktanks (e.g. the World Bank and OECD) and the governments of various developed countries (e.g. the USA and Canada) have been challenged by an increase in the number and volume of stabilization and reconstruction operations in post-conflict regions and in conflict regions. As a result, security as well as development experts have accumulated a wide range of experience and have accentuated the links between security and development. A new interpretation of development assistance was needed: accordingly, development assistance, particularly local development projects, are no longer seen only as tools for supporting local communities but are used as tools of counterinsurgency and counterterrorism. The article offers an overview of projects and programs which in conflict areas combine two sets of aims: on the one hand they establish security and build peace, and on the other contribute to local development. The article elaborates on the related institutional, organizational and managerial changes, and on the budgeting consequences of this combined approach.
- The paper by *Dipak R. Pant*, “*Re-thinking Development after Disaster - Notes on post-earthquake reconstruction planning in the Central Himalayas, Nepal*,” takes the form of a comprehensive multi-sector plan that describes necessary measures, technical and organizational interventions and associated administrative and financial requirements. The plan includes a description of methods for reducing various types of vulnerabilities of the local population and the environment. It recommends measures for confronting geo-physical and other environmental hazards, and for managing risks to human habitat and road traffic. The reconstruction efforts after the devastating Nepal Earthquake 2015 are regarded as an opportunity to foster collective resilience, to employ a local workforce in recovery projects, and to develop a sustainable economy by implementing well-targeted economic and fiscal policies and encouraging entrepreneurial activism. An integrated program is envisioned, which includes measures ranging from monitoring the geo-hydro configuration through training local people and administrators, and offering financial grants to families who have been hit by earthquakes or landslides. Further recommendations aim at making the settlement structure more resilient by creating new integrated, compact and safer settlements. Further proposals include measures for improving energy policy, minimizing waste, and granting a wide range of subsidies and discounts and concessions. The comprehensive plan foresees that its implementation will be financed not only by the government and international organizations, but also by donations from individuals and charities from both inside and outside Nepal. The essay is based on a field survey of the central Himalayan highlands in Nepal.

- The article by *Annamária Orbán*, “*Social and Cultural Innovations in Sustainable Urban Development*,” provides an overview of the ongoing scholarly debate about the notions of social and cultural innovation and their relation to sustainable urban development. Creative organizational ideas, original products and innovative services have the power to exert a profound impact on the development of locations by assigning new functions to selected places. Subsequently, the author focuses on Central Eastern Europe, where during the last quarter of a century – since the fall of communism – a wide range of grass-roots, bottom-up and spontaneous social and cultural innovations have emerged. The paper describes empirical evidence for the positive and negative impacts of these innovations on citizens’ quality of life. The article continues with two Hungarian case studies: (a) the social policy and child-protection initiative “Prevention by playing” and, (b) the success story of “Budapest Ruin Pub Culture,” which is a spontaneously evolving sector increasingly relevant to local development in relation to tourism, catering, entertainment and real estate. These innovations are put into the context of urban governance, which has the task of creating the necessary administrative and facilitational framework and reconciling emerging conflicts in the respective neighborhoods as well.
- The article by *Peter Futo*, “*Teaching Microfinance with the help of case studies*,” summarizes the educational lessons of an EU-financed project “Teaching Microcredit, 2014–2015”. Worldwide, the provision of microfinance for entrepreneurial poor people is a well-known instrument of development policy. The article presents those concepts of microfinance that are relevant for students of development courses. In particular, the following concepts are described: microfinance, microcredit, micro-deposit and micro-insurance, financial illiteracy and literacy, financial inclusion, the facilitation of micro-entrepreneurship among the poor, female entrepreneurship, creditworthiness, and the sustainability of microfinance schemes. Frequently, the provision of microcredit is used in an innovative way as the financial component of agricultural projects, of small business development programs, or some other delivery of aid. The article compares two case studies of microcredit schemes in a North African setting that serve hundreds of thousands of local beneficiaries: a government-sponsored social microcredit system, and a privately owned and managed commercial one.

