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MA Thesis

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**Multi-level governance in rural development -  
experiences from the LEADER programme**

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I have written this master's thesis independently. All viewpoints of other authors, literary sources and data from elsewhere used for writing this paper have been referenced.

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## **Abstract**

The present study uses the analytical framework of multi-level governance (MLG) to investigate the implementation of EU's participatory rural development (RD) policy LEADER (Liaison Entre Actions de Développement de l'Économie Rurale" meaning "Links between the rural economy and development actions") in Estonia, a country outside of the mainstream academic debates on MLG and LEADER. It provides insight into the restrictions on autonomy faced by the local action groups (LAGs), the local level implementers of the RD policy measure, at the doorstep of the 2014-2020 programming period of EU structural funds. Even though LEADER is well-known for its bottom-up approach and finding solutions to local needs based on local resources and potential, it is actually very much influenced by the MLG framework within which it operates as well as the rules regulating its implementation, which in practice makes the local level constrained in what it is and what it is not allowed to do.

The thesis investigates why the implementation of RD policies may diverge from the originally devised policy at the European level. Based on MLG theory all the levels included in the LEADER governance arrangement – the European (the European Commission), the national (the Managing Authority and the Paying Agency) and the local (the LAGs) – are expected to have a role to play in shaping the governance arrangement. The study first ascertains the degree of autonomy the EU level has intended to grant to the local level for policy implementation. As the second step it compares the actual implementation of the LEADER programme in Estonia to the EU level intentions and identifies a gap in-between. The study identifies that the restrictions which are causing the constraints faced by the LAGs have been introduced by the national level, not the EU level, and that these national level restrictions are undue. Thus the research finally establishes that the sub-national level has less autonomy in implementing LEADER than the EU level had initially intended because of the way the national level is involved in the governance arrangement and the additional restrictions it has introduced. This confirms the hypothesis that the involvement of the national level plays the decisive role in determining the eventual form of the governance arrangement.

## TABLE OF CONTENTS

List of abbreviations .....	5
Introduction .....	6
1. Multi-level Governance and Rural Governance .....	12
1.1 Multi-level governance in European integration theory context.....	12
1.2 Multi-level governance in regional, rural and local development.....	19
1.3 Research problem and methodology .....	22
2. LEADER as an approach of Community-led local development.....	27
2.1 The concept and key features of LEADER .....	27
2.2 A brief history of LEADER and its position in rural development policy.....	31
2.3 Review of the scholarship of LEADER implementation in the EU.....	34
3. The case study of implementation of CLLD and LEADER in Estonia.....	40
3.1 Legal framework for implementing CLLD and LEADER in the EU during the 2014-2020 programming period.....	40
3.2 LEADER implementation in Estonia .....	44
3.3 National level requirements to LEADER implementation in Estonia .....	56
3.4 Re-embedding findings into research on MLG and LEADER implementation ...	67
4. Conclusions and recommendations .....	70
Summary.....	75
References .....	77
Appendices .....	86

## List of abbreviations

CAP	Common Agricultural Policy
CLLD	Community-led Local Development
CPR	Common Provision Regulation
EC	European Commission
EAFRD	European Agricultural Fund for Rural Development
ELARD	European Leader Association for Rural Development
ESI Funds	European Structural and Investment Funds
LAG	Local Action Group
LDS	Local Development Strategy
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale" meaning "Links between the rural economy and development actions"
MA	Managing Authority
MS	Member State
PA	Partnership Agreement
RD	Rural Development
RDP	Rural Development Plan

## Introduction

To understand the process of European integration, it is important to consider developments not only at European and member states (MS) level, but also at the sub-national level. Since the 1990s the concept of multi-level governance (MLG) has been used for incorporating the sub-national, including the local, level in analyzing the development of the regulatory framework in the EU and this is the theoretical analytical framework used also in the present thesis to study European rural development (RD) governance, and more precisely, LEADER<sup>1</sup> as a governance arrangement.

Rural regions find it difficult to cope with the decline in the agricultural sector. To facilitate this economic change the EU has devised a set of development policies. The RD policy is governed and funded by the European Commission (EC), but designed and co-funded by national governments, and in some cases, further developed at the sub-national level. The EU's RD policy helps the rural areas of the EU to meet the wide range of economic, environmental and social challenges of the 21<sup>st</sup> century.<sup>2</sup>

For a RD policy to be effective, it has to be able to tackle various tasks and problems with flexible measures, which take account of the local situation and the diversity of rural areas. Thus local autonomy is important. To offer this, a special bottom-up oriented initiative LEADER was devised in 1991<sup>3</sup> at the initiative of the EC. The main concept of the approach is that local development strategies (LDS) are more effective if decided and implemented at the local level by local actors, supported by relevant public administrations. The LEADER approach is well in line with the EU's general emphasis on subsidiarity and partnership. The present EU 2014-2020 programming period<sup>4</sup> is already witnessing the fifth generation of LEADER, currently being implemented with European Agricultural Fund for Rural Development (EAFRD).

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<sup>1</sup>LEADER - coming from the French sentence "Liaison Entre Actions de Développement de l'Économie Rurale" which means "Links between the rural economy and development actions"

<sup>2</sup>See EC's website for a section on Rural Development 2014-2020 (European Commission) [http://ec.europa.eu/agriculture/rural-development-2014-2020/index\\_en.htm](http://ec.europa.eu/agriculture/rural-development-2014-2020/index_en.htm)

<sup>3</sup>On March 15, 1991, the Commission of the European Communities, acting pursuant to Article 11 of Regulation (EEC) No 4253/88 (See: (Commission of the European Communities, 1988) ), decided to establish the LEADER initiative to serve as a model for RD. For more information see: (European Commission) [http://cordis.europa.eu/programme/rcn/312\\_en.html](http://cordis.europa.eu/programme/rcn/312_en.html)

<sup>4</sup>EU programming periods respect the Multiannual Financial Frameworks which set the annual budgets for 7 year periods.

The EC believes that the principles behind the approach are working, as from being piloted as a Community Initiative, LEADER was mainstreamed, gaining wider use in RD. It became an integral part of Rural Development Plans (RDP) and it is obligatory that at least 5% of the EAFRD contribution to the RDP must be spent on LEADER. Even further – as LEADER has been recognized as a good example of governance on the local level, during the current programming period also other structural funds (SF)<sup>5</sup> in addition to EAFRD are encouraged to incorporate the principles of MLG and partnership and use the community-led local development (CLLD) approach. According to EC's basic guide to LEADER<sup>6</sup>, the main reason to use this approach stems from the need to direct local initiative towards finding local solutions.

The present study focuses on LEADER governance in Estonia, contributing new empirical insights from a country outside of the mainstream academic debates on MLG and LEADER<sup>7</sup>. The choices underlying this focus of the research are described below. Mainstream integration theories do not take account of the role of the sub-national authorities in the governance setting and are of limited use in analysing EU regional policy. Therefore MLG – the first concept to thoroughly examine the position of the local level within the EU polity<sup>8</sup> – is used in the thesis as the theoretical approach. MLG can in a very broad sense be divided into taking two forms – type I (general purpose, multifunctional authorities with fixed structures at limited levels having more formal devolution of powers) and type II MLG (flexible, specialized, task-driven authorities, each being set up to address specific problems)<sup>9</sup>. There has been quite extensive research on type I MLG. The present thesis contributes to investigate the less researched, type II MLG<sup>10</sup>. LEADER is an example of a type II, task-driven MLG arrangement, which accounts for the choice of the funding programme to be researched.

Another important aspect is the fact that the LEADER programme started as a Community Initiative, being a part of the regional policy setting where the EC was dominant. The EC had the power and authority to launch Community Initiatives even if

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<sup>5</sup>SFs are the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund

<sup>6</sup>(European Commission, 2006) pp. 5-6

<sup>7</sup>See literature review on MLG in Chapter 1.1 and 1.2. For literature review on LEADER as well as the place the present study seeks to occupy in this strand of research, see Chapter 2.3.

<sup>8</sup>See for example: (Marks, 1993), (Bache & Flinders, 2004a), (Hooghe & Marks, 2003), (Kull, 2014)

<sup>9</sup>For more information on type I and II MLG see (Hooghe & Marks, 2003) and (Marks & Hooghe, 2004)

<sup>10</sup>See (Marks & Hooghe, 2004) pp 22-24 for locating type I MLG examples and pp 24-27 for type II

MS were not entirely happy with them or wanted in some way to restrict them<sup>11</sup>, i.e. the EC played a defining role in shaping the governance arrangement. Later LEADER was mainstreamed into the general set-up of SFs, which makes it interesting to look at to what extent the EC currently can determine the shape of the eventual governance arrangement, given the need to involve national governments.

Research on MLG in small centralized states is quite limited<sup>12</sup>, therefore the author's choice to study LEADER governance in Estonia is an important contribution to this under-searched field<sup>13</sup>. Estonia is a small and centralized country and unlike bigger countries, where sub-national LEADER governance levels include both the regional and the local level, here LEADER governance is limited to the EU, state and local levels. There has been quite extensive research<sup>14</sup> on LEADER implementation in the EU during the previous programming periods. An added value of the present thesis is to provide insight into the regulative framework for the 2014-2020 programming period. This will enable to identify, if solutions have been found in the present programming period to the constraints of local level autonomy in the governance arrangement, which were identified by researchers during previous budget periods in other EU countries.

Given the made choices, there are certain limitations in the work. The research is a single case study in two ways – it focuses on a single programme, i.e. LEADER, and on a single country, i.e. Estonia. Thus it is not a comparative study and neither comparison of different programmes, programming periods nor cross-country comparison<sup>15</sup> are in the focus of the thesis. Examples given on LEADER in other EU countries serve the purpose to embed the study in context of a wider debate of LEADER governance, since in Estonia the first projects were submitted for funding only in 2009, but in the EU the initiative was set up already in 1991. As the 2014-2020 programming period is in the starting phase, it is neither possible to assess project implementation by beneficiaries nor the impact of the policy. The thesis thus builds on the concerns voiced by local action groups (LAGs) on the expected limitations of the beneficiaries.

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<sup>11</sup>(Boyle, 2006) p 205

<sup>12</sup>For notable exceptions, see (Adshead, 2014) and (Nousiainen & Mäkinen, 2015)

<sup>13</sup>There has been a scientific article about LEADER programme in Estonia by an employee of the Ministry of Agriculture (Aunapuu-Lents, 2013), an article on Estonian municipalities and MLG (Kull & Tartar, 2015) and an article on RD in Estonia (Kull, Voutilainen, Christopoulos, & Reimets, 2014)

<sup>14</sup>See for example: (Thuesen & Nielsen, 2014), (Berriet-Sollicet et al., 2015), (Kull, 2014), (Nousiainen & Mäkinen, 2015), (Pollerman, Raue, & Schnaut, 2014a). More examples are to be found in chapter 2.3

<sup>15</sup>For comparison between countries see: (Kull, 2008), (Berriet-Sollicet et al., 2015), (Thuesen A. A., 2011)

A further caveat is in place with regard to the aim and scope of MLG as an analytical framework. It focuses on *how* particular policy processes in EU polity are working (who is empowered to participate, what is interaction like in the MLG arrangement, what consequences does it have on the status of the involved actors).<sup>16</sup> If viewed critically, using the concept of MLG could thus make the present research appear descriptive-analytical rather than causally-oriented. Nevertheless, MLG as well as the present thesis do explain *why* a certain outcome, i.e. governance arrangement, emerges. The thesis aims to investigate why the implementation of RD policies may diverge from the originally devised policy at the European level. The main research question is: “Why does the sub-national level have less autonomy for implementing LEADER than the supranational level has initially intended when devising this RD policy?” This will be explored looking at the specific case of the LEADER approach.

In the present thesis autonomy is understood as the possibility of the local level to act according to the general LEADER principles and the intentions of the EU within the rather wide frames set by EU level regulations. Limitations to autonomy are understood as narrower operation conditions than those devised by the EU level, both for the LAGs as well as for the project beneficiaries, and measured by comparing respective EU and national level regulations as well as the specific requirements stated by LAGs as being most restrictive in their daily operations. Additional limitations are understood as undue restrictions faced by the sub-national level introduced by the national level, which are significantly limiting the rules and principles outlined by the EC for the approach.

The original contribution of the thesis is provision of an in-depth investigation of the LEADER programme and its governance in Estonia. Spotlight is put on the different levels involved in this RD governance arrangement and especially the degree of autonomy granted to the local level in LEADER implementation. This approach enables to elaborate one case in great detail and demonstrate the way how interaction between different governance levels shapes the outcome of the policy. The LEADER governance arrangement means in the present thesis the inclusion of different levels and their interests in the implementation of this specific RD policy. First, the EU level intentions for LEADER on the supranational level (i.e. the main aim and the basic principles of this RD policy, as originally devised by the EC). Second, the national level

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<sup>16</sup>(Kull, 2014) p 9

rules and restrictions on: a) the functioning and operations of the LAGs<sup>17</sup> (implementation of the programme); and b) eligible project activities and costs (implementation of the projects). The first and the second determine the range and scope of activities, which can be done within the projects being implemented by the beneficiaries on the local level, their results and impact (i.e. the outcome of the policy).

Based on MLG theory, the author expects all the three levels included in the governance system – the supranational, national and sub-national – to have their own interests shaping the way in which the policy is implemented and therefore affecting the resulting governance arrangement. This means that according to MLG, the specific way in which LEADER is implemented on the local level by the LAGs and project beneficiaries and the degree of autonomy granted to them, derives from the involvement of multiple governance levels in policy implementation: the European (EC), the national (the Ministry of Rural Affairs and Estonian Agricultural Registers and Information Board) and the local (LAGs) levels or in other words – policy outcomes reflect the involvement of multiple levels in the implementation of the RD policy.

MLG theory assumes significant influence of the local level, but there are also arguments<sup>18</sup> that the theory is too optimistic in the degree of influence it ascribes to the local level, particularly as far as RD is concerned. This means that also in RD policy implementation the local level influence could be smaller than MLG theory expects. Also the present study expects the local level, namely the LEADER implementing LAGs, to be on a relatively weak position when it comes to their actual influence in the governance arrangement. Even though LEADER is well-known for its bottom-up approach, it is actually very much influenced by the MLG framework<sup>19</sup> within which it operates as well as the rules regulating its implementation. In practice this makes the local level quite constrained and has an effect on the policy outcome, i.e. the impacts of the RD policy brought about by implementing LEADER-funded projects.

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<sup>17</sup>LAGs are made up of public and private partners from the rural territory, and must include representatives from different socio-economic sectors. They receive financial assistance to implement LDSs, by awarding grants to local projects. They are selected by the managing authority of the MS, which is either a national, regional or local, private or public body responsible for the management of the programme. See: [http://ec.europa.eu/agriculture/rur/leaderplus/index\\_en.htm](http://ec.europa.eu/agriculture/rur/leaderplus/index_en.htm) (European Commission) Leader+ website

<sup>18</sup>See for example: (Kull, 2014), (Yang, Rounsevell, Hagggett, & Wilson, 2015), (Jordan, 2001)

<sup>19</sup>For the sake of clarity it is important to note that in the present thesis MLG from a theoretical perspective is utilized mostly as a descriptive-analytical concept, albeit without neglecting its normative dimension; in the context of EU RD policies MLG is a governance mode (a way of doing things).

The author expects the strong involvement of the national government in the MLG framework to significantly affect policy outcomes and to distort the initial intentions of the EU in regional policy. The hypothesis thus is that the main intervening variable, decisive in determining the eventual form of the governance arrangement – the level of autonomy of the local level in policy implementation – is the involvement of the national level. As all the three levels are expected to have their influence on policy implementation, the author puts forward three sub-questions to measure each level: 1) What degree of autonomy is intended by the EU in formulating its RD policy? 2) How is LEADER implemented at the local level? 3) What additional restriction on the degree of autonomy is introduced by the national level?

The body of the thesis is made up of three interconnected parts – 1) MLG theory, 2) LEADER as a RD approach, and 3) analysis of LEADER implementation in Estonia. The first chapter explains MLG, the theoretical framework for the thesis, from the European integration theory and RD context and concludes with a section describing research design and methods. The second chapter describes the LEADER approach, its development, experiences from EU countries and brings out EU level intentions.

The original contribution of the present thesis is most visible in the third chapter, in-depth analysis of the Estonian case study. The author collects empirical data from LAGs on the constraints they are facing in LEADER implementation. By comparing the realized constraints with the legislation regulating LEADER implementation, the author demonstrates, which additional restrictions on the degree of autonomy are introduced by the state level. The main research question finds an answer – the sub-national level has less autonomy in implementing LEADER than the supranational level had initially intended because of the national level intervention. The national level plays a strong role in the governance arrangement and has introduced additional restrictions. This confirms the hypothesis that the involvement of the national level plays the decisive role in determining the eventual form of the governance arrangement. The final chapter makes a conclusion of the thesis and presents author's recommendations for the future of the policy as well as ideas for additional research.

# 1. Multi-level Governance and Rural Governance

## 1.1 Multi-level governance in European integration theory context

To understand EU policies from a MLG perspective it is important to understand the context in which these policies were shaped<sup>20</sup>. To understand why a theory has developed in a particular way, it is also important to understand the context in which the theory arose, which is why a brief overview of the developments as well as the key tenets of the MLG approach will be given.

Since the 1990s older well-established European integration theories such as Federalism, Functionalism or Neo-functionalism have had to compete with new ones such as MLG. The question in focus is not any more *why* MS integrate but rather *how* this integration is realized, who is empowered to participate, how does supranational – national – sub-national interaction take place and what consequences does this have on the actors involved.<sup>21</sup> This means that the focus has turned from explaining European integration to explaining policy-making under the condition of European integration.

As another trend, the focus has shifted from trying to anticipate the overall result of a successful integration process to describing particular policy processes within the EU polity. This analytical-descriptive approach narrows the focus of analysis and fosters specialization. Yet, at the same time, as Kull argues, increasing specialization poses also a challenge to research as policy sectors and programmes can increasingly only be assessed after first having accumulated a great deal of technical expertise.<sup>22</sup>

The conventional theories such as Neofunctionalism and Liberal Inter-governmentalism do not include the sub-national level and especially local level actors in their analytical frames. But as Maastricht and Lisbon Treaties have empowered sub-national actors and cooperation and networks are increasingly important in the present EU polity, the concept of MLG, bringing into view the sub-national and local levels, has increasingly come to be on the picture.<sup>23</sup>

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<sup>20</sup> (Kull, 2014) p 9

<sup>21</sup>For a discussion on the origins of MLG in EU studies see (Bache & Flinders, 2004b) pp 2-3, for an overview of the development of MLG over two decades see (Stephenson, 2013)

<sup>22</sup>(Kull, 2014) p 10. In this light, the present research draws on the author's experience, working with LEADER implementation as a LAG manager since the programme was first launched in Estonia in 2006.

<sup>23</sup>For a discussion on MLG in relation to other theories see (George, 2004) and (Kull, 2014) pp 10-20

During the 1980-1990ies EU's supranational institutions were empowered and also new forms of interaction, such as the partnership principle in regional policy decision-making, emerged.<sup>24</sup> The partnership requirement gave sub-national actors a formal role in the EU policy process for the first time. "In subsequent years, the Commission pushed for and secured agreement to the greater involvement of non-state actors (non-governmental organisations, trade unions, environmental groups etc.) within the process..."<sup>25</sup> Initially, the partnership principle focused on promoting interaction between governmental actors from different levels, but has increasingly placed greater emphasis on engaging non-state actors and thus has both vertical and horizontal dimensions.<sup>26</sup> Thus it can be said that the partnership principle is an element of governance, whereby other actors and stakeholders besides the government take part in governance.

