

WAGENINGEN UNIVERSITY AND RESEARCH CENTRE

# **LEADER approach: social capital user or social capital producer?**

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Agricultural Economics and Rural Policy Master thesis

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## Table of Contents

|  |    |
|--|----|
| List of abbreviations:.....  | 4  |
| List of boxes, tables and figures:.....                                      | 5  |
| 1. Introduction .....  | 6  |
| 2. Social Capital .....  | 9  |
| 2.1. What is social capital? .....   | 9  |
| 2.2. Types and dimensions of social capital .....                            | 11 |
| 3. Social Capital: an economic perspective .....                             | 14 |
| 3.1 The networking perspective .....   | 14 |
| 3.2 Social Capital Measurement .....   | 15 |
| 3.3 How can social capital affect economic performance .....                 | 15 |
| 4. The LEADER approach .....   | 20 |
| 4.1 Background .....   | 20 |
| 4.2 An innovative approach and an alternative to top-down policies .....     | 22 |
| 4.3 LEADER organization .....  | 23 |
| 4.4 Seven key features .....   | 25 |
| 4.5 Summary: the LEADER method .....   | 27 |
| 5. Methodology and data collection .....                                     | 29 |
| 6. The Local Partnership .....   | 33 |
| 6.1 The Leader of the LAG and the creation of the Local Partnership .....    | 33 |
| 6.2 A vertical network for LAG support and learning processes .....          | 35 |
| 6.3 A horizontal network for local actor participation and cooperation ..... | 37 |
| 7. The Local Development Strategy .....                                      | 40 |
| 7.1 Identification of opportunities and priorities .....                     | 40 |

|  |    |
|--|----|
| 7.2 Foster the regional identity.....  | 43 |
| 8. LEADER Projects .....   | 46 |
| 8.1 Social capital and networks are needed for LEADER projects .....                     | 46 |
| 8.2 LEADER project creation and implementation produce social capital and networks ..... | 49 |
| 9. Conclusions .....   | 53 |
| Annex n.1 European LAG Map .....   | 56 |
| Annex n.2 LEADER's objectives .....  | 57 |
| Annex n.3 Social Capital community classification .....                                  | 59 |
| References.....  | 60 |

## **List of abbreviations:**

CAP: Common Agriculture Policy

DGAGRI: Directorate General for Agriculture and Rural Development

EAFRD: European Agricultural Fund for Rural Development

EC: European Commission

ENRD: European Network for Rural Development

EU: European Union

LAG: Local Action Group

LDS: Local Development Strategy

LEADER : Liaison Entre Actions de Développement Rural

MA: Monitoring Authority

MS: Member State

NDP: National Development Plan

NRN: National Rural Network

RDP: Regional Development Plan

UK: United Kingdom

## List of boxes, tables and figures:

|  |       |
|--|-------|
| Table 4.1 LEADER through the programming periods .....                                 | p. 21 |
| Box 4.1 From the European strategic guidelines to the Local Development Strategy ..... | p.24  |
| Figure 4.1 The 7 key features and the LAG .....  | p.27  |
| Figure 4.2 The community involvement .....   | p.28  |
| Figure 5.1 LEADER's vertical networks .....  | p.30  |
| Figure 5.2 LEADER's horizontal networks .....  | p.30  |
| Box n. 6.1: The Leader's network in the Netherlands .....                              | p.34  |
| Box n. 6.2. Vertical Networks in the Netherlands .....                                 | p.37  |
| Box n. 7.1: Priorities time preference .....   | p.42  |
| Box n. 7.2: Strengthening the regional identity .....                                  | p.44  |
| Box n. 8.1 Flevoland's polders .....   | p.48  |
| Box n. 8.2. Need for cooperation .....   | p.50  |
| Box n. 8.3. Negative social capital: a case from Italy .....                           | p.51  |
| Figure A-1 2012 European LAG Map .....   | p.56  |
| Table A-2 LEADER Measures.....   | p.58  |
| Table A-3 Social capital community classification .....                                | p.59  |

# 1. Introduction

The LEADER program is part of the European Rural Development Policies since 1991. It makes use of the so called 'bottom-up' method: projects are created and implemented by 'Local Action Groups' (LAGs) through the involvement of public and private sector members of the local communities (European Commission, 2006).

Although several years passed since the current European programming period started, the implementation of the LEADER approach has not reached its goals: in most of the cases the LAGs did not achieve the objectives of their local strategies (European Court of Auditors, 2010). This could be explained by the complexity of the implementation of this axis of the Rural Development Policies. In a study concluded in 2008<sup>1</sup>, Cecchi *et al.* (2008) state that the complexity of the 'bottom-up' strategies results from the fact that *"every program which substitutes public interventions planned and managed in a centralized way, with interventions planned and managed by the local community (...) has to face the local communities' capability to plan and manage; in other words face the endowment of social capital"* (Cecchi *et al.*, 2008 p.27). According to Cecchi *et al.* (2008), social capital can explain the conditions necessary for a community to be able to develop and manage actions that are planned in the interests of the entire community.

The role of the communities in the LEADER approach is expected to be far more active than in any other Rural Development axis. This prerequisite unfortunately could represent LEADER's strength and weakness at the same time. Therefore, the main research question of this thesis is the following:

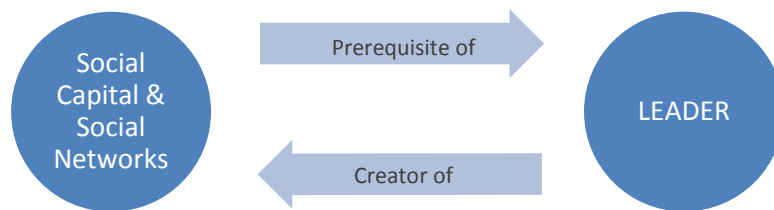
*What is the role of social capital and community networks in the LEADER Approach?*

Though the scarce data availability on LEADER results doesn't allow for quantitative analysis, a study of LEADER European documents and LEADER reports could clarify how fundamental social capital and community networking are in the implementation of these endogenous development projects. First, the analysis will investigate how important social capital is in the implementation of LEADER projects. It is expected that high levels of trust, reciprocity and the willingness to cooperate are necessary in every step of LEADER method implementation. Second, I will take into consideration the possibility that LEADER is also a creator of social capital. Most LEADER tools are, in fact, based on the interactions between stakeholders that can improve and enhance the willingness of the people to build new smart economic networks. The implementation itself of projects should benefit the whole community and can actually produce social capital.

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<sup>1</sup> RESTRIM, "Restructuring in Marginal Rural Areas: the Role of Social Capital in Rural Development", examined "the role of networks in promoting economic competitiveness and positive change in remote rural areas" focusing on the role of social capital in rural development processes (University of Aberdeen, About the project, Consulted on 11.06.2013).

The relationship between the two research elements can be represented as follows:



Through the study of social capital and networking theories and through the study of LEADER implementation, the research will improve the understanding of to what extent social capital is necessary and to what extent social capital is a product of the LEADER approach.

The sub- questions that will help to gain insights in the main research question are:

1. What are social capital and community networks?
2. How can social capital and community networks affect development?
3. How important is social capital and community networking in the establishment and in the functioning of the LAG?
4. How important is social capital and community networking for the creation of LEADER projects?
5. Is social capital created as a result of LAGs / LEADER?

The research will start with a definition of what is meant by ‘social capital’ and by ‘community networks’. Particular attention will be given to the question what the role of social capital and networking activities is in explaining economic performance. While explaining the importance of social capital in economic activities I will also consider the potential negative implications of social capital for development. The research will then give a contextual explanation of what the LEADER approach is and how it was created.

The analysis of LEADER in relation to communities’ social capital (sub-questions 3-5) will be articulated in three different sections based on the three main elements that form the basis of the practical implementation of the LEADER method. The sections are:

- Study of the Local Partnership establishment;
- Study of the process in which the Partnership members agree on a common Local Development Strategy (LDS) for their community;
- Study of the Local Development Strategy implementation through LEADER projects.



The research will clarify to what extent social capital and networks are a prerequisite for the accomplishment of the above mentioned processes and to what extent these processes are producing social capital and networks.

The theoretical framework concerning social capital and community networking will be based on a study of the social capital literature. In this process I will identify the factors that can influence the success of endogenous development projects. The study of official European documents and other relevant literature concerning LEADER will give me the possibility to understand and explain the functioning of LEADER. The knowledge acquired through the literature study will provide the tools to understand the importance of the local endowment in social capital and networks for the LEADER approach.

The study of CMEF<sup>2</sup> documents and the analysis of the available reports will clarify in which practical way the projects are implemented. In order to have a countercheck on reality, primary data were also collected by interviewing LAGs in The Netherlands and in Italy and by distributing surveys to LAGs from The Netherlands. All LAGs from The Netherlands were contacted and invited for an interview. Cases from The Netherlands and from Italy furthermore will help in clarifying specific processes.

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<sup>2</sup> The Common Monitoring and Evaluation Framework (CMEF) is a set of documents drawn up by the Commission and agreed with Member States which provides a single framework for monitoring and evaluation of all rural development interventions (European Commission, 01.10.2012).

## 2. Social Capital

### 2.1. What is social capital?

The first use of the term 'social capital' dates back to 1916 when Hanifan defined social capital as:

*"The tangible substances [that] count for most in the daily lives of people: namely good will, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit" (Hanifan, 1916, p. 130).*

Hanifan also pointed to the benefits of social capital and its power to solve the political, economic and social problems of the community:

*"The individual is helpless socially, if left to himself. If he comes into contact with his neighbour and they with other neighbours, there will be an accumulation of social capital, which may immediately satisfy his social needs and which may bear a social potentiality sufficient to the substantial improvement of living conditions in the whole community. The community as a whole will benefit by the cooperation of all its parts, while the individual will find in his associations the advantages of the help, the sympathy, and the fellowship of his neighbours" (Hanifan, 1916, p. 130).*

As David Halpern points out, Hanifan strategically chose the term 'social capital' to give an economic emphasis to the concept. The use of the economic term 'capital' to express the economic importance of a concept nearer to sociology was expected to attract attention (Halpern, 2005).

The academic interest in the topic of social capital boomed in the late 1980s and during the 1990s. The main contributors to the debate have been Bourdieu and Wacquant (1986), Coleman (1988), Putnam *et al.* (1993) and Putnam (1995 and 2000) (Cecchi *et al.*, 2008 and Halpern, 2005). In this period, the definition of social capital has been reinterpreted by the different academic protagonists.

Pierre Bourdieu proposed the following definition:

*"Social capital is the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition" (Bourdieu and Wacquant (1986) in Cecchi (2008)).*

Bourdieu's approach enriches the definition of social capital with two notions: 'social capital' is a resource coming from the affiliation to a group and it is created by the interaction between people (Cecchi *et al.*, 2008).

The American sociologist James Coleman offered yet an alternative definition:

*"Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: They all consist of some aspect of social structure, and they*

*facilitate certain actions of actors – whether persons or corporate actors - within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that in the absence would not be possible” (Coleman 1988, p. S98).*

In the work of Coleman and Bourdieu social capital can help to explain the micro-behaviour of people and corporate actors. Coleman suggests, in fact, that the concept of social capital is a key element to explain how economic actors interact in broad social systems. Furthermore, social capital is seen as a factor that facilitates the creation of a social structure, that we can call a network, and the actions between the elements of this network (Coleman, 1988). In later work, Coleman explains how a high density of mutual obligations between the people of a community facilitate spontaneous cooperation and amplify the usefulness of tangible resources by enhancing their availability to others when needed (Coleman, 1990 in Putnam *et al.*, 1993).

In Hanifan’s definition social capital was seen as the common habits and the informal social norms of everyday life. Bourdieu focused on the actual utility of social capital and on the material benefit of social networks. Putnam unifies both ideas by defining ‘social capital’ as the set of relationships, social norms and feelings of trust that are necessary for the community to achieve its objectives (Cecchi *et al.*, 2008). Robert Putnam’s research into the civic traditions in Italian regions led to the conclusion that the economic prosperity and success of regional governments in Italy was deeply influenced by the level of the associational life and the level of trust within the communities of the regions. ‘Amoral familism, clientelism, lawlessness, ineffective government, and economic stagnation’ are some of the negative externalities that Putnam connects to the lack of social capital in the Italian southern regions (Putnam *et al.*, 1993 p.183).

Putnam derives his conclusions from looking at the dilemmas of collective action and social equilibrium. In the absence of a neutral third-party that enforces agreements or in the absence of credible mutual commitment, each individual has an incentive to defect. Trust and norms of reciprocity restrain opportunistic behaviour and decrease the need for sanctions and monitoring activities. In other words, social capital decreases the transaction costs of everyday economic and non-economic interaction between people (Putnam *et al.*, 1993).

Putnam explains that norms of generalized reciprocity are more likely to be abundant in dense networks of social exchange: the high frequency of social relationships helps the flow of information between the members of the community which stimulate feelings of trustworthiness. Mark Granovetter pointed out that trust is created and misbehaviours are discouraged “*when agreements are embedded within a larger structure of personal relations and social networks*” (Granovetter, 1985 in Putnam *et al.*, 1993 p.172). The network itself is the mechanism that discourages people to defect: “*The sanction for violating is not penal, but exclusion from the network of solidarity and cooperation*” (Putnam *et al.*, 1993 p.183).

This form of self-enforcement to respect and to mutually commit to an agreement is the force that allows people to cooperate and to act as a group. Putnam reports that through collective action

Italian northern communities could claim a more effective public service and were able to collectively act in order to achieve their common goals (Putnam *et al.*, 1993 p.182). This conclusion is confirmed by the work of Elinor Ostrom who has identified multiple instances in which people disposed the social capital that was necessary to build institutional arrangements of cooperation to solve common problems. The strength of this mechanism has been proven also in situations involving extreme competition within the community (Ostrom, 1990).

