

## Rural Policy in Estonia: The Leader Approach and the Concentration of Power

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### ABSTRACT

The aim of this paper is to find out whether the Leader approach has an influence on the concentration of power at the local level (in this case the level of local municipalities) in Estonian rural areas. This paper elaborates on two potential sources of this concentration of power: the violation of set rules and some hidden mechanisms. Set rules are being analysed through the share of local municipalities among the membership of the local action group, on the board and according to the minutes of the board meetings. Hidden mechanisms are being analysed through the amount of funding given to own members and the political background of the board members. Mainly based on quantitative analyses centred on the analysis of documentation the paper concludes that the concentration of power at the level of local municipalities in Estonia does not seem to be caused by the violation of set rules or grants given to local municipalities.

**Keywords:** leader approach; projectification; small states; Estonia

### 1. Introduction

This paper focuses on the influence of the Leader approach, which is a bottom-up and decentralised approach to the development of rural areas in the European Union (EU). In Estonia Leader aims to improve the quality of life and to diversify economic activities, through mobilising the internal development potential of the rural area (Ministry of Agriculture 2008, 201) and has been implemented since 2006 by 26 Local Action Groups (LAGs). In the programming period from 2007 to 2013, the Leader approach, as a part of the Common Agricultural Policy (CAP), has become more widespread than ever because of mainstreaming.

The aim of this paper is to find out whether the Leader approach has an influence on the concentration of power in Estonia at the local level. Concentration of power is seen as the concentration of decision-making power, which refers to political power. The local level of Leader in the case of this paper is the level of municipali-

ties. The relevance of the possible domination of the public sector and through it the concentration of power at the local level has especially increased recently with the help of the European Court of Auditors (ECA), which pointed it out rather dramatically in the Leader Special Report (no 5/2010). In the Estonian case public sector means local municipalities, but as a rule at the European level the term public sector is used, and that is the reason why in this paper both terms are used. None of the Estonian LAGs were under the investigation of ECA, which makes it especially important and interesting to analyse the situation in the Estonian LAGs. The concentration of power is a rather sensitive topic, and it could be a negative side effect of an otherwise very successful Leader approach.

In the Estonian case it is also important to take into account the limitations of a small country, for example many actors are supposed to be multi-functional, or everybody knows everybody. This, as argued in this paper, helps to concentrate social resources and power. At the same time, the availability of human resources at the local level is very limited. The main argument of this paper is that the Leader approach helps to concentrate power at the local level in Estonia.

This paper will elaborate on two potential sources of this concentration of power: the violation of set rules and some hidden mechanisms. Violation of set rules means whether rules which are set at the European level are being followed or not. At the level of European legislation there are set rules to avoid the domination of the public sector, through the 50% rule (at the decision-making level the economic and social partners must make up at least 50% of the local partnership). In this paper that “golden rule” is analysed through three indicators: first, the share of local municipalities in the membership of LAG; second, the share of local municipalities on the board and third, the share of local municipalities according to the minutes of the board meetings. There might also be some hidden mechanisms which influence the overall results. In this paper this is analysed by two indicators. First of all through the grants given to LAG’s own members, also referred by ECA. The second indicator is connected to the context of small countries’ multi-functionalism. It might be that decisions are being influenced by people who are not actually representing local municipalities but acting in favour of local municipalities. In this case the political affirmation of board members is being analysed.

Estonia’s rural areas have stayed quite outside the centre of attention of research, and the academic literature on the Leader approach has not focused on the Estonian case. The first part of this paper concentrates on the theoretical framework of the Leader approach – namely multi-level governance (MLG); projectification, which shadows the development of the EU through different funding schemes and small-country characteristics, which might influence the concentration of power. The second part of the paper focuses on the case of Estonia. There are concrete empirical examples that serve to shed light on the concentration of power, especially concerning the 50% rule among members and boards. No less important is the amount of funding given to own members and the political background of the board members, irrespective of the sector they represent (local municipality, entrepreneur or third-sector organisation). This paper is mainly based on quantitative analyses centred on the analysis of documentation, in particular: minutes of board meetings, applications submitted to the Estonian Agricultural Registers and Information Board (ARIB); and

information found on the homepages of LAGs. The names presented at minutes were compared with the names given at homepages. The percentage of different sector representatives was calculated according to both resources. This paper contributes to the academic literature of small countries and local-level powers with the latter dimension lacking in many studies focusing on MLG.

## **2. Framework for the Leader Approach**

### **2.1 Leader Approach in the European Union**

Leader is an important and useful tool to foster the development of European rural areas. The strength of the Leader approach is the public- and private-sector partnership principle and the inclusion of local-level expertise. Including local-level actors, the EU aims at fostering effective implementation of EU policies. Decentralisation in connection with monitoring has the advantage that local-level actors, such as Leader LAGs, know the situation on the spot much better than more centrally positioned institutions. Regional, national and supranational authorities profit from the fact that local peculiarities might be taken into consideration better than before. For local residents this means that institutions that are geographically closer to them implement those policies. With the involvement of non-public actors, according to the partnership principle, even local residents can participate in EU policy-making. It helps to bring the EU closer to its citizens. It might contribute to the enhancement of visibility and legitimacy of the EU. In the areas where LAGs have been selected to implement projects funded by Leader, the additional resources made available by the EU were very significant. They helped create new jobs, restructure the local economy or create new and qualitative space for the local residents. Over time the EU has expanded both its activities in different policy-fields and the territories covered with those policies. Not only Member States and their meso-levels are affected. Local-level administrations, for instance in implementing regulations and guidelines, are increasingly under the impact of EU integration and Europeanisation. (Kull 2007, 7, 20, 22; also Kull 2009) As Bruckmeier (2000) has written Leader is a new governance model for autonomous regional and local development.

