Setting up Effective Management in Rural Development

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Abstract: Not only companies but also entire regions are faced with an intensifying international competition. Hence, regions are constantly forced to adapt their social and economic structures to changing conditions. The competitiveness of regions rests largely on networking and cooperation of various regional actors from the private, public and third sector. Such rather weakly institutionalised forms of steering are often subsumed under the heading of regional governance. However, regional governance does not evolve automatically. It is the subject of sound management under very complex conditions. Political opportunity structures can have a high impact on the establishment of regional governance. In rural development the so called LEADER approach is a prominent. LEADER combines public funding for both management structures and projects with governance criteria. In spite of its crucial role in steering the rural development process management has been the subject of evaluations only to a very limited extent. The aim of this paper is to identify factors that have a positive impact on the development of a professional and effective management in rural development. This is the case for a LEADER territory’s congruency with other spatial entities, adequate staffing, transparency of project selection and technical support by programme authorities. Based on these findings suggestions are derived. They should serve as a guidance for the preparation for the coming period 2014-2020.

Keywords: regional governance, regional management, rural development, LEADER

1 Introduction

Direct government interventions on the one side and pure market forces on the other have largely failed in providing an even regional distribution of economic activities and wealth\(^1\). Both, government and market failure have drawn attention to cooperation and

\(^1\) Fürst 2012, p. 49
networking as an alternative form of steering economic development. This third form of steering does not replace the traditional ones of hierarchy and market. It is rather the sound combination of all three that is supposed to produce more effective development outcomes. According to that government hierarchy appears less in terms of direct interventions but more in providing an appropriate context for regional self-organisation. The “enabling” state focuses on its primary tasks and delegates responsibilities for development down to the regional level. At the grassroots people should better know about development needs and endogenous resources to mobilise than the central state. Political opportunity structures such as development programmes equipped with project funding should animate regional actors to take collective initiative. At the same time market forces are still an important driver for innovation. Not only companies but also entire regions are faced with an intensifying international competition for private and public investments, business development, qualified labour, citizens and tourists. The capability of regions to adapt their social and economic structures and remain competitive rests largely on networking and cooperation of various regional actors from the private, public and third sector. Such rather weakly institutionalised forms of steering are often subsumed under the heading of regional governance. However, regional governance does not evolve automatically. It is the subject of sound management under very complex conditions\(^2\). Hence, in such governance settings regional management institutions play a key role. They actively steer development process by bringing together various regional actors and coordinate their activities in the light of a collective vision and strategy. Moreover they bridge top-down and bottom-up approaches in the sense of multi-level governance. By doing so superior political objectives become narrowed down to regional action plans. At the same time development needs are better communicated up to higher levels of policy making.

With the reform of the Structural Funds in the European Union at the beginning of the 1990ies a paradigm shift towards more self-responsibility and self-organisation in regional development took place. In particular in rural development the so called LEADER approach represents a distinct regional governance model. LEADER stands for Liaison Entre Actions de Développement de l’Économie Rurale. In 1991 the European Commission introduced LEADER as a Community Initiative. Its basic idea is grounded on seven key features that are (1) area based approach; (2) bottom-up approach; (3) local private-public partnership (Local Action Group); (4) multi-sectoral approach; (5) innovation; (6) cooperation; and (7) and networking\(^3\). The management unit is anchored in key feature 3, the Local Action Group (LAG). By the means of this methodological approach and equipped with public funds LEADER should open up a laboratory for finding and testing new solutions for development problems in rural areas. After three programme periods LEADER became integrated as a methodological axis in the mainstream Rural Development Programmes (RDP) 2007-2013. For the period 2014-2020 the LEADER approach was spread to the Structural Funds under the

\(^{2}\) Heintel 2005, p. 72
\(^{3}\) European Commission 2006
heading Community Led Local Development (CLLD). In various publications and
evaluation reports all over Europe LEADER was celebrated as a success story in rural
development. However, in 2010 the European Court of Auditors comes to the
conclusion that LEADER produces innovation or interaction between different sectors
only to a very limited extent\(^4\). Moreover, the synthesis report of mid-term evaluations of
2007-2013 RDPs in 25 member states attests in general an inadequate mainstreaming of
LEADER due the changed nature of its approach and administrative burden given to
LAGs\(^5\).