The definition of social capital that is employed in this thesis builds closely on the description provided by Robert Putnam: social capital exists of *networks*, *norms*, *values* and *sanctions*. The following paragraphs will discuss the main features of this definition.

## 2.2. Types and dimensions of social capital<sup>3</sup>

*Type of good.* Social capital is linked to a group of people: it exists through the interaction of people and by the network of relationships that these interactions produce. In this sense, social capital can be considered a public good: there is no rivalry for its use and nobody – within the group – is excluded from its benefits. However, since social capital is characteristic of a particular group of people, outsiders to the group can be excluded from its benefits. From this point of view, social capital can be considered a ‘club good’.

*The network.* Putnam does not make a clear distinction between social capital and social networks: from his analysis it seems that every network of people is associated with a collection of norms of reciprocity and common values. Social capital is described as the ‘glue’ that keeps the people together and the ‘oil’ that keeps the interactions fast and easy. Because people are the elements of the network and social capital is essential for its connections, all forms of social capital can also be considered as networks. Some examples are your extended family, your Sunday school class, the neighbourhood association to which you belong or the internet chat group in which you participate. From these different examples it is clear that social capital comes in many forms: every form, nevertheless, is connected to a specific context and its homogeneous character ensures that it is useful only for the specific purpose of its context and not for others. In other words, social capital cannot be exchanged: the social norms and trust within the network of a family, for example, are not applicable to the context of a firm or to the context of a group of people gathering at the pub.

*Formal versus informal social capital.* A firm is an example of a formal organization with recognized officers, membership requirements and dues. A group of people that always gather at the same pub is considered to be more informal.

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<sup>3</sup> This section is based on Putnam (2002).

*Thick versus thin social capital.* One dimension of social capital is the frequency of contact and the level of closeness of the elements in the network. The ties between the elements can be of different strengths. Thick social capital or strong ties between the elements of the network represent solid and durable relationships such as the connection between the members of a family. Thin social capital or weak ties are cases of infrequent and distant contacts between several elements. An example is the subtle acquaintance you have with the person you occasionally see waiting in the line at the supermarket.

*Inward looking versus outward-looking social capital.* Another way to classify social capital is by looking at who benefits from the activities of the community members. In some cases the interactions between the group members aim to promote the material, social or political interests of the members themselves. These groups develop a kind of social capital that is said to be inward-looking. In contrast, the activity of other groups has the aim to bring its benefits to people or entities outside the boundaries of their community. These groups are examples of outward-looking forms of social capital. Altruistic organizations and charitable groups are classified in this last category.

*Bridging versus bonding social capital.* Groups characterized by inward-looking social capital generally include people with a common characteristic related to gender, class, ethnicity or to a common interest. The affinity between the group members contrasts with the rest of the world and stimulates the creation of social capital which reinforces the boundaries of the group. This kind of network is also identified as 'bonding' social capital. Other networks are characterized by 'bridging' social capital. The word 'bridging' comes from the observation that some networks are in fact open to build interactions with groups of people that don't belong to the same community. Evidence shows that most of the social support that we receive comes from bonding social capital, i.e. it comes from the group to which we belong. On the other hand, bridging networks and therefore the contact with a different environment ensure to the group the access to benefits that are inaccessible to closed networks.

*Vertical versus horizontal networks.* Vertical networks are characterized by ties between elements identified in a hierarchic scale. Members belonging to this kind of networks have different levels of power: the network structure is characterized by subordination mechanisms. In these networks the information flow is recognized to be less reliable and the self-enforcement mechanisms less effective (Putnam, 1993). In horizontal networks every member has the same power. Horizontal networks within and between groups are recognized to be able to foster cooperation and social trust.

*The 'dark side' of social capital.* Certain forms of social capital can be damaging instead of helping. Bonding social capital that is too strong could prevent its members from benefiting from opportunities that come from outside the group. In the same way an inward-looking network may seek its interest at the expense of someone outside the group. In other words, social capital can also create negative externalities. When speaking about the different manifestations of social

capital Putnam suggests asking some questions: *“Who benefits, and who not? What kind of society is this form of social capital encouraging?”* (Putnam, 2002 p.9).

The next chapter will give a description of how social capital can help or hamper economic activities and economic development.

### 3. Social Capital: an economic perspective

This chapter will discuss the importance of social capital and networking activities for the success or failure of economic activities. As stated in the previous chapter, social capital is a characteristic of a particular group of people therefore, in order to understand its functioning, it is necessary to use a methodological approach which takes into consideration the whole group as a unit of analysis and not the single individual. The so called 'networking approach' is a methodological approach particularly suitable for the analysis of networks and for the understanding of social group dynamics.

Paragraph 3.1 will introduce this approach and will illustrate why it is appropriate in the study of social capital. Paragraph 3.2 will explain social capital measurement problems. Paragraph 3.3 will illustrate how social capital influences the economy at various levels.

#### 3.1 The networking perspective

The networking perspective is a methodological approach that studies social structure by analysing the relations between agents. In this approach agents are viewed as interdependent rather than independent. More specifically, agents are embedded in networks of social relations, which themselves are embedded in larger networks. The research unit of this approach is then not the individual and its attributes, but rather a collection of actors and the network of their relationships. Since every network is embedded in a more complex network, the researcher needs to choose the boundaries of the network that he wants to study. This perspective can be applied to any kind of social actor and to any kind of social activity. The ties or linkages between the members of the network can be any kind of relationship.

The networking perspective is considered to be especially suitable for the analysis of economic relations. In the networking approach actors are *"purposeful, intentional agents, with social and economic motivations, and their actions are influenced by the net of relations in which they are embedded"* (García, 2006 p.9). The economic actor is still the rational 'homo oeconomicus' acting to achieve his goals according to his preferences. Nevertheless, the structure of the network interferes with these actions and influences the probability of achieving some of the goals. The relationships, the agents and the positions of different agents shape the social structure and the economic activities, involving opportunities and constraints for the whole group. This approach is in line with the concept of 'embeddedness': Granovetter (1985) claims that economic interactions are embedded in a web of social relationships and an attempt to explain the economic system by ignoring its reliance on the social structure may lead to misunderstandings of the phenomena that are analysed. Or in other words, social capital, made of those social relationships and present in every network regardless of its size or scope, consists of trust and norms that come from the social structure and that serve as a supportive framework for economic activities and economic development (Coleman, 1988).

### 3.2 Social Capital Measurement

The choice between quantitative and qualitative research depends mainly on the objectives of the research itself. Qualitative analysis can provide deep and detailed descriptions about social capital in its different forms. Quantitative analysis, on the other hand, tries to define the level or the 'volume' of the phenomenon and make comparisons between different settings, ignoring some level of detail and nuance with respect to the concept. The attempts to find a quantitative measure for social capital is motivated by the particular interest in producing studies to assess its intensity and differences over time, to assess positive or negative relations with other phenomenon, in particular with economic growth, and to make comparisons between different cases, such as different nations or regions. Although both approaches present some constraints, quantitative research seems to face a number of difficulties in dealing with social capital.

*Why is it so difficult to find a good measure?* A variety of definitions of social capital can be found in the literature. According to the broad definition used in this thesis, social capital exists in a *network*; in *norms and values*; and in *sanctions*. Furthermore, distinction can be made between bonding and bridging social capital, and effects can be studied at different levels, the individual-, meso-, and macro-level. The researcher faces the problem of finding a single measurement for a multi-dimensional phenomenon. Furthermore, social capital can often not be measured directly. Research in this field measures the product of the presence of social capital in society. Every research, therefore, needs to explain which aspect of social capital and which measure better suits the scope of the research.

The main criticism of studies that investigate social capital concerns the fact that the measure chosen by the researcher never includes the entire concept of social capital. This also leads to questions about the reliability and the validity of the data (Halpern, 2005). The choice of the measure and the data often challenge the internal and the external validity of the research: some researchers may consider the measure that is used, not representative for social capital and it is often difficult to replicate the results of other studies.

### 3.3 How can social capital affect economic performance

Transactions consist of the exchange of property rights. In small societies informal institutions, such as conventions, are sufficient to regulate social life and economic activities. When societies grow, the contacts between people become less personal and informal institutions are replaced by more formal ways of organising interactions, for example formal contracts (North, 1990 in Groenewegen *et al.*, 2010). The institutional framework – be it formal or informal institutions – plays an important role in regulating exchange and in minimizing transaction costs.



Transaction costs consist of:

- Search and information costs,
- Costs to negotiate and conclude a contract,
- Monitoring and enforcement costs.

These costs increase when the transaction is characterized by:

- *High asset specificity*: refers to the degree of dependency of the contracting parties;
- *High uncertainty*: refers to the degree of uncertainty concerning the contracting parties, the development of the market and the development of the transaction itself;
- *Low frequency*: refers to the degree of knowledge, trust and mutual understanding the contracting parties have of each other, given by the frequency with which the parties interact.

Although formal contracts and formal enforcement institutions have gradually acquired a fundamental role in modern societies, in every society formal and informal rules still complement each other determining how people transact goods and services (Groenewegen, 2010). Social capital decreases transaction costs by increasing the transactions' fluidity and decreasing the need for formal institutions:

1. As a *network*, social capital decreases the uncertainty by facilitating the flow of information. It also helps by increasing the frequency of the contacts between the agents.
2. As *norms and values*, it consists of a self-regulating mechanism that can complement or substitute formal institutions. It decreases the incidence of opportunistic behaviour. By increasing the knowledge and the trust between the parties it also facilitates transactions characterized by asset specificities and sunk costs.
3. As *sanctions*, it consists of a self-enforcing mechanism which can safeguard the contracting parties from opportunistic behaviour. It also decreases the uncertainty of transactions and encourages the parties to make risky investments.

Halpern (2005) identifies three action-levels of social capital: the meso-level or community-level, the individual-level and the national or regional-level.<sup>4</sup> Social capital comes into being within the communities' networks; therefore we start by discussing the community effects. These meso-level effects can lead to individual benefits – at the more disaggregated level – but they can also be aggregated to show national or regional-level effects.

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<sup>4</sup> This distinction is proposed by David Halpner (2005). In Halpner's original classification, though, the individual-level is called 'micro-level' and the national or regional-level is called 'macro-level'. The word 'individual', 'regional' and 'national' are chosen in order to avoid misunderstandings regarding the economic understanding of 'micro' and 'macro'.

- *Meso-level effects*

The meso-level concerns the *community-level*. The term 'community' refers to any group of people: from the family, to the firm, to the neighbourhood. By spreading feelings of trust and mutual commitment, social capital shapes the 'community' internally and externally in the contacts with other communities. Social capital, for example, participates to determine the community's level of loyalty and respect of the rules, the openness of the group, the team spirit of the community or the need for strict formal sanctions.

A lack of networking activities inside a community, instead, can lead to the stagnation of resources: when information doesn't flow inside the community, resources remain misallocated and opportunities to foster economic development are missed. An example is the presence of unemployment at the same time that companies are complaining that they are not able to fill basic vacancies. On the other hand, the presence of social capital that is too strong can also have negative effects. For example, the members of a community that is too closely knit are not aware of opportunities outside and in the case that they are aware, they may be reluctant to accept them. Cases in Africa and in Mexico show that social, ethnical and economic polarization lead to fractures in society. These fractures in some cases lead to situations of bounded parallel systems with no networking activities; under some circumstances, these socio-economic fractures can even lead to social conflicts (Halpern, 2005).

Social capital, facilitating collective actions, can also be of crucial importance when processes of economic and social development are defined at a community level. Elinor Ostrom explains how social capital can facilitate cooperation inside the group and therefore facilitate processes of consultation and decision-making within the community. Organizations such as the World Bank, active internationally in the field of economic development, believe that social capital can also influence qualitative characteristics of economic development such as its sustainability. In particular social capital can influence the extent to which the community is able to take into consideration the needs of actual and future generations. On the World Bank website it is stated that *"increasing evidence shows that social capital is critical for societies to prosper economically and for development to be sustainable"* (World Bank, 24.06.13). Feelings of community commitment in fact foster in the community members a particular attention and interest in the future evolution of the community itself. Ann Dale *et al.* (2010) in a study in Australia found that for a sustainable community development are necessary *"unprecedented levels of cooperation and partnership ... working both locally and globally simultaneously through networks of collaboration"* (Dale *et al.*, 2010 p.18).

The employees of a firm can also be seen as a network because the presence of repetitive relations, common interests and common objectives in everyday work create feelings of mutual trust and reciprocity. By developing shared norms and habits people rely on each other. This enables the exchange of information and a greater willingness to coordinate and co-operate. This mechanism can increase the quality of life in the place of work making the people generally

happier, more productive and more loyal to the company. Recently, companies have started to invest more in social capital: both internally to the firm and externally, in the community where they operate (Halpner, 2005).

It is possible to recognize forms of social capital also in the long term-relationships between firms. Firms that cluster together, create relationships of mutual commitment and loyalty that decrease the risks of sensitive transactions and the risks of uncertain investments. Strong relationships between the firms help the exchange of ideas, information, products and people. The negative side of these cooperation relationships is that strong bonding social capital between firms, as a result of long-term commercial relations and the presence of common objectives and personal knowledge between the entrepreneurs, can create an environment that allows for secret agreements and cartels.