Partnership shares with subsidiarity the notion that "decisions are taken as closely as possible to the citizen"<sup>27</sup>, as stated in the opening paragraph of the Treaty on EU. However, partnership thinks of the relationship between levels of government as interacting, not being autonomous. Instead of making sub-national governments independent within a clear framework of powers and obligations and handing some issues exclusively at the sub-national level, partnership involves governments at local, regional, national and supranational levels in multifaceted patterns of mutual influence.<sup>28</sup>

As a result of the changes in the real world and restructured forms of participation in the EU, Marks suggested the term MLG in 1993. He states

I believe we are witnessing the emergence of *multilevel governance* in the European Community, characterized by co-decisionmaking across several nested tiers of government, ill-defined and shifting spheres of competence (creating a consequent potential for conflicts about competencies), and an ongoing search for principles of decisional distribution that might be applied to this emerging polity.<sup>29</sup>

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<sup>24</sup> (Bache & Olsson, 2001) p 216

<sup>25</sup> (Bache, 2005) p 5

<sup>26</sup> (Bache, 2010) p 7

<sup>27</sup> (Council of the European Communities, Commission of the European Communities, 1992)

<sup>28</sup> (Marks, Structural Policy and Multilevel Governance in the EC, 1993) p 406

<sup>29</sup> *Ibid.*, p 407

Being among the first ones to conceptualise MLG in the EU, he argued that we are seeing the emergence of MLG, “a system of continuous negotiation among nested governments at several territorial tiers – supranational, national, regional and local.”<sup>30</sup> When first proposing the term, Marks focused on sub-national government and trans-national networks. Research on the involvement of private actors, social partners and interest organizations was focused on at a later stage, when MLG was further conceptualized.<sup>31</sup>

Scholars of MLG assume that all three levels – the supranational, national and sub-national levels – may hold a powerful position in the policy-making process as they may have different access levels to policy formulation and implementation. “MLG implies engagement and influence – no level of activity being superior to the other – and, therein, a mutual dependency through the intertwining of policy-making activities”<sup>32</sup>. This means that policy outcomes will be shaped by all the three levels involved. The sub-national level features most prominently in the implementation stage and thus the outcome on sub-national level could differ from the one that was intended by the supranational level in the first place. It is important that all levels tend to be bound together and interconnected in formal or informal networks.<sup>33</sup>

Beyond the agreement that flexible governance has become and must be multi-level, there is no consensus about how MLG should be organized and structured. To deal with the growing complexities of EU policy-making Marks, together with his colleague Hooghe, improved the MLG concept<sup>34</sup> by further conceptualizing earlier observations on systems of EU MLG and introduced type-I and type-II MLG. Both types of governance share one fundamental feature: they are major departures from the centralized state, unravelling the central state and diffusing authority, but in contrasting ways.

Type I MLG describes power and authorities at a limited number of levels. These authorities – e.g. international, national, regional, and local – have general purposes and are multifunctional, including different policy responsibilities. The membership borders of such authorities do not overlap. Territorial jurisdictions are stable for a long time

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<sup>30</sup>(Marks, 1993) p 391

<sup>31</sup>(Kull, 2014) p 1

<sup>32</sup>(Stephenson, 2013) p 817

<sup>33</sup>(Kull, 2014) p 28

<sup>34</sup>(Hooghe & Marks, 2003) p 236 and (Marks & Hooghe, 2004)

period, but there is flexibility in how policy competencies are allocated across jurisdictional levels. Type II MLG is different, as it is made up of specialized, task-driven authorities, each being set up to address specific problems. The number of such jurisdictions can be very big, and the area of operation may greatly vary. They are flexible and come and cease to exist as demands for governance change.<sup>35</sup> Most type II jurisdictions target specific policy problems (e.g. LEADER as a RD policy). Public-private partnerships are characteristic to type II (e.g. LAGs) and being issue-specific, type II jurisdictions involve all governance structures related to the specific policy.

Type I and Type II MLG in nowadays governance and politics often exist together.<sup>36</sup> One example for a type-II task-driven unit of governance from rural Europe is the LEADER LAG and its position in MLG of rural areas.<sup>37</sup> Co-existence and embeddedness can be elaborated by bringing an example from LEADER decision-making process (which by nature is type-II MLG, as it is task-driven), where different administrative levels (type-I MLG administrative structures like ministries, agencies etc) are involved. The national level has a powerful position – as it has the authority e.g. to reform the overall administrative structure (type-I), by doing so it empowers itself within type-II MLG structures and can retain control. For example the national level can decide by introducing a regulation, that it will take the right of making project's funding decisions away from the sub-national, LAG level and give the right to the national level (e.g. the Paying Agency), thus empowering itself and being an effective gatekeeper.

According to the MLG model decision making competencies are shared by actors at different levels instead of being monopolized by state executives.<sup>38</sup> When in a state-centric governance setting the legal authority is decisive, then in MLG the influence of actors is based on a combination of different resources like information, organization, expertise, finances, as well as legitimacy. According to state-centric governance state has exclusive competencies, but according to MLG competencies are shared between actors at different levels. The nature of state-centric governance is hierarchical, MLG is characterized by interdependent actors at different levels of governance.

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<sup>35</sup>(Hooghe & Marks, 2003) p 236

<sup>36</sup> (Bache, 2010) p 2

<sup>37</sup>(Kull, 2014) p 38

<sup>38</sup> (Marks, Hooghe, & Blank, 1996) p 346

Lack of autonomous control has advantages as well as disadvantages for MS executives. For example, civil servants can hide behind decisions that are made on the EU level and claim that it is needed to adjust to arrangements which they cannot change<sup>39</sup>. Linking this to LEADER implementation in Estonia, there have been cases where the Managing Authority (MA) on the national level has also tried to use this tactic, trying to leave an impression to the sub-national level (LAGs) that a rule which in reality is a national restriction, comes from the EU and should not be questioned.

According to MLG theory, sub-national governments are likely to develop vertical links with the EC, bypassing MSs and thereby challenging their traditional intermediating role between sub-national and supranational levels of government (e.g. creating direct links with the EC by opening an office in Brussels).<sup>40</sup> Continuous forming of direct links between sub-national governments and the EC at the same time creates possibilities for creating a coalition against the middle level, i.e., MS.<sup>41</sup> This means that the local level, together with the supranational level, may push for a greater degree of autonomy for the local level in the policy formulation phase.<sup>42</sup>

In short, MLG tries to provide a simplified understanding of what European policy-making looks like on a day-to day basis in policy areas, where multiple actors participate at different levels from the supranational to the sub-national.<sup>43</sup> What MLG can explain is how governance is arranged in an easy-to-grasp way, i.e. how the European Union performs as a “polity” and “machinery”.<sup>44</sup>

In addition to being a descriptive, explanatory and analytical framework, i.e. how things are done, MLG framework has a normative component<sup>45</sup> to it, in this view something that *should* be used because of being superior to other governance arrangements. As Bache and Flinders state, MLG is “emerging as a normatively superior mode of allocating authority.”<sup>46</sup> According to Stephenson,<sup>47</sup> the normative

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<sup>39</sup>(Marks, Hooghe, & Blank, 1995) p 28

<sup>40</sup>(Marks, 1993) p 402

<sup>41</sup>*Ibid.*, p 402

<sup>42</sup>The author considers it important to note that the present study does not investigate the influence the local level/the national level has on policy formulation at the European level, but only the down-stream from a devised policy to its implementation.

<sup>43</sup>(Stephenson, 2013) pp 817-818

<sup>44</sup>(Kohler-Koch & Eising, 1999) p xi

<sup>45</sup>For a discussion on MLG as a normative concept see (Bache & Flinders, Multi-level Governance, 2004a) pp 195-196, (Stephenson, 2013) pp 826-828, (Papadopoulos, 2010)

<sup>46</sup>(Bache & Flinders, 2004a) p 195

<sup>47</sup>For a more extensive discussion on normative uses of MLG see (Stephenson, 2013) p 826-827

aspect includes concepts such as legitimacy, democracy, efficiency, accountability, which build on the Commission's White Paper on European Governance<sup>48</sup> that aims to establish more democratic governance and advocates the principle of participation.<sup>49</sup>

Having described the essence of MLG theory<sup>50</sup>, it is important to bring out also certain aspects that have been underrepresented in the theory. MLG as a theory has been criticized, saying it provides a thorough description of undergoing changes in European governance, but unlike standard theories "lacks a causal motor of integration or a set of testable hypotheses".<sup>51</sup> Yet this critic has been considered unfair, because MLG is not an integration theory and thus should not be blamed for not providing an explanation of European integration.<sup>52</sup> This means that MLG does not focus on why MSs integrate but rather how governance is realized under the condition of European integration. Also the criticism on lack of causal hypothesis is considered unsustainable by George, who finds that the initial hypothesis of MLG relates to the question if the EU is a system of MLG rather than a system dominated by national governments and the hypothesis in a generalized way is that "the hierarchy of levels of governance is being eroded".<sup>53</sup> Similarly in the context of the present study the main research question and the hypothesis are about the involvement of different levels in the governance arrangement and hence in shaping the eventual policy outcome.

Jordan has argued that the MLG approach has its weaknesses concerning the influence of the sub-national level.<sup>54</sup> He claims that MLG "greatly overstates the autonomy of sub-national actors even in policy areas where one would expect it to perform quite well".<sup>55</sup> According to him sub-national actors bypassing states and operating independently does not automatically mean that they have the power to shape the outcomes. In other words, involvement and influence are not necessarily the same.<sup>56</sup> This means that the sub-national level may bypass the state and address directly the

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<sup>48</sup>For more information see the White Paper (European Commission, 2001)

<sup>49</sup>The author acknowledges the importance of normative considerations in MLG. In the present thesis MLG is primarily utilized as an analytical-descriptive framework, however the author returns to the normative implications especially in the discussion and concluding part of the research.

<sup>50</sup>For an overview of MLG as well as its criticism please see: (Bache & Flinders, Multi-level Governance, 2004a)

<sup>51</sup>(Jordan, 2001) p 201

<sup>52</sup>(George, 2004) p 113

<sup>53</sup>*Ibid.*, p 116 and p 125

<sup>54</sup>For a discussion on MLG overstating the role of sub-national level see (George, 2004) pp 118-122

<sup>55</sup>(Jordan, 2001) p 201

<sup>56</sup>*Ibid.*, p 201

supranational level, but as the national level can have constraining influence on policy implementation acting as the gatekeeper<sup>57</sup>, this act of bypassing is not likely to influence the outcome to a considerable extent.<sup>58</sup> Hence impact of the national level has bigger influence on policy implementation than MLG theory actually suggests. For the level of autonomy of LEADER implementation at the local level in Estonia this means that possibly the national level plays a stronger role than the MLG theory would initially suggest.

It has been questioned by Jordan, Kull and Scharp<sup>59</sup> whether MLG is applicable to all sectors and levels<sup>60</sup>. While MLG was the first concept to thoroughly examine the position of local levels of public administration and other local actors within the EU polity, in the opinion of Kull it is too optimistic in the degree of influence it ascribes to local levels, particularly as far as rural areas are concerned.<sup>61</sup> Rural areas and the local level are very heterogeneous. As a methodological shortcoming Kull criticizes that MLG underestimates the role of the government institutions located at higher levels and their ability to preserve their powerful positions in the MLG system. MLG was initially meant to describe the interaction of multiple actors in EU regional policy and structural funding. This research puts focus not only on a certain policy field (RD) but especially on its sub-field, LEADER. The latter, with its MLG mode, provides a particularly interesting field of research to investigate the emergence of a MLG arrangement in RD, especially the influence the national level plays in its shaping as well as the actual influence of the local level.

Given the aspects described above, MLG will be used in the present thesis as an analytical-descriptive tool to help to understand the eventual outcome of a governance arrangement, and the ways how this end result has been influenced by the different governance levels involved in a rural policy implementation. Based on this theory, the current study will investigate whether actors other than government are as powerful as

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<sup>57</sup>For more information see: (Bache, 2011)

<sup>58</sup>The author acknowledges that even if the national level does retain the gatekeeper function, this does not per se contradict MLG, as the latter does to prescribe the relative influence of different levels but merely indicates that the involvement of different levels will be decisive for the eventual outcome.

<sup>59</sup>See (Jordan, 2001) p 193, (Kull, 2014) p 39, (Scharpf, 1997)

<sup>60</sup>The author acknowledges that question of generalisation of research findings for other policy fields should be taken into account when making conclusions based on the thesis. Yet for empirical analysis of the research the criticism does not pose a problem as salience of MLG for RD policy is not put in question. For other studies that apply MLG on RD see for example: (Nousiainen & Mäkinen, 2015), (Bruszt, 2008), (Pollerman, Raue, & Schnaut, 2014a), (Kull, 2008), (Thuesen A. A., 2013)

<sup>61</sup>(Kull, 2014) p 39

MLG expects in shaping policy or whether, as critics have noted, the national level intervenes with its own interests, asserting itself and taking the role of an effective gatekeeper in the governance arrangement.

## **1.2 Multi-level governance in regional, rural and local development**

MLG has been used by policy makers and scholars to refer to any of the three processes: “change in territorial government, the remaking of territorial developmental governance, or just the ending of the decision-making monopoly of the government implying some involvement of regions in policy-making”.<sup>62</sup> The number of theories on regional development is constantly increasing. Over the last two decades there has been a distinct move from exogenous approaches (driven from outside) to endogenous ones (driven from within).<sup>63</sup> RD is “a process that occurs within an increasing complexity of rural areas and which produces – and is reproduced – by a multilevel and multidimensional network of players”.<sup>64</sup>

Despite the heterogeneity, the most widespread trend over the last two or three decades in European RD policy, under the predominant conception of a model of endogenous development (e.g. the LEADER programme), has been to promote increasing diversification in order to accommodate various economic activities and new lifestyles. This is based on the argument that every region or community should develop by taking advantage of whatever existing or potential local comparative advantage may lie within the spectrum of economic activities.<sup>65</sup> The role of RD policies is not about devising strategies for RD, but rather to support and accompany local initiatives (LEADER approach being one of them) “in achieving virtuous processes that result in the multidimensional sustainability of the area itself”.<sup>66</sup> A suitable RD policy should enable to act on different tasks with flexible measures.<sup>67</sup>

Regional policy and rural policy are part of structural policy. Marks sees structural policy in the EU as a two-sided process, involving decentralization of

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<sup>62</sup>(Bruszt, 2008) p 608

<sup>63</sup>(Galdeano-Gómez, Aznar-Sánchez, & Pérez-Mesa, 2011) p 54

<sup>64</sup>(Ventura, Milone, & van der Ploeg, 2010) p 1-2

<sup>65</sup>(Galdeano-Gómez, Aznar-Sánchez, & Pérez-Mesa, 2011) p 56

<sup>66</sup>(Ventura, Milone, & van der Ploeg, 2010) p 26

<sup>67</sup>(Pollerman, Raue, & Schnaut, 2014a) p 3

decision-making to sub-national levels of government as well as centralization of new powers at the supranational level. “In structural policy we see a *centrifugal* process in which decision-making is spun away from member states in two directions: up to supranational institutions and down to diverse units of sub-national government”.<sup>68</sup> He claims that structural policy has provided sub-national governments and the EC with new political resources and opportunities in an emerging multilevel policy arena.<sup>69</sup> From the point of MLG theory this means that the supranational level is expected to have a strong role (e.g. in policy formulation) and so is the local level (e.g. in policy implementation), but the role of the national level is expected to be limited.

Examining the operation of structural policy, with the 1988 reform of the structural funds the EC shifted from its previous role as hands-off financial manager to that of an active participant in framing and monitoring regional development programs.<sup>70</sup> Prior to the reform the implementation system of the ERDF was established independently by the national government in each MS. The creation of regional partnerships for administering the structural funds in 1988 was an attempt by the EC to empower sub-national actors at the expense of national government domination over the implementation process.<sup>71</sup> Following the reform, it was thus expected that even though remaining part of the process, the state level is no longer in control, and because of bypassing the national level to an extent, the outcomes of policy implementation are likely not to reflect directly the interests of the MSs. This meaning in turn, a stronger role for supranational and local level can be expected in this policy area.

Programming effectively commits actors to work together in partnership for a sustained period of time in developing and implementing regional strategies.<sup>72</sup> EC-controlled Community Initiative programmes were also introduced as part of the 1988 reform.<sup>73</sup> A significant portion of total structural spending during the funding period 1989-1993 was allocated this way directly by the EC in the form of Community Initiatives<sup>74</sup>, an example of which is also LEADER. Putting this in the MLG framework, such multiannual programming empowered the EU and it is expected that

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<sup>68</sup>(Marks, 1993) p 402

<sup>69</sup>*Ibid.*, p 403

<sup>70</sup>*Ibid.*, p 395

<sup>71</sup>(Bache, 2011) p 35

<sup>72</sup>(Bache, 2010) p 7

<sup>73</sup>(Bache, 2011) p 32

<sup>74</sup>(Marks, 1993) p 399

the intentions of the EU level are going to be reflected in the policy implementation and outcomes<sup>75</sup>. Given the leading role of the EC in defining the Community Initiatives, the local level was intended to be given a relatively high degree of autonomy in policy implementation and the national level was not expected to determine the priorities at the local, implementation level.

The EC's failure to make progress on the key principle of additionality was an important illustration of the resistance of national governments to the erosion of their control over domestic policy.<sup>76</sup> An example can be brought, where despite the efforts of the EC and the mobilization of sub-national actors, an extended gatekeeper role was successfully played by the UK central government during the implementation of EC regional policy. The reform set the conditions for implementation, but within that particular bargaining process national government controlled sufficient resources to ensure a satisfactory policy outcome.<sup>77</sup>

According to Bache there is much evidence of multi-level participation in the implementation of EC regional policy (e.g. in the case of UK), but the extent to which it constitutes multi-level governance is unclear. This is relevant also for the Estonian case, where participation as such is existent (e.g. partnership principle is met by local level representatives being represented in different committees etc) but it does not necessarily mean that they are taking part in governance, as generally there is no involvement in the decision-making, which is left to be done to the national level. Where the gatekeeper notion is useful in describing the behaviour of national governments in the EU policy-making, it makes sense to refer to an *extended gatekeeper* that can function at all stages of the policy making process, including implementation phase.<sup>78</sup> This means that when the gatekeeper notion was used in the context of policy making, then in MLG, which is predominantly about policy implementation, there could be a wider term used, and hence the suggestion to call it extended gatekeeper. What this shows is that the role of the national level could actually be bigger than what was expected by the early works in MLG theory. When the national level makes itself felt at the implementation stage, it is likely also shaping the outcomes of the policy. This means that the constraining

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<sup>75</sup>The author acknowledges the involvement of the national level and inclusion of its interests in policy formulation, as MSs would be involved in defining EU level intentions.

<sup>76</sup>(Bache, 2011) p 31

<sup>77</sup>*Ibid.*, p 38

<sup>78</sup>*Ibid.*, p 42

capacity of the national level between the European and the local levels has to be taken into account when considering the eventual outcome of a policy. Whether the set hypothesis on the national level being the main intervening variable, decisive in determining the eventual form of the LEADER governance arrangement is true, the author will examine in the third chapter, analysing the legislative documents as well as presenting empirical evidence from the case study of implementing LEADER in Estonia.

### **1.3 Research problem and methodology**

The thesis aims to identify factors decisive for why the implementation of RD policies may diverge from the originally devised policy at the European level. This will be done looking at the specific case of LEADER for local development, which is a MLG governance arrangement including the EU level, the national level and the local level. Based on MLG theory described in chapters 1.1 and 1.2, the author expects all the levels included in the governance system – the supranational, national and sub-national – to have their own interests which shape the particular governance arrangement. As all the three levels are expected to have their influence, the author puts forward three sub-questions to measure each level of the governance arrangement.

To answer the first sub-question “What degree of autonomy is intended by the EU in formulating its RD policy?”, the author seeks to identify to what extent the EU regulates the functioning of LAGs and the activities of project beneficiaries. In order to determine what are the restrictions the supranational level devises with regard to the autonomy of the sub-national level, the author identifies the legal provisions and requirements set on a) the LAG as a local level actor (its structure, setup, decision making) and b) the project beneficiaries’ specific project activities (what kind of activities can actually be done in rural areas with LEADER funded projects to promote RD, i.e. the actual outcome of the RD policy) in the relevant regulations<sup>79</sup>. The same logic – covering both the LAGs as well as the project beneficiaries – is followed also in the next two sub-questions. The intended autonomy is thus measured by what the EU sets as limitations in their day-to-day operation concerning the LAGs and the project

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<sup>79</sup>The most important regulations being the CPR 1303/2013 and EAFRD regulation 1305/2013 as well as the guidance documents provided by the EU to interpret these regulations.

beneficiaries in its legislation and what it states as the guiding principles for LEADER. The author uses literature review and documentation analysis as the main data gathering methods for answering the first sub-question. The EU level intentions are identified based on LEADER literature review (Chapter 2.1 and 2.2). The review of the scholarship of LEADER implementation in the EU (Chapter 2.3), demonstrates the findings of other studies, in context of which the present study adds its contribution. To substantiate the findings from EU-level documentation analysis, an expert interview was conducted via Skype with Mr. Pedro Brosei, a former staff member of DG Agri working with LEADER and currently the vice-president of the European LEADER Association for Rural Development (ELARD). Interview questions (Appendix 3) were sent in advance to allow some preparation time. Also there was personal written communication, which can also be classified as an expert interview, between the author and Mrs Karolina Jasinska-Mühleck, a current member of staff of DG Agri working with LEADER, to specify some points on measuring the intentions of the EU.

To answer the second sub-question „How is LEADER implemented at the local level?“, the author investigates the actual implementation of the programme in order to find out to what extent LAGs face restrictions. The description of LEADER implementation in Estonia is presented as a single case study (Chapter 3.2) to investigate the actual implementation of the programme. The gathered empirical data is used to measure the actual gap concerning the implementation of LEADER – that is the difference between the EU intentions and the extent to which the LAGs face restrictions. As the 2014-2020 programme period LEADER implementation is just beginning in Estonia – with the first projects being submitted to the LAGs in spring 2016 – it has not been possible yet to ask about implementation related issues from the project beneficiaries directly. Instead, insight into the concerns voiced by LAGs is given and the study rather assesses the regulating framework for LAGs on deciding approval or rejection of projects.