Ambiguous and even contradicting appraisals of LEADER raise questions on how to
transfer the LEADER method into effective practice. This question is not a trivial one
simply due to the importance LEADER has gained in rural development over the last
two decades. In the period 2007-2013 2,402 LAGs in 27 member states work with this
method\(^6\). LEADER territories cover 77% of the EU territory. The EU contribution from
the European Agriculture Fund for Rural Development (EAFRD) amounts more than €
5.5 billion.

In spite of its crucial role in steering the development process\(^7,8,9\) the LAG management
as such has been the subject of evaluations only to a very limited extent. This rather
little interest can be at least partly traced back to the fact that management as such is not
an explicit key feature of LEADER. Not surprisingly, the way how LAGs have installed
management units varies considerably. In some countries LAGs tried to cope even
without a professional management. However, at the end of programme period 2007-
2013 Suske and Huber\(^10\) analysed organisational structures of LAGs in Austria. Their
study reveals several deficiencies in regard to management. According to that the
mainstreaming of LEADER brought along a considerable increase of bureaucratic work
load. Hence, LAG managers have too little time to concentrate on real LEADER work.
45% of managers state that they cannot sufficiently fulfil all necessary tasks. 12% feel
over-challenged. A third suffers from a rather high staff turnover. The general
atmosphere among LAG managers have worsened since the beginning of the
programme period. These findings give rise to search for systemic causes already laid
out in the way LAG managements are conceived.

\(^4\) European Court of Auditors 2010
\(^5\) European Commission 2013
\(^6\) http://enrd.ec.europa.eu
\(^7\) Heintel 2005
\(^8\) Schlangen 2010
\(^9\) Fürst 2007
\(^10\) Suske and Huber 2013
2 Research question and methodology

The aim of this paper is to identify factors that have a positive impact on the development of a professional and effective management. In consequence suggestions derived from the findings should serve LAGs all over Europe as guidance for the preparation for the coming period 2014-2020.

The study follows a quantitative approach. Its empirical point of departure is the Austrian midterm evaluation of LEADER implementation in 2007-2013 conducted in 2010. In order to get a more complete picture, the author had to collect additional data concerning structural elements of the LAGs.

Austria was chosen as study area not only because of data availability but also due to its long tradition and best practice status in LEADER implementation in the European Union. An important part of the midterm evaluation was a comprehensive inquiry of LAG managers. As a practitioner in LEADER and as doctoral student the author contributed to the elaboration of the questionnaire's design. The inquiry as such was conducted by Resch. All 86 Austrian LAGs got contacted via e-mail, 73 completed the online questionnaire (85%). The Austrian management authority for the RDP, commissioner of the evaluation, entitled the author to use the raw data of the inquiry provided that the LAG managers agree. 67 out of 73 confirmed via e-mail that the data can be used. The others simply did not respond in written form despite two e-mail reminders and phone calls. For the midterm evaluation report the data got basically analysed in the form of frequency distributions. The search for causal relations in regard to management was not subject of the evaluation.

LAG managers were asked to which degree a professional and effective management could have been set up. This was defined as the basic dependent variable. 54% answered very well, 43% fairly well. Only two LAG managers (3%) stated that this has been the case only rudimentarily. Based on a literature review and evaluation data potential independent variables were identified and linked to the dependent variable via several hypotheses. Most of the data were available in nominal or ordinal scale. Metric data were transferred into an ordinal scale. The search for causal relations is done by cross tabulation. The independence of variables is examined by the Chi²-test. The level of significance is determined 5%. The Phi-coefficient indicates the strength of relation. The higher its value the stronger is the dependence of two variables. Anyway, clear relations appear only when the Phi-coefficient is higher than 0.3.