- *Individual-level effects*

Micro-level effects concern the *individual*. The positive effect that social capital has on the fluidity and frequency of transactions at the meso-level has positive spill over effects on individuals. Social capital and networks in particular are important at the individual level because of the information flow inside the network but also because of the guarantees of mutual help based on trust and long-term relations. An example is the relevance of personal networks in the employment market. The probability to leave unemployment is affected by the individual's social network: job applications are often the result of the advice of a friend or an acquaintance. In this case the role of thin and bridging social capital is fundamental: people with few contacts between each other probably spend their time in different environments, attend different networks of people and have access to different sources of information. The flow of information within and between networks can guarantee a better allocation of resources. This is one of the reasons why 'bridging networks' are considered to have a more positive role than 'bonding networks'. Wide social networks not only increase the probability to find job opportunities but also provide knowledge about strategic figures, such as customers, traders and co-workers (Halpner, 2005). Differences in endowment of social capital and social networks between groups in society can also be considered a source of social stratification and fragmentation: a lack of networks for a specific working class or strong bonding social capital within ethnic groups, for example, could represent a barrier to access better jobs or to improve activities.

- *National or Regional-level effects*

National-level effects concern the aggregation of individual and meso-level effects. It is not possible to speak of a real effect of social capital at a national level: since social capital is defined at the community level it is likely to differ between communities within a region or within a nation. Studies using aggregate data about 'trust' or 'associative life' at the regional and national level, however, show correlation between the economic health of a nation and its level of social capital. Putnam *et al.* (1993) finds a strong relation between social capital and economic growth

documenting that in Italy the regions with high social capital that are situated mostly in the north were the most economically productive. Putnam *et al.* finds also that social capital, useful for economy well-functioning, originates from associational life for economic or recreational purposes.

Whiteley (1998) uses a measure of social capital based on a combination of responses to a survey about trust, and compares this to different models that predict economic growth from 1970 to 1992. He finds that social capital significantly predicts the economic growth rate and concludes that social capital can be an important instrument to explain cross-national variations in economic growth (Whiteley, 1998, in Halpner, 2005).

Fukuyama argues that it is possible to observe different kinds of social capital in different nations: while Italy is characterized by a high level of trust inside the family, the USA is characterized by a high level of trust between strangers. In his opinion, the kind of social capital present in the nation influences its economic organization. Fukuyama uses these observations to explain why Italy, characterized by strong bonding social capital inside the family, has a tendency to build small family firms and the USA, characterized instead by bridging social capital, have a tendency to build large corporations (Fukuyama, 1995).

## 4. The LEADER approach

This chapter will introduce the LEADER approach and its functioning. Section 4.1 will give a background introduction about the historical evolutions that led to the creation of the EU Rural Development Policy and the LEADER approach. Section 4.2 will explain why LEADER represents an innovative approach and an alternative to the traditional top-down measures. Section 4.3 will explain how LEADER is organized. In particular section 4.3 will illustrate the Local Action Group functioning and its main tasks. Section 4.4 will explain the LEADER method by illustrating its 7 key features.

### 4.1 Background

Agriculture nowadays contributes only modestly to the economy of EU member states. Even in regions where the industrialization has not expanded, we see that farmers manage only a residual part of the economy and of the society. At the same time, rural areas in Europe show less economic growth than industrial and urban areas. These considerations have led policy makers to recognize the need for development strategies which take into account not only the activities linked to the agricultural sector but the development of rural areas as complex diversified systems.

European rural development policy is challenged by the diversity of rural areas within the EU: from north to south and from east to west, Europe is characterized by a great variety of rural environments. The differences between rural areas in Europe strongly challenge the ability of rural policies to fulfil the needs of all the different kinds of rural areas present in the European member states. From the 1990s onwards, the weight of these differences gained importance in the process of policy making.

In the same period another big debate was going on: a larger participation of communities and a wider subsidiary in the policy building process could add value to the rural development policies. The debate concerned the principle that public institutions can assume a central role in triggering economic development but that the communities themselves should participate in the creation of development plans. Public intervention in fact is recognized to be necessary especially in those regions or sectors where the private initiative is not able to ensure a good quality of life to its communities. Moreover, scientists argued that the spark to development should come from inside the communities and not from a higher public institution (Pike *et al.*, 2006). Government intervention should then be restricted to cases of market failure and improving market efficiency.

In 1988 the document 'The Future of the Rural World' testified the CAP's shift away from the sectorial perspective towards a more territorial approach. This evolution took place in a moment of big changes in the CAP. During the 1980s a variety of reforms in the CAP changed the way the support to agriculture was implemented. Among the main reasons for this change were: the economic un-sustainability of the price support system; an increased drive towards bottom-up

approaches in EU interventions; and the need for a structural revision of the economic support to agriculture. The European economic crisis during the 1990s, furthermore, obliged the governments to stop running deficits to finance the sector. 'The Future of Rural World' introduced the new approach to rural development policies. The main characteristics of the rural development policies contrasting with the conventional approach of EU intervention in the agricultural sector are the following (Cecchi *et al.*, 2008):

- a) the new rural development policies use a more territorial approach;
- b) they are regional policies which provide tools for endogenous development in rural communities;
- c) both the public administrations and the local society are asked to participate in the financing of the policies.

During the programming period going from 2007 to 2012 the European Rural Development Policy was composed of four axes: Axis 1 aims at 'Improving the competitiveness of the agricultural and forestry sector', Axis 2 aims at 'Improving the environment and the countryside', Axis 3 aims at improving 'The quality of life in rural areas and diversification of the rural economy' and Axis 4 is LEADER which stands for 'Links between actions of rural development'.<sup>5</sup>

Since its establishment in 1991, LEADER has evolved through a number of steps. As shown in Table 4.1 LEADER passed through three generations. At the beginning LEADER was implemented in a limited number of rural areas considered to be in decline and characterized by a GDP below the EU average. Every programming period LEADER gained importance in terms of Area covered by its implementation and in terms of funding available for its projects (see table 4.1). From 2007 LEADER is integrated in all national and regional development programmes (see Annex 1).

**Table 4.1 LEADER through the programming periods**

| Leader initiative      | Programming period | Area covered              | EU funding          |
|------------------------|--------------------|---------------------------|---------------------|
| Leader I <sup>6</sup>  | 1991-93            | 367 000 km <sup>2</sup>   | EUR 442 million     |
| Leader II <sup>6</sup> | 1994-99            | 1 375 144 km <sup>2</sup> | EUR 1 755 million   |
| Leader+ <sup>6</sup>   | 2000-06            | 1 577 386 km <sup>2</sup> | EUR 2 105.1 million |
| LEADER <sup>7</sup>    | 2007-2013          | 4 100 000 km <sup>2</sup> | EUR 5 900 million   |

<sup>5</sup> In French, *Liaison entre actions de développement rural*.

<sup>6</sup> European Commission (2006) *The LEADER approach – A Basic Guide*, Luxembourg: Office for Official Publications of the European Communities. Retrieved from: [http://enrd.ec.europa.eu/app\\_templates/filedownload.cfm?id=2B953E0A-9045-2198-8B09-ED2F3D2CCED3](http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=2B953E0A-9045-2198-8B09-ED2F3D2CCED3)

<sup>7</sup> Provisional data elaborated by ENRD, 2012, Axis 4 (Leader) – Implementing Local Development Strategies, retrieved from: [http://enrd.ec.europa.eu/app\\_templates/enrd\\_assets/pdf/measure-information-sheets/C\\_Infosheet\\_411\\_2\\_3.pdf](http://enrd.ec.europa.eu/app_templates/enrd_assets/pdf/measure-information-sheets/C_Infosheet_411_2_3.pdf)

## 4.2 An innovative approach and an alternative to top-down policies

The LEADER approach was established, in particular, as an answer to the evidence that traditional top-down interventions fail to trigger real local development. There can be multiple reasons for the failure of a development plan or a policy. Pike *et al.* (2006) claim that some of these reasons are internal and some are external to the policy itself. The characteristics of society, such as the level of education, the characteristics of the local market, and the presence of a weak local economic structure, can neutralize the policy attempts to foster economic development. A poorly suited social and institutional context can represent a limit for the success of traditional development policies (North, 1990). For many years investments through traditional top-down policies were used in the rural European regions. While in some areas these investments reached good development results, in the case of other European regions it didn't happen. The fact that top-down measures are normally highly targeted and focused on a single aspect of the overall economic problem can represent an obstacle for the achievement of certain policy goals. Traditional development approaches, moreover, have the tendency to apply standardized policies on the entire interested area regardless of the local economic, social, political and institutional conditions. Specific characteristics of society and of markets can then compromise the effectiveness of a development policy (Pike *et al.*, 2006).

In contrast with the traditional top-down measures, LEADER approach is a tool targeted at European rural areas to face their specific territorial challenges. Its core elements are the preference for integrated regional development, the participation of the local population and the use of cooperation and networking. LEADER is based on a multi-level governance where the competences are shared between EU institutions, Member States, local governments and local stakeholders. LEADER development strategies aim at mobilizing endogenous local rural development. In order to achieve this goal the 'decision making process' is decentralized to a local partnership also called 'Local Action Group' (LAG). As a bottom-up approach, LEADER represents a completely **innovative approach** in the policy-making world: LEADER gives decision power to people and to communities about issues that normally are managed exclusively by the government.

Being based at a micro-regional level, LEADER development strategies are created especially for a well determined geographical area. In accordance with this approach, policy makers decided that the territorial area administrated by the LAG doesn't need to coincide with the municipal or provincial borders. The area should be made of contiguous territories characterized by common aspects in the physical, cultural and economic characteristics. Originating from the specific characteristics of an area, the area based development strategies show also to be more innovative and flexible than the traditional top-down measures. Being thought to meet the needs and to value the opportunities of an identified region, these measures encounter more openness from the population and so a higher efficacy.

LEADER is considered able to “*encompass the complexity of the territorial system, i.e. in relation to rural infrastructures, common goods, local heritage, organizational capacities, knowledge transfer, cultural enhancement etc.*” (DG AGRI Guide, 2011 p.7).

### 4.3 LEADER organization

The first step for LEADER implementation is the creation of a Local Partnership. Local stakeholders meet together, are informed about LEADER and decide whether to invest their time in the organization of local development activities. At the beginning of every programming period a public call invites new partnerships to apply for becoming a LAG. Existing LAGs also apply to continue their activities. Every LAG applies for a certain area which, as mentioned, doesn't have to coincide with administrative borders. Every area is under the control of just one LAG. LAGs and many LEADER-like initiatives are created under the initiative of local actors. LEADER-like initiatives are initiatives disconnected from LEADER but sharing the same approach and the same organization of the local action group.

The LAG creation passes through 3 phases:

1. the local actors are invited to participate in a Local Partnership,
2. the Local Partnership creates a Local Development Strategy (LDS), and
3. the partnership applies to become a LAG by sending the detailed description of the partnership composition and the LDS to the national LEADER Managing Authority.

The LAG should consist of representatives of all interest groups present in the local community: private and public representatives coming from the local government, the economic sectors and the civil society. The LAG consists of ‘community representatives’ and a group of employees: the community representatives are local actors that decided to create a local partnership which then applies to become a LAG, the employees are LAG functionaries that carry out the every-day work. The LAG is expected to be competent in: i) building and pursuing a joint and coherent strategy, ii) managing the day-to-day administration and programme implementation including the legal and financial issues (or delegate these duties to a separate institution), iii) facilitating social and organizational processes (OIR, 2004).

The local actors participating in the partnership, thanks to their knowledge of the region and their experience, are identified as the best experts of the territory. Local actors are therefore considered the most suitable people to analyse the regional development opportunities and identify the region's strengths and weaknesses to build a Local Development strategy (LDS). An example of a ‘weakness’ could be a strategic sector lacking in strength and needing improvement; an example of a ‘strength’ could be a local peculiarity whose level of development, performance and attractiveness allow the region to promote itself. According to the conclusions of this detailed analysis of the regional development opportunities, the local partnership decides the priorities of its Development Strategy and according to these priorities builds a list of selection criteria for the



projects. At the decision-making level the economic and social partners, as well as other representatives of the civil society, such as farmers, rural women, young people and their associations, must make up at least 50 % of the LAG.<sup>8</sup> More information about the programming process of the Local Development Strategy is presented in Box n°4.1.

#### ***Box 4.1 From the European strategic guidelines to the Local Development Strategy***

The European Council adopts Community Strategic Guidelines referring to a specific programming period in order to set the strategic priorities for rural development for each of the Axes at the European level. Each Member State then submits a National Strategy Plan indicating the priorities of the actions financed from both the EAFRD and the Member State to the European Council. The National Strategy Plan takes into account the Community strategic guideline. Each National Strategy Plan gives the thematic and territorial priorities for each axis including the quantified objectives and the monitoring and evaluation indicators. The plan should also include the expected organization of the funding. After the approval of the National Strategy Plan, the Member State decides to submit a single Rural Development Programme for its entire territory or to submit a set of Regional Development Programmes. These programmes present the set of measures relative to the four axes that will implement the National or Regional Strategy Plans.

After the approval of the national programme from the Council, the Member State invites the communities of the rural regions to submit their applications for the new LEADER programming period. The LAG creates a Local Development Strategy which is approved by the Managing Authority. The Local Development Strategy must be in line with the priorities of the National Strategy Plan and with the National and Regional Development Programmes. The Managing Authority together with the Paying Agency are two authorities designated by the Member State and are accredited either public or private bodies acting at national or regional level.

The projects financed by LEADER are small-scale projects. They can be proposed either by the community or by the LAG members. LEADER projects usually are relatively small interventions that can improve the economy or the quality of life of a rural community. They have the characteristic to be multisectoral and multidisciplinary: they aim at involving the maximum number of local stakeholders to reflect the interest of the whole community. An example can be the creation of a 'multi-functional centre' with consultancy, recreational and medical services. Projects need to address LEADER axis objectives and should be created and implemented seeking the LDS proprieties.