In order to answer the second sub-question the author first gathers empirical data from a collection of frequently asked questions (FAQ) by Estonian LAGs<sup>80</sup> and the replies given by the Ministry of Rural Affairs, which is the Managing Authority (MA) for LEADER implementation and ARIB, which is the Paying Agency. Based on the

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<sup>80</sup>See Estonian Rural Network Support Unit website for the section of questions: [http://maainfo.ee/public/files/KKK\\_tabel\\_23032016-loplik.docx](http://maainfo.ee/public/files/KKK_tabel_23032016-loplik.docx)

FAQ the author identifies two main categories of concern by LAGs a) those regarding project implementers (beneficiaries) and b) those concerning the operational mechanisms of the LAG when implementing the programme. To validate this initial identification of the main constraints faced by LAGs and to further substantiate these findings, a questionnaire consisting of eight questions (see Appendix 1) was designed and sent by e-mail to the managers of all the 26 LAGs in Estonia.<sup>81</sup> The questionnaire included three open questions with regards to constraints imposed by regulative framework faced by LAGs in their day-to-day LEADER implementation as well as a closed question listing specific restrictions. The open questions allowed the respondents to freely name any restrictions – disregarding whether these derive from regulations set by the EU or by the national level. This approach enabled to check which restrictions are most salient. With the following closed question with pre-given answers, relevance of problems was measured by identifying how many LAGs see the constraint as a problem for their daily operations.<sup>82</sup> Qualitative content analysis was used for the open questions to establish the relative salience of specific restrictions, which then was cross-checked with the provided checklist of 17 restrictions. The respondents had to give a reply (5 options on Likert scale) whether they find a specific requirement limiting to their day-to-day activities or not (see the results in Appendix 2). A threshold of exceeding 50% for categories “very limiting” and “somewhat limiting” was set by the author for considering, whether the respondents find the restriction as limiting or not.

To answer the third sub-question “What additional restriction on the degree of autonomy is introduced by the national level?”, the author seeks to identify to what extent the national level regulates the functioning of the local level in LEADER implementation and what kind of restrictions are set. This is done analysing the legislation and documentation regulating LEADER implementation on Estonian state level (Chapter 3.3), and identifying the set limitations. As the regulation on LEADER

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<sup>81</sup>Replies were received from 23 of them during time period April 20-May 06, 2016. 16 of the respondents have worked as managers for more than 5 years (most of them since the launch of the programme), 2 of them for 3-5 years and 5 of them for 0-2 years. As the majority of the managers have worked for a long time with LEADER, they are expected to be experienced with the programme.

<sup>82</sup>Open questions (Question 1 and Question 2) were put at the beginning of the questionnaire to enquire information without imposing answers, which could induce bias. When relying on just a checklist composed by the author and not having open questions, some potential problems could be overlooked. Using a checklist as a second step (Question 3) helped to validate the initial answers from the open questions as well as to check against those restrictions the author had considered potentially most pertinent. A third open question, Question 8, asked for additional comments if there were any.

implementation has implications on two levels - firstly requirements on the LAG as a local level actor (about its structure, setup, decision-making, etc) and secondly requirements on project applicant's specific project activities (e.g. what kinds of things can actually be done in rural areas to promote RD, what kinds of costs are eligible for support), both aspects are identified as a result of documentation analysis. The main documents on the national level include the Partnership Agreement, the Implementing Act for CAP in Estonia, Estonian Rural Development Plan and the national level Regulation on LEADER by the Minister of Rural Affairs. With documentation analysis the author is aiming to measure the degree of autonomy given to the local level by these regulations in comparison with the EU legislation.

As an added value, even though only complementary to the main research question, the author uses interviews to further elucidate why the national level has introduced some specific restrictions. This contributes to the present research, providing initial insights into the reasoning behind the additional restrictions introduced by the national level. As the rules set on national level follow on one hand from the legal room for manoeuvre they have, and just as importantly from their interests, it is needed to find out what the interests are to explain, why certain limitations have been introduced in Estonian national legislation. To get information on the reasons of the national level interventions, three semi-structured expert interviews are conducted – one at the Paying Agency (the Estonian Agricultural Registers and Information Board ARIB) and two at the MA (the Ministry of Rural Affairs)<sup>83</sup>. To reiterate, the limited number of interviews<sup>84</sup> is due to their function as providing merely complementary information on the reasoning behind, whereas the introduction of additional restrictions as such was measured through documentation analysis. Thus documentation analysis and conducting interviews are the data gathering method used to measure the national level intervention, by which the national level is making the EU policy more restrictive.

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<sup>83</sup>The interviewee at the ARIB was Mr Marek Treufedt, the head of the LEADER unit. The interviewee first contacted at the MA was Mrs Anneli Kimmel, the head of the Local Initiative and Human Environment Bureau, dealing also with the LEADER programme. She recommended to conduct an interview also with Mr Marko Gorban, the head of the Rural Development Department, to get a wider perspective. The interviews were recorded, each taking about an hour and a half. Interview questions to these three interviewees (see Appendices 4, 5, 6) were sent in advance about a week before the interview, to allow adequate preparatory time to the respondents.

<sup>84</sup>As also stated by Aunapuu-Lents in her research about the concentration of power and LEADER in Estonia „The small size of the country also leads to the concentration of specialist knowledge – by a limited number of individuals and in a few administrative positions.“ (Aunapuu-Lents, 2013) p 140

The limitations of the research include the thesis being a single case study in the sense that it focuses just on one funding programme, LEADER and on one country, Estonia. It does not provide a comparison of different programming periods, but provides an insight into the implementation conditions of LEADER at the start of the 2014-2020 programming period. The consequences of these limitations are, that the research does not, and does not intend to, test the extent to which the strong involvement of the national level distorts the initial EU level intentions in, for example, programmes other than LEADER (e.g. in programmes that rely heavily on type I sub-national actors) or in countries that are less centralized. Neither does the present research alone lead to generalizations, and does not claim to. The thesis rather provides an in-depth analysis of the Estonian case-study, which can be used as a starting point to carry out comparative analysis in the future and serve as the basis of more generalized findings about factors, which influence the MLG arrangement in different contexts. The research also has a practical value to it – it maps how many different restrictions there are and how restricting the LAGs find them. This poses a valuable analysis for Estonian national level (MA and Paying Agency) as well as the local level actors (LAGs).

With the help of replying the sub-questions, the thesis aims to find an answer to the main research question “Why does the sub-national level have less autonomy for implementing LEADER than the supranational level has initially intended when devising this rural development policy?” The hypothesis thus is that the main intervening variable, decisive in determining the eventual form (i.e. the level of autonomy of the local level in policy implementation) of the governance arrangement, is the involvement of the national level. The chapters below, especially chapter 3, will show, if this is the case.

## **2. LEADER as an approach of Community-led local development**

### **2.1 The concept and key features of LEADER**

LEADER is the EU's bottom-up method for implementing RD policy<sup>85</sup>. It operates on the basis of two main principles: subsidiarity (decision-making taking place as close as possible to the site of implementation) and partnership (decision-making involving representatives from a wide range of governmental and non-governmental groups).<sup>86</sup> Since 1991 LEADER has worked as a laboratory in the form of a Community Initiative<sup>87</sup>. It was launched to improve the development potential of rural areas by making use of local initiative and skills, promoting the acquisition of know-how on local integrated development, and disseminating this know-how to other rural areas. The RD approaches tried out earlier were typically sectoral, focused mainly on farmers and aimed to support structural change within agriculture. They used top-down methods, where support schemes are decided at national or regional level. Therefore local stakeholders were not encouraged to obtain the skills needed to design the future of their own area. An area-based bottom-up approach involving local communities and aiming to add value to local resources, increasingly came to be seen as a new way of creating jobs and developing rural areas.<sup>88</sup> The non-agricultural economy can become a way out of poverty for poor rural households.<sup>89</sup> It is necessary to guide the local initiative in developing the local living and business environment towards finding solutions that are based on local resources and potential and meet the local needs.

How LEADER works is that financial support is given to LAGs to implement their LDSs through giving grants to local projects.<sup>90</sup> The share of EU territory in which the approach is being applied, the number of LAGs and the level of funding allocated to LEADER have increased substantially since the initiative was launched.<sup>91</sup>

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<sup>85</sup>(European Court of Auditors, 2010) p 8

<sup>86</sup>(Furmankiewicz, Macken-Walsh, & Stefanska, 2014)

<sup>87</sup>(Thuesen A. A., 2010) p 33

<sup>88</sup>(European Commission, 2006) p 6

<sup>89</sup>(Winters, Essam, Zezza, Davis, & Carletto, 2010) p 649

<sup>90</sup>(European Court of Auditors, 2010) p 8

<sup>91</sup>(European Commission, 2006) p 6

The EC uses the term CLLD to describe “an approach that turns traditional “top-down” development policy on its head”.<sup>92</sup> Using the bottom-up approach is compatible with the principle of subsidiarity, which means that development decisions concerning local life are made at the lowest possible administrative level and thus closer to citizens.<sup>93</sup> A local development approach like LEADER is seen as especially suitable for the promotion of RD because it is based on supporting local development initiatives on the ground, assuming that development needs, potential and resources are best known at the local level, hence to achieve best results in terms of RD, the local level should be granted as much autonomy in policy implementation as possible.

Thus the main idea behind the LEADER approach is that, given the diversity of European rural areas, LDSs are more effective and efficient if decided and implemented at local level by local actors, accompanied by clear and transparent procedures and the support of the relevant public administrations<sup>94</sup>. This means that according to the EC, the idea behind implementing LEADER as a RD policy is to give as much autonomy as possible to the sub-national level and the role of the national level is rather seen as supporting the local level.

The difference between LEADER and the more traditional rural policy measures is that it indicates *how* to proceed rather than *what* needs to be done. This is confirmed for example by a study done in Denmark, where according to focus group interviews the value of the LEADER approach is primarily related to empowering self-governing networks in a vertical MLG setting. The added value is seen in the implementation model itself rather than on what is specifically implemented (e.g. the LDS), and it relates to improved governance and improved results at the project level.<sup>95</sup>

Seven key features summarise the LEADER approach. It is important to consider them as a toolkit<sup>96</sup>. Each feature complements and interacts with the others throughout the entire policy implementation process, influencing the dynamics of rural areas and their ability to solve their problems. According to EC’s fact sheet<sup>97</sup> on the LEADER approach, the key features are:

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<sup>92</sup>(European Commission, 2014) p 9

<sup>93</sup>(Ministry of Finance of the Republic of Estonia, 2014a) pp 166-167

<sup>94</sup>(European Commission, 2006) p 8

<sup>95</sup>(Thuesen & Nielsen, 2014) p 320

<sup>96</sup>(European Commission, 2006) p 8

<sup>97</sup>*Ibid.*, pp 8-14

- 1) Area-based LDSs. An area-based approach takes a small, homogenous, socially cohesive territory, characterised by common traditions, a local identity, and a sense of belonging or common needs and expectations, as the target area for policy implementation. Being based on a specific area makes it easier to recognise the local strengths and weaknesses, threats and opportunities, endogenous potential as well as to identify the bottlenecks for local development. The positive effects of LEADER approach are likely to be found at the local territorial level, where the LAG operates as a supplement to the vertical governance system.<sup>98</sup> Area-based essentially means local. This means that when the sub-national level is entitled autonomy, it is possible to tailor actions more precisely so that they would best meet the local needs.
- 2) Bottom-up approach. This is the most distinctive feature of LEADER and it means that local actors participate in decision-making about their LDS and in the selection of the priorities to be followed in their local area. The bottom-up concept makes an expectation that LEADER is more able to involve the average citizen than other programmes.<sup>99</sup> This again means that rural policies, to achieve best results, should be designed and implemented in the way best adapted to the needs of the communities they serve and this can be done if the local level is provided enough autonomy for policy implementation.
- 3) Public–private partnerships. Setting up local partnerships – LAGs – is an important feature of the LEADER approach. A LAG is expected to associate public and private partners, including non-profit sector representatives, and represent the different local interest groups and socioeconomic sectors in its area. LAGs are implementing RD policy, deciding the direction and content of the LDS, and making the decisions on the different projects to be financed.
- 4) Facilitating innovation. LEADER can play a valuable role in stimulating new and innovative approaches to RD. Innovation needs to be understood in a wide sense, e.g. a new product, a new process, a new organisation, a new market etc. Such innovation is encouraged by EC, expecting the local level to have adequate autonomy in policy implementation, which would allow LAGs adequate freedom and flexibility in making decisions about the local actions they want to support.

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<sup>98</sup>(Thuesen & Nielsen, 2014) p 310

<sup>99</sup>(Thuesen A. A., 2010) p 32

- 5) Integrated and multi-sectoral actions. LEADER is not a sectoral development programme, instead the LDS must integrate several sectors of activity and the actions and projects contained in the strategies should be linked and coordinated as a coherent whole. Links between the different economic, social, cultural, environmental players and sectors involved are an important part of the approach.
- 6) Networking. This includes the exchange of experiences and know-how between LAGs, rural areas, administrations and organisations involved in all the levels of RD policy implementation. The types of institutional network are: a European network for RD (run by the EC)<sup>100</sup> and a national rural network set up in each MS<sup>101</sup>. Networks of LAGs have also been set up at local, regional or national level in some MS (e.g. Estonian Leader Union<sup>102</sup>) and at European level (e.g. ELARD<sup>103</sup>).
- 7) Cooperation. Cooperation goes further than networking, involving a LAG undertaking a joint project with another LAG, or with a group taking a similar approach, in another region, MS, or even third country.

As demonstrated above through the 7 key features, the EC expects the LEADER approach to empower the local level and to provide it with such a level of autonomy in rural policy implementation, that the sub-national level could tailor its actions to best meet the local needs. LEADER has often been considered to be a “school case” for subsidiarity in Europe<sup>104</sup>. The EU level has left relatively open hands to the national level to decide on the specific requirements of the programme and the conditions set by the national legislation on LEADER implementation, thus the central government may considerably restrict and limit the sub-national level, thereby shaping the actual outcome of policy implementation. Of course, there is still the expectation from the EC level that the principles such as partnership and subsidiarity are adhered to, and in the specific case of LEADER there is the expectation from the EU side that the national level should operate within the spirit set on the supranational level and pass the logic downwards.

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<sup>100</sup>For more information see (The European Network for Rural Development (ENRD)) <https://enrd.ec.europa.eu/>

<sup>101</sup>For more information on Estonian National Rural Network Support Unit see (Maamajanduse Infokeskus) <http://www.maainfo.ee/>

<sup>102</sup>For more information see (Eesti Leader Liit) <http://leaderliit.eu/>

<sup>103</sup>For more information see (European LEADER Association for Rural Development) <http://www.elard.eu/>

<sup>104</sup>(Berriet-Sollicet et al., 2015)

## 2.2 A brief history of LEADER and its position in rural development policy

Rural policy gained momentum as a specific European issue in 1998, when the EC communication “The future of rural society” was presented. Together with the simultaneous structural funds reform, this marks the starting point of a genuine RD policy in the EU.<sup>105</sup> Promoting RD poses numerous policy and governance challenges as it requires co-ordination across sectors, across levels of government and between public and private actors.<sup>106</sup> Even though there is no consensus among researchers with regard to exact details of an ideal RD approach, there are three fundamental principles upon which such an approach rests: decentralisation; participation and collective action; and devolution of managerial functions to communities. LEADER is a notable example of a rural policy measure following these principles.<sup>107</sup>

In policy terms, LEADER was introduced as a Community Initiative financed under the EU Structural Funds<sup>108</sup>. There have been several generations of LEADER: LEADER I (1991–93), LEADER II (1994–99) and LEADER + (2000–06). During these periods, MS have had stand-alone LEADER programmes with separate financing set aside at the EU level<sup>109</sup>. During the 2007-2013 period the LEADER approach was mainstreamed and integrated within the overall EU RD policy, including LEADER as Axis 4<sup>110</sup> in national and regional RDPs supported by the EU, alongside the other RD axes. This mainstreaming means that from being a special initiative, it became a measure integrated in the RDP and allocating funding to LEADER was made compulsory.

LEADER sub-group<sup>111</sup> made a conclusion after its first meeting<sup>112</sup> of the 2014-2020 programming period saying that LEADER is the only EU wide programme where local people both design their strategy and select projects. It raises a concern that

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<sup>105</sup>(Copus & Dax, 2010) P 28

<sup>106</sup>(OECD, 2014) p 3

<sup>107</sup>(Falkowski, 2013) p 70

<sup>108</sup>(European Court of Auditors, 2010) p 9

<sup>109</sup>(European Commission, 2006) p 6

<sup>110</sup>The objective of the ERDP axis 4 or the LEADER measure is to promote local initiative, contributing to the improvement of competitiveness of agriculture and forestry, of the environment and the countryside, and particularly to the improvement of the quality of life and to the diversification of economic activities, through mobilising the internal development potential of the rural area

<sup>111</sup>Rural Networks' Assembly's permanent sub-group LEADER and community led local development, set up according to (Commission Implementing Decision 2014/825/EU, 2014)

<sup>112</sup>(European Rural Networks' Assembly, 2015) p 16

mainstreaming LEADER unfortunately did not mean a broader application of the LEADER principles, but rather that LEADER had to follow the implementation methods and practices of other measures and Axes. According an employee of DG Agri, the regulation 1698/2005 article 64<sup>113</sup> which guided LEADER implementation during 2007-2013 was misinterpreted by many MS. She states

From my observation, in the last period many restrictions were due to an unnecessary limitation of LEADER activities what has been offered under standard rural development measures. LAGs were therefore bound to some types of activities only and often could not address the actually identified local needs.<sup>114</sup>

This means that even though the intention of the EC had been to widen the positive experiences of LEADER by making using LEADER approach compulsory in RDPs, then what happened was that the national level, in many cases, did not offer the freedom provided for LEADER but instead limited its implementation to standard RDP measures thus limiting the autonomy of the local level.

The EU's RD policy, known as the second pillar of the Common Agricultural Policy (CAP), has been improved for the 2014-2020 period through wider CAP reform. The policy will be implemented through RDPs which are done for a seven year period. MS have put together their RDPs based upon at least four of the six common EU priorities. LEADER is expected to contribute especially to the 6th priority, which is promoting social inclusion, poverty reduction and economic development in rural areas.<sup>115</sup> According to an EU regulation on support for RD for the 2014-2020 period

The LEADER approach for local development has, over a number of years, proven its effectiveness in promoting the development of rural areas by fully taking into account the multi-sectoral needs for endogenous rural development through its bottom-up approach. LEADER should therefore be continued in the future and its application should remain compulsory for rural development programmes at national and/or regional level.<sup>116</sup>

When looking at the wider policy and governance context in the EU during the past 15 years, we can see that the EC has continuously encouraged empowerment of the local

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<sup>113</sup>(Council of the European Union, 2005)

<sup>114</sup>Personal communication with (Jasinska-Mühleck, 2016)

<sup>115</sup>See the Rural development 2014-2020 section on the EC website for the priorities (European Commission) [http://ec.europa.eu/agriculture/rural-development-2014-2020/index\\_en.htm](http://ec.europa.eu/agriculture/rural-development-2014-2020/index_en.htm)

<sup>116</sup>(European Parliament and of the Council, 2013)

level both in policy formulation as well as implementation. EC's White Paper on European Governance from 2001 proposes opening up the policy-making process to get wider involvement in shaping and delivering EU policy. The aim is to establish more democratic governance and the principle of participation<sup>117</sup> is considered especially important for this. The paper acknowledges that participation crucially depends on central governments following an inclusive approach when developing and implementing EU policies<sup>118</sup> and admits that in a MLG arrangement the real challenge is to establish clear rules for how competence is shared, not separated.<sup>119</sup>

In 2009, the Committee of the Regions issued a White Paper on MLG where it considers MLG to mean “coordinated action by the European Union, the Member States and local and regional authorities, based on partnership and aimed at drawing up and implementing EU policies.”<sup>120</sup> This means that responsibility should be shared between the different tiers of government concerned. In its follow-up opinion<sup>121</sup> the Committee states that establishment of a MLG framework is crucial for the successful reformulation of the CAP after 2013 to ensure adequate involvement of the local level.<sup>122</sup> Also the Council of European Municipalities and Regions expresses its strong support to integrated development at the sub-regional level based on a bottom-up methodology based on local partnerships.<sup>123</sup> The new rural paradigm conceptualized by the OECD in 2006 also stresses the need for increased use of partnerships in policy implementation<sup>124</sup>. However, it can be argued that the new rural paradigm (moving to a holistic set of policies, focusing on places and cohesion, and involving MLG and various stakeholders) has not really taken place yet, because of limited funding available for this<sup>125</sup>. So far LEADER can be considered the biggest supporter of such a development approach empowering the local level in RD policy implementation, enabling to achieve results that best meet the local needs.