11 Dax et al. 2011, p. 6
12 Resch 2010
13 Dax et al. 2011
14 Backhaus et al. 2011, p. 303ff
3 Theoretic model

LEADER territories do not necessarily correspond to already exiting spatial entities such as administrative districts or tourism destinations. However, regional governance unfolds much easier when regional actors have a common perception of a relevant region\textsuperscript{15}. Such a common perception in turn is more likely where several institutions refer to the same regional scope of acting. This might be also true for regional management. Hence it is hypothesised that a high congruence of LEADER territories with other spatial entities has a positive impact on the setting up of a professional and effective management.

Scherer\textsuperscript{16} proposes that the availability of resources and capacities has a positive impact on the establishment of regional governance. Narrowed down to regional management sufficient human resources can be regarded a crucial success factor. LAG managements in Austria are in general rather lean-staffed. The size of LEADER territories varies considerably and one can assume that larger LAGs, in terms of villages or in terms of total population, are better staffed. Anyway, the number of staff should be positively related to the extent a professional and effective LAG management could have been set up. LAG managers have to cope with a very complex environment. Hence, it is not only the size of management units but also the professional experience of LAG managers, both in terms of the respective regional conditions and of the LEADER system as such, which should matter. As would seem natural more experienced LAG managers become effective more rapidly in a new programme period.

LEADER started in Austria in 1996. Hence, the programme period 2007-2013 is already the third. One can assume that early LAGs know best how LEADER works. This knowledge should be deeply anchored in regional institutions and hence should make a LAG less dependent on its manager. And indeed, after two years of implementation the average public contribution to project funding in “new” LAGs reached only half the value compared to those LAGs which have already worked with LEADER+ or LEADER 2. Dax et al. explains this difference by the longer starting time new LAGs needed to become effective\textsuperscript{17}. From that observation one can hypothesise that more experienced LAGs have also a starting advantage when it comes to the installation of a professional and effective management.

Favourable political opportunity structures can have a high impact on the establishment of regional governance\textsuperscript{18}. In this regard LEADER is an impressive example. It combines public funding for both management structures and projects with governance criteria. Rural development becomes a matter of self-organisation. The LAG takes over the responsibility for setting up a development strategy and in further consequence for its implementation. The “enabling” state gives up direct interventions and concentrates on creating a suitable development context in a multi-governance regime. However, the

\begin{itemize}
  \item Benz and Fürst 2003, p. 199f
  \item Scherer 2006, p. 246ff
  \item Dax et al. 2011, p. 12
  \item Fürst 2010, p. 55
\end{itemize}
use of public funds calls for legitimacy and hence for public control. Bottom-up initiatives and regional autonomy on the one side and control by programme authorities on the other need a sound balanced.

In her study on regional governance in cross-border regions Deppisch highlights the importance of the management’s independence. According to that observation Scherer postulates that political power games have a negative impact on regional governance. In regard to LEADER Dax et al. point out that the autonomy of LAGs together with well-functioning decision-making structures contributes considerably to the development of rural areas. Referring to LEADER implementation in Germany Schroedter criticises the dominating role of programme authorities at the expenses of a real bottom-up approach and civil society participation. Lacking a real tradition of private-public cooperation, political and administrative decision-makers are apparently not willing to share responsibilities with regional actors. Referring to the midterm evaluation of LEADER implementation in the period 2007-2013 also in Austria the autonomy of LAGs decreased. This can be ascribed to a stricter bureaucratic framework not least caused by the mainstreaming of LEADER. In spite of the broad and sector-crossing approach some provincial programme authorities in Austria assigned LEADER funding primarily to agricultural projects. However, one can hypothesis that a professional and effective LAG management develops best under a high degree of regional autonomy. As the midterm evaluation has shown, the autonomy is very high in regard to composition of decision-making bodies and formation of LEADER territories. A different pattern reveals for strategy implementation. The programme authorities’ influence on project selection is hence an appropriate indicator for LAG autonomy. Closely related to the degree of top-down influence is the transparency of the project selection and approval process. LAGs might tolerate a certain top-down influence as long as it is transparent. Bearing in mind the strong stimulating effect of public funding, adequate technical support for handling project funding is also supposed to have a significant positive impact on the effectiveness of LAG management.