Kováč (2000) considered Leader to potentially be the essence and dominant principle of the EU's rural development policy and the European response to globalisation. Leader should be seen as a way to reform the entire EU (rural) development system (Kováč 2000, 188). In reality the programming period 2007-13 came with the mainstreaming of the Leader approach, and the Member States had the obligation to allocate only the minimum 5% of funding from the National Rural Development Plan's financial resources to Leader. The requirement for the new Member States was even lower than that, only 2.5% (Council Regulation (EC) No 1698/2005, Article 17). The idea and the ideal was that the Leader approach integrates, as a horizontal method, different areas of the rural economy. In practice the agricultural sector was clearly the main focus of pillar-two funding and in many cases only the minimum obligatory requirement was implemented. As a very positive change, for the period 2007-2013, the Leader approach is being expanded and also used for Fisheries Local Action Groups, called FLAGs, over the EU.

## 2.2 Synthesis of the Theoretical Approaches

### 2.2.1 *Small Countries and Multi-functionalism*

For the concentration of power the context of small countries' multi-functionalism<sup>1</sup> is an especially important variable, because people officially representing one sector might have a background in different sectors and might not act in favour of the sector they are currently representing. This behaviour might have a strong influence on the implementation of the Leader approach to local municipalities as possible power concentrators. The structures of administration are different in smaller and larger countries, and it affects the content of policies as well as the implementation of those policies (Christensen et al. 2007).

People meet over a period of time in different role-relationships, and because of it they must get along with each other. Civil servants can be more influential policy-makers compared to their colleagues in larger countries. Those who work in a small system can influence it directly, both for the good and the bad. At the same time, small-country officials are more often personally identified with specific decisions and their consequences. Different roles have to be played by few individuals. (Sarapuu 2010, 37) Human, financial and material resources in small countries are limited (Randma 2001, 41). It can be assumed that similar problems do occur in organising public-private partnerships, such as Leader-approach LAGs. The inability to find and retain skilled administrative generalists is not a problem that is unique to small developing countries (Schahczenski 1990). The importance of multi-functionalism increases as the size of the country decreases (Randma 2001, 46). Multi-functionalism appears both on the level of individual officials as well as entire public organisations. Public servants have to cope with multi-grade and multi-disciplinary duties. (Randma-Liiv 2002, 377) "In small countries it is essential for many people to be multi-functional and that includes mixing politics with the bureaucracy as much as it includes mixing other functions" (Farrugia 1993, 222 quoted in Sarapuu 2010, 35). More tolerance towards movement between the administrative and political spheres can be expected and also more of such mobility occurs in practice (Randma-Liiv 2002, Sikk 2006).

The smaller scale of a country sets limits on specialisation. This applies to organisations and individuals, and, besides multi-functionalism, it leads to the concentration of specialist knowledge to a limited number of positions and individuals. (Sarapuu 2010, 36) Smaller countries have greater informality and greater flexibility in the decision-making process of the CAP and the Regional Policy. The advantages and disadvantages of small countries have to be taken into consideration when explaining the behaviour of small countries in the EU context. (Thorhallsson 2000, 74, 106)

The political affirmation of LAG board members can be connected to the context of multi-functionalism of small countries. The results will show whether decisions are being influenced by people who do not represent local municipalities<sup>2</sup> but act in favour of local municipalities.

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<sup>1</sup> In this context multi-functionalism means that one person has many different functions, not a term used in an agricultural context.

<sup>2</sup> Estonian local municipalities are small with weak administrative and financial capacity, 70% of Estonian municipalities have less than 3,000 inhabitants (Tatar 2010, 219, 221).

### *2.2.2 Multi-level Governance*

MLG is the most appropriate theory in understanding the Leader approach. It helps to understand the relevance of the local level, which other theories seem not to emphasise. “The MLG is one of the few theoretical approaches to analyze processes of EU integration focussing on the sub-national and local level” (Kull 2007, 4). The concept of MLG can be considered well-established, introduced by Gary Marks (1993). Since the 1990s older theories such as federalism, functionalism or neo-functionalism have had to compete with new theories and concepts, such as MLG. Both intergovernmental and functional/neo-functional approaches help to understand the mechanisms of the EU, but at the same time they leave something under-covered. They both neglect to include the sub-national and local-level actors in their analytical framework. As a consequence they are unable or unwilling to cover developments that are not central to their theoretical focus despite the fact that those developments have emerged in reality. (Kull 2007, 3, 4) MLG has been criticised for several reasons, for example of being too descriptive and uncritical (Jordan 2001) and overestimating the empowerment of the local (Kull 2009). Leader as an approach is especially focused on the empowerment of the local level. Another approach, structural constructivism, has been more sensitive, it reveals the hidden power mechanisms and demonstrates through what mechanisms political agents reproduce and transform the European political order (Kauppi 2005, 39). It can be seen that “scholars have shifted their focus on particular policy processes within the EU polity instead of trying to anticipate the overall result of a successful integration process”. (Kull 2007, 3) The analysis will show how Leader has empowered different sectors at various levels.