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<sup>117</sup>According to the White Paper the five principles that underpin good governance are openness, participation, accountability, effectiveness and coherence.

<sup>118</sup>(European Commission, 2001) p 7

<sup>119</sup>*Ibid.*, p 29

<sup>120</sup>(Committee of the Regions, 2009) p 1

<sup>121</sup>Opinion of the Committee of the Regions on ‘building a European culture of multilevel governance: follow-up to the Committee of the Regions’ White Paper’

<sup>122</sup>(Committee of the Regions, 2012) p 69

<sup>123</sup>(Council of European Municipalities and Regions, 2010) p 1

<sup>124</sup>(OECD, 2006)

<sup>125</sup>(Kull, Voutilainen, Christopoulos, & Reimets, 2014) p 73

### 2.3 Review of the scholarship of LEADER implementation in the EU

In this sub-chapter the author introduces some of the findings of research done on LEADER and MLG in European countries<sup>126</sup> such as Finland, Denmark, Austria, England, Ireland, France, Germany, Poland and the Czech Republic. Emphasis is set on the aspects regarding the autonomy of the local level in policy implementation and how this has changed over the years as a result of mainstreaming the programme from being a Community Initiative to being a part of RDPs. Rules and restrictions are covered from two aspects – those concerning the functioning and operations of the LAGs and those concerning project activities and costs.

Mainstreaming of LEADER, which resulted in its incorporation into the RDPs, has been criticized by interest groups because they feel that LEADER as an approach has become marginalised. The current perceptions of the programme do not correspond any more with the understanding of a bottom-up programme.<sup>127</sup> Adshead in her case study about Ireland states: “Notwithstanding EU desires to promote the role of sub-national actors and sub-national policy capacities, Irish regionalization was superficial and the state remains a highly centralized one. This reaffirms the view of the state as ‘gate-keeper’ to EU influence.”<sup>128</sup> Furmankiewicz in his case study on Poland reports problems that are at variance with the aims of the LEADER initiative, including “unwillingness of public authorities to transfer responsibilities to LAGs.”<sup>129</sup> The study brings out that the national level officials doubted if LAGs were capable of using the public funds in accordance with the state level’s understanding of agricultural development and public finance rules. Therefore the rules of LEADER pilot programme were shaped in a way to prioritize the utilisation of funds and minimise the potential problems. The study also makes a reference to the Czech Republic where civil servants had applied the EU rules more strictly by adding national rules to LEADER.<sup>130</sup> As can be seen from the examples of literature above, the national level wants to retain its role as a firm gate-keeper and introduces additional national rules to LEADER, based on its own interests.

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<sup>126</sup>For a good overview on LEADER-literature see Table 2 in: (Pollerman, Raue, & Schnaut, 2014a) p 12

<sup>127</sup>(Thuesen A. A., 2013) p 2

<sup>128</sup>(Adshead, 2014) p 428

<sup>129</sup>(Furmankiewicz, 2012) p 262

<sup>130</sup>*Ibid.*, p 270

For years LEADER has been known for being non-bureaucratic and experimental. It used to function as a laboratory for experimenting with new innovative solutions<sup>131</sup> to RD challenges. The EU storytelling regarding the LEADER methodology and the seven key concepts is one reason why LEADER became known for its non-bureaucratic character. But now this narrative appears to conflict with the perception of local level, who sees LEADER as becoming bureaucratic<sup>132</sup>. The actors do not feel any longer that adequate autonomy is given to the local level for the implementation of the policy. Case study findings from Austria and Ireland regarding the mainstreaming of LEADER conclude: “Although the principles of Leader have not been removed, their relevance has been restricted.”<sup>133</sup> A paper on RD in England states: “...there was a feeling that the selection of measures against which projects could be funded, decided by RDAs [Regional Development Agencies] at the outset, presented a top-down restriction that precluded true local control.”<sup>134</sup> It can be summarized that as a result of mainstreaming, LEADER has ceased to be a non-bureaucratic and innovative programme and fulfilment of LEADER principles is being restricted because of top-down restrictions.

In the evaluation of the RD programmes in Germany<sup>135</sup> it has been found that there is no need to set narrow limits for LAG size, actors at local level should be able to decide on the size of the LAG themselves, as being small does not mean the LAG is not capable. Also a research concentrating on administration systems and RDP implementation in France, Germany and Italy<sup>136</sup> identified that to be able to fully meet the bottom-up principle and offer best solutions to local needs, the local stakeholders need to act in a region they know well. Thus it is important that the size of the region is not too big, otherwise there is risk that it will be too far away from the local level. The study<sup>137</sup> also brings out that there are cases when territorial control games by national authorities tend to reproduce a territorial order where public policy is taking shape in spaces defined a priori (e.g. districts etc). In these situations the defence of institutional territory becomes the dominant logic of action and may hinder local initiatives. This is a danger that could be happening in Estonia when the administrative reform takes place.

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<sup>131</sup>For a discussion on LEADER and innovation see (Dargan & Shucksmith, 2008)

<sup>132</sup> (Thuesen A. A., 2013) p 17, 20

<sup>133</sup>(Dax, Strahl, Kirwan, & Maye, 2016) p 65

<sup>134</sup>(Bosworth, et al., 2013)

<sup>135</sup>(Pollerman, Raue, & Schnaut, 2013)

<sup>136</sup>(Berriet-Sollicet et al., 2015)

<sup>137</sup>*Ibid.*

A study on local government reorganisation in the UK has highlighted an additional factor: “Indeed, we saw how...the *objects of governance* that were promoted following local government reorganisation differed markedly from those pursued before...”<sup>138</sup> It can be concluded that the size and set-up of a LAG should not be regulated by top-down restrictions, but the local level itself should have the autonomy to decide this, as to best meet the needs of the local community.

LEADER attaches importance to LAG’s long-term abilities to build social capital and institutional capacity<sup>139</sup> in the partnership. Thus an excessively bureaucratic approach in regulating the structure, operations and decision-making of a LAG is not appropriate, as it directly influences the social capital as well as institutional capacity. According to Thuesen, the organizational model of a partnership also has a direct link to the issue of legitimacy. This is especially relevant as LAGs distribute public money based on their LDSs. When access to the LAG is free and anyone can become a member as well as influence the decisions taken within the LAG, e.g. decide on who gets to be elected on the board, it reflects a high expression of input legitimacy.<sup>140</sup> Yet it is only those members appearing at the general assembly meeting who decide who gets elected on the board<sup>141</sup> and in case there are further limitations, this additionally limits the actual degree of participation in the decision making process. There can be national level requirements on the composition of the LAG members or board members – e.g. necessary representation of specific sectors (e.g. a certain percentage of private persons or limited participation of public authorities). Respondents from Danish LAGs felt that the independence of the boards was not always respected. They felt there were tight regulations affecting LAGs and as a result they perceived political framing<sup>142</sup>. If board members feel disempowered, they may leave. Public authorities should hold a special responsibility for keeping board members engaged, because they make a voluntary commitment to improving RD through their participation in LEADER. National level legislation, e.g. demanding rotation of board members, definitely does not encourage

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<sup>138</sup>(Pemberton & Goodwin, 2010) p 282

<sup>139</sup>For a discussion on social capital in LEADER see (Nardone, Sisto, & Lopolito, 2010) and for a discussion on building institutional capacity see (Scott, 2004)

<sup>140</sup>(Thuesen A. A., 2011) p 578

<sup>141</sup>*Ibid.*, p 580

<sup>142</sup>(Thuesen A. A., 2013) p 15

that.<sup>143</sup> Also research carried out in Finland has highlighted that the tripartition rule (having representatives of three sectors) combined with the new regulation (“ultimatum”, as the Finnish LAGs call it) limiting the LAG board members’ “term of office” not to exceed more than six years successively resulted in the need to change almost all of the experienced board members. This restriction is seen as an incomprehensible bureaucratic hindrance by the Finnish LAGs. As a result the general meeting needs careful preparation work and to meet the required criteria the suggested board members are likely to be elected and no changes proposed. A Finnish interviewee stated “Rather than a real one, the election of a LAG board seemed like a symbolic act of local control or democratic accountability. Or, it could be seen as a ritual that was performed in order to secure a rural development budget...to the region.”<sup>144</sup> Also the case study of Wales criticizes the rule of equal “three-thirds” representation: “Despite the good intentions, however, attempts at achieving equal representation through the inclusion of equal numbers of people or organisations from each of the different sectors, proved overly simplistic. Such a measure cannot secure equality in the partnership process itself.”<sup>145</sup> Based on these case-studies it can be concluded that LAGs face considerable restrictions to their every-day activities because of different top-down regulations regulating their membership structure, operations and decision-making. This has a negative influence on the social capital as well as institutional capacity of LAGs as disempowered actors like board members, feel demotivated and are likely to leave.

As can be seen from the case studies above, even if a LAGs is legally free to make a decision according to its own will, wrong kinds of decisions can cause sanctions on behalf of the national level, because the LAG would not meet the criteria introduced by the national legislation. It can be observed that regulations pay more and more attention on regulating input-related legitimacy, but it should not be forgotten that the essence of the LEADER programme, as intended from the EU level, is that of output-oriented legitimacy, i.e. the problem-solving capacity of the LAG.<sup>146</sup> This means that decisions are legitimate when they serve the people and this is the reason why in the first place the local level was intended by the EU level to have relatively large autonomy - because it

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<sup>143</sup>(Thuesen A. A., 2013) p 22

<sup>144</sup>(Nousiainen & Mäkinen, 2015) p 216

<sup>145</sup>(Derkzen, Franklin, & Bock, 2008) p 459

<sup>146</sup>(Thuesen A. A., 2011) p 578

is reasonable to delegate decisions to experts and network actors as these groups provide better results in rural policy implementation. This directly links to the autonomy of the local level to decide on what kind of activities it wants to fund under its LDS.

Despite the emphasis of local empowerment, EAFRD and the national RDPs set the guidelines on what the LEADER LDSs should deal with and also set detailed rules on how the money can be spent.<sup>147</sup> Yet LEADER interventions, even in local terms, represent rather minor commitments of public money and therefore could be cast as an experiment.<sup>148</sup> In Mecklenburg-Vorpommern a measure LEADERalternativ has been introduced<sup>149</sup>, providing funding for projects that contribute to the LDSs, without further restrictions concerning the content, i.e. the activities that are done. Whether an idea is eligible for funding or not should depend mainly on whether it fits the targets of the LDSs composed by the LAGs themselves, meaning that the local level should have the autonomy to select, which activities best meet the needs identified in their LDS.

A study done in Germany<sup>150</sup> concludes that to be able to use the original and intended strengths of the LEADER approach, a more flexible funding structure, which is oriented on the goals of the local level, is recommended as in the 2007-2013 funding period limited bottom-up participation and lack of innovation are prevalent. It is stated that top-down influence from central government institutions is a factor that weakens the possibility of participation and this brings around a danger – loss of motivation by civil society actors to participate in decisions about projects because of restricted funding conditions. Lack of possibilities to fund innovative projects, and other obstacles in the form of restrictive rules, creating the feeling of a general climate of mistrust, are likely to lead to loss of confidence and de-motivation of actors. If there are deteriorations in funding conditions some LAGs become dissatisfied and don't engage any more<sup>151</sup>. Also a study on LEADER implementation in Ireland and Austria has concluded that “rigid co-ordination structures and hierarchical mindsets, as well as new control and audit mechanisms [...] prevent a local [...] application of Leader. The hierarchical administrative structures thus work against [...] multi-level governance.”<sup>152</sup>

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<sup>147</sup>(Nousiainen & Mäkinen, 2015) p 213

<sup>148</sup>(Zago, 2014) p 9

<sup>149</sup>(Pollermann, Raue, & Schnaut, 2014b) p 135

<sup>150</sup>(Pollermann, Raue, & Schnaut, 2014b)

<sup>151</sup>(Berriet-Solliec et al., 2015) p 20

<sup>152</sup>(Dax, Strahl, Kirwan, & Maye, 2016) p 66

What is relevant for MLG here is the complexity of local realities. With examples from LEADER implementation, we have seen how good initial intentions and seemingly democratic practices may reveal multifaceted when examined at the practical implementation level of every day. To understand the influence and consequences of a regulation at the every-day level of LAG's functioning, it is necessary to be in constant communication with the local actors.<sup>153</sup> This once more emphasizes the need to trust the local level and give them adequate autonomy as they, being close to the grassroots, are experts on the local needs, resources and possibilities and the ones responsible for the everyday implementation of the policy. It also makes it especially relevant to include the local level already in the policy formulation process, as this would enable to avoid problems in the further, policy implementation stage.

As we can see from the literature review above, top-down restrictions have been faced by the LAGs in the majority of case-studies, either on the structure and operations of the LAG or on project activities. However, it has not been in focus, from where these restrictions come from – whether it is an EU or national level regulation, which is the focus of the present study. Another gap identified is that the case-studies have concentrated on a limited number of restrictions – e.g. those regulating the size and setup of a LAG, those regulating the board and decision-making, those limiting innovation. The original contribution of the author in the present research is to fill these gaps by making a distinct differentiation between EU level and national level requirements and making a comprehensive list of additional restrictions faced by Estonian LAGs at the start of the 2014-2020 programming period. This enables to provide a more comprehensive picture on how the simultaneous application of different requirements affects the actual daily functioning of a LAG.

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<sup>153</sup>(Nousiainen & Mäkinen, 2015) p 216

### **3. The case study of implementation of CLLD and LEADER in Estonia**

In this chapter, section 3.1 will present the legal framework for implementing CLLD and LEADER in the EU, thus further substantiating (in addition to that provided in Chapter 2) the answer to the first sub-question on EU level intentions with regard to the degree of local level autonomy. Section 3.2 will give background information and a brief history of LEADER implementation in Estonia since the first LAGs were set up in 2006 and also provides insights into the concerns voiced by LAGs about the restrictions faced by them as well as by the project beneficiaries in LEADER implementation at the doorstep of the current, 2014-2020 programming period, thus replying to the second sub-question. Section 3.3 will demonstrate what are the national level requirements set on LEADER complemented by, even though not central to this research, why some specific restrictions have been introduced in national regulation, thus replying to the third sub-question of the thesis. With the help of this chapter, the main research question of the thesis is answered.

#### **3.1 Legal framework for implementing CLLD and LEADER in the EU during the 2014-2020 programming period**

In this section the author will provide information about the EU level legal framework by identifying to what extent the EU regulates the functioning of LAGs and the eligible activities of project beneficiaries, indicating what kind of requirements are set. Together with findings from the second chapter it is possible to establish, which the initial intentions were and what kind of degree of autonomy was intended to be given to the local level in order to realize the aims pursued by the supranational level when formulating the governance arrangement. The intended autonomy is thus measured by what the EU sets as limitations concerning the LAGs and the project applicants and what it sees as the guiding principles of LEADER.

The EU established its general intentions for LEADER implementation through the seven principles, which were described in Chapter 2.1. These principles have remained the same from programming period to programming period, since the initiative was first established. There are two main legislative documents regulating LEADER local development on EU level during the 2014-2020 programming period

according to Commission's LEADER guidance fiche<sup>154</sup> – Articles 32-35 of Regulation (EU) 1303/2013 of the European Parliament and of the Council (Common Provision Regulation – CPR) and Articles 42-44 of Regulation (EU) 1305/2013 of the European Parliament and of the Council (EAFRD). LEADER measure fiche is a guidance document to interpret the above mentioned regulations. It does not represent a binding legal interpretation, but helps to explain the intentions of the EU level for LEADER implementation. This means that the document is also meant as a guide to anyone who is applying the policy, e.g. the programme managing authority at the national level.

The fact that the EU level does not overly regulate LEADER is seen from the fact that there are just 4 articles about it in regulation 1303/2013 and 3 articles in regulation 1305/2013. More detailed information about what these articles cover is provided on the following pages. The intention of the EU to give autonomy and freedom for LEADER implementation becomes explicitly clear from the measure fiche, which states that “individual operations shall be eligible if they contribute to achieving the objectives of the local development strategy and correspond to the objectives and priorities indicated for support under LEADER in the PA and RDP. Consequently, *the LDS should be the main criterion to assess the eligibility of LEADER projects...*”<sup>155</sup> Hence it is the understanding of the EU level, that it is the LAG on the local level, which in its LDS should identify the activities it wants the project applicants to do with LEADER money to best meet the local needs. This means that the EU sees a high degree of local level autonomy as an important precondition of LEADER implementation.

The intentions of the EU level become clear also from the report of European Court of Auditors. The report states: “Fundamental to Leader is the bottom-up identification of local solutions to local problems, yet all but one of the managing authorities audited have imposed a *de facto* top-down system for the 2017 – 13 period.”<sup>156</sup> We see again that a high degree of local autonomy is instrumental to meet the intentions of EU set on this policy. The report first makes observations about LAGs' implementation of the seven LEADER features to achieve added value, and only then observations about the soundness of financial management, which demonstrates how important the EU level considers these key features to be.

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<sup>154</sup>(European Commission, 2014) p 1

<sup>155</sup>*Ibid.*, p 4

<sup>156</sup>(European Court of Auditors, 2010) p 59

### **Regulation 1303/2013**

The CPR lays down the common provisions of the five ESI Funds. Article 32 of the regulation makes it obligatory for the agricultural fund (EAFRD) to support CLLD, but for the other ESI funds it is just a possibility, not an obligation<sup>157</sup>. This means that in RD, CLLD is compulsory and it is implemented in the form of the LEADER approach, which is integrated into the RDP. The article further sets the essence of CLLD to be<sup>158</sup>:

- focused on specific sub-regional areas (i.e. the operational territory of a LAG)
- led by LAGs composed of public and private interest groups' representatives, in which, at the decision-making level neither public authorities nor any single interest group can represent more than 49 % of the voting rights;
- carried out through integrated and multi-sectoral area-based LDSs
- designed based on local needs and potential, and include innovative features in the local context, networking and cooperation.

Article 33 of the regulation states the 7 elements, which a CLLD strategy (and hence in case of LEADER, the LDS of a LAG) must at least contain. Article 33 also states that the population of the area covered by the strategy (in case of LEADER, the population of the LAG) shall not be less than 10 000 and not more than 150 000 inhabitants, however exceptions are allowed in duly justified cases. This shows that having a relatively small scale for the size of a LAG, the EU aims the sub-regional level to be as close as possible to the grassroots level, which will enable to best address local needs.

Article 34 states that LAGs shall design and implement the CLLD strategies and sets a list of 7 tasks which LAGs need to perform. One of the tasks is to draw up a non-discriminatory and transparent selection procedure and objective criteria for the selection of operations, avoiding conflicts of interest as well as to ensure coherence with its strategy when selecting and prioritising operations. Thus the EU level intends to provide the LAGs with enough autonomy as to decide, how to best avoid conflict of interests and to select the projects which are best in line with its strategy.

Article 35 lists the cost items which support from the ESI Funds shall cover. Among these are also "implementation of operations under the CLLD strategy", which in case of LEADER means the costs done by project applicants to implement a project.

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<sup>157</sup>(European Parliament and of the Council, 2013)

<sup>158</sup>(European Commission, 2014) p 1

The regulation does not limit the activities which can be done within the projects by applicants, as long as they are in line with the general aims of the policy, which demonstrates the intention of the European level to leave autonomy for the local level. The supranational level intends to give freedom to the local level to decide, which activities should be supported under projects to best address the local needs identified in the LDS. A limit is set to the support of running and animation costs; these shall not exceed 25% of the total public expenditure incurred within the CLLD. For LEADER this means that a LAG has to use at least 75% of the total public expenditure for funding projects and up to 25% can be used by the LAG itself for its administration costs.

### **Regulation 1305/2013**

Regulation 1305/2013<sup>159</sup> regulates RD by EAFRD and acknowledges that the LEADER approach has proven its effectiveness in promoting RD by fully taking into account the multi-sectoral needs for endogenous RD through its bottom-up approach. Therefore LEADER should be continued and be compulsory for RDPs. The LEADER section at the end of the regulation's RD support measures' chapter is composed of three articles. Article 42 states that in addition to the tasks referred to in Article 34 of CPR, LAGs may also perform additional tasks delegated to them by the MA and/or the Paying Agency. Co-operation activities of LAGs are regulated in Article 44. The regulation does not limit the activities of project beneficiaries, which demonstrates the intention of the EU level to leave autonomy for the local level to make this decision. Taking the EU level's strong emphasis on the bottom-up, LAG-driven approach and the absence of restrictions with regard to project activities, it can be inferred that in LEADER as a RD governance arrangement the EU considers it desirable for the achievement of its goals to grant a relatively high degree of freedom to the local level.