Projects can involve more than one LAG: inter-territorial cooperation takes place between LAGs belonging to different rural areas within a Member State; transnational cooperation takes place

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<sup>8</sup> Art. 62.1.b COUNCIL REGULATION (EC) No 1698/2005 of 20 September 2005

between LAGs from at least two Member States, or with action groups in third countries. Cooperation projects aim at transferring experiences and spreading good practices. The EU recognises that networking activities between LAGs need support at both a national and European level. For this reason the collection and the spreading of information from and between LAGs is organized by the European Network for Rural Development (ENRD) and the National Rural Networks. Both are public institutions regulated by the European Council regulations.

LEADER shares the same priorities with the first three axes of the EU rural development policy. LAG projects however are expected to reach these priorities with solutions that are different from the first three axis measures. Namely, LEADER projects should follow endogenous development strategies: projects are created by local stakeholders according to the specific needs of their region. For this reason LEADER is also called the 'methodological axis': it suggests mainly a new methodology while borrowing the objectives from the other axis. Projects that are within the normal activities of local authorities, or that are eligible for one of the other axes, are financed by LEADER only in exceptional circumstances. As a result, LEADER allows the adaptation of the first three axis priorities to the extreme diversity of European rural areas. By using a territorial approach and by structuring its actions on local communities' participation, LEADER tailors the policy and the relative CAP grants to the exclusive development opportunities of a specific rural area. For further information about LEADER objectives see Annex 2.

The LEADER method is described by seven key features: they represent the tool-kit that guides the communities to implement the LEADER method. The next section will further discuss the seven key features.

#### 4.4 Seven key features

LEADER's seven key features are a recipe to identify and create development opportunities for the community by giving decision power to the community itself. The joint action of the key features represents the real added value of the fourth axis.

The seven key features are defined below.

The first feature is the bottom-up approach. Bottom-up *"...means that local actors participate in decision-making about the strategy and in the selection of the priorities to be pursued in their local area. The involvement of local actors includes the population at large, economic and social interest groups and representative public and private institutions. LEADER conceives the local people as the best experts on the development of their territory"* (European Network for Rural Development, 13.11.2012). For this reason the local communities are involved in identifying the most relevant local strategy and in implementing the projects necessary to achieve the local strategy objectives.

Local stakeholders have the opportunity to come together in a partnership, the Local Action Group (LAG) which represents the second key feature. The LAG *"...should be made not by public*

*authorities but by a wider local partnership, where the local government is included but does not have a majority vote. Involvement of the community can be enhanced by allowing all interested local parties to participate in the LAG and by ensuring that all the key local actors are represented"* (European Court of Auditors, 2010 p.18). At the decision-making level the economic partners and the representatives of civil society must cover at least 50% of the local partnership. The LAG has the duty to propose an integrated local development strategy based on the key features of the LEADER method and it is responsible for its implementation. Depending on the power that the Member State decides to give to the partnerships, the LAG's work often includes managing and allocating financial resources (Art.62 COUNCIL REGULATION (EC) No 1698/2005).

The LAG, by defining its Local Development Strategy, should take into consideration the local specificities valuing local endogenous resources. This is the basis for the 'area-based approach'. *"An area-based approach takes a small, homogenous, socially cohesive territory, often characterized by common traditions, a local identity, a sense of belonging or common needs and expectations, as the target area for policy implementation. Having such an area as a reference facilitates the recognition of local strengths and weaknesses, threats and opportunities, endogenous potential and the identification of major bottlenecks for sustainable development"* (European Commission, 2006).

The area-based and bottom-up approaches are part of the innovative characteristics of LEADER. Being tailored on the characteristics of its specific rural area every LEADER project should represent an innovation with respect to the traditional Rural Development Measures of Axis 1, 2 and 3. *"Leader is intended to be an innovative approach. LAGs should design and implement their strategies in a way to mobilise and deliver local rural development through innovative responses to old and new rural problems. LAGs can add value by doing something different to other programmes or the activities of the local authorities"* (European Court of Auditors, 2010 p.25).

Part of LEADER's innovative character results from the rejection of the old sectoral approach: *"... the local development strategy must have a multisectoral approach, integrating several sectors of activity. The actions and projects contained in local strategies should be linked and coordinated as a coherent whole. Integration may concern actions conducted in a single sector, all programme actions or specific groups of actions or, most importantly, links between the different economic, social, cultural, environmental players and sectors involved"* (European Commission, 2006 p.13).

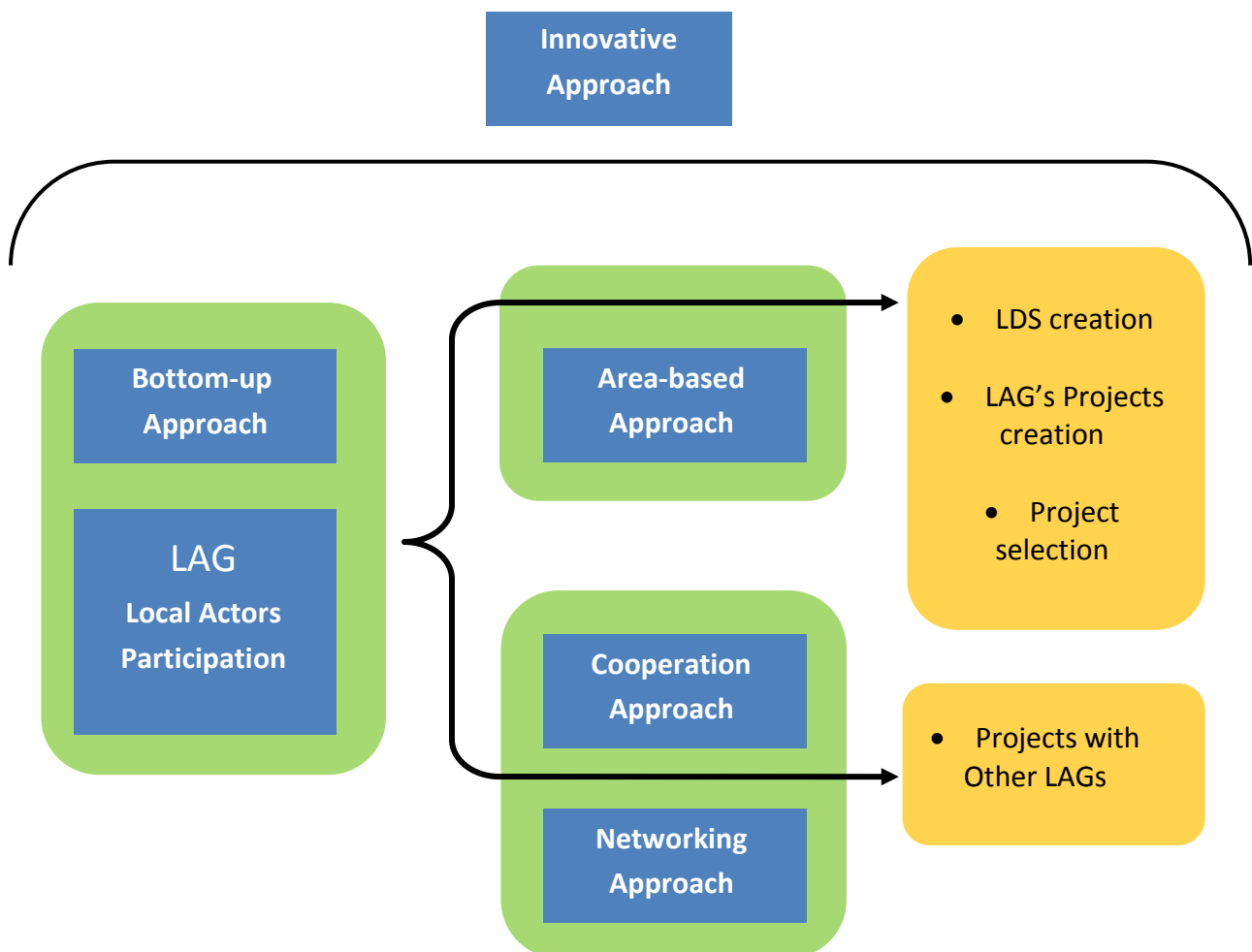
The interaction between actors and projects of different sectors of the local economy are included in the last two key features: cooperation and networking. These activities aim at building links between actors inside the community and at building links between LAGs of different regions or even nations. *"Networking includes the exchange of achievements, experiences and know-how between Leader groups, rural areas, administrations and organisations involved in rural development within the EU, whether or not they are direct Leader beneficiaries. Networking is a means of transferring good practice, of disseminating innovation and of building on the lessons learned from local rural development"* (European Commission, 2006 p.13).

Cooperation is a further step after the networking activities. “It involves a local action group undertaking a joint project with another Leader group, or with a group taking a similar approach, in another region, Member State, or even third country. Cooperation can help Leader groups to boost their local activities. It can allow them to resolve certain problems or add value to local resources” (European Commission, 2006 p.14).

Although the key features are well defined concepts, their actual added value relies on their interdependence. LEADER’s potential can only be reached through the synergy of the seven features and their simultaneous implementation.

#### 4.5 Summary: the LEADER method

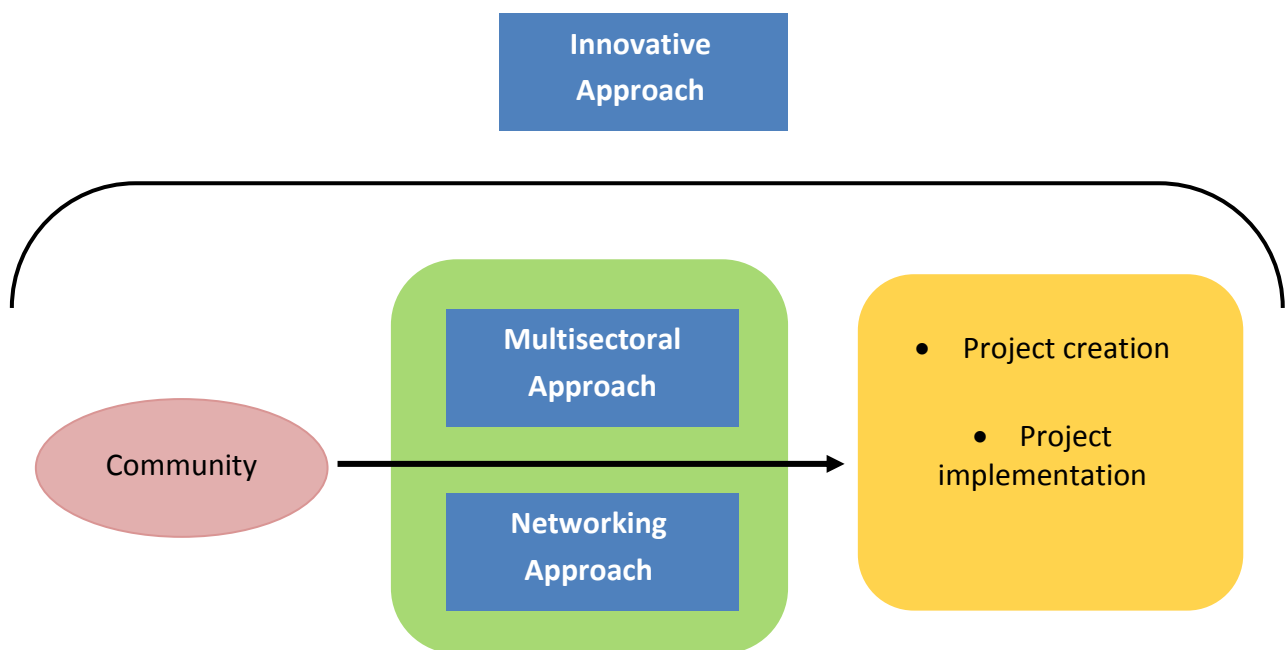
The following paragraphs will summarize the LEADER key features interdependency and the community involvement.



**Figure 4.1 The 7 key features and the LAG**

Figure 4.1 shows how the bottom-up approach, the area based approach, the cooperation approach and the networking approach involve the LAG activities.

The LAG is the embodiment of the bottom-up approach: local actor representatives from the community create a local partnership that will become a LAG. The LAG applies the area-based approach to create a LDS which contains the development priorities of the area. The LDS includes also the criteria for the selection of the projects. Development priorities and project selection criteria, according to the area-based approach, should aim at the development of the whole area. According to the priorities and the criteria, the LAG creates its own projects and selects the projects coming from the community. The LAGs use their networks to apply for cooperation projects with other LAGs inside or outside the nation.



**Figure 4.2 The community involvement**

Figure 4.2 show how some of the key features involve the community's participation in the projects. Members of the community, through their networks, create projects involving as many local stakeholders as they can, possibly coming from different sectors. The members of the community are the final implementers and the beneficiaries of the projects.

The implementation of all the key features represents LEADER's 'innovative' character.