### *2.2.3 Projectification*

At the same time EU policies, including the Leader approach, are being implemented through projects which have caused the emergence of elitist groups who are more influential and powerful than others. In the Estonian case local municipalities might be the representative of this elitist group, and if this is true it must have a strong influence on the implementation of the Leader approach. Projects as forms of organisation and management have increased during the time and have become symbols of adaptability and contingency (Sjöblom 2006). Very specific knowledge is needed for designing development programmes as well as writing successful applications (Ray 1998). Participation in rural development projects gives to different social groups an opportunity to reach their development goals. But the system works as a projectified system, and those who are involved in it need special knowledge to be successful. This approach as well as the approach of Kauppi (mentioned in the previous sub-chapter) both have been influenced by the French sociologist Pierre Bourdieu. Rural development projects apply strict formal rules which actors must adopt through the process. Only those who are familiar with the rules are capable of fulfilling the requirements and to have access to funding. (Csurgó et al. 2008, 298, 299) At the same time it means that there are people who have the skills and can get more and more powerful the more fundable applications they are able to

write. A new power structure has emerged in the enlarged EU – a project class (Kováč and Kučerová 2006, Csurgó et al. 2008).

In the case of Leader the one possible assumption is that the representatives of local municipalities are the project class in rural areas and are causing social exclusion for other members. There is a danger of projectified administration to replace “bottom-up” development with “top-down” development. The project class is a new group in society and at the same time also a social position. (Csurgó et al. 2008, 297, 309) The theoretical approach has conceptualised the Leader approach as a move from direct intervention towards a new indirect regime of market relations (Kováč 2000, Ray 2001). “The obligation to plan and design development projects as well as the complexity of development programmes has led to a strong class position. The gap between the new development actors in rural areas (project-class members) and the old local political and social elites (former structures), can nevertheless be productive, it can, on occasion, be destructive.” (Kováč and Kučerová 2006, 4, 5) Knowledge (education) gives the project class its elitist position. A development system based on the participatory, redistributive nature of the application system and project funds gives preference to new elite groups. Powerful elite groups have taken positions in an influential redistribution system, especially in the field of rural development. It could even be that the project class already has monopoly control over the redistribution system, the political field and projectification (Kováč and Kučerová 2006, 7, 9, 17).

Project-class members are important actors in the regional or rural or local-policy arena. They strengthen local civil society through their social and cultural capital, which they can use in the project process. At the same time, in some cases, they constitute a parallel power structure that might compete with old political structures and elites. The results would also depend on the role of local governments in the country, e.g. whether they are strong actors or integrated forms are commonly accepted. In the new EU Member States regional/rural development may become an instrument of project-class formation and domination over development funds without a strong civil society. (Kováč and Kučerová 2006, 5, 16) The outcome of this paper will be to show whether local municipalities with the help of the Leader approach have gained the elitist position which could be a project-class elitist position.

### **2.3 Justification for Indicators**

ECA has highlighted in its report that LAGs<sup>3</sup> have not taken the need for transparency seriously enough, for the documentation of the project assessment and the selection decisions and for the procedures to avoid all risks of direct or indirect conflict of interest. Unbalanced partnerships or unbalanced power relations in the LAG can lead to an inappropriate set of projects selected, often at the advantage of the institution belonging to the public sector. From the point of view of the ECA the composition of LAGs is often unbalanced and the public institutional sector domi-

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<sup>3</sup> No Estonian LAG was in the sample.

nates. The European Commission agrees that there is a need for a high degree of transparency and the subsequent need for LAGs to be able to demonstrate that they have consistently followed proper procedures. (European Court of Auditors 2010, 52, 56, 78) The ex-post evaluation of previous Leader programmes has also revealed the tendency of the public sector to prevail in the decision-making process (European Commission 2004).

Findings from the European level also show that the domination of some sector does exist sometimes. According to Thuesen (2010) the literature on LAGs offers various reflections on whether the Leader approach is elitist or inclusive. Pérez (2000) concludes that local government authorities dominate LAGs. Shucksmith (2000) concludes that there is a tendency for endogenous development initiatives to favour those who are already powerful. More marginalised groups are less able to participate and are less likely to be empowered unless special attention is given to their inclusion (Thuesen 2010, 33), which connects very illustratively to the idea of projectification.

Two potential sources of power concentration will be analysed: the violation of set rules and some hidden mechanisms. As an element and procedure to prevent the domination of the public sector in LAGs a “50% rule” has to be applied in all EU Member States. “At the decision-making level the economic and social partners, as well as other representatives of the civil society, such as farmers, rural women, young people and their associations, must make up at least 50% of the local partnership” (Council Regulation (EC) No 1698/2005, Article 62(1)b). According to Kull the rule could be called a “golden rule” and is one of the core elements of the Leader approach (Kull 2009, 33). This means that representatives of the public sector can have a maximum 50% of the votes at any decision-making level. That way the risk is decreased that LAGs may be dominated by the public sector. For the next programming period (2014-2020) this rule has been expanded: “LAGs composed of representatives of public and private local socio-economic interests, where at the decision-making level neither the public sector nor any single interest group shall represent more than 49% of the voting rights” (COM(2011) 615 final, Article 28).

In the next chapter the implementation of the “golden rule” in 26 Estonian LAGs will be analysed by looking at three different aspects (indicators): 1) the membership of the LAG; 2) the representatives on the board; 3) the representatives of the board according to the minutes of the board meetings. The “golden rule” is analysed in a formal and practical way.