Thus the EU level intends the local level to have considerable autonomy in LEADER governance. It expects the national level not to intervene excessively in the projects' implementation phase. Moreover, it explicitly expects the MS to adhere to these principles, when stating in the fiche: „MS are invited to offer to LAGs a large scope of action and avoid listing eligible types of operation.“<sup>160</sup>

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<sup>159</sup>(European Parliament and of the Council, 2013)

<sup>160</sup>(European Commission, 2014) p 5

## **3.2 LEADER implementation in Estonia**

Sub-chapter 3.2 will address the second sub-question on how LEADER is actually being implemented on the local level in Estonia. The author will begin this section by providing a brief historical overview of the LEADER programme implementation since the establishment of the first LAGs in 2006 and will conclude with providing initial insight into the concerns voiced by LAGs on the restrictions faced by them as well as the project beneficiaries at the doorstep of the current, 2014-2020 programming period.

### **LEADER in Estonia 2000-2006**

In Estonia, LEADER was not applied immediately as a programme but as one measure of the National Development Plan (NDP) in the pilot period. Its administration was simplified compared to the LEADER programme but the principles the same.<sup>161</sup> The NDP for 2004-2006<sup>162</sup> included a LEADER-type measure (Measure 3.6) for “Local Initiative based Development Projects – LEADER”. The conditions for the measure were constituted and signed by the Minister of Agriculture in June 2006. Preceding the official LAGs, in the framework of The Baltic Rural Partnerships Program, there were three partnerships established in South-Eastern Estonia counties Põlva, Valga and Võru during 2000-2003. The Partnerships were functioning on the same principles as LAGs.<sup>163</sup> When Measure 3.6 opened, 24 LAGs applied for support to prepare strategies to be able to start to implement them under the RDP<sup>164</sup>.

### **LEADER in Estonia 2007-2013**

During the 2007-2013 programming period LEADER was designed as a separate methodological axis of RDP<sup>165</sup> which, apart from serving its overall purposes of improving local governance and mobilising endogenous potential of rural areas, contributed to the priorities of axis 1, 2 or 3<sup>166</sup>. During the 2007-2013 period there were

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<sup>161</sup>(Ernst & Young, 2010)

<sup>162</sup>(Ministry of Finance, 2004) pp 191-193

<sup>163</sup>(Maamajanduse Infokeskus)

<sup>164</sup>(Eesti Maaülikool, 2013) p 3

<sup>165</sup>(Põllumajandusministeerium, 2014a) p 222

<sup>166</sup> Axis 1 is Improving the competitiveness of the agricultural and forestry sector, Axis 2 is Improving the environment and the countryside, Axis 3 is Quality of life in rural area and diversification of the rural economy and Axis 4 is LEADER. For more information see the RDP for 2007-2013: (Ministry of Agriculture, 2008)

26 LAGs operating in Estonia and according to the RDP monitoring report for 2014<sup>167</sup>, the progress of LEADER measure has been very good, because all the set output indicator levels have been achieved and in many cases also surpassed. The results of empirical analysis on the implementation of LEADER in Estonia (2009-2011 1<sup>st</sup> quarter)<sup>168</sup> reveal that in general, the territorial character of the implementation of LEADER programme in Estonia has positive impacts on regional development. As to the whole Estonian area eligible for support, only three eligible rural municipalities have not yet joined the LEADER groups.<sup>169</sup> EC set 11 evaluation questions to measure the effectiveness and impact of LEADER measure in rural areas. Based on the evaluation survey (2007-2013) it can be concluded that LEADER approach has contributed to better governance in rural areas, multisectoral approach and promotion of co-operation, increased LAGs' and other partners' capabilities and the biggest benefit has been activating the third sector and promoting local culture and improving local environment for the local people.<sup>170</sup> This means that with a decade of LEADER experience in Estonia, the recently begun period is expected to continue in the same spirit, providing best solutions for each LAG, identified based on the local needs.

### **CLLD and LEADER in Estonia 2014-2020**

The first strategic choices for CLLD, including LEADER as regards RD, are set out by the MS in the Partnership Agreement (PA). The PA indicates the main objectives and priorities for CLLD in the MS.<sup>171</sup> EC approved in June 2014 the PA for European Structural and Investment Funds (ESI funds)<sup>172</sup> submitted by Estonian Government. The strategic focus throughout the PA is contributing to EU2020 and its national level counterpart National Reform Programme Estonia 2020 objectives with ESI funds. Operational programmes (OP) are composed on the basis of the PA and they define more fund-specific objectives and results, financing plan and describe the measures to

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<sup>167</sup>(Põllumajandusministeerium, 2015b)

<sup>168</sup>(Geomedia OÜ, 2011)

<sup>169</sup>(Ernst & Young, 2010b) p 11

<sup>170</sup>(Eesti Maaülikool, 2015) pp 19-20

<sup>171</sup>(European Commission, 2014) p 3

<sup>172</sup>ESI Funds (the European Structural and Investment Funds) - Funds providing support under cohesion policy, namely the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund, the Fund for rural development, namely the European Agricultural Fund for Rural Development (EAFRD), and the Fund for the maritime and fisheries sector, namely measures financed under shared management in the European Maritime and Fisheries Fund (EMFF)

achieve the objectives. Estonia composed one common OP programme for Cohesion Policy Funds (ESF, ERDF, CF) for 2014-2020 and there are separate OPs composed for EAFRD and EMFF.<sup>173</sup> RDP is the operational programme for EAFRD.

According to the PA, strong local communities and social inclusion of residents are an important prerequisite of RD. Therefore, the LEADER approach will be continued, as one of its main advantages compared to national approaches is the principle of decision-making closer to local residents and better accommodation of local and regional conditions in the provision of support.<sup>174</sup> Despite good words being said in the PA about the LEADER approach, the description of arrangements to ensure an integrated approach to the use of the ESI Funds admits that most of the interventions will be nationwide in nature. This indicates that the national level attempts to impose its national level priorities, instead of allowing local ones specific to each LAG. Hence the Cohesion Policy Funds OP does not include implementation of LEADER-approach<sup>175</sup>, stating CLLD “non-applicable”.<sup>176</sup> This gives an initial indication of the role of the state as a firm gate-keeper, wanting to remain in control and refusing to let the local level on the playground.

The setting for LEADER, established in the RDP, has to be consistent with and complementary to the strategic choices made for CLLD. RDP specifies the relating focus areas to which LEADER could potentially contribute in addition to the area 6b<sup>177</sup> under which LEADER is automatically programmed. The LDSS of LAGs will have to contribute to the focus areas identified for the implementation of LEADER. In order to allow for a transparent monitoring of the RDP, LEADER is programmed as a separate measure, but being a method used for RD on the local level, its scope covers in principle all the instruments supported by the EAFRD.<sup>178</sup> This means that even though expected to contribute to a specific objective and focus area, the activities to be supported under LEADER are meant to be left free.

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<sup>173</sup>(Ministry of Finance) <http://www.strukturifondid.ee/programming-2014-2020/>

<sup>174</sup>(Ministry of Finance of the Republic of Estonia, 2014a) p 69

<sup>175</sup> According to an interview with MA representative (Gorban, 2016), the reason is most likely the difficult implementation arrangement of the approach

<sup>176</sup>(Ministry of Finance of the Republic of Estonia, 2014b) p 182

<sup>177</sup>Priority 6: Promoting social inclusion, poverty reduction and the rural economic development, focus area 6 b: local development

<sup>178</sup>(European Commission, 2014) p 3

The Estonian RDP was formally adopted by the EC in February 2015. It outlines Estonia's priorities for using € 993 million of public funding (€ 823 million from the EU budget and € 169 million of national funding). According to the EC's Factsheet on Estonian 2014-2020 RD Programme, Estonia will continue its successful LEADER approach implementation with 99% of the rural population covered by LDSs and LEADER is one of the five most important RDP measures in budgetary terms.<sup>179</sup>

Estonia provided 85.8 million EUR in funding for LEADER during the period 2007–2013<sup>180</sup> and the RDP foresees 90 million this period, which counts to 9,1% of the RDP budget, exceeding the minimum allocation almost two times<sup>181</sup> which shows how important this approach is considered to be<sup>182</sup>. In spring 2014 there were difficult RDP budget negotiations, and also LEADER budget was on the agenda. Members of the RDP preparatory steering committee were prevailing on opinion<sup>183</sup> that pressure on LEADER will be big (e.g. other ministries see it as a fund from where to get money e.g. for voluntary rescue, last-mile broadband, heritage conservation). As RDP will no longer have the village development measure (which was the main measure from where investments for community development were made), it is advisable to avoid budget cuts in LEADER and to encourage other funds in addition to EAFRD to foresee special measures that allocate resources to LAGs. With respect to the degree of autonomy given to the local level this shows that the state level is pursuing its own interests (e.g. to find a solution to create the last mile connections for the general broadband network already made with another investment programme) and tries to influence a policy to fit its national level goals. This means that with the LEADER measure the national level is attempting to instrumentalize the local level for its own purposes, which are not necessarily the same as the LAGs might have, given that they do not have the same goals as the national level does. Also the European level sees this intervening act of the national level, this being demonstrated in the EC's Factsheet on 2014-2020 RDP for Estonia, stating about LEADER LAGs: "The groups set their priorities independently of government, but it is expected that village development will be a priority as no

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<sup>179</sup>(European Commission, 2015) p 5

<sup>180</sup>(Ministry of Finance of the Republic of Estonia, 2014a) p 169

<sup>181</sup>(European Commission, 2015) p 5

<sup>182</sup> According to MA representative (Gorban, 2016) no-one has really contrasted LEADER, perhaps only some bigger agricultural producers.

<sup>183</sup>(Põllumajandusministeerium, 2014b)

specific village development measure is foreseen”.<sup>184</sup> By not introducing the village development measure separately, the national level is expecting that it can shape the policy in a way that meets its own ends, thus it is not entirely bottom-up or based on locally identified needs, but rather driven by the national level’s budget constraints.

At the first glance, the bottom-up principle and local empowerment have been taken seriously in the implementation of the LEADER approach in Estonia. All the 26 LAGs are legally registered non-profit associations, composed of representatives of 3 sectors (local authorities, enterprises and NGOs) and membership in the association is open – anyone can become a member. To facilitate inclusiveness, the state may sometimes have to play certain activist roles, e.g. enabling mobilization of people in local participatory development.<sup>185</sup> The requirement to have representatives of 3 sectors – public, private and non-profit represented in LAG membership is an example of this facilitation. The aim is to improve the opportunities for participation and voice, as the logic behind decentralization is about making governance at the local level more responsive to the felt needs of the large majority of the population.

Each LAG, based on a LDS composed for its operating area, receives a budget from the MA to implement it. Depending on the size and population of the LAG as well as some socio-economic criteria, the budgets vary from ca 2.4 to 5.7 million EUR for the programming period. The executive body of the LAG is the board, elected by LAG members at the general meeting (annual assembly). In principle, any citizen living in the LAG area can become a member and consequently get elected on the board.

### **Concerns voiced by LAGs about 2014-2020 LEADER implementation**

At the start of the new programming period, the LAGs in Estonia have raised different concerns with regard to their degree of autonomy in policy implementation. With the assistance of The Rural Economy Research Centre (a state agency administrated by the MA, i.e. the Estonian Ministry of Rural Affairs), which operates as the Estonian National Rural Network, these concerns have been collected into a database of frequently asked questions<sup>186</sup>. It is a collection of questions (50 questions as of March 23, 2016), based on the challenges faced by the LAGs at the start of the 2014-2020

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<sup>184</sup>(European Commission, 2015)

<sup>185</sup>(Bardhan, 2002) p 202

<sup>186</sup>See: <http://maainfo.ee/?page=3767>

programming period. In general, the questions can be divided into two categories – the ones concerning the activities of project applicants (the actual project implementation level) and the ones concerning the operational mechanisms of the LAG. To validate the initial indication of main constraints and to further substantiate the findings, a survey among Estonian LAGs was carried out to identify which constraints are faced and which of them are found most restrictive by LAGs. Below six biggest constraints (those found restrictive by more than 50% of respondents) are discussed in detail, to provide examples which touch upon the issue of local level degree of autonomy in the LEADER governance arrangement.

#### *Concerns on project beneficiary level*

One of the main concerns of the LAGs on the project beneficiary level is about the implementation and eligibility of soft projects, i.e. non-investment projects submitted to the LAG. There is great confusion on the actual project implementation level, how soft activities can be done, especially as regards to limiting these kinds of activities only to specific types of projects<sup>187</sup>. The raised concerns include questions about organising training courses, so far a common activity funded under the LEADER programme, but in the new period limited to knowledge transfer projects with very limited eligible target groups<sup>188</sup>. Also there are series of questions about the actual organisation and timeline of co-operation activities, be it joint activities of regular project applicants<sup>189</sup> or co-operation projects between LAGs either within Estonia or internationally<sup>190</sup>. This shows that at the beginning of the new programming period, there is a lot of confusion amongst LAGs on what kind of soft activities are allowed to be done under LEADER and under which conditions. In the LAG survey (see Chapter 1.3 for more details on carrying out the survey and the questionnaire in Appendix 1), there was an open question<sup>191</sup> where respondents were asked to state the three biggest limitations they are facing in their day-to-day activities. Based on qualitative content analysis, limitations to

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<sup>187</sup>For example see <http://www.maainfo.ee/?page=3767> FAQ questions 1 and 35

<sup>188</sup>For example see <http://www.maainfo.ee/?page=3767> FAQ questions 10, 34 and 36

<sup>189</sup>For example see <http://www.maainfo.ee/?page=3767> FAQ questions 9 and 39

<sup>190</sup>For example see <http://www.maainfo.ee/?page=3767> FAQ questions 16, 18 and 19

<sup>191</sup>Question 1 in the LAG questionnaire: What have been the biggest problems your LAG has faced in relation with LEADER implementation (coming from legislative regulations and restrictions) at the launch of 2014-2020 programming period (name up to 3 problems) ?

soft projects was among the most common replies<sup>192</sup>. Using a “checklist” (see the results in Appendix 2)<sup>193</sup> helped to validate this result and indicated that more than ¾ of the respondents<sup>194</sup> find it limiting that soft projects can be carried out only under specific, restrictive conditions. Respondent states: “When earlier a project applicant could ask for a single grant to organize an event to promote life in the local community, then now there is an obligation to do multiple-year activities together with partners.” Another respondent finds “Co-operation is definitely important for networking in a region, but in my understanding it considerably restricts carrying out “soft” activities. [...] when launching new networks it cannot be presumed that they have at once the capability to carry out a co-operation project.”

To further elaborate on this restriction, which the LAGs clearly find undue, a comparison can be made with the previous programming period when it had been left up to the LAGs to decide in their LDSs what kind of activities they want to support in their region and there had been no specific limitations on soft activities. Also the LAG survey revealed that when comparing the present period with the previous one<sup>195</sup>, introducing considerable limitations on activities that can be supported by projects was seen by the LAGs as one of most common changes for worse.

This means that the LAGs, which previously had a high degree of autonomy in deciding what kind of activities to support, are now facing difficulties in understanding what kind of activities they can support and what kind of activities are not eligible any more. And even worse, the project beneficiaries are not able to carry out any more the activities for which there is a locally identified need, but they have to fit these into a narrow framework of specific project types.

The limitations on soft projects do not derive from the supranational level, i.e. the restrictive regulation identified by the majority of LAGs does not derive from EU level regulations. The EU regulations 1303/2013 and 1305/2013 do not set any restrictions on soft activities or other activities to be carried out by project beneficiaries. Moreover, the LEADER measure fiche explaining these regulations explicitly states that the LDS

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<sup>192</sup>This limitation was stated by 7 respondents in Question 1 and by additional 4 respondents in Question 2, thus total of 11 respondents find it to be among the top 3 restrictions to day-to-day activities of LAGs.

<sup>193</sup>Question 3 provided a check-list of 17 restrictions which the respondents had to evaluate.

<sup>194</sup>See the results for Question 3.15 in Appendix 2

<sup>195</sup>Question 2 in the LAG questionnaire: Compared with the previous programming period, are the problems the same or have they changed (please explain) ?

should be the main criterion to assess the eligibility of projects and that MSs are invited to offer LAGs a large scope of action. Also the special report of European Court of Auditors recommends: “Member States should amend their rules as necessary to allow LAGs to develop local solutions that do not correspond to the rural development programme measures.<sup>196</sup>” This reveals a wide gap between EU level expectations and the actual implementation of LEADER and contradicts the best-known principle of LEADER – the bottom-up approach, and hinders also another principle, namely facilitation of innovation. It is usually argued that the local government has an information advantage over the upper-tier governments when it comes to policy implementation. The main reason for this informational advantage has to do with political accountability. In the matter of delivering services as well as in local business development (both being areas funded by LEADER), control rights in governance structures should be assigned to people who have the requisite information and incentives and at the same time will bear responsibility for the consequences of their decisions. In many situations, this insight calls for more devolution of power to the local level.<sup>197</sup> The bottom-up approach, the most distinctive feature of LEADER, is exactly about the local actors participating in decision-making and in the selection of the priorities to be pursued in their local area. Thus the local level should be granted the autonomy to decide, what kind of activities can be supported under projects.

#### *Concerns on LAG operational level*

A second set of concerns raised by LAGs is regarding the operational mechanisms, especially those concerning decision making at the LAGs in order to avoid conflict of interest and to guarantee transparency.

There is confusion about when and how exactly it is needed for the board members to use abstention from voting when they are approving the list of projects that have been evaluated and ranked by the evaluation committee<sup>198</sup>. Based on qualitative content analysis of the LAG managers’ survey’s opening question, it can be said that abstention of board members was a relatively common limitation faced by the LAGs<sup>199</sup>.

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<sup>196</sup>(European Court of Auditors, 2010) p 59

<sup>197</sup>(Bardhan, 2002) p 191

<sup>198</sup>For example see <http://www.maainfo.ee/?page=3767> FAQ questions 32, 43 and 44

<sup>199</sup>Stated among the top 3 limiting requirements by 5 LAG managers.

Using the checklist helped to validate this result and indicated that more than  $\frac{3}{4}$  of the respondents<sup>200</sup> consider their LAGs constrained in carrying out their day-to-day activities by the restriction that the board has to follow the rule of abstention in the same manner as is required from the evaluation committee members. According to a respondent: “The requirement of abstention, when approving the list of ranked project proposals, creates a situation where approving the list has become difficult also at the general assembly. This requirement has not taken account of the uniqueness of local initiative.”<sup>201</sup>

The requirement on board abstention does not come from the supranational level. Once again, this restrictive regulation identified by the majority of LAGs does not derive from EU level regulations. The EU regulations 1303/2013 and 1305/2013 do not set specific restrictions on board abstention. The CPR 1303/2013 sets as the task of a LAG to draw up a non-discriminatory and transparent selection procedure, which avoids conflict of interest. The LAG has to ensure that at least 50% of the votes in selection decisions are cast by partners which are not public authorities<sup>202</sup> and that no single interest group represents more than 49% of the voting rights.<sup>203</sup> The EAFRD regulation 1305/2013 does not further regulate decision-making nor introduce any additional restrictions on the matter. This reveals there is a gap between EU level regulation and the actual implementation of LEADER.

Another problematic issue in the eyes of the LAGs is that of required rotation of evaluation committee as well as board members. More than  $\frac{3}{4}$  of the respondents report it is limiting their LAG’s day-to-day activities that a third of the projects selection committee members have to rotate within 3 years of their election and more than  $\frac{1}{2}$  of the respondents find it limiting that a third of the board members have to rotate after the term of their election ends<sup>204</sup>. Respondent states: “The forced rotation of selection committees and boards is too much, even though it may seem to be democratic.” Another respondent finds: “I do not favour rotation of the selection committee, because LEADER strategy is long-term and needs sustainability. Project evaluators carry with

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<sup>200</sup>See the results for Question 3.13 in Appendix 2

<sup>201</sup>The MA has suggested as a solution that when majority of board members have to use abstention and thus the board can not make a decision, the list of projects should be approved by the general assembly.

<sup>202</sup>Article 34 1.(b) of 1303/2013

<sup>203</sup>Article 32 2.(b) of 1303/2013

<sup>204</sup>See the results for Question 3.9 and 3.14 in Appendix 2

them experiences and knowledge about projects from year to year.” Similarly, more than ½ of the respondents<sup>205</sup> find it restrictive that a person can participate and vote at a general assembly only as a representative of one member. In LEADER LAG there can be a case when a person is a sole proprietor or has a one-man company, which is a member of the LAG, and the same person is at the same time the legal representative (e.g. chairman of board) of an association, which is also a member of the LAG. In this specific case the person is forced to decide, which one of the two legal persons it represents at the general assembly, since it is forbidden to represent two members at the same time. According to a respondent one of the biggest problems faced by their LAG is the fact that harsher limitations are set on LAGs than foreseen by other national legislation (e.g. the law regulating non-profit organisations). About this specific requirement the respondent states: “Considerably limits the possibility of a member to participate in the decision making process. When the same person belongs to the board of different member organisations, then according to all other Estonian Republic laws he has a legal right to represent that organisation.” The respondent further explains: “It is not understandable especially in the context of rural areas [...] – public transportation is often inadequate [...] and it is in every way sensible that in a situation when 1 person can be sent to a meeting, it does not make sense for 4-5 people to travel.”