## 5. Methodology and data collection

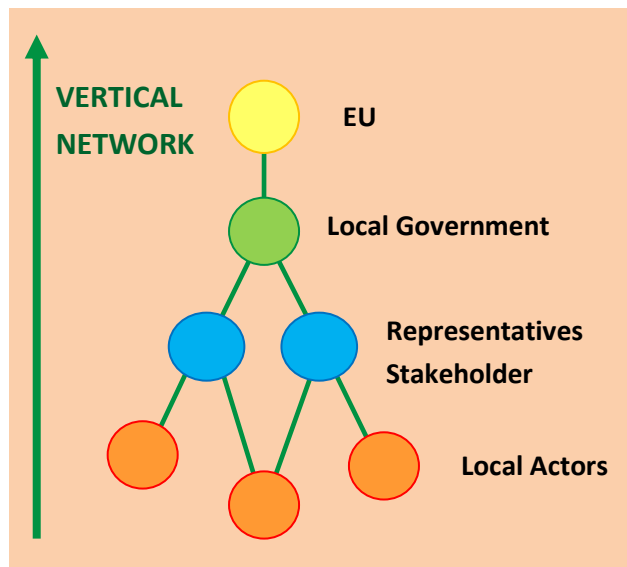
The remainder of this thesis will present evidence based on secondary and primary data of the relationship between social capital and networks and the LEADER axis. More specifically, I will present evidence of how social capital and networks are a prerequisite for the development of LEADER on the one hand and how social capital and networks are a result of the implementation of the LEADER axis on the other hand. The analysis will be divided in three chapters based on the three main elements that form the basis of the practical implementation of the LEADER method:

- I. the Local Partnership (LAG),
- II. the Local Development Strategy (LDS), and
- III. the LEADER projects.

In order to articulate the analysis, the following concepts will be considered:

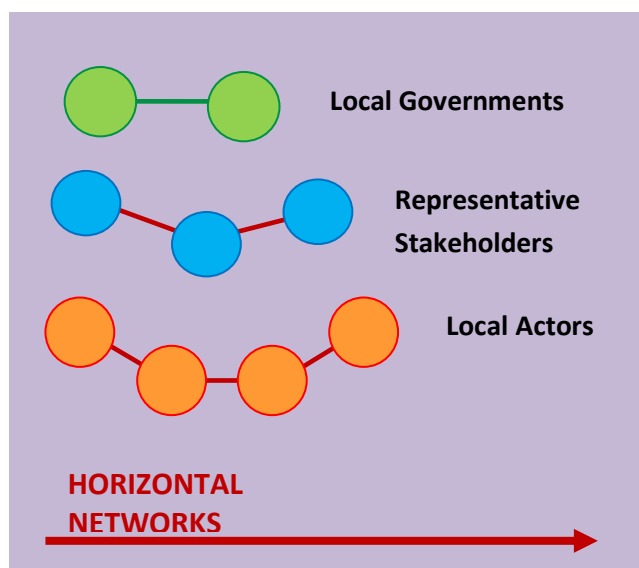
- Bonding social capital
- Bridging social capital
- Trust relations
- Networks
- Horizontal networks
- Vertical networks

These concepts have been defined in chapter 2. To operationalize the concepts of horizontal and vertical networks in the context of LEADER I will use two more targeted definitions. Vertical networks consist of contacts and trust relations between ‘authorities’ such as the EU institutions and the national government, ‘intermediary bodies’ such as the local government and the LAG, and the ‘beneficiaries’ such as the local stakeholders and the community members. Figure 5.1 shows a simplified scheme of vertical networks relevant for LEADER.



*Figure 5.1 LEADER's vertical networks*

Horizontal networks, on the other hand, are networks between persons belonging to the same hierarchical group within such a vertical network (see figure 5.2).



*Figure 5.2 LEADER's horizontal networks*

Chapter 6, 'The Local Partnership', will answer the research questions:

- How do social capital and community networking influence the establishment of the Local Partnership?
- Are social capital and networks created as a result of the local partnership creation and its work?

In order to answer these questions the chapter will test the following hypothesis:

1. *Communities characterized by limited networks and social capital will face challenges in:*
  - *creating the Local Partnership,*
  - *ensuring the representation of all social groups in the Local Partnership, and in*
  - *providing the Local Partnership members with the knowledge and skills necessary for the LAG creation.*
2. *The Local Partnership creation will enhance the interaction between local actors creating new networks.*

Chapter 7, 'The Local Development Strategy' will answer the research questions:

- How do social capital and community networking influence the LDS creation and the LDS characteristics?
- Are social capital and networks created as a result of the LDS?

In order to answer these questions the chapter will test the following hypothesis:

1. *Communities characterized by limited networks and social capital will face challenges in:*
  - *creating LDS that are representative of community interests ,*
  - *creating a LDS based on a long-term common vision for the community development, and in*
  - *having access to valuable information which can improve the quality of the LDS.*
2. *The process of community consultation about local development issues and related development opportunities, necessary for the LDS creation, will strengthen the community's social capital.*

Chapter 8, 'LEADER projects' will answer the research question:

- How do social capital and community networking influence LEADER projects creation and LEADER projects aims?
- Are social capital and networks created as a result of the LEADER projects creation?

In order to answer these questions the chapter will test the following hypothesis:

1. *Communities characterized by limited networks and social capital will face challenges in:*
  - *Creating multisectoral projects, and in*
  - *Creating community oriented projects.*



2. *LEADER projects being 'multisectoral', 'community oriented' and 'area-based' will create new networks and will strengthen the community's social capital.*

### **Data collection**

The analysis presents information from LEADER literature and data collected through a survey and through personal interviews. LEADER literature consists of official European documents, official reports and studies describing how LEADER is regulated, organized and how LEADER method has been implemented over the years.<sup>9</sup> Sources of this literature have been scientific papers databases and internet.

In order to have a countercheck in reality, I collected information by interviewing 4 persons and by submitting a questionnaire to the LAGs in The Netherlands. 29 LAGs were contacted by e-mail, 4 completed questionnaires were compiled. LAGs have been asked to answer questions related to 10 elements that during the literature background study have been identified as relevant for LEADER. These elements are:

- Local stakeholders participation,
- Private and public representatives cooperation,
- Full representation of the community,
- Use and reinforcement of the local peculiarities,
- Importance of people awareness,
- Changes in community cohesion and cooperation due to LEADER activities,
- Existing networks and networks created by the LAG,
- Willingness of voluntary work from the community,
- LAGs' role in conflict resolution,
- Willingness to invest and trust between local stakeholders.

The interviewed persons were staff members of the LAGs and were competent and experienced concerning LEADER. The interviews have been led in a non-structured way: two interviewees answered the same questions of the e-mail questionnaire and had the possibility to more thoroughly describe and discuss the issues that were more important according their experience. Personal contact with two more persons provided access to specific stories and experiences adding evidence to the analysis conclusions.

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<sup>9</sup> (Directorate General for Agriculture and Rural Development, 2006); (Grieve et al., 2010); (OIR, 2004); (European Commission, 18.5.2000); (European Court of Auditors, 2010); (European Commission, 2006); (Lukesch, 2007); (COUNCIL REGULATION (EC) No 1698/2005); (DG AGRI, 2011); (ENRD, 2012); (European Communities, 2006).

## 6. The Local Partnership

This chapter will explain how social capital and networks are necessary for the creation of the Local Partnership. The Local Partnership creation is the first step for LEADER implementation. As explained in chapter 4, during this phase local stakeholders meet and evaluate the possibility to create a LAG: a working group active for the development of the region. The Local Partnership, after creating and submitting its Local Development Strategy, will eventually be recognized as LAG.

This chapter will furthermore explain how social capital and networks ensure the necessary cooperation between the Local Partnership members and how they can provide the necessary support in terms of knowledge and skills.

### 6.1 *The Leader of the LAG and the creation of the Local Partnership*

- *A leader's network is the basis for the Local Partnership*

The Local Partnership normally is created by the initiative of one single person. This is the person that by using his network of contacts takes the initiative to develop a Local Partnership. Sometimes this person has already been involved in LEADER (as a manager, expert, administrator etc.) elsewhere. Moving to other rural regions and bringing their experience with them, LEADER experts can trigger 'infiltrations' of LEADER in other rural areas. This may involve, for example, governmental employees that move to new administration offices and gain trust in the new social and institutional environment (OIR, 2004). The knowledge as well as the size and the characteristics of this person's network have a great influence on the initial development of the Local Partnership.

LEADER activities require a high level of cooperation between the Partnership members. For this reason local actors, in order to participate in the Local Partnership, need to trust each other, they need to trust the LEADER approach and strongly believe that cooperation between the Partnership members will be possible. Especially when a horizontal network between the community members is absent, the personal network of a leader, a mayor for example, is crucial for the Partnership creation. Trust relations between the local stakeholders and the Leader are a useful, sometimes indispensable, incentive for the stakeholders to participate in the Partnership especially in the initial moments of its creation. People belonging to the leader's network, that trust and believe in his ideas and his abilities, will be more willing to invest their time in participating in the Partnership.

- *The Local Partnership composition depends on the leader's network*

Each person's networks say something about their life, their job, the social environment in which they function and even about their character. When the Local Partnership is created as a result of the network of one leader, there is the risk that the 'character' of the Partnership will be determined by the kinds of contacts that this Leader has. Especially if the leader's network is characterized by strong bonding social capital there is the risk that the group created by the leader is focused within itself without giving the possibility to other groups from the community to join the Partnership.

A Commission notice of 2000 states that '*Local action groups must consist of a balanced and representative selection of partners drawn from the different socioeconomic sectors in the territory concerned*' (European Commission, 2000 p.139/7). Results of the interviews show that the possibility to constitute a Local Partnership that is representative of every social group in the community, relies on the Leader's contacts.<sup>10</sup> For this reason there is a higher probability that a person coming from the local government, that because of his position has access to a wide network, will be able to build a more community representative Local Partnership (see also Box 6.1).

The initial network of the Local Partnership can be extended through the leader's second degree network. The leader can use his networks to create a first group of Partnership participants. In a next step, the first group members can invite people from their own networks. In this way a wider and maybe more representative, group can be created.

#### **Box n. 6.1 The Leader's network in the Netherlands<sup>11</sup>**

According to the information gathered during the interviews a public entity such as a government official is better equipped with the necessary network of people than a citizen that is not active in local politics. Furthermore, between the civil representatives only a relatively 'famous' figure would have a wide enough network of people to create a representative Local Partnership for the community. According to the survey the importance of the Leader's network of contacts goes from Important to Critical. Interviewees answered that private actors' networks would have been only partly wide enough to fulfil the Local Partnership's needs of networks. The interviews also confirmed that the Local Partnership, after gathering a first group of local stakeholder, used the participants' networks to broaden its

<sup>10</sup> Based on survey: answers to the question '*The initiative for the LAG creation normally starts from one single person or a first group of people. On a scale from 1 to 5, how important has been this person's/group's network for the partnership creation?*' varies from 'important' to 'critical'.

<sup>11</sup> Based on personal interviews and the survey.

own network and its members. In some cases, some social groups of the community joined the Local Partnership just in this second round. The OIR (2004) study confirms these findings.

## 6.2 A vertical network for LAG support and learning processes

- *Vertical networks provide the knowledge and the assistance that can help a Local Partnership's internal organization and cooperation*

OIR (2004) identified that new Local Partnerships are often created as a consequence of *institutional learning*. Over the years, communication tools have spread information about LEADER and local governments have been invited to participate in LEADER events and trainings for capacity building in the LEADER approach. These trainings provided the knowledge necessary to create new successful Local Partnerships and improve the activities of the existing LAGs. Local actors often don't have the necessary skills to create a Local Development Strategy or the networks create the Local Partnership.<sup>12</sup> Without the help of vertical networks local actors wouldn't have the necessary knowledge to set up the Partnership. Especially in the initial phases of the work, local stakeholders need help to organize themselves, they need information concerning the European grants procedures, and they need help in identifying the Local Development Strategy priorities. This help can come from 'intermediary bodies' such as local public institutions or from LEADER 'authorities' such as the European Network for Rural Development.

For a better functioning of the LAG, public actors are recognized to be able to (Lukserch, 2007 p.37):

- *reinforce the dynamics of local and regional economic relationships and exchanges,*
- *encourage people's self-organizing capacities,*
- *enable them to articulate their needs,*
- *negotiate and achieve appropriate solutions of conflicts of interest, and*
- *foster integrated regional development.*

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<sup>12</sup> Based on survey: answers to the question 'Did the private actors prove to have the necessary skills to work to the Local Development Strategy creation?' varies from 'partly' to 'no'.

- *Balanced vertical networks characterized by trust and respect between the local actors and local government are necessary to enable the autonomous functioning of the LAG and to improve the regional governance*

For a sound implementation of the Partnership activities, interactions between private and public actors need to find a good balance. Although the help of the public institutions can be of crucial importance when the Partnership is created, the local government and the public figures participating should respect the LEADER principle that gives decision power to the private entities of the Partnership (or the LAG after its approval). The local government should empower the community representatives participating in the LAG and respect their independence and autonomy from the government.

The OIR (2004) study recognized that *nearness* between the program authorities, intermediary bodies and beneficiaries is very important. *Nearness* in this context refers to quality and frequency of contacts which ensure the possibility to communicate, participate and cooperate. The OIR study found that a sound implementation of the bottom-up approach was better achieved in regions characterized by a “*national tradition or more recent tendencies towards decentralized local decision-making*” (OIR, 2004 p.19). Experience shows that local government sometimes have difficulties to legitimise the LAG and that sometimes the presence of local government representatives interfere with the initial decisions of the Local Partnership and with the later decisions of the LAG.<sup>13</sup>

The LAG’s decision-making rule gives at least 50% of the votes to the Local Partnership’s members coming from the local economic sectors and the representatives of civil society. The rest of the votes go to the participants representing the local government. This rule should guarantee the bottom-up approach and should avoid that the local government take over the control of the LAG. Notwithstanding the local actors’ empowerment given by this rule, local governments are able to influence the Partnership and the LAG activities in different ways. In some LAGs, for example, local governments are co-financing projects and the LAG’s staff is employed by the local government (see box 6.2).