It is important to note that LAGs as non-profit organisations have two main bodies at the decision-making level: the General Meeting (involving all the members) and the board elected by the General Meeting. Both of the bodies have to follow the 50% rule. According to national legislation the board has the power to choose the projects that are to be funded, which makes it important to look at how this body acts in practice according to the minutes. The minutes could reveal that representatives of entrepreneurs and third-sector organisations tend to miss the meetings and as a consequence decisions are made in favour of local municipalities. Minutes of the board meetings were collected from July to August 2011. All the minutes that were submitted to ARIB have been included. The total number of minutes was 18, from 11 different LAGs out of a total of 26 LAGs. All of the minutes have a role call. The

names were compared with the data given on the LAGs' homepages and divided into three sectors according to which the members who were present were representing at the meetings.

In addition to reflecting on the "golden rule" that was to prevent the dominance of particular sectors, one needs to look at whether there are some mechanisms or practices that might escape this approach. Those are called hidden mechanisms of power. This is analysed by two indicators in this paper. First of all through grants given to the LAGs' own members. Estonian media has also pointed out the problem of giving grants to own members (Ibrus 2012). ECA based the audit on a random sample of 202 LAGs in 23 Member States, which concerned 27 LAGs over the EU. During this auditing, ECA found that all LAGs gave grants to their own member organisations. These grants were not treated as exceptions. LAGs had different internal rules for their decision-making committees. These fall short of the requirements of the EU financial regulation.<sup>4</sup> LAG members are representative and active locally based organisations of the rural territory. The partners consist of a mix of public entities and partners representing the civil society. These partners are also the main authors of the strategies and in most cases represent a large part of the population of the territory. It is therefore normal that a proportion of projects originates from these member organisations. Excluding these projects would constitute a major obstacle for the successful implementation of the local development strategy. However, Member States do have to ensure that there is no conflict of interest. The bottom-up approach<sup>5</sup> was limited in the LAGs that gave the majority of the grants to their own member organisations. The potential added value of a partnership was not achieved in LAGs where the decision-making was dominated by the local authorities. The European Commission shares the view that Leader should not support the activities of local authorities deriving from statutory requirements. However, projects implemented by municipalities should be eligible under Leader if they are part of a wider regional concept and contribute to the objectives of the local development strategy. (European Court of Auditors 2010, 12, 15, 34, 55, 74, 79, 95)

The second indicator is connected to the context of multi-functionalism of small countries to see whether decisions are being influenced by people who do not represent local municipalities but act in favour of local municipalities.

According to Thuesen (2010) only scarce information (often in the form of case studies) exists on the socioeconomic composition of the LAG boards. Since public money is distributed through the LAGs and the board members decide on and implement strategic development plans, it is important to examine who those board mem-

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<sup>4</sup> Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the financial regulation applicable to the general budget of the European Communities (OJ L 248, 16 September 2002, 1), Article 52:

1. All financial actors and any other person involved in budget implementation, management, audit or control shall be prohibited from taking any action which may bring their own interests into conflict with those of the Communities. Should such a case arise, the person in question must refrain from such actions and refer the matter to the competent authority.

2. There is a conflict of interests where the impartial and objective exercise of the functions of a financial actor or other person, as referred to in paragraph 1, is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with the beneficiary.

<sup>5</sup> The bottom-up approach means that local actors participate in decision-making about the strategy and in the selection of the priorities to be pursued in their local area (European Communities 2006)

bers are. (Thuesen 2010, 32) Kull (2008) has conducted an analysis of how well decisions of the board take the opinions of “normal” members into consideration. Some groups are more influential than others (Kull 2008, 14). It is problematic that only individuals with very similar socioeconomic characteristics are represented, because it can weaken the outcome of the process (Young 2000). It is not considered problematic as long as the board members do not have too close relationships and the board members keep the contact with the people (Etzioni-Halevy 1997). Partnership members from small interest organisations do not have enough scientific knowledge to speak on relevant topics (Derkzen and Bock 2007, 189). The presence of professionals, officers and politicians constrains the effectiveness of community representatives (Atkinson 1999, 62). Representatives of civic groups have the risk to become outsiders, they are in the group but not able to influence the outcomes (Derkzen and Bock 2007, 190).

### 3. The Case of the Leader Approach in Estonia

#### 3.1 The Background of the Leader Approach in Estonia

In the Estonian case the historical background as a Post-Soviet country and the status of a small country are equally important. It is a meaningless presumption to present the Central and Eastern European (CEE) rural areas as being similar to the West, for instance the old and new EU Member States had contrastingly different administrative structures (Kováč and Kučerová 2006, 8). In Post-Soviet countries, where agriculture plays a far more dominant role than in most EU Member States, the gap between urban and rural socio-economic circumstances is deeper, and rural areas are generally far more disadvantaged compared with those in the present EU (Kováč 2000, 182). It has even been argued that Estonia is not as similar to other CEE countries as has been presumed (Annist 2011). Nevertheless all Member States implement the same Leader approach.