Again, a gap can be identified between the actual implementation of LEADER and EU level regulation. The EU level regulations 1303/2013 and 1305/2013 do not include a requirement of rotation neither for the selection committee nor for the board. The task of a LAG is to guarantee non-discriminatory and transparent selection of projects, avoiding conflict of interest.

According to the LAG questionnaire, almost 2/3 of the respondents<sup>206</sup> found the list of items included under indirect costs (reimbursed to the LAG based on simplified cost calculation mechanism), restrictive of their daily activities. Respondent states: “The list of indirect costs includes many types of [direct] costs e.g. transport costs and purchase of office equipment.” CPR 1303/2013 provides three alternatives for flat rate financing of indirect costs, including a flat rate of up to 25 % of eligible direct costs, provided that the rate is calculated “on the basis of a fair, equitable and verifiable calculation method or a method applied under schemes for grants funded entirely by the

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<sup>205</sup>See the results for Question 3.8 in Appendix 2

<sup>206</sup>See the results for Question 3.16 in Appendix 2

Member State for a similar type of operation and beneficiary”.<sup>207</sup> None of the three alternatives introduces a list, what kind of activities are to be included as direct costs and also regulation 1305/2015 does not touch upon this issue. Hence also here a gap can be identified between the EU level regulations and the actual LEADER implementation in Estonia.

The qualitative content analysis of the opening question identified that LAGs see as the biggest problem to their daily operations issues related with interpreting national level regulation<sup>208</sup>. This includes the MA and the Paying Agency interpreting regulations differently<sup>209</sup>, civil servants within one organisation are interpreting regulations differently, interpretation is changing over the course of time, and the regulations being formulated in a manner that leaves much space for interpretation, e.g. eligibility of projects. The other major problem identified by LAGs based on this open question was the long delay with launching the 2014-2020 programming period<sup>210</sup>, especially very late adoption of national level LEADER regulation as well as limited and last-minute involvement of LAGs in its formulation. The other most common problems identified were those of limiting soft projects and abstention of board members, as described already above.

Hence LAGs have shown dissatisfaction with the activities of the national level regarding LEADER regulation, they do not refer much to the EU level regulation as constraining them. Content analysis of the second question, comparing the problems between the current and the previous programming period, identifies a prevailing negative connotation<sup>211</sup>, hence LAGs are experiencing a change for worse. Respondent states: “An additional concern is the space for interpretation and different understandings. ARIB interprets as it wishes, Ministry interprets as it wishes and the LAG is trying to figure out what is going on.” Other respondent states: “Most concerning is increasing bureaucracy and the additional restrictions (in the personal

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<sup>207</sup>See Article 68 in CPR 1303/2013 (European Parliament and of the Council, 2013) ; the alternative set in Article 68 1 a) is the one chosen to be incorporated into Estonian national regulation

<sup>208</sup>Seen as problematic by 15 LAGs, based on content analysis

<sup>209</sup> According to a MA representative (Gorban, 2016) the MA sees the general framework of the policy and the reasons why certain goals have been set, but the Paying Agency sees a specific document to prove the eligibility of a certain cost item and problems in day-to-day implementation of the policy. He states that amendments in national regulation come from the experiences gained during implementation.

<sup>210</sup>Seen as problematic by 13 LAGs, based on content analysis

<sup>211</sup>17 LAGs have identified negative aspects of change, 4 LAGs have identified in addition to negative ones positive aspects of change and 4 respondents find that the problems have remained the same.

opinion of the respondent often quite absurd) put on Leader LAGs which are harsher than general legislation in the country.”

Despite the fact that the LAG survey shows dissatisfaction with the additional restrictions introduced by the national level, it is quite exceptional for a single LAG to bypass the state level and directly contact the EC.<sup>212</sup> Also for the EC it is rather an exception, not a rule to deal with such complaints about the national level and in 80-90% of cases the reply from the EC is to contact the national MA in case of problems identified by the local level. The EC does not really have a formal way of helping the local level, unless there has been a clear infringement, in the case of which there will be checks performed. Also the position of the European umbrella organisation for national LEADER associations, ELARD,<sup>213</sup> is not very strong in DG Agri as the organisation lacks financial as well as human resources for active lobbying, admits Brosei<sup>214</sup>.

As can be seen from the empirical analysis above, the LAGs are facing *additional* restrictions to their day-to-day activities both as regards to project activities as well as the functioning of the LAG itself. The present section has highlighted six requirements found most restrictive and undue by the LAGs<sup>215</sup>. These restrictions, introduced by the national level and not the EU level, hinder the LAGs to organize their procedures in a manner where local level needs and EU level expectations, like the general spirit of LEADER and its key principles, would be met, and at the same time the restrictions duly followed. LAGs are clearly on position that they should be given bigger rights in the LEADER implementation system<sup>216</sup>. As can be seen from comparing the EU level regulations in section 3.1, and the restrictions under which the local level is operating, described in the current section, the actual degree of autonomy in implementation of LEADER in Estonia is not as high as has been intended and originally devised by the EU level. The additional level involved in the MLG arrangement of LEADER besides

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<sup>212</sup>According to LAG managers survey Question 4 only 4 LAGs out of the 23 that participated in the survey had taken direct contact with the Commission regarding the problems that they had encountered regarding the national level. Eg LAG Borderlands Leader contacted the EC about the eligibility of VAT for local authorities (since the Ministry of Agriculture was on position that VAT can not be claimed back by local authorities) and got a confirmation from the Commission that in fact it can be claimed back. As a result national level legislation was changed.

<sup>213</sup>According to LAG managers survey Question 5, only 2 LAGs had taken direct contact with ELARD.

<sup>214</sup>Personal communication: (Brosei, 2016)

<sup>215</sup>The 6 restrictions which passed the 50% threshold of being very limiting or somewhat limiting to the day-to-day operation of LAGs, based on replies to Question 3 of the LAG managers' questionnaire.

<sup>216</sup>According to LAG managers survey Question 7, 21 LAGs out of the 23 which responded stated that LAGs should be entitled bigger rights in LEADER implementation.

the EU and local levels is the national one, whose involvement in shaping LEADER implementation will be explored in the following sub-chapter 3.3.

### **3.3 National level requirements to LEADER implementation in Estonia**

As identified in the previous sub-chapter, there are several restrictions with regard to the autonomy of action already faced by LAGs, and expected to be faced by project beneficiaries, when implementing the LEADER programme in Estonia during the 2014-2020 period. As MLG theory suggests, then each level in the MLG setting has its own interests and in the case of Estonia it is the national level holding tight control of the governance arrangement, retaining its role as a firm gatekeeper. Hence the constraints regarding the degree of autonomy that the LAGs are facing have their roots in additional limitations introduced by the national level legislation. This means that the gap identified in the previous sub-chapter, which can be observed between the supranational level (aiming to give a high degree of autonomy to the local level) and the much more constrained actual implementation at the local level, is due to *additional* regulation. The latter being, although in the interest of the national level, not always necessary for bringing the EU level regulation downwards and in many cases undue, i.e. neither in the spirit of the LEADER approach nor good governance principles, but even against.

In the present thesis, national level influence on the implementation of the RD governance arrangement at the sub-national level is measured by two criteria: a) implications on the LAG as a local level actor (its structure, setup, decision making) and b) requirements on project applicant's specific project activities (what kind of things, based on LEADER funded projects can actually be done in rural areas to promote rural development, thus the actual outcome of the rural development policy). This means that LEADER implementation at the local level in this thesis covers both the LAG as well as the project activities and the requirements set on LAGs also have a direct influence on the projects and thus the outcome of the RD policy as such. The present sub-chapter will bring out the way in which the national level shapes the policy by defining the regulatory frames on both the LAG as well as the projects.

## **RDP requirements on LAGs**

According to Estonian RDP, the overall objective of the LEADER measure is to ensure balanced regional development through the implementation of its key elements.<sup>217</sup> How this objective can be achieved and what is the outcome of the specific RD governance arrangement, is strongly influenced by the state.

According to the opinion expressed by a civil servant from the Ministry of Agriculture at a RDP preparatory steering committee meeting<sup>218</sup>, one of the most important changes in LEADER in comparison with the previous programming period is the need to have at least three local governments as LAG members (earlier two was the minimum requirement). It is the RDP eligibility conditions set for LAGs<sup>219</sup> that establish as a criterion the requirement to have at least three local governments as LAG members – meaning that a LAG has to compose of the territory of at least three local authorities. Administrative reform in Estonia (expected to be finalized by October 2017) remains a contingency which will significantly affect the composition of LAGs in Estonia and there is a danger that after the reform many LAGs will not fulfil the minimum criterion any more<sup>220</sup>. This issue has been brought to the attention of the MA, but the MA has decided to deal with this issue once the reform takes place<sup>221</sup>. Ex-ante evaluation report of the Estonian RDP 2014-2020 does not provide any additional insight to the issue and only states that the LEADER measure will continue on the basis of the LAGs, yet it is not excluded that some LAGs may be added or removed.<sup>222</sup> According to an interview with the MA representative<sup>223</sup>, the requirement of three local authorities was introduced to guarantee more co-operation than that based on just two authorities, and the requirement will be revised, if necessary.

According to the RDP, there is a separate sub-measure of LEADER (Sub-measure 19.4)<sup>224</sup> which is meant for the LAG's running and animation costs. RDP limits these costs to 20% of the LEADER budget, which is lower than the EU limit of 25% set by

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<sup>217</sup>(Põllumajandusministeerium, 2015a) p 252

<sup>218</sup>(Põllumajandusministeerium, 2013) p 11

<sup>219</sup>(Põllumajandusministeerium, 2015a) p 254

<sup>220</sup>At the moment the survey respondents do not find this requirement restrictive, however there were comments that this could pose a problem after the administrative reform takes place.

<sup>221</sup> According to MA representative (Kimmel, 2016) LAGs can operate having their current set-up until the results of the administrative reform have become clear.

<sup>222</sup>(Ernst & Young Baltic AS, the Institute of Baltic Studies and OÜ Hendrikson & Ko, 2014) p 66

<sup>223</sup>Personal communication: (Gorban, 2016)

<sup>224</sup>(Põllumajandusministeerium, 2015a) p 259

1303/2013, even though the EC in LEADER fiche<sup>225</sup> names as one improvement in comparison with the previous programming period greater focus on animation and capacity building, which could among other things be achieved with increasing the respective budget. Even though the LAGs have not identified it among the six most constraining restrictions, almost half of the respondents<sup>226</sup> do find it restrictive and this more restrictive regulation still represents a reduction of degree of autonomy of the local level, as the national legislation has reduced what was intended by the EU level. An interviewee at the Paying Agency representative<sup>227</sup> finds that 20% for administrative costs for LAGs is excessive. He proposes a solution to decrease the number of LAGs to approximately 15 in Estonia, which would enable to cut down the administrative costs and to direct the remaining funds to grant additional project support. MA representative<sup>228</sup> finds that it is a political decision to have the entire country covered with LAGs and no-one wants to make a political decision that this or this area will be left out of the LEADER programme.

### **EU CAP Implementation Act requirements on LAGs**

An Estonian legislative act on how Estonia should implement CAP, namely European Union Common Agricultural Policy Implementation Act<sup>229</sup>, regulates in § 69 the aspects relating to LAG and its LDS. In addition to the issues regulated on EU level it sets several additional requirements that substantially decrease the autonomy of the local level. A fundamental requirement influencing the everyday operations of the LAG as an association is the condition set by the act that a person may participate and vote in a general meeting of the LAG only as a representative of one legal person, i.e. represent only one member. A member of a LAG cannot participate or vote in a general meeting as a representative of another member.<sup>230</sup> As was identified in the previous sub-chapter through the LAG survey, this national rule represents a very serious restriction of autonomy of the LAG. The restriction means, that even though on one hand the idea is to make LAGs very inclusive, in practice this requirement can prevent some legal

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<sup>225</sup>(European Commission, 2014) p 2

<sup>226</sup>See the results for Question 3.1

<sup>227</sup>Personal communication: (Treufeldt, 2016)

<sup>228</sup> Personal communication: (Kimmel, 2016)

<sup>229</sup>(Riigikogu, 2015) p 1

<sup>230</sup>*Ibid.*, p 20-21

persons from joining a LAG in the first place or even if an organisation does join, it may be restrained from participating in the decision making at the general assembly, if the authorised representative of one organisation is at the same time also the authorised representative of another LAG member. As it is not allowed to delegate a vote to another member of the organisation, but only to someone outside the LAG, this may lead to a situation where people who do not have enough information about the LAG are participating in decision-making, which could endanger making wise decisions.

According to the act the LAG has to ensure that at least three of its board members must be individual members of the LAG or representatives of the entity members of the LAG<sup>231</sup>. As a physical person cannot be a LAG member in Estonia, what this requirement actually says is that at least three board members have to be amongst LAG members, and the remaining board members can be any other people elected on the board without the need to be a member. Even though LAGs do not find this requirement restrictive<sup>232</sup> to their operations in the survey, it is a considerable additional requirement for LAGs when compared to other Estonian legal persons<sup>233</sup>. There is also another requirement set on the board – one-third of the board members are replaced upon expiry of the term of office of the board.<sup>234</sup> As was identified in the previous sub-chapter, the LAGs do see this requirement as an undue restriction. A representative of the MA<sup>235</sup> explains that a working group gathered 4-5 times to map problems in LEADER implementation and to propose solutions for the new period. She comments introduction of the board rotation requirement as follows: “As selection of projects was considered to be a rather non-transparent process and the decisions of evaluation results were seen as allocating grants to buddies, then to dispel this opinion the requirements of board and evaluation committee members were introduced.” What could be an implication is that introducing such rotation requirement may result in loss of skilled staff, as has been identified also in LEADER literature.

The requirements introduced above demonstrate restriction of autonomy of the LAG by the national level, as identified from documentation analysis and confirmed by

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<sup>231</sup>(Riigikogu, 2015)p 20-21

<sup>232</sup>See the results for Question 3.10

<sup>233</sup>As also stated by one of the survey respondents, the requirement is specific to LEADER and harsher than foreseen in other national level regulations, eg the law regulating non-profit organisations.

<sup>234</sup>(Riigikogu, 2015) p 20-21

<sup>235</sup>Personal communication (Kimmel, 2016)

empirical analysis, namely the LAG survey as described in the previous sub-chapter. Even though well-meant in the first place to avoid possible emerging situations of conflict of interest and to help to ensure transparency, as a result the local level autonomy is unduly restricted and the bottom-up idea of LEADER undermined.

### **Minister of Rural Affairs regulation's requirements on LAGs**

According to the CAP Implementation Act, further requirements for the LAG, including requirements for the articles of association, membership, management, period and region of operation of the LAG are established by a regulation of the minister of Rural Affairs, as shown below. The regulation of the Minister of Rural Affairs on Local Action Group support and Leader project support<sup>236</sup> regulates implementation of RDP Measure 19, i.e. the LEADER measure. There are some new requirements also coming from this regulation, relevant for LEADER implementation.

As one of the main tasks of the LAG is to evaluate project applications and select the ones to be funded, the regulation establishes several requirements for the LAGs in this field in its § 21 to guarantee transparency. First it is established, that the LAG must guarantee that the project evaluation committee cannot have members from the LAG's board. This requirement is not found excessively constraining by the LAGs according to the survey<sup>237</sup>. Secondly rotation is established – one-third of the evaluation committee members are replaced within three years from the date they were elected. This requirement was among the biggest constraints identified by the LAGs in the survey. Introducing such rotation requirement may result in loss of skilled staff and LAGs find it undue. Even though well-meant in the first place to avoid possible emerging situations of conflict of interest and to help to ensure transparency and increase accountability, the restriction however impedes on the workability of the LAG's project selection committee and is unduly undermining the bottom-up idea as other, less restrictive ways could have been possible to achieve the same outcome. The regulation also introduces a requirement for the LAG to guarantee that evaluation committee member and the project applicant are not related parties as to Administrative Procedure Act § 10 (1) and in the case they are, the evaluation committee member cannot take part

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<sup>236</sup>(Maaeluminister, 2015) p 21

<sup>237</sup>See the results for Question 3.11 in Appendix 2

of evaluation. The LAGs do not see it as an overly restrictive requirement<sup>238</sup>. The evaluation committee members anyway have to abstain from evaluation process in case of conflict of interest (abstaining from evaluating all projects in the evaluation round). Thus, in fact, the evaluation committee is automatically all the time “rotating”. There is a new configuration of evaluators for each of the evaluation rounds, as replacement evaluation committee members take over the tasks of the regular members when these have abstained because of conflict of interest. Therefore, application of both of the requirements is excessive and LAGs find the rotation requirement undue.

The evaluation committee makes a ranking of the projects and this list has to be approved by the board of the LAG. Even though not directly introduced in the regulation, the MA presents its interpretation of the clause of preventing conflict of interest in the explanatory document on the regulation.<sup>239</sup> According to this explanation, in case of conflict of interest, also board members have to abstain from voting. As was seen in the LAG survey, this is considered to be a major constraint. Board members have the role of just „putting an approving stamp“ on the evaluation committee’s proposal (the members of which already had to use abstention in case of conflict of interest). The board does not have a possibility to change the order of ranking introduced by project selection committee. This double-abstention, even though introduced for the sake of prevention of conflict of interest, presents again a reduction of autonomy of the local level. It is likely to lead to a situation where the majority of the board would have to use abstention, because usually LAG board members are very active members of local community and the likelihood to have conflict of interest with at least one of the presented projects in the application round is relatively big.

Even though the restriction comes from the MA’s concern for the functioning of the measure at the local level, for the LAGs it creates additional bureaucracy in convening another general assembly meeting and intervenes in the functioning and management of the LAG, taking away the role of the board and giving it to the general assembly. According to an interviewee at the MA<sup>240</sup> the reason for requiring the board to approve the list of ranked projects in the first place comes from the fact that the evaluation committee is considered as an expert and decision can be made by a legally

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<sup>238</sup>See the results for Question 3.12 in Appendix 2

<sup>239</sup>(Maaeluministerium, 2015)

<sup>240</sup>Personal communication (Kimmel, 2016)

representative organ, i.e. the board. However, she admits that perhaps this requirement could be re-considered during the programming period. Also the interviewee at the ARIB<sup>241</sup> finds that most likely the requirement has been introduced, because no better alternative was found, and is of opinion that perhaps the requirement can be simplified.

Another national level limitation related to evaluation of project applications comes from the division of roles between the LAG and the Paying Agency. Namely, the interpretation of the Paying Agency of the national legislation in Estonia is, that LAGs are not allowed to „take out from project application’s budget the items which are not reasonable“. It is not allowed for the LAG’s evaluation committee to decide to grant only part of the applied sum. And the result is, that if in general it is a good project which should be funded, and there are only some „unnecessary“ cost included, then these automatically get funded too even though the LAG would prefer to take them out. Even though this requirement is not considered to be overly constraining by LAGs according to the survey<sup>242</sup>, it means that the LAGs cannot decide according to their best judgement which costs are effective and which are not. This reflects a contradiction with the intentions of the EU level, as the Court of Auditors has said in its report<sup>243</sup> that LAGs are responsible for making bad funding decisions. Again it can be observed how the national level limits the autonomy of the local level by not allowing it to perform a duty which would be expected by the EU level.

In the interview the Paying Agency representative<sup>244</sup> was on position that this requirement of not taking out excessive costs has been introduced, because there is no longer an administrative contract signed between the LAG and ARIB, and thus the LAG is no longer an administrative body<sup>245</sup>. As having no contract for the LAGs means that the project applicants – when not satisfied with the decision made on their application – make an objection to ARIB not the LAG (and ultimately could sue the Paying Agency), it has been the decision of ARIB to introduce this approach. There is a contradictory position at the MA, and an interviewee expresses: “otherwise having LEADER does not

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<sup>241</sup>Personal communication (Treufeldt, 2016)

<sup>242</sup>See Appendix 2 results for Question 3.17

<sup>243</sup>(European Court of Auditors, 2010)

<sup>244</sup>Personal communication (Treufeldt, 2016)

<sup>245</sup> According to the interview with MA representative (Gorban, 2016) abandoning the administrative agreement was most likely the biggest change for LAGs in the present programming period when compared to the previous period. According to the other MA representative (Kimmel, 2016) already at the time when the contracts were first introduced it seemed to be overly regulating and presents excessive bureaucracy.

make sense at all”.<sup>246</sup> The MA is of understanding that when the evaluation procedures and regulations of the LAG foresee excluding such costs from the budget, then this should be acceptable. This contradiction is an example of the biggest problem stated by the LAGs in the opening question of the survey – namely contradicting positions of the MA and the Paying Agency as well as the possibility to interpret regulations in different ways. This puts the LAGs in a very complicated position, when performing their day-to-day activities, as there is no security in how it is correct to act under the “vague” regulation.