## 6 Evaluation of projects and programs

During the last few decades, subsidized development programs have become the most widespread instruments and building blocks of aid policy. Similarly, most local development efforts are decomposed into programs and their constituents: projects (Swinburn *at al.* 2006). Evaluation concerns the assessment, as systematically and objectively as possible, of an ongoing or completed project, program or policy, its design, implementation and results. The aim is to determine the relevance of an intervention, the fulfillment of development objectives, and the efficiency, effectiveness, impact and sustainability of the measure. Evaluators of policy interventions in local development

must take into consideration complex economic, social and environmental constraints in order to assess the success and/or failure of the measures under analysis. Evaluation as a procedure has been institutionalized in all national and international development agencies, donor organizations and thinktanks such as the OECD, the World Bank, the European Union and some development banks. These organizations have defined their own institution-specific methods for standardising their evaluation efforts (OECD 2007; Gertler *et al.* 2011; EuropeAid 2006). Worldwide, public administrations and donors produce many thousands of evaluation reports on a yearly basis. Evaluation is thus a genre of two professions: research, and consultancy.

The added value of the evaluation papers in this chapter lies in their effort to understand and explain their respective projects, their formulation of clear questions for evaluation, and their consequent application of the selected evaluation criteria. The authors not only formulate their opinions about their respective programs, but also make considerable effort (a) to identify a suitable theoretical framework for social or economic change, and (b) to identify the lessons that may be learned.

- The article by *Ildikó Husz and Éva Perpék*, “*Equal opportunities and investing in children: theory, policies and projects*,” investigates the theoretical embeddedness of the policy area of preventative childcare in the context of human, cultural and social capital theory and social inclusion and exclusion theory. Investing in children is a priority of national and international policies and of development programs. A preventative and child-centred social investment strategy is more productive than one which compensates already existing disadvantages or levels unfair differences. Early child development contributes to better health and educational attainment, favourable job market position, and a lower deviance rate. The authors offer an overview of the related international conventions, recommendations and policies. Recent Hungarian national strategies and their local implementations that aimed at reducing child poverty are investigated with special respect to Roma families affected by extreme poverty, poor housing conditions, a low level of education, and weak labour market participation. Two Hungarian local development programs that aim to improve the life chances of children at risk of poverty and social exclusion are presented and evaluated. The article compares the two programs, according to the services they offer and their impacts. The paper is based on site visits, stakeholder interviews, needs assessment studies, and evaluation documents.
- The article by *Marta Kiss and Katalin Rácz*, “*The Role of Local Governments in the Development of the Local Economy: international findings in the light of Hungarian case studies*,” evaluates the economic development activities of several Hungarian local governments by taking into consideration analogous measures implemented worldwide. The authors show that the role of local governments in economic development has become strategic over the last few decades, as the former have been able to mobilize resources and coordinate stakeholders. The authors

evaluate the economic development strategy and performance of three Hungarian settlements. For description, comparison, assessment and justification purposes a set of well-defined indicators of local economic development are applied. These factors have been identified by carefully analysing the international practices used in analogous evaluations. A remarkable typology of local economic development strategies is developed by using a conceptual scale that ranges from (a) demand-oriented strategies, which focus on the satisfaction of the needs of the population, to (b) supply-oriented strategies, which focus on business support and the promotion of local investment.