Estonian rural inhabitants depend on each other for very little (the peculiarity of Soviet-times *kolhoos* and *sohvoos* centrevillages (*keskuskülad*), and the relations between relatives are weak. Two main changes characterise post-Soviet times. First: very quick social stratification, which did not exist in previous times (previously everyone was equal). Second: the value of rural life is much lower than it used to be, even before Soviet-times. During Soviet-times the co-operation activities were actively supported. After the collapse of the Soviet regime the villages were not strong enough to maintain a key position in the community society, mainly because the Estonian villages are very small. Over 60% of Estonian villages (the total number is 4400) have less than 50 inhabitants. (Annist 2011)

Although communities in Estonian rural areas had a critical role in the Singing Revolution 1987-1990, they seem to be the losers (Ruutsoo 2004, 59). Estonian third-sector organisations tend to be small and weak (Lagerspetz et al. 2004). The most important cooperation partners for third-sector organisations are local municipalities (Rikmann et al. 2005, 134). The support of local municipalities remains crucial for the success of the rural third-sector organisation because they remain one of the most important sources of funding and information. Those organisations are

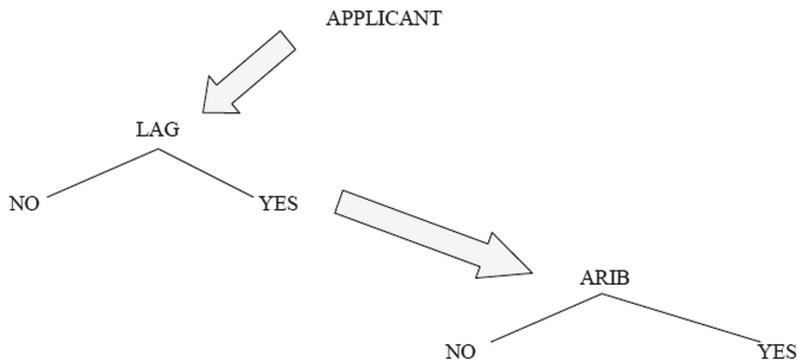
vulnerable to any change in personal relationships and the personnel of the governmental bureaucracies. (Juska et al. 2008, 105, 114)

The possibility for implementing the Leader approach in Estonian rural areas came with the accession to the EU in 2004. The concept of Leader is rather new for the Estonian rural areas. The development strategies had to be submitted by 30 June 2008. The implementation of projects for the 2007-2013 period began after that. The formation of LAGs has not been enforced by the ministry. LAG areas were formed through mutual agreements between locals, where local municipalities were presumably most influential. There can be two distinctive reasons for this. The first reason is connected to the national Leader regulation, as the territory of an LAG is the territory of participating municipalities. The second reason is that municipalities have the possibility to support LAGs financially, because as a rule the expenses of LAGs are covered a posteriori. The allocation of funding for LAGs is 10% of the Estonian Rural Development Plan 2007-2013 (86 MEURs), which is 4 times more than the minimum requirement according to the Council Regulation.

There are 26 LAGs implementing their strategies (in 2012). The objective of Leader 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 (Ministry of Agriculture 2011, 201). Over 99% of rural areas are covered by LAGs, there is only 1 local municipality which is not a member of any LAG. The juridical form of LAGs in Estonia is a non-profit organisation. Most of those organisations (ca 80%) were formed in 2006 so that the applications could be submitted to ARIB.

Due to the small size of Estonia there is only one managing authority (Ministry of Agriculture) and one paying authority (ARIB), this decreases the complexity of the decision-making process, and it should also decrease the time for getting a positive decision. An LAG, which also acts as decision-making authority, would create a new public authority. In that case there is the danger that the LAGs would be transformed into political bodies led by political decisions and not by necessities of the region. (Kull 2007, 17, 18)

The function of the LAG is to evaluate project applications (usually a special evaluation committee has been set up for that purpose) and also to choose applications which are most suitable for the development of an LAG's area (meaning in accordance with the aim of the LAG area strategy). ARIB has no power to question that decision, but ARIB will check the eligibility of the applicant and the application (costs), see also Figure 1 for an illustration of the journey of an application. The first projects were submitted to LAGs by project applicants at the beginning of 2009. By the end of 2011, approximately 4500 very different project proposals were submitted to ARIB ([www.pria.ee](http://www.pria.ee)). Every LAG has designed 3-16 measures in its strategy. In every LAG there are 2-4 full time employees. Compared to the number of applications submitted by LAGs with the number of projects approved by ARIB, the approval percentage is approximately 50 (in 2009, 2010). The main reason for rejections in the case of LAGs, is the limited budget, (only the best projects can get funding), and in the case of ARIB, ineligible costs.