Based on this theoretical model the following hypotheses are derived. The degree to which a professional and effective LAG management could have been set up is positively related to:

- (H₁) the congruence of the LEADER territory with other spatial entities,
- (H₂) sufficient human resources in the management units,
- (H₃) manager’s professional experience,

19 Deppisch 2006, p. 214
20 Scherer 2006, p. 246ff
21 Schroedter 2009
22 Suske and Huber 2013
23 Dax et al. 2011, p. 39
24 Resch 2010, p. 21
4 Findings

$H_1$ alleges a positive impact of spatial congruence on the degree to which a professional and effective management could have been set up. In regard to LEADER territories in Austria basically the following three spatial entities can be distinguished: administrative districts, administrative micro-regions and tourism destinations. In order to test $H_1$, the spatial congruence was transferred into an indicator with the following four manifestations: high, medium, low and no congruence. A LEADER territory shows a high congruence value when it corresponds to all other three spatial entities, administrative district, administrative micro-regions and tourism destinations. This is the case only for eight LAGs (12%). When a LEADER territory matches two other spatial entities congruence is medium. 29% fall into that category. For 25% congruence is low with a matching to only one other entity. 34% have no spatial congruence. Cross tabulation indicates a positive relation between the level of spatial congruence and the degree to which a professional and effective management could have been set up.

The analysed Austrian LEADER regions comprise in average of 25 villages and have an average population total of 53,308. The range, however, is quite big. The smallest one has only 6 villages and a population of 11,892 inhabitants, the largest in contrast 79 villages and 149,690 inhabitants. Anyway, there is no correlation between a LEADER territory’s population and the number of villages. In particular in mountainous areas villages are quite small.

Rural development projects are primarily implemented by institutions and much less by individuals. Among those institutions municipalities are at the front and centre. The number of villages is hence a better indicator for the size of a LAG than population figures.

The bigger the LEADER territory, the more regional actors (institutions), the more projects, and hence higher work load for the LAG management. One could assume that the staffing of LAG managements corresponds to the size of LEADER territories. This is not the case, not least due to a public funding base for LAG management of 100,000 Euro per year. LAG members can of course raise more regional money to finance

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25 Hummelbrunner et al. 2005
26 Resch 2010, p. 17
27 Dax et al. 2010, p. 50.
28 In some provinces based on guaranteed value
larger management offices but this seems to be the exception. In order to test $H_2$ according to which sufficient staffing supports the degree to which a professional and effective management could have been set up, the indicator number of villages per full-time equivalents (FTE) has been used.

Based on this indicator the sample has been divided into two groups: (A) LAGs with less than 10 villages per FTE and (B) those with 10 and more. Sample group A makes up about a third of all LAGs. A low number of villages allows a high level of direct support by the LAG management. According to Suske and Huber a real bottom-up driven development can be best achieved in rather small LAGs\textsuperscript{29}. And indeed, group A shows a significantly better result in regard to the effectiveness of management. However, the relation disappears when the groups are divided by other criteria (e.g. less than 20 villages per FTE, etc.) or when more groups are distinguished.

27\% of the analysed LAGs have already started in the programme period 1995-1999 (LEADER 2). It can be assumed that these LAGs are run by the most experienced managers. This is not the case. Out of those managers with seven and more years of experience only a fourth works for the “pioneer” LAGs. One can conclude from that observation that LEADER careers do hardly last longer than 10 years. A management job in rural development is with no doubt an interesting and challenging endeavour. But salaries are rather moderate and there are hardly perspectives for promotion. About a third of LAGs has started in 2007. Among the new LAGs only one has a highly experienced manager. All other managers working for new LAGs have a maximum of 3 years of professional experience. One can conclude from that, that managers do hardly switch from one to another LAG. Anyway, a cross tabulation between effective management and a LAG manager’s professional experience showed no relation. The same is true for the number of LEADER periods. More experienced LAGs seem to have no starting advantage. Consequently, both $H_3$ and $H_4$ must be rejected.