The regulation in § 17 on reimbursement of indirect costs presents a list of costs which are to be considered as indirect costs and reimbursed as a flat rate of 20% of direct eligible costs. As was identified in the LAG survey<sup>247</sup>, the list of costs considered to be indirect is found restrictive by LAGs. Also setting the limit to 20% is an additional restriction when compared to EU legislation, which would allow a 25% rate.

To summarize, it can be said that when the EU level has just stated in regulation 1303/2013 that the task of a LAG is to draw up a non-discriminatory and transparent selection procedure, then the national level has taken this far further. From the section above we have seen how many additional limitations and restrictions it brings to the local level. This seriously hinders the everyday operations of the LAGs, as was also identified by the LAG survey, and runs against the bottom-up spirit stressed by the EU level. Even more – it also endangers democracy. E.g. even though on one hand the national legislation states that membership to LAG must be open to everyone, thus giving everyone a chance to get elected on the board, then in reality, for the LAG to “end up” with a board that meets all the requirements set by the different regulations (as well as its own articles of association), the members have to be carefully selected well in advance and the general assembly is just a formal act of making this pre-selection legitimate. A similar problem has been identified in a case-study in Finland<sup>248</sup>.

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<sup>246</sup>Personal communication (Kimmel, 2016)

<sup>247</sup>See Appendix 2 results for Question 3.16

<sup>248</sup>See: (Nousiainen & Mäkinen, 2015)

### **Minister of Rural Affairs regulation's requirements on projects**

The regulation's section on project support § 28 (3) <sup>249</sup> sets a limit that support can be applied for activities not specifically listed in § 30 (2) only if they are implemented as part of a LAG co-operation project (Article 44 ), a co-operation project involving at least two entities (Article 35) or a knowledge transfer project (Article 14). The types of costs listed in § 30 (2) are mainly investment costs (e.g. construction, infrastructure, fixed assets e.g. machinery, equipment). What this actually means for the project applicant is that "soft projects", which have been very common in LEADER during the previous programming period, can only be done if they fit under Article 14 (knowledge transfer and information actions), Article 35 (Co-operation) or Article 44 (LEADER co-operation activities) of 1305/2013. Taking into account the LEADER principles as well as recommendations from the EC, this is a serious limitation. Also the LAGs see it as a huge restriction, as was identified in the previous sub-chapter. Article 44 can be implemented only by LAGs and Article 14 very clearly sets focus of the soft activity to take the form of knowledge transfer to beneficiaries who must be SMEs. This means that regular project applicants can only do soft projects if they fit into the framework of the co-operation Article 35. The article says that the project cannot be done alone by a single entity but must be done in co-operation with at least one more entity. This means that soft projects falling below this threshold, even if otherwise in line with the LAG's LDS, cannot be funded because the decision that at least two partners count as an efficient size for local level soft projects, was pre-given by the national level.

The fact that it was not EU intention to put LEADER projects under Article 35 is demonstrated by the guidance document on „Co-operation measure“<sup>250</sup> which makes clear difference between the measure and LEADER approach, stating that the *Co-operation* measure will support more specific, less comprehensive co-operation than LEADER. This once more indicates that limiting all „soft projects“ of LEADER under this Article is not very appropriate because it goes against the initial EU level intentions.

EC implementing regulation (EU) No 808/2014<sup>251</sup> complements the Regulation 1303/2013 regulation stating that in RDP measure description there shall be description of the obligatory CLLD elements of which the LEADER measure is composed and

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<sup>249</sup>(Maaeluminister, 2015) p 18-20

<sup>250</sup>(European Commission, 2014)

<sup>251</sup>(European Commission Implementing Regulation (EU) No 808/2014, 2014)

description of coordination mechanisms foreseen with other operations, like cooperation under Article 35. This shows that the EC is concerned about making clear difference between projects funded under LEADER and projects funded under Article 35. Yet national legislation has been designed in a way to fit the soft projects of LEADER there.

The EC is concerned about making clear difference between LEADER projects and projects under standard RDP measures. LEADER measure fiche states

Keeping in mind the small scale and integrated character of LEADER projects as well as the bottom-up decision-making inherent to LEADER, but also drawing lessons from implementation difficulties of LEADER axis, it is recommended not to strictly bind the activities under LEADER to the standard measures as defined in the programme.

It is also suggested that to allow for a maximum of flexibility to accommodate a variety of local projects, MA could consider indicating what is not eligible instead of trying to define ex-ante eligible costs, which are difficult to foresee in the context of LEADER.<sup>252</sup> Here again the EC stresses that LAGs must have „more freedom“ – any operation that is in line with general rules of RD regulation, LEADER priorities and LDS could in principle be eligible.<sup>253</sup>

Even though Estonian national legislation does directly limit LEADER to an existing measure, it *de facto* forces the soft projects to fit under standard measure framework by demanding compliance of activities and costs with requirements under certain articles. For degree of autonomy, this means that the national level limits the autonomy of the local level to decide what kinds of activities would best meet the local demands and by this intervention also seriously contradicts the intention of the EU level, which has been demonstrated in many of the documents mentioned above.

The national level is thereby exploiting a „loophole“ in EU legislation, enabling to do this. A former employee of DG Agri brings out in an interview<sup>254</sup> that in the previous period's regulation 1698/2005 there was article 64, which was misinterpreted by many MAs resulting in an unnecessary limitation of LEADER activities to what was being offered under standard RD measures. To correct this mistake, in the regulation for the new period this article was deleted. But as there was also no additional article introduced saying „LEADER is free to do what the local level wants“, it is again up to the MS to interpret the regulation and devise their

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<sup>252</sup>(European Commission, 2014) p 9

<sup>253</sup>(European Commission, 2014) lk 4

<sup>254</sup>Personal communication: (Brosei, 2016)

legislation. Also correspondence with a present DG Agri employee<sup>255</sup> confirms that restrictions come very often from the programme authorities, not EU regulations. According to the guide for CLLD<sup>256</sup> MAs very often add their own restrictions to EU regulations on what types of costs cannot be funded. By doing so, they intend to exclude expenses which they do not consider a priority for support or which could be problematic from the point of view of accounting, audit and control. Experience shows that attempts to define eligible costs very precisely leads to endless questions and problems of interpretation whether something is eligible or not. This is likely to result in extending the approval of projects, especially if decisions are made on an administrative level above the LAG.

Interviewee at the MA<sup>257</sup> admits that the decision on limiting soft activities came from the management level of the Ministry<sup>258</sup>. However she is on position that by introducing the requirements of specific articles for LEADER projects, the Ministry has not excessively limited LEADER activities, meaning that a lot depends on implementation and on how ARIB interprets the requirements. The interviewed ARIB representative<sup>259</sup> says that the decision to limit soft activities comes from the Ministry. According to him, there have been no observations by audits neither from EU or national level on soft activities that would result in introducing such a limitation. He is of opinion that as the number of co-operation projects was relatively small during the previous programming period, this could be one of the reasons to direct soft activities to be done in co-operation.

Observation made in RDP mid-term evaluation report on LEADER says that ideally, in the implementing of strategies, the objectives of the strategy measures could be accorded more attention than the measure codes.<sup>260</sup> A parallel can be brought here with the 2014-2020 articles – rather than demanding that the project activities fit under the articles it would be more important to see that they are in line with more general objectives of RD and more specifically, LEADER. This means that the bottom-up spirit of LEADER as an important intention for the policy from EU level, should be first and

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<sup>255</sup>Personal communication: (Jasinska-Mühleck, 2016)

<sup>256</sup>(European Commission, 2014) p 104-105

<sup>257</sup>Personal communication (Kimmel, 2016)

<sup>258</sup> The other MA representative (Gorban, 2016) confirms that restricting LEADER activities has been a conscious choice, because the MA wants all RDP measures to follow a common framework and to support achieving common goals.

<sup>259</sup>Personal communication (Treffeldt, 2016)

<sup>260</sup>(Ernst & Young, 2010) p 260

foremost considered and the national level regulations should leave adequate autonomy to the local level to be able to practice this bottom-up, close to grassroots approach both in the selection of project activities that best meet the local needs described in the LDS as well as in the everyday operational mechanisms of the LAG, avoiding unnecessary bureaucracy and overly limitations on sub-national level autonomy.

### **3.4 Re-embedding findings into research on MLG and LEADER implementation**

There is a substantial distance between the official EU documents, which determine the content of the LEADER approach, and the MS and local governance networks (LAGs) that are the key nested players for implementing the approach. Moreover, even greater distance exists between the official documents and the project applicants, who can apply for project grants if the projects conform to the LAG's strategy.<sup>261</sup> As has been demonstrated above, the gap is largely due to national level intervention in LEADER governance arrangement. Strong role of the national level is not just characteristic to LEADER as a RD policy. A study on MLG in Estonian cohesion policy states:

Our survey supports the view of a slight movement towards Type II MLG but Type II MLG is not 'working properly' in Estonia. The Estonian state is a firm gatekeeper when it comes to subnational mobilization and empowerment. It only cautiously enables SNAs to become active internationally, while preventing them from actually exerting influence by only formally engaging them in areas where requirements dictate this, namely in EU cohesion policy.<sup>262</sup>

As confirmed by the study on Estonian cohesion policy and also seen from the present thesis, the national level retains control and holds the position of a firm gatekeeper.

According to widespread views in MLG theory this situation, where the national level is not allowing the local level the degree of autonomy that would be useful, should lead the sub-national level to use the strategy of bypassing the state, but so far in Estonian LEADER implementation this is rather an exception than a rule. In the case of LEADER in practice it is very difficult for the local level to achieve relevant progress or help with this bypassing, because in an interview with a former employee of the

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<sup>261</sup>(Thuesen & Nielsen, 2014) p 309

<sup>262</sup>(Kull & Tartar, 2015) p 23

Commission<sup>263</sup> it was stated that in majority of cases when a local level representative makes a complaint about the national level to the Commission, the Commission asks the person to contact the MA in the country concerned, i.e. the national level.

Estonian Leader Union, which is the national umbrella organisation for LAGs in Estonia, does not yet bring together all the 26 LAGs and according to a survey<sup>264</sup> on the capabilities of the Union members of the association find the organisation relatively weak. Half of the respondents had contacted the Union to get assistance. According to an interview with the MA representative<sup>265</sup>, Estonian LEADER Union is important as a co-operation partner, but it should see how to become a stronger voice at the negotiation tables. According to ARIB representative<sup>266</sup>, the Union should bring together the large majority of Estonian LAGs to be a good co-operation partner. This shows that the bypassing potential of Estonian sub-national level is very low at the moment. And as a result, this enables the national level to continue to keep its strong gatekeeper role.

According to Yang et al<sup>267</sup>, centralised government remains greatly influential as it dominates in the policy process design and the procedural enforcements and checks. This influence is perceived as largely negative with increasing bureaucracy. Each MS is subject to EU audits. If RD policy is in breach of EU rules, financial penalties can be incurred to central governments. This explains why the national level often retains overall power and influence over RD policy, as a preventive measure.<sup>268</sup> If lower government levels are given more autonomy, it could pose a control problem for the central government. This argument is used to justify more direct forms of accountability. However, such safeguards can also influence the behaviour of LAGs and applicants, including their motivation to participate from fear of potential financial repercussions. In the end, even though accountability will be achieved, it is likely to be achieved through limiting the local level autonomy in policy implementation and often at the expense of other good governance principles<sup>269</sup>. This is also evident in LEADER where the additional restrictions limit the innovation expected from the approach and

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<sup>263</sup>Personal communication (Brosei, 2016)

<sup>264</sup>(Eesti Leader Liit, 2016)

<sup>265</sup>Personal communication: (Kimmel, 2016)

<sup>266</sup>Personal communication: (Treufeldt, 2016)

<sup>267</sup>(Yang, Rounsevell, Haggett, & Wilson, 2015) p 1669

<sup>268</sup>(Yang, Wong, & Loft, 2015) p 5

<sup>269</sup>European Commission has identified in 2001 the five Principles of „good governance“ based on „openness, participation, accountability, effectiveness and coherence“

endanger motivation to participate. LAG survey respondent states: “Most concerning is increasing bureaucracy [...]. In such a situation any kind of motivation is lost [...].” Other respondent states: “The simple LEADER has become one of the most bureaucratic systems of delivering grants in Estonia. And this is actually very sad.”

„The future of rural policy in general and LEADER-type activities in particular must also in the future continue to be build on responsible people who have the know-how and the (local) knowledge to implement development projects, people that made LEADER already a success in the past“.<sup>270</sup> It is important to keep in mind for future policy design that for a MLG arrangement to be successful there has to be a clear link between the national level’s regulatory requirements and how these link to the actual every-day policy implementation. The national requirements should enable the local level to actually practice the principles foreseen under MLG and partnership and that the everyday practice should not be made overly difficult by the national regulations.

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<sup>270</sup>(Kull, 2013)

#### 4. Conclusions and recommendations

MLG offers a framework to analytically grasp the essence of everyday practice of European governance in policy areas, which include different actors in the MLG arrangement. It focuses on how particular policy processes are working and why a certain governance arrangement emerges. In the present thesis, the policy area in focus has been RD, and more precisely, the LEADER approach. The original contribution of the research has been to provide an in-depth investigation of the LEADER programme and the governance arrangement to which LEADER is embedded into in Estonia. Spotlight was put on the different levels involved in this RD governance arrangement and especially the degree of autonomy granted to the local level in LEADER implementation.

MLG was the first concept to thoroughly examine the position of the local level in EU polity. It assumes that all three levels – the supranational, national and sub-national levels – have a role to play in shaping the governance arrangement. Based on MLG theory the author also expected all the three levels to have their own interests in shaping policy implementation. To measure each level involved in the governance arrangement, the research put forward three sub-questions, one for each level.

To answer the first sub-question “What degree of autonomy is intended by the EU in formulating its RD policy?”, the study identified that according to the EC the main idea is to give as much autonomy as possible to the local level and the role of the national level is rather seen as supporting the local level. Thus the EU intends the local level to have big autonomy in the implementation of the day-to-day activities of LEADER as a RD policy. LEADER is meant to operate on two basic principles – subsidiarity and partnership. It is *the* bottom-up method for implementing EU’s RD policy. Experience with LEADER implementation since the beginning of 1990ies has shown that given the diversity of rural areas, LDSs are more effective and efficient if decided and implemented at the local level by local actors. Added value is seen in the LEADER implementation model itself, as it leads to improved governance. The present research has demonstrated that EU regulations do not overly regulate the functioning of LAGs or set limits on the activities of project beneficiaries.

To answer the second sub-question „How is LEADER implemented at the local level?”, the author investigated the actual implementation of the programme and with

the help of a survey among Estonian LAGs established that LAGs are facing major restrictions both as regards to project activities (i.e. “soft projects”) of beneficiaries as well as the functioning of the LAG itself (e.g. the issues of rotation and abstention), which hinder their day-to-day activities. More specifically, these latter restrictions include the requirements of board and project selection committee rotation; board members’ abstention from voting when approving the project selection committee’s list of projects to be funded; and allowing a person to participate and vote at LAG’s general assembly only as a representative of one LAG member. LAGs expect that they should be given bigger rights in the LEADER implementation arrangement. The findings from the survey have indicated that these additional regulations, which LAGs see as a major concern to their daily operations, derive from restrictions induced by the national level, not the EU level.

To answer the third sub-question “What additional restriction on the degree of autonomy is introduced by the national level?”, the author first identified the constraints raised by the LAGs according to the survey and then analysed national level legislation, to explore what restrictions there are to cause the constraints faced by the LAGs. Additionally the author compared the national level legislation to the initially devised policy as set in EU level regulation. As a result it was identified that the requirements have, in fact, been introduced by the national level and are undue because they are additional to the EU level restrictions (i.e. not originally contained in the EU level documentation) and often not directly necessary to implement the EU level regulation. As an added value, based on interviews with civil servants, the author provided initial insight into the reasoning why the national level had introduced some specific restrictions.

As had also been previously identified by other researchers in other EU countries implementing LEADER, LAGs feel that mainstreaming LEADER into RDPs has rather made the approach marginalised. The national level appears to seek to retain its role as a firm gate-keeper and introduces additional national rules to LEADER, based on its own interests. The character of LEADER as a non-bureaucratic and innovative measure is thus undermined and fulfilment of its seven main principles is to an extent weakened because of top-down restrictions. As was seen from the literature review, top-down restrictions had been faced by the LAGs in the majority of case-studies, either on the

structure and operations of the LAG or on project activities. Thus it is a common feature, Estonia seemingly not being an exception. This indicates that mainstreaming LEADER has influenced its governance arrangement all over the EU. Unlike in the present case-study investigating Estonia, it had not been in focus in previous research, from where the restrictions come from – whether from the EU or national level regulation, and the case-studies concentrated on a limited number of restrictions. This is the gap in the LEADER scholarship the present study has sought to address.

The original contribution of the present research has been to fill the gap by making a distinct differentiation between EU level and national level requirements and by comprehensively mapping the restrictions faced by Estonian LAGs at the start of the 2014-2020 programming period. The author has demonstrated that restrictions on the degree of autonomy, hindering the actual daily functioning of LAGs, were introduced by the state level and are additional to the ones set at the EU level. This has provided an answer to the main research question – the sub-national level has less autonomy in implementing LEADER than the supranational level had initially intended because of the way the national level is involved in the governance arrangement and the additional restrictions introduced by it. This has confirmed the hypothesis that the involvement of the national level plays the decisive role in determining the eventual form of the governance arrangement.

Bringing back in the normative concern of MLG, the author puts forward recommendations for a better functioning of LEADER as a MLG arrangement. In the light of the normative dimension of MLG as desirable, it is assumed that there clearly is value in this form of governance and it is important to consider that some aspects of governance, like input-related legitimacy, would not overshadow other aspects like output-related legitimacy. The latter meaning, what LEADER actually is meant to be about – the possibility to have adequate local autonomy to decide on the most appropriate solutions on the local level for the locally identified problems. Despite the fact that the regulative role of the national level is often taken to guarantee accountability and transparency, at the same time it runs against the wider EU level intention of bottom-up approach and LEADER spirit. As LEADER has been recognized over the years as a suitable approach for RD, it is important that the essence of the programme would not be jeopardized.

Taking full advantage of the Estonian presidency of ELARD in 2016-2017, the concerns of decreased local level autonomy should be brought directly to the attention of the EC in a consolidated form channelled through the ELARD network, and a proposition made to amend the EU level regulation so that it would prevent the national level from excessively restricting activities to be funded under LEADER (e.g. clearly stating in EU level regulations that activities to be funded under LEADER are to be left to the LAGs to decide and are not allowed to be limited by the national level). Taking advantage of Estonian presidency of the Council of the EU in 2018, serious efforts should be made to amend EU level legislation as to make CLLD approach compulsory in at least one more ESI Fund in addition to the current EAFRD.

The state should refrain from introducing too many restrictions into national level regulation on what kind of activities and costs are eligible, because the EU level has intended LEADER to be *the* RD programme which is bottom-up, close to grassroots level and based on local needs identified in the LDS-s. More autonomy should be left to the local level so that the LAGs themselves could decide, how to bring their procedures and operations to be in line with EU level expectations and requirements, without these being set by the national level, as the latter is likely to result in making the everyday work of LAGs excessively bureaucratic as well as to create a general atmosphere of distrust between the national and sub-national level.

The local level would need to exploit the opportunities offered by the EU system of governance and get more involved in policy formulation stage (e.g. making it clear to the EC what might happen), as later on the national level uses its position to restrain. The LAGs were less involved in the formulation of the 2014-2020 national level regulation than they had been involved in the policy formulation of the previous programming period. The consultation process was limited and much more top-down than it had been during the previous programming period. This can account as a reason why the current additional restrictions introduced in the national level legislation are seen as major constraints by the LAGs. What could be the consequences of such decreased involvement in policy formulation – e.g. will there be less motivation on local level to contribute voluntarily to RD – is to be found out in the years to come. Estonian Leader Union as an umbrella organisation for LAGs would have a stronger position and more legitimacy if all Estonian LAGs would be its members (some have

not joined because of financial reasons, some do not see the use of being a member). This would empower the association to be in a better position to bypass the state level and in case of challenges to contact the EU level either directly or via the European network, ELARD. The above recommendations for 2020+ LEADER policy planning serve the purpose to have CLLD and LEADER implemented in a way that they really are in the spirit of MLG, partnership and subsidiarity principles, and fully develop the potential of a local-led, bottom-up driven RD policy in Estonia as well as the EU.