Balanced vertical networks also enhance the flow of information inside the community. When cooperation and decentralization processes characterize the relation between the local government and the Local Partnership, information within the community flows easily and an interactive learning process enters into action. The network, by connecting the local actors, the Partnership and the local government, enhances the flow of information, knowledge and experience: it constitutes a new horizontal and vertical interface for local governance. The enhanced nearness between local stakeholders and the local government produced by the

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<sup>13</sup> Based on personal communication with Baart Soldaat on 15.01.13 and Margje Memelink on 06.02.13.

enhanced relations lead to capacity building, to better organizational capabilities in the private sector and better governance capability in the public sector.

#### **Box n. 6.2. Vertical Networks in the Netherlands<sup>14</sup>**

Evidence from the interviews showed that when the LAG staff is employed by the local government there could be the risk of internal conflicts of interest: the staff in these cases could represent the interests of the local government instead of the Local Partnership/LAG interests. Though the government should not count for more than any other social representative within the Partnership, we see that it can sometimes exercise its influence to address the Partnership decisions. For example, in the early stage of defining the Local Development Strategy, some LAGs in the Netherlands experienced pressure from the local government to select priorities in line with the local governmental policies. During the programming period 2007-2013, for instance, LEADER projects are co-financed by European and local government resources. The European funding is approved only after the governments-support is ensured. LAGs experienced that after the complete approval of a project by the LAG, the regional government refused to subsidize it because the goals sought by the project were not in line with local government priorities. This compromised also the access to the EU funding. According to the interviews one of the main reasons for these disagreements between the local government and LAG's strategies is the presence of feelings of distrust from the government in LAG's projects and LAG's abilities. The presence of government representatives in the LAG sometimes is not enough to ensure the necessary cooperation between the LAG and the local government. Better trust relation between the local actors, owners of the project proposals, and the local government would improve the respect for the bottom-up approach.

### **6.3 A horizontal network for local actor participation and cooperation**

- *Trust, mutual understanding, mutual commitment and common values are necessary for the cooperation inside the Local Partnership*

During the creation of the Local Partnership, representatives from society are invited to meetings where they are informed about the possibility and the procedures to participate in regional development by the creation of a partnership. Local actors may know each other or on the contrary they could meet for the first time during such meetings. This initial moment faces the problem that *"Setting up a new partnership often means to leave habitual circles, and to*

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<sup>14</sup> Based on personal communication with Baart Soldaat on 15.01.13 and Margje Memelink on 06.02.13.

*socialize with new actors, with all their different views and ways to communicate”* (Lukesch, 2007 p.8). Local actors, in order to believe that their investment of resources and time in the LAG activities will bring future benefits to the community, will need to trust the LEADER approach and need to believe that they will be able to work together.

In other words, the community representatives need to find out if their ideas about how to improve the economic and social status of their region fit together. They need to share the same values and cooperate to come to a common vision for the future. The presence of social capital and networks in the community would bring the mutual knowledge and the mutual experience that helps cooperation between people.

- *Horizontal networks facilitate a composition of the Local Partnership that is representative of different interest groups in the community*

The presence of a strong and wide horizontal network in the community facilitates that every interest-group is represented in the Partnership. Notwithstanding the fact that the Local Partnership creation initiative could come from one Leader or from a core group of active community members, the absence of a wide horizontal network in the community would limit the possibility to reach and invite every interest group to participate in the LAG. OIG (2004) identified that very often Local Partnerships are also created due to the presence of experienced local organizations and local or regional support structures for local development. These local organizations are often very well-known and have been socially active even before the diffusion of LEADER in the region. These organizations have the experience, the knowledge of the region and the networks necessary to involve the whole community. One example is the association PLANED active in Wales since 1987.<sup>15</sup>

One of the most important characteristics of the Local Partnership, both when it is still a Partnership and also when it is recognised as LAG, is its capacity to harmonize different interests. This harmonization is necessary especially for the creation of the Local Development Strategy. While cooperating to create a shared common development strategy, community members are asked to seek the development of the community as a whole. The presence of strong horizontal networks characterized by extensive bridging social capital would avoid the possibility for one single interest group to control the Local Partnership/LAG seeking its particular interests instead of the interests of the whole community.

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<sup>15</sup> For further information see PLANED website: <http://www.planed.org.uk>.

- *In conclusion*

*Need for social capital and networks...*

The establishment of the Local Partnership requires the presence of social capital and networks for three reasons:

- a) A network already existing in the region, owned by the community, by an organization or by a Leader guiding the Local Partnership creation, is the basis for the LAG creation;
- b) Horizontal networks connecting every interest group in the community would facilitate the creation of a LAG representative for every interest group in the community;
- c) Trust, mutual understanding, mutual commitment and common values enhance the probability of the local stakeholders to be willing to join the LAG.

Furthermore, the presence of networks in the region facilitates the Local Partnership's and the LAG's activities in a number of ways:

- a) Networks provide the knowledge and the assistance that can help Local Partnership internal organization and cooperation;
- b) Balanced vertical networks characterized by trust and respect between the local actors and the political parties are necessary to enable the Local Partnership and the LAG to work in autonomy;
- c) The presence of networks and high levels of social capital facilitate the cooperation of the community representatives inside the Local Partnership.

In summary, we can conclude that communities characterized by limited networks could face challenges in creating the Local Partnership, building representative Local Partnerships, in operationalizing the Partnership and hence in implementing the bottom-up approach central to LEADER.

*Creation of social capital and networks...*

The creation of the Local Partnership can also play a role in building social capital and networks:

- a) The Leader of the LAG, by using its network and contacts can create a wider network and create trust, commitment and willingness to cooperate in the LAG,
- b) The Local Partnership unifying public and private actors of the community help creating vertical and horizontal networks, which will therefore facilitates the exchange of information, knowledge and experience between the community's members.



## 7. The Local Development Strategy

This chapter will explain the importance of social capital and networks for the creation of the Local Development Strategy (LDS).

The LDS creation process consists of the identification of the regional development opportunities, and the identification of the priorities. Section 7.1 will show how these processes are facilitated by the presence of networks and social capital. Section 7.1 will show also how social capital and networks influence the quality of the LDS. Section 7.2 will show how the LDS creation, being based on the area-based approach, can strengthen the community's social capital and networks.

### 7.1 Identification of opportunities and priorities

- *Networks facilitate the identification of the local development opportunities*

As mentioned in chapter 4 in order to build the LDS, Local Partnership members have to identify the regional development opportunities. These opportunities should be linked to the geographical, economic, cultural or social characteristics of the area.

*“... LAGs should define and implement a development strategy on the basis of their area's own particular situation, strengths and weaknesses. To achieve the full potential of this, LAGs should translate their specific needs and opportunities into local objectives and implement their strategies with a focus on achieving those objectives” (European Court of Auditors, 2010 p.21).*

The LDS creation is based on the knowledge owned by the local actors participating in the Local Partnership. This knowledge concerns the resources available within the territory and therefore the territorial development opportunities. Knowledge about existing and potential relations between organizations, companies and other local actors could provide valuable intersectoral development opportunities.

When the community lacks networks and bonding and bridging social capital, relations between people inside the community aren't frequent and people don't have knowledge of each other. The absence of ties between different community actors limits the flow of information. In such a social environment, the Local Partnership will not be informed about the existence of economic or social organizations potentially interested in cooperating for new local development projects. The Local Partnership furthermore would lack knowledge about existing or potential relations and bonds between community members. The absence of networks will therefore negatively affect the LDS quality.

- *Bonding and bridging social capital are necessary to build a shared vision for the future*

After an analysis of the social and economic improvement opportunities of the region, the Partnership members need to negotiate between each other and choose the LDS priorities. The priorities are going to be the actual objectives of the LDS. By choosing a limited number of priorities, the Partnership decides how to allocate its funds. The difficulty to build a joint strategy depends on local stakeholders' willingness to cooperate with each other. The LDS creation in fact is the moment at which the local actors demonstrate their community commitment: they could be fighting only for their own benefits or, on the contrary, they could be more open to strategies seeking the common interests. If local actors don't share values, if communication and mutual understanding are not possible, then local actors will be reluctant to cooperate to build an LDS reflecting a common vision for the future. Strong horizontal networks and bridging social capital between different interest groups are crucial for the Partnership's members to be able to "*generate a shared vision of the territory*" (Lukesch, 2007 p.10).

The LAG members are asked to develop harmonization capacities especially in those contexts where society is fragmented and social groups have difficulty in identifying common needs and a common development strategy. When a community is characterized by strong bonding social capital, people sharing the same interests cluster together and create well identified groups. When these groups lack bridging social capital, the trust relations are exclusive within the group and no contacts are kept with members of other groups. Cooperation and coordination between different stakeholders are therefore difficult. Both the LAG and the LDS creation are two occasions for the different groups in the community to build ties of bridging and bonding social capital.

Furthermore when local actors face problems in cooperating or when they miss the necessary skills such as organizational skills, project management skills and 'rural development' knowledge in general, their participation needs to be substituted by the presence of experts, the work of the local government or the presence of experienced local organizations for local development. The help of these figures is crucial in order which facilitates the process of LDS creation but at the same time their influence on the LAG decisions represents a loss if 'bottom-up' approach.<sup>16</sup>

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<sup>16</sup> According to the survey results, public actors such as local government representatives or semi-public organizations always participate in choosing the objectives of the Local Development Strategy. Their influence on the choice of priorities goes from slightly important to critical. According to the experiences of the interviewed people, private actors prove just partly to have the necessary skills to create the Local Development Strategy.

- *High community commitment is necessary for long term LDS*

The concept of bonding social capital, if seen from a broader perspective, includes the capacity of the community members to take into consideration the impact of their actions on the future generations (see section 3.3). Even when the social and the economic parties in the Partnership are able to work together and choose common priorities, a lack of community commitment can imply the choice of priorities that are relevant for the present but that don't take into consideration what is the best for the community in the long run.

Investments developing economic revenues or social benefits in the short run are furthermore easily preferred to long term investments and less profitable investment in, for example, activities for the conservation of the environment. Trust relations help the local actors in facing the risks of long term strategies and bonding social capital links additional value to investments on sustainability characterized by a low profitability.

The creation of LDS priorities aiming at long-term investments, therefore, needs an even higher level of trust between the people and an even higher feeling of commitment to the community (see Box 7.1).

#### **Box n. 7.1: Priorities time preference<sup>17</sup>**

According to the information gathered during the interviews local stakeholders tend to focus on projects that will give back high revenues in the short run. People moreover are often not aware of what 'rural development' is and what it can provide. Mr Beekman from the Hoogeland LAG testified that sometimes 'Representatives have problems in looking over the boundaries of their own organization while an integral approach is essential for rural development'. Grants in general are often perceived as an opportunity for single projects and not for long-term development strategies. Investments in projects regarding big issues such as 'climate change' or 'human capital development in the area' rely on the presence of investors ready to spend their time and their money for a payback that will reward mainly next generations. When the community lack the skills to be able to formulate long term development plans the 'sustainability' character of the LDS depends on the presence of experts, acknowledged governmental representatives or experienced local organizations able to help the LAG members in the creation of a more long term development strategy.

<sup>17</sup> Based on personal communication with Baart Soldaat on 15.01.13 and the survey's results.

- *Networking and transnational cooperation are tools for the creation and the improvement of LDS*

The LDS creation is a challenging mission: every LAG being connected to a specific geographical area needs to improve the use of the resources available to develop a durable development plan. Every Local Partnership finds its way to fulfil the local needs and to make good use of the local opportunities: some solutions are apparently more successful than others and are identified under the name of 'good practices'.<sup>18</sup> In order to increase the knowledge about different, new or simply more effective practices the flow of information and experience between LAGs should increase. For this reason networking, inter-territorial and transnational cooperation activities are highly suggested and assisted by several LEADER authorities: the National Rural Networks (NRN) are active within the Member States, while the European Network for Rural Development (ENRD) works at the European level. Both the NRNs and the ENRD aim at collecting, analysing and spreading information on EU measures and rural areas' experiences and practices. They also organize seminars, events and meetings in order to facilitate the improvement of the networks and the transnational interregional cooperation relations. In transnational cooperation activities, different LAGs participate in common projects exchanging, knowledge, experiences and skills.

## 7.2 Foster the regional identity

- *LEADER builds social capital by fostering the regional identity*

*'An area-based approach takes a small, homogenous, socially cohesive territory, often characterized by common traditions, a local identity, a sense of belonging or common needs and expectations, as the target area for policy implementation. Having such an area as a reference facilitates the recognition of local strengths and weaknesses, threats and opportunities, endogenous potential and the identification of major bottlenecks for sustainable development' (European Commission, 2006 p.8).*

According to the area-based approach, the LDS creation should be a development plan based on the social and economic resources that identify a certain region. The elements that characterize a region are also the elements that link the population to the region itself. Community members recognise themselves as part of the community because of common social, historical, cultural and even economic backgrounds. By requiring an area-based approach LEADER strengthens the elements that compose the regional identity and enhance people's awareness of the characteristics that identify the community (see box 7.2).

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<sup>18</sup> More about LEADER good practices on:

[http://ec.europa.eu/agriculture/rur/leaderplus/library/leadercap/goodpractice\\_en.htm](http://ec.europa.eu/agriculture/rur/leaderplus/library/leadercap/goodpractice_en.htm)

The process of identifying strengths and weaknesses requires reflecting on the local development opportunities. This process includes research about the existing and the potential synergies between the different economic and social sectors. This process consists of networking activities within the region: the Local Partnership contacts other local stakeholders and investigates on-going activities and existing relations between companies and other profit or non-profit organizations active in the territory. The process of LDS creation relies on the size of the existing networks and at the same time builds new networks. These new networks are fostered with information, new ideas and innovative plans which enhance people awareness about their development opportunities.

The LDS creation by using participatory methods, by strengthening the regional identity and enhancing people awareness of their development opportunities is also a process of community building.