42\% of LAG managers attested programme authorities a high and 33\% a medium influence of on project selection. Only a fourth assessed the influence as rather low. However, a cross tabulation revealed no impact of LAG autonomy on the degree to which a professional and effective management could have been set up. $H_5$ has to be rejected. According to Suske and Huber the dominating role of programme authorities was much criticised\textsuperscript{30}. The problem awareness may have increased over time. However, LAG managers seem to make the best of these restrictive conditions. In regard to management effectiveness the top-down influence as such is obviously not the problem. It is more a lack of transparency. Cross tabulation showed a positive relation between transparency of project selection and the degree to which a professional and effective management could have been set up. Hence, $H_6$ can rather be confirmed although the strength of relation is rather low (Phi-coefficient: 0.029!). The strongest dependence, however, could be discovered for technical support. The degree to which programme authorities help LAGs to handle project funding has a strong impact on the

\textsuperscript{29} Suske and Huber 2013, p. 35

\textsuperscript{30} Suske and Huber 2013, p. 50
effectiveness of LAG management. A close cooperation between LAG managers and programme authorities makes the system predictable and reliable.

<table>
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<th>Degree to which a professional and effective management could have been set up</th>
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<th>Fairly well</th>
<th>Total</th>
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<td>15 (78.9%)</td>
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<td>Group B</td>
<td>21 (45.7%)</td>
<td>25 (54.3%)</td>
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<td>16 (50.0%)</td>
<td>16 (50.0%)</td>
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<td>4-6 years</td>
<td>7 (77.8%)</td>
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<td>9 (100.0%)</td>
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<tr>
<td>7 and more years</td>
<td>13 (54.2%)</td>
<td>11 (45.8%)</td>
<td>24 (100.0%)</td>
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<td>2</td>
<td>15 (53.6%)</td>
<td>13 (46.4%)</td>
<td>28 (100.0%)</td>
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<td>3</td>
<td>11 (61.1%)</td>
<td>7 (38.9%)</td>
<td>18 (100.0%)</td>
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<td>10 (37.0%)</td>
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<td>medium</td>
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<td>low</td>
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<td>8 (100.0%)</td>
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<td>33 (100.0%)</td>
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<tr>
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**Table 1**
Results from cross tabulation

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<th>Chi²</th>
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<td>7.81</td>
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<td>3.84</td>
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<td>3</td>
<td>0.414</td>
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**Table 2**
Identification of dependencies

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31 Source: Own calculations
5 Conclusions and suggestions

Based on the findings the following conclusions and suggestions are derived:

- **LEADER territories in Austria vary considerably in terms of population and villages. Programme provisions did so far not take into consideration the size of LAGs when it comes to funding of management costs. This restriction has a negative impact on the effectiveness of management. Hence, the public funding base for LAG managements should be adjusted to the size of the territory. Bigger LAGs need more staff.**

- **Setting up LAGs from scratch is an important aspect of the bottom-up principle. Nevertheless rural development does not take place in an institutional vacuum. In the design of LEADER territories already existing spatial entities should be taken as a starting point. For instance, if tourism development is one of the main fields of action, congruence with tourism destinations is highly recommended. Otherwise it is rather difficult to align the strategic orientations of the LAG and of the destination management organisation.**

- **The knowledge about LEADER might be better anchored within regional institutions in the more experienced LAGs. However, the functioning of a LAG depends highly on its manager. Hence, high staff fluctuation can considerably hamper a LAG on its way to effectiveness. Bearing in mind the complexity of regional management, high staff continuity is essential. Larger LAGs may offer managers more development potentials and a more adequate salary. For the coming period 2014-2020 the Austrian state authorities have limited the eligible manager costs to about € 72,400 per year. LAGs can of course pay higher salaries but this ceiling for public funding seems to degrade the role of management in rural development.**

- **Autonomy is a crucial aspect of the bottom-up principle of LEADER. This principle became jeopardized by the mainstreaming of LEADER. The influence of programme authorities on project selection must be reduced to the setting of clear and transparent funding provisions. In regard to management effectiveness it is decisive to achieve a good balance between top-down and bottom-up.**

- **The use of public funds calls for legitimacy and hence public control. However, the control system must not contradict the basic objective of policy instruments that is to stimulate bottom-up driven development and innovation. Bureaucracy is inevitable but should be kept to a manageable extent for LAG managements, project owners and programme authorities. Nevertheless LAG managements need sufficient technical support in handling public project funding.**

32 Source: Own calculations
References