In the light of the limitations of the present study, the author proposes further comparative research, which can build on the present in-depth research. As the present research focuses on a single programme, LEADER, a comparative study could be made between different programmes – those that represent type I MLG and those that represent type II MLG. Generally type II actors (e.g. LEADER) are considered to be weaker when put in contact with the national government than type I actors. A comparative research would enable to investigate, if this is the case. Another subject of research, either separate or combined with the previous one, could be comparison of LEADER implementation between more and less centralized countries. This would allow to see if the position of the local level in the governance arrangement is influenced by the level of centralization. Also comparison of LEADER implementation in the three Baltic States during the 2014-2020 programming period would be an interesting research area to identify the similarities and differences in implementation and the underlying reasons, in relatively similar small countries. As participation of the local level in policy formulation fell outside the scope of the present research, it would provide an additional avenue for further research. A related research topic is to investigate what are the reasons why CLLD was not implemented in other funds in Estonia during the 2014-2020 period. To fully evaluate the impact of the national level's additional requirements on LEADER implementation, introduced for the 2014-2020 programming period, further research would be needed after the end of the programming period, to find out if and how the limitations have influenced the implementation of LEADER on project beneficiary level (e.g. making a comparison of projects' implementation in two programming periods in Estonia). Finally, also research on the reasons why the national level has introduced a specific additional restriction would be recommended in order to get a better understanding of its underlying interests.

## Summary

The aim of the present thesis was to investigate why the implementation of RD policies may diverge from the originally devised policy at the EU level. The author looked at the specific case of LEADER, a bottom-up oriented, participatory RD policy set up as a Community Initiative in 1991 and witnessing already a fifth generation of renewal for the 2014-2020 programming period.

MLG was used as the theoretical analytical framework to study European RD governance, and more precisely, LEADER as a governance arrangement. Using MLG was considered appropriate, because it incorporates the sub-national, national and supranational levels in analysis and LEADER presents a governance arrangement, which also includes the three levels – European, state and local level.

Based on MLG theory, all the three levels were expected to have a role to play in shaping the governance arrangement. To find an answer to the main research question – why does the sub-national level have less autonomy for implementing LEADER than the supranational level has initially intended when devising this RD policy – the author first looked at the intentions of the EU level, then at the actual policy implementation in Estonia and as a result identified the gap in between.

With the help of literature review and documentation analysis the author found out that the initial EU level intention when formulating this RD policy was to devise a flexible measure, which would be able to take account of the local situation in a community and tackle the locally identified challenges. Thus the main concept of LEADER approach, building on the principles of subsidiarity and partnership, is that the LDSs composed by LAGs should be the basis for making funding decisions on projects to be granted support. The grassroots level is on the position to make wisest decisions on the local development solutions. The EC has formulated 7 key principles of LEADER approach, and these are meant to be taken as guidelines for both the national level as well as the local level when implementing the policy. Also the Court of Auditors has stressed the importance of following these principles. Analysing the regulatory framework for LEADER during the 2014-2020 programming period the author has established that the EU intends the local level to have big autonomy in the implementation of the day-to-day activities of LEADER as a RD policy.

Taking an insight into LEADER implementation in Estonia at the start of the 2014-2020 programming period, the author established based on empirical analysis that LAGs are facing major constraints, both as regards to project activities of beneficiaries as well as the functioning of the LAG itself, which hinder their daily activities. LAGs expect that they should be given bigger rights in the LEADER governance arrangement. Thus the author has established that there is a gap between the EU level intentions and the actual implementation of LEADER at the local level. Using documentation analysis the author established that the restrictions which are causing the constraints faced by the LAGs have been introduced by the national level, not the EU level. The study also established that these national level restrictions are undue – they are additional to the EU level restrictions and often not directly necessary to implement EU level regulation.

Actors on the local level feel that despite the fact that the restrictions may come from good intentions to guarantee accountability and transparency, they run against the wider EU level intention of bottom-up approach and LEADER spirit. As a result, what initially was intended as something to guarantee democracy and participatory decision making has due to more and more specific restrictions become a hindrance to the normal everyday operations of LAGs. The national level appears to seek to retain its firm gate keeping role and to stay in control by introducing additional national rules to LEADER, based on its own interests.

This answers the main research question - the sub-national level has less autonomy in implementing LEADER than the supranational level had initially intended because of the way the national level is involved in the governance arrangement and the additional restrictions introduced by it. This has confirmed the hypothesis that the involvement of the national level plays the decisive role in determining the eventual form of the governance arrangement. The motives behind this national level involvement lie in the national level interests, be it purely political decisions, budgetary reasons or mistrust in LAGs' ability to meet the EU requirements without additional specifying national level regulation resulting from fear of possible EU level sanctions.

The local level improves RD with its bottom-up decision making in a way which none of the other levels in the MLG arrangement would be able to provide with the same level of effectiveness, so it is important to continuously pursue the key principles of LEADER and to try to avoid regulations taking over the actual LEADER spirit.

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## **Appendices**

- Appendix 1 LAG Managers' Questionnaire
- Appendix 2 LAG Managers' survey results for Question 3
- Appendix 3 Interview questions, Mr Pedro Brosei, former staff member of DG Agri, EC. 22.03.2016
- Appendix 4 Interview questions, Mr Marek Treufeldt, Head of the LEADER unit at the Paying Agency (ARIB), 30.03.2016
- Appendix 5 Interview questions, Mr Marko Gorban, Head of the Rural Development Department of the Ministry of Rural Affairs (Managing Authority), 28.03.2016
- Appendix 6 Interview questions, Mrs Anneli Kimmel, Head of the Local Initiative and Human Environment Bureau of the Ministry of Rural Affairs (Managing Authority), 28.03.2016

## LEADER TEGEVUSGRUPPIDE TEGEVJUHTIDE KÜSITLUS

### LEADER PROGRAMMI RAKENDAMISEL TUNNETATAVAD PIIRANGUD 2014-2020 PROGRAMPERIOODI KÄIVITAMISEL

KTG nimi .....

Ametikoht KTG-s\* .....

(\*küsitlus on suunatud eelkõige tegevjuhtidele, ent vajadusel võib vastata ka mõni muu KTG igapäevategevustega kursis olev tegevusgrupi töötaja/esindaja)

Kui kaua olete LEADER valdkonnas töötanud?      0-2 aastat      3-5 aastat      üle 5 aasta

1. Millised on teie tegevusgrupi jaoks olnud kõige suuremad LEADER programmi rakendamisega seotud probleemid (tulenevalt seadusandlusega kehtestatud regulatsioonidest ja piirangutest), millega 2014-2020 programmiperioodi käivitamisel kokku olete puutunud (nimeta kuni 3 probleemi)?
2. Kas võrreldes eelmise programmiperioodiga on probleemid jäänud samaks või muutunud (palun selgita)?
3. Hinnake, kui võrd alltoodud nõuded piiravad teie tegevusgrupi tegutsemist LEADER programmi rakendamisel? (Märkige kõige paremini Teie hinnangut esindavasse lahtrisse x)

Nõue	Piirab väga	Piirab veidi	ei oska öelda	Eriti ei piira	Ei piira üldse
1. Kohaliku tegevusgrupi toetuse piiramine 20%-ga strateegia rakendamise eelarvest ( Leader määrus § 23 (2) ) (EL regulatsioon lubaks KTG toetuseks 25%)					
2. Vähenduskoefitsiendi kasutamine strateegia rakendamise eelarve teise osa arvutamisel (Leader määrus § 9 (7) ja (8) )					
3. Nõue, et kohaliku tegevusgrupi liikmeteks peab olema vähemalt kolm kohaliku omavalitsuse üksust (Leader määrus § 4 (1))					
4. KTG põhikirjale kehtestatud nõuded KTG liikmesuse kohta (Leader määrus § 4 (5), (6), (7))					
5. KTG liikmete puhul huvirühma määratlemine EMTAK 5. taseme koodi järgi (Leader määrus § 4 (4) )					
6. KTG otsustusprotsessi nõue alla 50% KOV esindatuse osas ((Leader määrus § 5 (2) )					
7. KTG otsustusprotsessi piirang üle 49% huvirühma esindatuse osas ((Leader määrus § 5 (3))					

**Appendix 1 (continued)**

8.	Nõue, et KTG üldkoosolekul võib isik osaleda ja hääletada ainult ühe liikme esindajana. KTG liige ei tohi üldkoosolekul osaleda ega hääletada teise liikme esindajana. (ELÜPS § 69 (4) )					
9.	Nõue, et 1/3 juhatuse liikmetest vahetub põhikirjas ettenähtud juhatuse ametiaja möödumisel. . (ELÜPS § 69 (5) )					
10.	Nõue, et juhatuse liikmetest vähemalt kolm on KTG füüsilisest isikust liikmed või KTG juriidilisest isikust liikmete esindajad. (ELÜPS § 69 (6) )					
11.	Nõue, et projektitaotluste hindamise töörühma liikmeks ei ole KTG juhatuse liikmed (Leader määrus § 21 (4) p 6)					
12.	Nõue, et projektitaotluste hindamise töörühma liige ja projektitaotluste esitanud isik ei ole haldusmenetluse seaduse tähenduses seotud isikud ning seotuse korral peab seotud isik end taandama (Leader määrus § 21 (4) p 7)					
13.	Nõue, et taandamise nõudeid järgiks ka KTG juhatus või volinike koosolek kui ta kinnitab projektitaotluste paremusjärjestuse ettepanekut (Leader määruse seletuskiri lk 24)					
14.	Nõue, et vähemalt 1/3 projektitaotluste hindamise töörühma liikmetest vahetub 3 aasta jooksul arvates valimisest (Leader määrus § 21 (4) p 8)					
15.	LEADER projektides pehmete tegevuste läbi viimise piiramine vaid teadmussiirde, ühis- ja koostööprojektidega. (Leader määrus § 28 (3) ja § 30 (2) p 7 )					
16.	Kaudsete kulude puhul kindla määra (20%) rakendamisel kaudseteks abikõlblikeks kuludeks loetavate kulude nimistu (Leader määrus § 18 (2) )					
17.	Tõlgendus, et peale projektitoetuse taotluse esitamist hindamise töörühmale enam midagi taotluses muuta ei tohi (KKK tabel 23.03.2016 vastus küsimusele nr 11)					
18.	Muu..... (nimeta)					
19.	Muu..... (nimeta)					
20.	Muu..... (nimeta)					

4. Kas teie tegevusgrupp on kunagi iseseisvalt pöördunud Euroopa Komisjoni DG Agri või mõne muu EL institutsiooni poole, saamaks teavet või abi LEADER programmi rakendamisega seotud küsimustes?

- Jah Mis küsimuses? .....
- Ei

5. Kas teie tegevusgrupp on kunagi iseseisvalt pöördunud ELARDi poole, saamaks teavet või abi LEADER programmi rakendamisega seotud küsimustes?

- Jah Mis küsimuses? .....
- Ei

## Appendix 1 (continued)

6. Kas teie tegevusgrupp on kunagi iseseisvalt pöördunud Leader Liidu poole, saamaks teavet või abi LEADER programmi rakendamise seotud küsimustes?
- Jah Mis küsimuses? .....
- Ei
7. Kuidas saaks LEADER programmi rakendamist Eestis muuta efektiivsemaks? (vali kuni 2 varianti)
- praegune süsteem toimib. Ei pea vajalikuks selle muutmist.
- anda LEADER tegevusgruppidele suuremad õigused programmi rakendamisel
- anda PRIA-le suuremad õigused programmi rakendamisel
- anda Maaeluministeeriumile suuremad õigused programmi rakendamisel
- anda Euroopa Komisjonile suuremad õigused programmi rakendamisel
- kaasata programmi rakendamisse veel mõni täiendav tasand (n maavalitsus, omavalitsuste liit vms)
- muu ..... (palun nimeta)
8. Täiendavad kommentaarid (näiteks milliseid probleeme lisaks punktis 1 mainitule tahaksite veel välja tuua?)

Aitäh!

## Appendix 2

### LAG Managers' survey results for Question 3

Table 1. LAG Managers' survey results for Question 3 (starting from most limiting)

How much do the following requirements limit your LAG's day-to-day activities in LEADER implementation?	Very or somewhat limiting	Don't know	Not very or not at all limiting
13. Requirement that the LAG board members also have to follow the rules of abstention when they are approving the proposal of projects selected for funding by the evaluation committee	78%	0%	22%
14. Requirement of 1/3 project selection/evaluation committee members' rotation	78%	4%	17%
15. Limiting soft activities in LEADER projects to knowledge transfer and co-operation projects only	78%	0%	22%
16. The list of costs included as indirect costs, for which 20% flat rate is applied under the simplified cost calculation mechanism)	65%	13%	22%
8. Requirement for a LAG member to participate and vote at the general assembly only as a representative of one member.	57%	0%	43%
9. Requirement of 1/3 board members' rotation	57%	0%	43%
1. Limiting LAG's administration costs to 20% (EU regulation would allow 25%)	48%	0%	52%
5. Using the 5 <sup>th</sup> level code of EMTAK classification as the determinant of an "interest group"	48%	13%	39%
7. Limitation of 49% interest group representation in LAG's decision-making	43%	0%	57%
17. Restriction to the projects evaluation committee not to take out excessive costs from the project applicant's project budget	43%	9%	48%
2. Using a reduction coefficient when calculating the second part of LAG's budget for strategy implementation	39%	13%	48%
11. Requirement that board members cannot be members of the projects selection/evaluation committee	39%	9%	52%
12. Requirement that project selection/evaluation committee member and project applicant cannot have a situation of "conflict of interest", otherwise the evaluation committee member has to use abstention	39%	0%	61%
4. Requirements about the statutes of the LAG to have certain requirements on LAG membership	35%	4%	61%
6. Requirement to have less than 50% local authorities participation in decision-making	35%	0%	65%
3. Requirement that a LAG has to have at least three local governments as members	13%	22%	65%
10. Requirement of LAG board to have at least 3 member representatives in the board	13%	22%	65%

Source: author's own compilation

**Interview questions, Mr Pedro Brosei, former staff member of DG Agri, EC.**

**22.03.2016**

- From your practice of working for the European Commission, did it happen for LEADER that the local level bypasses the state level and goes directly to the „upper level“ (the Commission)?
- How strong in your mind is ELARD ? What has it achieved?
- Will there be LEADER 2020+ ?
- Can you confirm that the EU does not limit in any way what kind of activities/costs could be done by project beneficiaries? Meaning that regulations 1303/2013 and 1305/2013 do not regulate the LEADER projects that are submitted to LAGs (i.e. EU level regulation does not say what kind of activities can be supported and what kind cannot; what kinds of costs are eligible and what are not)?
- Can you confirm that it is not the EU level regulation but Estonian national requirement for LAG composition that there must be at least three local authorities in a LAG instead of 2 in previous period (i.e. the EU would allow also just one if the national level decided so)?

**Appendix 4**

**Interview questions, Mr Marek Treufeldt,  
Head of the LEADER unit at the Paying Agency (ARIB), 30.03.2016**

Küsimusi intervjuuks, PRIA, Marek Treufeldt. 30.03.2016

- Miks piiratakse LEADERis “pehmete tegevuste” elluviimist teadmussirde, ühistegevuse ja koostööprojektidega?
- Miks ei tohi tegevusgrupi hindamiskomisjoni liikmed taotleja projekti eelarvest üksikuid kulusid välja võtta?
- Millistel kaalutlustel on määruses nõue, et juhatus peab projektide pingerea kinnitama?
- Milliseid muudatusi tulenevalt DG Agri või ECA auditi tulemustest on Eestis LEADERi rakendamisel tehtud? Millised olulisemad leiud on auditiaruannetes Eesti kohta välja toodud?
- Miks enam kohalike tegevusgruppidega (KTG) halduslepinguid ei tehtud (miks KTG ei ole enam haldusorgan)?
- Millised on PRIA ootused Leader Liidule, et organisatsioon oleks PRIAle hea koostööpartner?
- Millised on peamised eriarusaamad LEADERi osas ministeeriumi ja PRIA vahel?

**Interview questions, Mr Marko Gorban, Head of the Rural Development  
Department of the Ministry of Rural Affairs (Managing Authority), 28.03.2016**

Küsimusi intervjuuks, Maaeluministeerium, Marko Gorban. 28.03.2016

- Kui LEADER ei oleks kohustuslik, kas siis seda Eestis rakendatakse?
- Milline on ministeeriumi seisukoht LEADERi rakendamise osas 2020+?
- Kui suured olid vaidlused, saamaks Eestis LEADERile 9,1% MAKist?
- Mille taha jäi teie nägemuses CLLD rakendamine Eestis teistes fondides?
- Millised on teie hinnangul kõige olulisemad EL tasandi muudatused LEADERis (2014-2020) võrreldes eelmise perioodiga?
- Millised on teie hinnangul kõige olulisemad siseriiklikud muudatused LEADERis (2014-2020) võrreldes eelmise perioodiga?
- Mida näeb ministeerium enda kõige olulisema rolli ja ülesandena LEADER programmi rakendamisel?
- Millised on peamised eriarusaamad LEADERi osas ministeeriumi ja PRIA vahel?
- Millised MAKi muudatusettepanekud LEADERi osas on Euroopa Komisjonile kavas saata?
- Milline on ministeeriumi nägemus haldusreformi mõju osas KTGdele? Kas KTGde arv Eestis peaks vähenema?

## Appendix 6

### Interview questions, Mrs Anneli Kimmel, Head of the Local Initiative and Human Environment Bureau of the Ministry of Rural Affairs (Managing Authority),

28.03.2016

Küsimusi intervjuuks, Maaeluministeerium, Anneli Kimmel. 28.03.2016

- Miks piiratakse LEADERis “pehmete tegevuste” elluviimist teadmussiirde, ühistegevuse ja koostööprojektidega?
- Miks ei tohi tegevusgrupi hindamiskomisjoni liikmed taotleja projekti eelarvest üksikuid kulusid välja võtta?
- Millistel kaalutlustel on määruses nõue, et juhatus peab projektide pingerea kinnitama?
- Miks enam kohalike tegevusgruppidega (KTG) halduslepinguid ei tehtud (miks KTG ei ole enam haldusorgan)?
- Miks on kehtestatud nõue, et KTG liikmeks peab olema vähemalt 3 KOV?
- Milliseid muudatusi tulenevalt DG Agri auditiosakonna auditi tulemustest on Eestis LEADERi rakendamisel tehtud?
- Miks on Eestis põhimõte, et terve riik on kaetud KTGdega, st et kõiki rahastatakse?
- Millised on ministeeriumi ootused Leader Liidule, et organisatsioon oleks ministeeriumile hea koostööpartner?

## MITMETASANDILINE VALITSEMINE MAAELU ARENDAMISEL – LEADER PROGRAMMI KOGEMUSED

Kaidi-Mari Liping

### **Resüme**

Käesolev magistritöö kasutab mitmetasandilist valitsemist analüütilise raamistikuna, uurimaks LEADER programmi kui kohaliku tasandi osalust propageeriva EL maaelu arendamise poliitika rakendamist Eestis – väikeriigis, mis on valdavalt jäänud väljaspoole mitmetasandilist valitsemist ja LEADERit käsitlevat akadeemilist debatti. Töö annab ülevaate kohalike tegevusgruppide, st kohalikul tasandil nimetatud poliitikat rakendavate ühingute tegevust reguleerivatest piirangutest 2014-2020 programmiperioodi lävel.

Vaatamata sellele, et LEADERit tuntakse kui alt-üles põhimõttel toimivat lähenemisviisi, kus kohalikele vajadustele leitakse kohalikel ressurssidel ja potentsiaalil tuginevad lahendused, mõjutab meetme elluviimist nii mitmetasandiline raamistik kui rakendamist reguleeriv seadusandlus, mistõttu kohaliku tasandi tegevus on üsna piiratud. Magistritöö eesmärgiks on välja selgitada, miks maaelu arendamise poliitika elluviimine kohalikul tasandil võib erineda EL tasandil formuleeritud nägemusest selle rakendamise osas. Tulenevalt mitmetasandilise valitsemise teooriast on igal valitsemise tasandil – EL (Euroopa Komisjon), riiklikul (Maaeluministeerium ja PRIA) ja kohalikul (kohalikud tegevusgrupid) oma huvid, mis kõik mängivad poliitika elluviimisel rolli ning kujundavad selle lõpptulemust.

Esmalt toob uurimus välja kui suurt autonoomsust poliitika elluviimisel EL tasand soovis kohalikule tasandile anda ning seejärel võrdleb LEADER programmi tegelikku rakendamist Eestis EL tasandi ootustega. Selgitades välja, et EL ootuste ning kohaliku tasandi tegevuse vahelise lahknevuse põhjuseks on Eestis riiklikul tasandil kehtestatud seadusandlus, mis on rangem kui EL tasand LEADERilt seda nõuaks, leiab tõestust hüpotees, et poliitika lõpptulemuse peamiseks kujundajaks on riigi tasand, mis määrab kohalikule tasandile antava autonoomsuse.

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