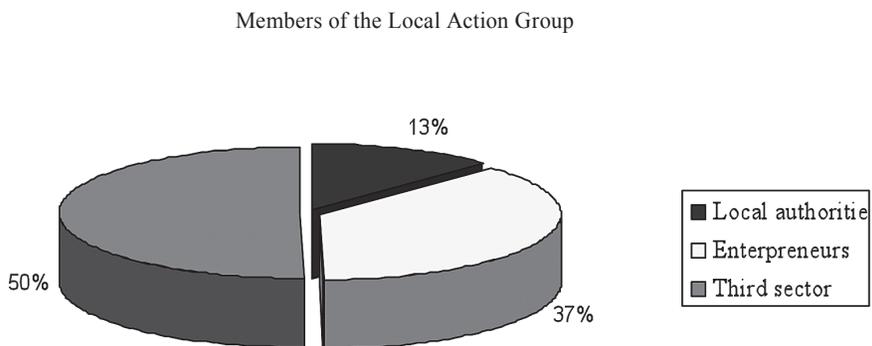


Source: Author

Figure 1: The journey of the application

### 3.2 The “Golden Rule”

In the Estonian case members of the LAGs can represent three different sectors: local municipalities, entrepreneurs and third-sector<sup>6</sup> organisations (State Gazette 2010, § 4 lg 2). Geomedia (2011) analysed the membership of LAGs in spring 2011. According to the results LAGs had 1591 members, varying from 30 to 112. The average number of members was 60. Approximately half of the members were from the third sector, 13% were representatives of local municipalities and 37% represented entrepreneurs, see Figure 2. The share of local municipalities varies from 5 to 20%, entrepreneurs from 12 to 37% and third-sector organisations from 30 to 70%. On average, every 20th organisation in the rural area belongs to an LAG. (Geomedia 2011, 125) Every LAG has approximately 8 members from local municipalities, 23 members from the entrepreneurial sector and 30 members from third sector.

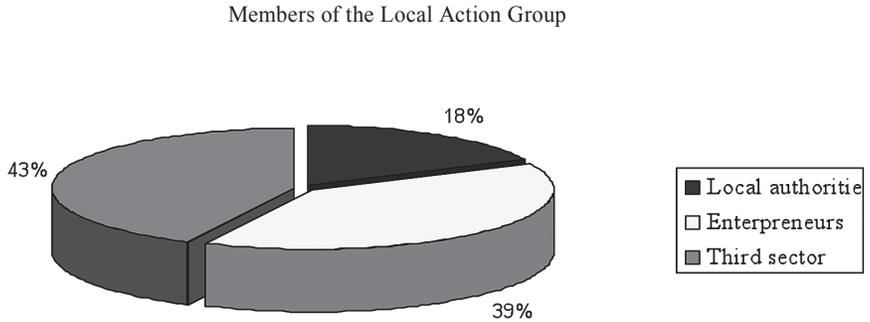


Source: Author, based on Geomedia (2011)

Figure 2: Members of the LAGs in 2011

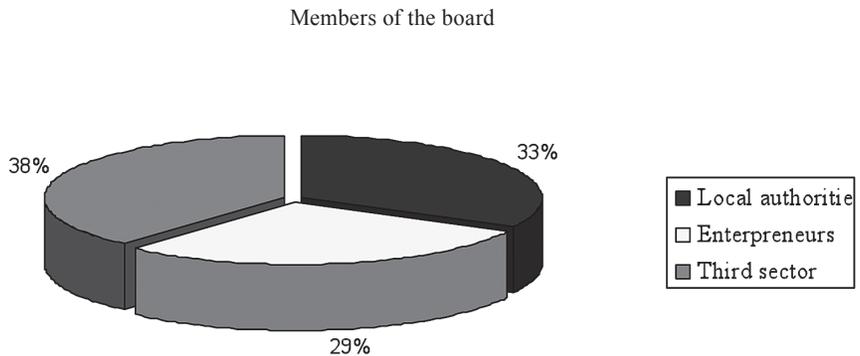
<sup>6</sup> Third-sector organisations in Estonia are nonprofit organisations and foundations.

Compared to 2006, the proportions of membership ([www.agri.ee/leader](http://www.agri.ee/leader)) have not changed much, see Figure 3, but the dominance of the third sector is remarkable (39%). The share of local municipality membership in the LAGs is far from dominant and has even decreased during the time.



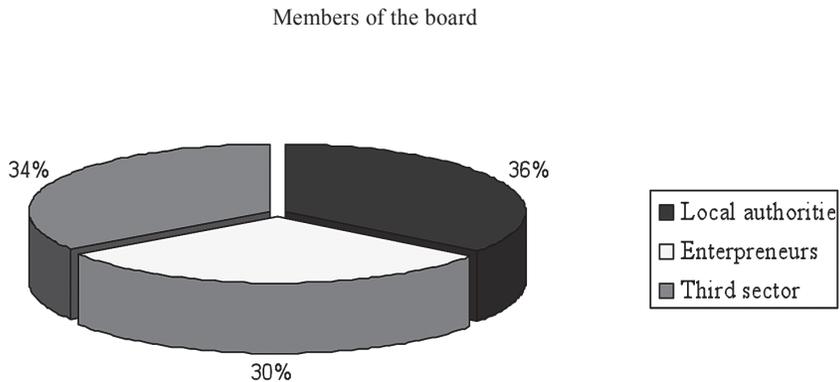
Source: Author, based on applications  
 Figure 3: **Members of the LAGs in 2006**

The LAGs’ board members decide whether the application can be submitted to ARIB or not. The average board has 9 members (September 2011), but it can vary from 1 to 21. All sectors are equally represented in three cases out of twenty-six, and the share of local municipalities is exactly 33% (varying from 22 to 44%), see Figure 4. Compared to the share of membership the membership of the board is 2.5 times higher, but on average it is equal to the two other sectors, which should balance the power.



Source: Author, based on the homepages of LAGs  
 Figure 4: **Members of the board**

The minutes of the board meetings reveal the implementation of the “golden rule” in practice. Minutes of the Board Meetings (2011) show that all three sectors tend to be rather equally represented, see Figure 5. The share of the local municipalities is almost the same as proposed in the documents (from 33% to 36%). In all cases it is between 14 and 50%, in two cases it is exactly 50%. In Estonia’s case the minutes, connected to the project applications decisions, show no violation of the 50% rule.