- The paper by *Péter Futó*, “*Teaching Business Climate Development with the help of case studies*,” presents a practical conceptual framework for Business Climate Development as an area of development policy, and introduces the terms used for evaluating Business Climate Development projects and programs. The structure of such programs and the method of their evaluation is demonstrated with the help of an illustrative case study in which a Business Climate Development program was evaluated in a post-soviet republic. The evaluated program covered the following policy areas: (a) registering businesses, (b) issuing various permits for businesses, (c) dispatching inspectors to oversee various business activities, and (c) managing taxation. Additionally, the evaluators classified the services offered by the program into so-called “aid delivery mechanisms” whereby the categories were as follows: (a) research into the small- and medium-sized business sector, (b) promotion of legal changes, (c) capacity building, institutional development of government agencies and NGOs and (d) awareness raising. The evaluation used the following four criteria, (a) relevance, (b) effectiveness, (c) sustainability, and, (d) impact. The case study has since been applied for educational purposes in the Master’s Course on Comparative Local Development.
- The article by *Sinisa Zaric*, “*Social capital and local development: citizens’ participation in decision making processes*,” analyses the practice of crowdsourcing and its application to citizen consultation purposes in public policy, which is called citizen sourcing. Crowdsourcing is an internet-based method of obtaining information, ideas or votes by enlisting the participation of a large number of people. Citizen sourcing can be used as an instrument of local democracy, facilitating the links between local leaders, administration and citizens. The article explains how and why the phenomenon of citizen sourcing can be embedded into the context of social capital theory and local development. Social capital as a term has been used widely to operationalize interpersonal trust among citizens, trust in local and other institutions, trustworthiness, as well as citizens’ networking in various associations, clubs, organizations at local and other levels. A typology and evaluation criteria of local citizen sourcing projects are presented. The subsequent case study demonstrates and evaluates the process and the results of a participative budgeting project in a Serbian town. This is an innovative citizen sourcing initiative led by the

local government, whereby each year a well-defined sum from the budget is spent according to the votes of citizens.

- The paper by *Bárbara Gabriel and others*, “*Assessing Entrepreneurship and Innovation in Higher Education Institutions: The ‘HEInnovate’ Initiative at the Universidade de Aveiro, Portugal*,” is a micro-level evaluation of a wider policy initiative. The analysis focuses on the process and results of a self-assessment exercise at the level of a university. The method of self-assessment is a standard investigation, which enables a comparison and aggregation of findings across many higher education institutions. The name of this questionnaire-based self-assessment instrument is “HEInnovate” (HE is an abbreviation for Higher Education). This tool has been used to evaluate the entrepreneurial and innovative activities of many universities and other higher education institutions. The self-assessment is based on the feedback of university personnel and students. The method has been elaborated and disseminated by the OECD and the EU. This paper demonstrates its application at the Department of Mechanical Engineering (DME) of the University of Aveiro (UA), Portugal. It also provides insight into how the results of the “HEInnovate” exercise are utilized in a university setting for designing and implementing innovative, entrepreneurial activities, for exchanging technical know-how, and for connecting the university with wider society.

The authors of this volume are engaged in promoting local development worldwide through their research, education, and consultancy efforts.

#### Notes:

<sup>1</sup> The Joint European Master in Comparative Local Development (Master CoDe), offered by the University of Ljubljana, is a two-year Erasmus+ Master Program organized by a consortium that includes Corvinus University of Budapest (Hungary), the University of Ljubljana (Slovenia), the University of Regensburg (Germany), and the University of Trento (Italy). The master’s course was supported by the European Union. The Master developed into a full, two-year, 120-ECTS-second-Bologna-tier course following the 2011–2012 academic year (previously, it was a 95 ECTS program).

<sup>2</sup> For a fuller and more formal definition of Local Development as a discipline, see the conclusions chapter of this volume by Bruno Dallago: “An integrated systemic view of Local development”.

<sup>3</sup> The English language is not very explicit in this respect because it uses the same form of the verb “develop” in both of the following sentences: “The city developed quickly,” and “The local council developed the city”. However, other languages more clearly specify the reflexive form of this verb, e.g. in French “*se développer*” is the reflexive form of the verb “*développer*”, and analogously in German “*sich entwickeln*” - “*entwickeln*”, while in Russian “*развиваться*” - “*развивать*” have different forms. The Hungarian language is unique in that not only is the reflexive verb “*fejlődni*” formally different from the corresponding transitive verb “*fejleszteni*,” but the respective two nouns have different forms: “*fejlődés*” meaning *development as a process which evolves* can easily be distinguished from “*fejlesztés*” meaning *development as an activity implemented by specific actors*.



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