*‘Making local links between small-scale entrepreneurs who may be quite isolated, (LEADER) unlocks a vital resource of support and expertise which builds social and economic capital’ (Lukesch, 2007, p.9).*

#### **Box n. 7.2: Strengthening the regional identity<sup>19</sup>**

The results from the interviews confirmed that most of the LAGs’ projects aim at using and strengthening the local cultural and economic peculiarities. Local peculiarities were recognised to be the ‘DNA of the area’. Examples of local peculiarities are the cultivation and the breeding of specific varieties and species, the tourism attractiveness based on the nature in the region or some historical and cultural value. In The Netherlands, for example, the economic relations between countryside and cities, stronger in the past and nowadays completely transformed, were the subject of integrated development plans aiming at re-establishing a connection between the cities and the surrounding countryside.

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<sup>19</sup> Based on personal communication with Baart Soldaat on 15.01.13 and the survey’s results.

- *In conclusion*

*Need for social capital and networks...*

Networks are necessary for the LDS creation in order to achieve the production of a strategy that is representative for all the interest groups of the community. Social capital, in the form of shared values and commitment to the community, helps the creation of a strategy consisting in a shared development plan that offers the best opportunities for the present and the future of the community.

*Creation of social capital and networks...*

The LDS creation is a process that takes advantage of the networks and the social capital available in the regions to build a development strategy that in return strengthens these networks and social capital. This is achieved by building development strategies that foster the regional identity and by creating networks that enhance people's awareness of their development opportunities.

## 8. LEADER Projects

As explained in Chapter 4 LEADER projects can be created and selected following two main approaches:

- Through an open call for project submissions from the LAG;
- Through the direct creation of the projects by the LAG members.

In both cases cooperation and networking are explicitly required as a basis for the creation and the implementation of the projects.

This chapter will explain how the processes of creation and selection of LEADER projects need (section 8.1) and produce (section 8.2) social capital and networks.

### 8.1 Social capital and networks are needed for LEADER projects

- *Bonding and bridging social capital and networks are necessary for the creation of multisectoral projects*

*“... the local development strategy must have a multisectoral rationale, integrating several sectors of activity. The actions and projects contained in local strategies should be linked and coordinated as a coherent whole. Integration may concern actions conducted in a single sector, all programme actions or specific groups of actions or, most importantly, links between the different economic, social, cultural, environmental players and sectors involved” (European Commission, 2006 p.13).*

By financing and supporting the implementation of multisectoral and multi-disciplinary projects, LEADER requires the agricultural sector to cooperate with other sectors. Depending on the economic structure and depending on the existing networks, local actors coming from different sectors could be more or less used to cooperate in their economic activities. Multisectoral and multi-stakeholder projects are possible only if a constructive interaction is possible between the parties involved. Networking activities are required especially in the search for a partner and during the project creation phase. In this phase, local actors find potential partners, negotiate and decide if to invest their time in new common projects.

Networking activities could be particularly challenging in some circumstances: big companies, for example, could not be interested in participating in small projects involving local stakeholders. On the other hand, small stakeholders could a priori exclude the participation of big companies because of the presence of structural social barriers to the communication. These social barriers represent a constraint to LEADER projects: the involvement of every

stakeholder notwithstanding the company size could give access to better development opportunities and could mobilize more resources. The presence of bridging social capital and networks between different economic sectors facilitate the creation of multisectoral projects.

The creation of projects could be hampered by a lack of cooperation between the community members even when the projects involve actors working in the same sector. In communities that lack bonding social capital, people and companies that are active in the same economic sector and therefore could be sharing the same interests, don't cluster together (see Annex 3). LEADER projects rely so deeply on the local stakeholders' abilities to organize themselves and to organize their projects that the difficulty to establish connections between each other can compromise LEADER projects' success.<sup>20</sup>

- *Bonding social capital and community commitment are necessary for the creation of community-oriented projects*

When a project proposal is submitted, the LAG members check if it complies with the LDS priorities and with the LAG's specific selection criteria. According to the selection criteria projects with a small number of beneficiaries are excluded. When submitting a project the community members always needs to take into consideration the community needs: this contrast with general investor behaviour of achieving the maximum personal profit. The creation of projects aiming at providing training, at population empowerment, at nature protection, at the involvement of youth and women are examples of projects that only partially comply with a truly profit-oriented rationality.

Societies poor in community commitment and characterized by a lack of shared values are characterized by higher feelings of individualism. Social capital and community membership feelings create a balance between the natural tendency of individuals for seeking their 'maximum profit' and their potential interest in investing for the community. Bonding social capital, including also people's ability to value community oriented actions or investments, is necessary for the creation of LEADER projects.

Confirming the link between the community commitment and the creation of LEADER projects, the LEADER experience of Flevoland polder in The Netherlands shows that communities with higher feelings of community commitment are also the communities with the greater local initiative and the higher numbers of LEADER projects proposed (see Box n.8.1).

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<sup>20</sup> Based on personal communication with Margje Memelink on 06.02.13.



### Box n. 8.1 Flevoland's polders<sup>21</sup>

The Dutch province of Flevoland was artificially created by enclosing and reclaiming an internal lake. The *Noordoostpolder* has been the first part of the lake to be dried. In 1942 the polder was ready to welcome the first Flevoland citizens. In 1957 the Southeastern part and in 1968 the Southwestern part were reclaimed.

The government decided that people allowed to move to the new area should be selected. A public official visited and interviewed the candidate families in their homes and questionnaires were completed. Next, the selectors thoroughly checked the files and selected the best families under the following criteria:

- Expertise: the farmer needed to be practical and have theoretical agricultural knowledge,
- Financial capacity: the farmer should be able to invest in his land,
- Religious affiliation and community commitment: the farmer should be active in the church, the village or in community associations,
- Age and family status: the farmer should be between 30 and 50 years old and married.

The selection has been less strict for the second reclaimed polder and in the case of the third polder any applicant farmer was accepted to move in the new areas.

These days, the differences in the population between the polders are still visible: the differences in project application between the polders in Flevoland are noteworthy. Margje Memelink from the Flevoland LAG believes that the creation of a cultured and socially active society in the first polder had an impact on the social capital present in the area nowadays. The social differences between the three polders affect the implementation of LEADER projects, although, according to Margje, *'almost all of the inhabitants are real pioneers and focussed on innovation'*. The northern polder, whose population has been attentively selected, demonstrated to be very active applying for many projects while the south-western polder hardly applies for any projects.

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<sup>21</sup> Based on personal communication with Margje Memelink on 06.02.13 and information from Vriend (2013).

## **8.2 LEADER project creation and implementation produce social capital and networks**

- *Being based on cooperation, LEADER creates new networks between local stakeholders and strengthens the old ones*

When looking for partners, the initiators of the projects will take advantage of the networks that exist in the territory. Individuals that lack contacts can ask the LAG for support. During the project creation the LAG has in fact the role of promoting cooperation between local actors. The LAG staff will use its own networks to contact, visit and create new contacts between stakeholders. The LAG will take advantage of its institutionalized role to convince local actors to participate in a project. From a successful cooperation between local actors' new relations, new networks and enhanced bonding social capital are created.

Leader approach and the Local Action Group activities demonstrated also to be good tools to solve local conflicts hampering local rural development. Rural areas sometimes are the field where divergent interests of different sectors or different social group cannot find an agreement. Some examples are the development of the tourism sector which sometimes conflicts with the protection of particular environmental areas or the agricultural use of the land that conflicts with forestry protection (DG AGRI Guide, 2011).

The project creation not only can potentially create new networks but also is able to strengthen existing networks by overcoming existing conflicts and rebuilding relations.

- *Project commitment leads to more community commitment and hence strengthens bonding social capital*

Experience shows that LEADER projects are characterized by a particular commitment from their implementers (DG Agri Guide, 2011). The LEADER axis, due to the joint added value of the bottom-up and the area-based approach, proved to be a tool for endogenous local development: it proved to be able to mobilize more territory-rooted projects and local resources. *"This happens both because local actors [who are the direct authors of the development projects] have a better knowledge of the resource opportunities available and because they have a greater sense of ownership and commitment to the projects"* (DG AGRI Guide, 2011 p.6).

Several reasons enhance the project commitment of LEADER project implementers. First, in accordance with the bottom-up and the area-based approach, projects are the ideas and development solutions coming from the local stakeholders. Projects are also selected, checked and managed by members of the community and as stated above, this increases the investors'

sense of ownership of the projects. LEADER projects, as opposed to top-down projects, are created to address a specific local need. This link to the real needs increases the extent to which investors believe in the project. Finally, the projects' characteristic of being 'community oriented' determines a higher emotional involvement of the investors.

When, project implementers show enthusiasm and a high project commitment to the community, they also spread enhanced feelings of trust-worthiness in the population. This effort in the implementation of projects which provide benefits for the whole community influences the community members to trust each other more and to be more willing to cooperate. Proof of this connection between project commitment and social capital is the incidence of voluntary work from the community members in LEADER projects (see box n. 8.2).

#### *Box n. 8.2. Need for cooperation<sup>22</sup>*

According to the survey results cooperation between LEADER actors has been very important or even critical for the good implementation of projects. Ms Memelink from Flevoland testified that *'cooperation is an important condition for all the projects involved'*, without cooperation *'there would be no LEADER project in Flevoland'*. Good relations in general with everyone in the community participating in the projects are considered necessary for the success of the project. According to the LAGs' experience, the implementation of LEADER projects greatly increased the level of cooperation between the actors in the community. One of the best tools to produce these outcomes in the community has been the implementation of projects aiming at increasing the quality of life of the weakest social groups. In ZuidTwente, projects of community building for elderly people and children increased community members' cohesion and cooperation. LEADER, when supported by a base of social capital in the area, can reach very high levels of cooperation: all the interviewed people confirmed that their LAG benefited from voluntary actions or voluntary work from the population. Flevoland's LAG in particular had projects with even 250 volunteers.

- *Implementation failure of LEADER method leads to a deterioration of social capital*

As identified in Chapter 6 LAGs composition and the status of the networks present in the territory can influence LAG's functioning. LAG composition in particular can influence the LDS creation and the project selection. While project commitment for community oriented projects

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<sup>22</sup> Based on personal communication with Margje Memelink on 06.02.13, Baart Soldaat on 15.01.13 and the survey's results.

can increase the bonding social capital of the community, projects selection processes that lack in transparency and the implementation of projects that cater for the interests of only few beneficiaries can foster feelings of jealousy and mistrust. In this way, the presence of too strong inward looking bonding social capital (negative social capital) between the LAG members and their personal restricted network can lead to a deterioration of the social capital in the community and decrease the possibility of links between different social groups (see box 8.3).

More in general, cases of implementation failure of the LEADER method such as the creation of non-representative LAGs, the accomplishment of biased Local Development Strategies and the failure of cooperation between the community representatives can lead to the deterioration of trust and social capital between community members.

*“Ensuring the transparency of the application and selection procedure is of the utmost importance in maintaining the motivation and trust of local actors” (European Network for Rural Development, 22.03.2013).*

**Box n. 8.3. Negative social capital: a case from Italy<sup>23</sup>**

In the south of Italy, in the region of Puglia, the case of one LAG in particular can be taken as an example of the influence that negative social capital has on the development opportunities of a region and the overall social capital of the community. The LAG, at the beginning of the programming period 2007-2013 was composed of the representatives of the biggest local agricultural companies and some representatives of the civil society. The projects implemented in the area were mainly aiming at these companies' interests and were mostly created by the initiative of the LAG itself. The projects implemented helped the region to create new jobs and improve the local agriculture sector. At the same time, on the other hand, potential beneficiaries were excluded by the privileged treatment reserved for the projects promoted by the LAG members and by the nearest LAG members' networks of contacts. A very strong bonding social capital and the intentional exclusion of other social groups in the community caused the use of LEADER resources for the exclusive interests of few beneficiaries in the community. As a result, trust between different social groups in the community decreased and local stakeholders' initiatives disappeared.

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<sup>23</sup> Based on personal communication with Pierluigi Santoro on 08.02.13.

- *In conclusion*

*Need for social capital and networks...*

In order to respect the multisectoral approach, LEADER project creation is facilitated by the presence of social capital and networks in the region. Networks ensure the participation of all local stakeholders, bonding and bridging social capital trigger the community members' willingness to cooperate and the community commitment ensures that projects meet the interests of the whole community.

*Creation of social capital and networks...*

Networking activities are the basis for multisectoral projects. In the absence of networks, therefore, part of LAG activities need to focus on building new contacts between the community members. Through this process old networks are renovated and new network are created.

The presence of social capital interacts with the LEADER approach and produces new social capital. Social capital and trust feelings are a product of LEADER projects due to the particular interaction between the characteristics of LEADER's 'project commitment' and LEADER's effort in community investments. In the same way, negative social capital in the form of too strong bonding social capital that excludes other social groups from LEADER projects, can lead to mistrust and decrease cooperation in the community.

## 9. Conclusions

This thesis presents an analysis of the role of social capital and networks in LEADER method implementation. During the discussion of this thesis social capital and networks are recognized being able to influence LEADER method implementation. Proven their importance for LEADER implementation, social capital and networks could: i) become of key importance for LEADER evaluation and for the development of European discussions about LEADER success, and ii) help in explaining why LEADER method can be considered more successful in some countries and in some regions than in others.

Despite the reports assessing that LEADER resources have often been used in the wrong way, LEADER reached also good results. Based on the results achieved and the goals still to reach, the European Union will increase LEADER budget and will bring LEADER program to a higher level of implementation. The partnership principle and a higher involvement of rural stakeholders will be applied not only in LEADER axis but, more in general, to the overall management of the different EU funds (European Commission Regional Policy – Inforegio, 24.06.2013). Given these plans, this MSc thesis reflects the need for research on the social as well as economic factors that could hamper the achievement of the full potential of the LEADER approach.