Source: Author, based on the minutes of board meetings (2011)

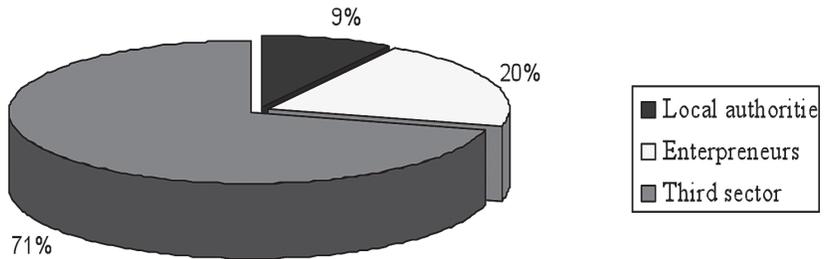
Figure 5: **Members of the board according to the minutes**

The case of the “golden rule” as set at the European level is not violated by the LAGs in the case of the three indicators examined. Local municipalities do not seem to contribute to the concentration of power.

### 3.3 Participation of Public, Private and Third Sector Actors in LAGs – Tracing Some Hidden Mechanisms of Power

Before looking at the proportions of projects financed for own members, it is useful to start with taking a look at all approved applications, because in the case of Estonia the local municipality has to be a member of an LAG, and the application can be submitted only to your own LAG. In Estonia project applications which are approved in Leader have much smaller budgets than other projects approved by ARIB. The average support for one project from 2009 to 2011 was approximately 10,700 euros (Ministry of Agriculture 2011). Most of the applications have been submitted by third-sector organisations, the majority is a remarkable 71%, see Figure 6. The number of representatives among LAG members was 50%. With local municipalities and entrepreneurs the situation is exactly the opposite. The share of the local municipalities’ applications is 9%, and the share among the membership was 13%. The number of local municipalities’ applications compared to the number of members from that sector does not reveal municipalities’ power over other sectors.

Share of approved applications



Source: Author, based on Ministry of Agriculture (2011)

Figure 6: **Share of approved applications**

Geomeedia (2011) has calculated that the share of grants given to own members is 35%. It means that approximately 35% of all applications are from LAGs’ own members, and as pointed out earlier the share of local municipalities is 9%. This brings the share of other sectors to 26% and it means that local municipalities are not dominant compared to other sectors. Although LAGs finance their own members’ projects as in many Member States, the share of local municipalities’ projects is not too significant in the case of Estonia.

The overall political affiliation of board members is very high. According to the data from the Estonian National Electoral Committee approximately 80% of board members have presented their candidature in local or parliamentary elections, which means that presumably they have some political interest. The names of the board members according to LAG homepages were compared with the data from the Estonian National Electoral Committee homepage. As a comparison the share of the representatives of local municipalities on the board was only 33%. About 50% of LAG members represent entrepreneurs or third-sector organisations but probably have some political interests at the same time. Political affiliation is one aspect of hidden mechanisms of power, future studies, through follow-up interviews of board members, would shed more light onto this subject.

### 3.4. Summing up the Leader Approach in Estonia

The case of the “golden rule” as set at the European level is not violated by the Estonian LAGs and in the case of the three indicators examined: local municipalities do not seem to contribute to the concentration of power. First, among the membership (General Meeting) of the LAG local municipalities hold the modest share of 13% that has decreased over time as the membership of LAGs has increased, but the number of municipalities in rural areas is limited and not increasing. On the boards (elected by the General Meeting) the representatives of local municipalities are holding 33% of the positions on average. It could be assumed that having 2.5 times more positions on the board is a demonstration of power, but due to the equality with other

sectors (approximately 1/3, 1/3, 1/3), it seems to create a balance. In the Estonian case this kind of model of tripartition has spread because of the influence of Finland's LAGs, which use this model. The model of tripartition is seen as a success in terms of both decentralising the power of decision-making and including a broad range of different social groups and institutions (Kull 2009, 34). The third indicator shows that according to the minutes of the board meetings the shares are very similar to second-indicator results. Municipalities hold 36% of the positions on average.

The fourth indicator shows that the share of grants given to local municipalities is on average only 9%. In previous sections it was pointed out that the peculiarity of small countries is that people are multi-functional. The decisions in favour of local municipalities could be made by people representing other organisations (entrepreneurs and third-sector organisations) while voting in favour of the local municipality. As was also argued in previous sections third-sector organisations are very vulnerable and dependent on local municipalities, which could affect their decisions, but it would require thorough study to confirm it. All of the results in this paper show that local municipalities are not dominating over other sectors. It could be assumed that political affiliation would show a similar outcome, but the fifth indicator shows that the overall political affiliation among board members is very high. Approximately 80% of all board members have presented their candidature in local or parliamentary elections. As a comparison the share of local municipalities' representatives on the board was only 33%. About 50% of all LAG members represent entrepreneurs or third-sector organisations but probably have some political interests at the same time, which is very illustrative in the context of a small country. Abélès (1997) has also referred to the different positions at different levels that local elites might have simultaneously.