The general hypothesis of this research consisted of: i) LEADER method is more easily implemented by communities with rich and balanced levels of networks and social capital, and ii) LEADER method, influencing the social interaction within the communities, can produce social capital and networks. The literature research identified that social capital is strictly related to social networks and that it is able to furnish various services and disservices: from an economic perspective social capital, identified as *network*, *norms*, *values* and *sanctions*, is widely recognized to have a role in reducing economic transaction costs but at the same time social capital, in the form of too strong bonding social capital and inward-looking social capital can negatively affect the community reducing interactions and respect between different social groups.

Social capital consisting of trust and willingness to cooperate is necessary for the implementation of LEADER method because it facilitates the Local Partnership functioning and the creation of multisectoral projects. Balanced horizontal and vertical networks also are necessary: they facilitate the involvement of local stakeholders in representative and balanced private-public Partnerships. Confirming these findings when the community members cannot organize themselves in a Partnership and in shared projects, the Local Action Group and the projects creation rely on the presence of a leader or associations having the necessary skills and the necessary networks. Social capital and networks, by influencing the Local Partnership

composition, influence also the Local Development Strategy characteristics. The community orientation of the Strategy and the extent to which it includes long-term development goals are two examples of these characteristics.

Social capital and networks are also found to be a product of LEADER method implementation. Although the lack of networks can hamper the Local Partnership and the projects creation, during these processes new networks are created and old ones are strengthened. Old and new local networks, furthermore, when involved in community oriented projects, can enhance the feeling of community commitment and trustworthiness among community members. Moreover a Local Development Strategy which is representative for the whole community and which is based on region's strengths and weaknesses, addresses projects able to foster the regional identity. At the same time a too strong bonding social capital or the presence of strong inward looking social capital can lead to the creation of non-representative LAGs and the accomplishment of biased Local Development Strategies: this deteriorates social capital and networks by decreasing feelings of trustworthiness and dissuading contacts between different social groups.

Research analysing the influence of social capital and networks on policy implementation will assume more and more importance in the future because stakeholders' involvement will become more importance in the European Governance methods. Networking is becoming a Policy Tool. Further research should focus on LEADER implementation and differences between countries. For example, new EU Member States seem to have more problems in implementing LEADER method than old Member States and at the same time south European countries seem to be less efficient in using LEADER resources than northern countries.

### Limitations of the study

The main limitation identified for this study concerns the difficulty of measuring the subjects analyzed and therefore the data utilized. As explained in chapter 2, social capital presents big challenges in being measured: few data is available at the national level and no data is available at regional and community levels. LEADER results also present some problems in being 'measured' and being 'evaluated'.

The policies assign a great degree of freedom to all LEADER implementation levels. As a result, LEADER is implemented in a great variety of ways. LEADER projects moreover are so much linked to the territory that their evaluation is possible only by taking into consideration the economic and social framework where they were implemented. These characteristics imply that it is hard for the EU agencies to implement extensive evaluations. Reports are based on a number of selected cases from all over Europe which don't allow for reliable cross-country comparisons of LEADER implementation. Considering this lack of data and considering the fact

that methods of social capital measurement are still under development, the analysis avoided quantitative analysis and focused on identifying which aspects of social capital and networks could be influencing LEADER implementation and which aspects on the contrary could be a product of LEADER implementation. Given these difficulties in measuring both social capital and LEADER results, the analysis could focus only on a qualitative description and analysis.

In order to have a countercheck in reality, I collected primary data through a survey and interviews. Since survey and interviews were addressed to only one Italian LAG member and to LAGs in The Netherlands, the study could be lacking in external validity. However since the main findings were reached by the study of EU official documents and not through the surveys and the interviews, primary data could just partially be affecting the reliability and the external validity of the analysis. Primary data could also be considered not representative because there were too few responses. This is partially due to a lack of answers and partially due to the fact that the information available about contact persons of the LAGs in The Netherlands was at least partially outdated.<sup>24</sup>

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<sup>24</sup> Contacts were retrieved from the Nationaal Netwerk Platteland (NNP), the Dutch Network for Rural Development. Information about the NNP available on: <http://www.netwerkplatteland.nl/>.



## Annex n.1 European LAG Map

The following picture is a map of European LAGs: coloured parts in the map represent the territory extension covered by LAGs. Data in the map is updated to 2012.

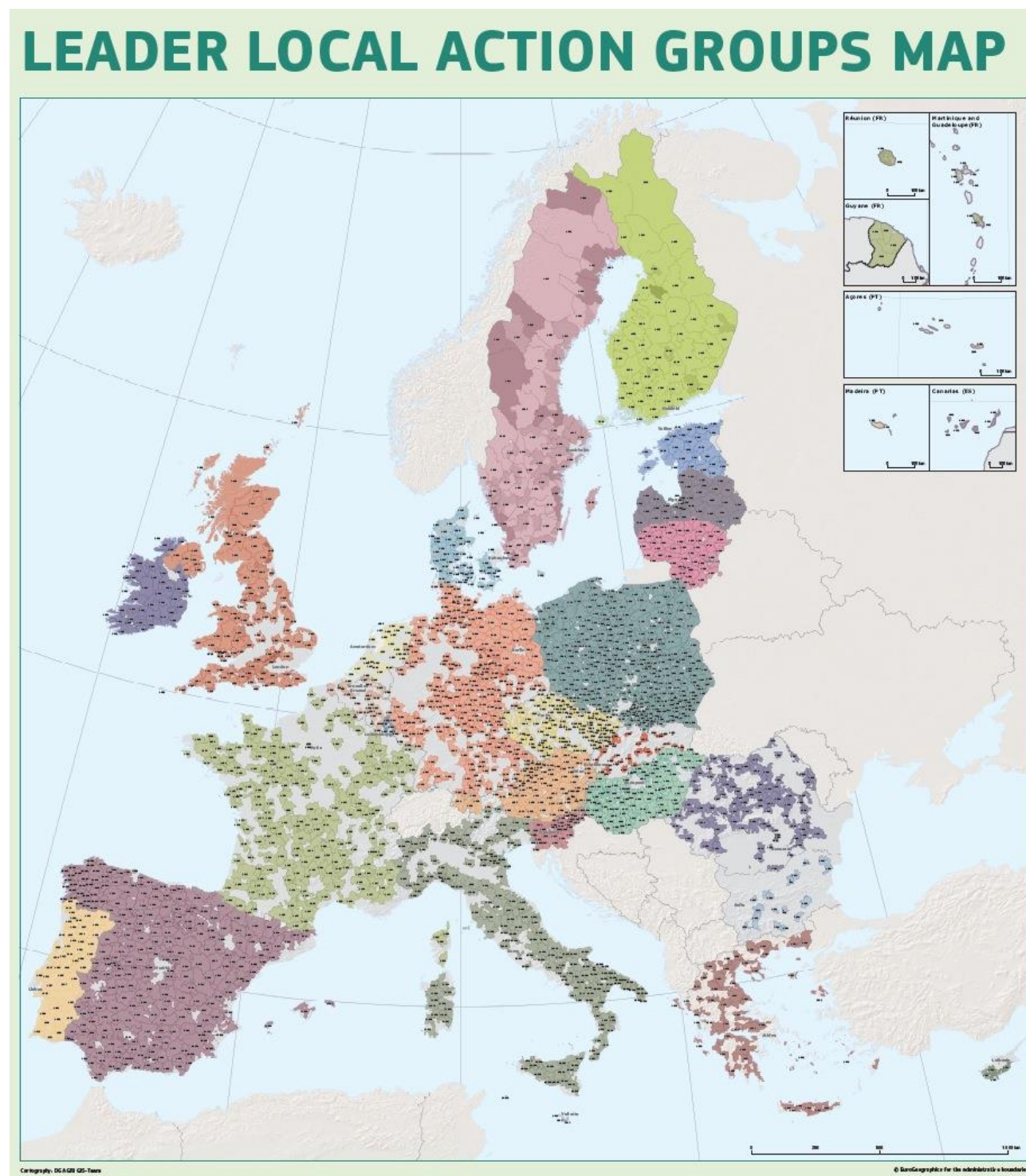


Figure A-1 2012 European LAG Map

Source: ENRD Contact Point, Bruxelles.

## Annex n.2 LEADER's objectives<sup>25</sup>

LEADER's objectives are categorized under 3 measures:

*Measure 41*<sup>26</sup> consists of the implementation of the objectives of the first 3 axis through the use of the LEADER approach. It therefore includes:

- to improve the competitiveness of the agricultural and forestry sector by means of support for restructuring, development and innovation;
- to improve the environment and the countryside by means of support for land management;
- to improve quality of life in rural areas and encourage the diversification of economic activities.

*Measure 42*,<sup>27</sup> includes the implementation of cooperation projects between Local Action Groups of different territories. By sharing experiences and cooperating in common projects the LAGs can strengthen their Local Development Strategies and increase their development possibilities. With the aim of facilitating inter-territorial (within a Member State) and transnational cooperation, projects (between territories in several Member States and with territories in third countries) support is provided by two institutions: the National Rural Network and the European Network for Rural Development (ENRD).

*Measure 43*,<sup>28</sup> consists of the implementation of local development strategies and the organization of the activities that can provide the Local Action Groups the necessary knowledge to fulfil their tasks. These activities, with the aim to 'reinforce territorial coherence and synergies between measures intended to develop the broader rural economy and society', consist of studies, promotional events and the diffusion of information about the area and the development strategy (Directorate General for Agriculture and Rural Development, 2006 p.89). The staff of the Local Action Group must participate in trainings concerning the preparation and the implementation of a local development strategy. For a summary see table A 2.

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<sup>25</sup> This paragraph refers to the Art. 9, 11, 12, 15, 63 of COUNCIL REGULATION (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)

<sup>26</sup> Measure 41 as stated in the Article 63 (a) of Reg. (EC) N° 1698/2005: 'Implementing local development strategies as referred to in Article 62(1)(a) with a view to achieving the objectives of one or more of the three other axes defined in sections 1, 2 and 3'.

<sup>27</sup> Measure 421 as stated in the Article 63 (b) of Reg. (EC) N° 1698/2005: 'Implementing cooperation projects involving the objective selected under point (a)'.

<sup>28</sup> Measure 431 as stated in the Article 63 (c) of Reg. (EC) N° 1698/2005: 'Running the local action group, acquiring skills and animating the territory as referred to in article 59.'

**Table A-2 LEADER Measures<sup>29</sup>**

| Sub-objective   | N°          | Measure   | Measure Objective   |
|---|-------------|---|---|
|   |             |   |   |
| To implement the Leader approach in mainstreaming rural development programming | Measure 41  | -implementing local development strategies with a view to achieving the objective of axis 1   | -to improve the competitiveness of the agricultural and forestry sector by means of support for restructuring, development and innovation |
|   |             | -implementing local development strategies with a view to achieving the objective of axis 2   | -to improve the environment and the countryside by means of support for land management   |
|   |             | -implementing local development strategies with a view to achieving the objective of axis 3   | - to improve quality of life in rural areas and encourage the diversification of economic activities                                      |
|   | Measure 421 | -implementing cooperation projects involving objectives selected under Measure 41   | - to promote cooperation and best practice  |
|   | Measure 431 | -running the local action group, acquiring skills and animating the territory (studies, information, training of staff, promotional events and training of leaders) | - to increase capacity for the implementation of LEADER   |
|   |             |   |   |

<sup>29</sup> (Directorate General for Agriculture and Rural Development, 2006)

## Annex n.3 Social Capital community classification

The following table classify and describe hypothetical kinds of communities on the base of their relative abundance or lack of social capital and networks.

*Table A-3 Social capital community classification*

|                         |           | Bonding Social Capital   |   |
|-------------------------|-----------|--|---|
|                         |           | Abundance  | Lack  |
| Bridging Social Capital | Abundance | <p>The community is characterized by an extensive network at both the community and group level. People sharing the same interests cluster together. Groups' members know each other thanks to the frequency of their contacts. People trust each other and share reciprocity's norms and common values. Informal social context are regulated by self-enforcing mechanisms. Communication, cooperation and coordination are easy. Presence of infrequent and distant contacts (weak ties): the groups are open to have contacts with each other and have access to benefits lying outside its group. Good balance of inward-looking and outward-looking social capital.</p> | <p>The community is characterized by an extensive network but it is hard to identify groups at his inside: people sharing the same interests don't cluster together. Relations between people inside the community aren't frequent so people don't have big knowledge of each other. Trust levels are not very high because people only partly share reciprocity's norms and common values. Self-enforcing mechanisms are not enough to regulate informal social contexts. Relations between people inside the community are characterized by infrequent and distant contacts (weak ties). Communication, cooperation and coordination are not so easy. Prevalence of outward-looking social capital.</p> |
|                         | Lack      | <p>The community is characterized by intensive network only inside the groups. People sharing the same interests cluster together. Groups' members know each other thanks to the frequency of their contacts. People trust each other and share reciprocity's norms and common values. Informal social context are regulated by self-enforcing mechanisms. The community is made of separate groups with no contact between each other communication, cooperation and coordination between are therefore difficult. People have no access to benefits lying outside its group. Prevalence of inward-looking.</p>   | <p>The community lack of networks. People sharing the same interests don't cluster together. Relations between people inside the community aren't frequent so people don't have big knowledge of each other. Trust levels are low because people don't respect reciprocity's norms and common values. Self-enforcing mechanisms are not present. Relations between people inside the community are characterized by infrequent and distant contacts. Communication, cooperation and coordination are not easy. People are closed and self-centred.</p>  |

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