In the Estonian case the Leader approach seems to be a phenomenon acting at a local level which is not under the dominance of the public sector (local municipalities), at least according to indicators used in this paper. There might exist more efficient indicators. It seems that in the case of Estonia local municipalities are not the new elite in the context of projectification. The result of the political affirmation might show that there are competing parallel power structures – new and old elites. It would need further analysis whether the outcome through financed projects is a political struggle for and against the current political power at local municipalities. It should not be forgotten that boards consist of different municipalities and different municipalities are probably in favour of different political parties. The context of the small country can at the same time be the reason why local municipalities are not the concentrators of the power, because the local levels are so small, and everybody knows everybody. It is a very good example of multi-positionality in a small country. It is not rare that one person could actually represent all three sectors. As pointed out in previous sections, in small countries there is more tolerance towards movement between the administrative and political spheres. It is a benefit if the people who are ready to take the responsibility have many different functions (multi-functions); otherwise there could be many functions/posts that would be left uncovered.

Nevertheless it does raise the question whose interests one represents if one has many different posts. According to Perry (2000, 480) the environmental variables that shape individual preferences and motives include socialisation from various

institutions like the family, churches and schools. Another influencer is the nature of life events in prework and nonwork settings. "By observing others, one forms rules of behaviour, and on future occasions this coded information serves as a guide for action" (Bandura 1986, 47 quoted by Perry 2000, 480). The outcomes could also be influenced by group thinking.

Another question and probably a very arguable one is whether the possible power position of local municipalities is something negative or positive, members of boards can see it in a different light. Interviews conducted by Kull (2007, 13) showed that the strength of members from the public sector is that they know the day-to-day business, e.g. the legal dimensions of funding. If public servants also fill other positions, it can give them access to important additional resources, e.g. information (Kauppi 2002).

#### **4. Conclusions**

The size of the country can be expected to influence public administration in different ways, e.g. through the limited availability of human capital. The working procedures are considered to be more informal. People meet over a period of time in different roles and relationships. Civil servants can be more influential policy-makers than their colleagues in larger countries. Those who work in a small system are in a position to influence it directly, both positively and negatively. Human, financial and material resources in small countries are limited. Many different roles have to be played by relatively few individuals. The importance of multi-functionalism increases as the size of the country decreases. In small countries it is essential for many people to be multi-functional and that includes mixing politics with bureaucracy and other functions. More tolerance towards movement between the administrative and political spheres can be expected and also more of such mobility occurs in practice. 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.

MLG is one of the few theoretical approaches to analyse the processes of EU integration focusing on the sub-national and local levels. However, MLG has been criticised for several reasons: being too descriptive and uncritical, and overestimating the empowerment of the local. EU policies (including the Leader approach) are being implemented through various projects. Participation in rural development projects empowers different social groups, but the system operates as a projectified system, and those who are involved need specific knowledge in order to adapt to the rules. As a consequence, a new power structure has emerged. Those elites are important actors in the regional or rural or local policy arena. Their activity contributes to the strengthening of local civil society in the rural areas. Without a vital civil society in Estonia and in the new EU Member States, regional or rural development may become an instrument of project-class formation and domination over development funds. Successful integration of these different actors instead of separating power structures is highly important for rural development that is based on a bottom-up approach and knowledge of local needs and potential.

In Estonia there are 26 LAGs implementing local development strategies (in 2012) and more than 99% of the rural area is covered by LAGs. For project applicants

Leader opened in 2009, when the first applications could be submitted to LAGs. LAGs are organised in such a way that, at the decision-making level, public institutions must make up less than 50% of the local partnership. However the ECA has pointed out several cases throughout the EU that violate the 50% rule and stressed that financed projects were in favour of the local municipalities. In the Estonian case LAGs made up only 13% of the local municipalities, it has decreased over time and is far from dominant. The boards include representatives from three sectors (local municipalities, entrepreneurs and third-sector organisations), which are almost equally represented. It could be assumed that municipalities are showing some power to get 2.5 times the number of higher positions on the board, but due to the equality with other sectors, it probably balances the powers. It can be revealing to analyse the minutes of the boards to see whether the ones who are usually missing from board meetings represent the entrepreneurs or the third sector. However, in Estonia's case the minutes show no violation of the 50% rule. The third indicator shows that shares are very similar to second-indicator results. Municipalities hold 36% of the positions on average.

Although LAGs finance projects of their own members in all Member States, in Estonia the share of projects implemented by local municipalities is insignificant – 9%. What is most interesting is the political affiliation of the board members. Approximately 80% of the board members have presented their candidature in local or parliamentary elections. As a comparison the share of local municipalities' representatives on the board was only 33%. There are about 50% of LAG members who represent entrepreneurs or third-sector organisations but probably have some political interests at the same time, which is a very illustrative characteristic of a small country. In the Estonian case the Leader approach seems to be a phenomenon acting at the local level, which is not under the domination of the public sector (local municipalities), at least according to indicators used in this paper. It seems that in the case of Estonia local municipalities are not the new elite in the context of projectification. The result of the political affirmation might show that there are competing parallel power structures of new and old elites. It would require a further analysis whether the outcome through financed projects is a political struggle for or against the current political power at local municipalities. It should not be forgotten that boards consist of different municipalities, and different municipalities probably are in favour of different political parties. The context of the small country can at the same time be the reason why local municipalities are not the concentrators of the power because the local levels are so small, and everybody knows everybody.

The concentration of power at the level of local municipalities in Estonia does not seem to be caused by the violation of set rules or grants given to local municipalities. The political affiliation among Leader LAGs' board members is remarkable, and it would need further analyses whether it is connected to some sort of concentration of power, refers to competing parallel power structures or can just be considered a peculiarity of a small country.

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