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AGRARIAN PERSPECTIVES XXI.

**Local Action Groups and Rural Development Projects: The
LEADER Program in Slovenia**

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ABSTRACT

This paper analyses the influence of a formal and informal system of the Local Action Group (LAG) board's performance on the perception of its members about suitability of rural development projects for LEADER funds co-financing. The unique in-depth survey data was obtained from the surveys with the 103 LAG board's members using the written questionnaire designed for the inquiry and from existing data analysis on projects which were co-financed by the LEADER funds in Slovenia in the years 2008 and 2009. The informal system of performance of the LAG board members was found to influence significantly its members' perception on the suitability of projects to be co-financed by the LEADER axis. The opposite was established for the formal system, which had insignificant influence on the board members' perception on the suitability of projects.

KEY WORDS: LEADER, rural development projects, board members, Local Action Group, formal system, informal system

1. INTRODUCTION

Rural development in the European Union (EU) countries has been supported by different policy measures and initiatives. One of them is the LEADER approach in establishing and supporting local development partnerships in rural development projects (Shucksmith 2000; High and Nemes 2007). The LEADER approach aims at encouraging to establishing and supporting local development partnerships between three groups of local actors – civil society, public administration and private sector – organized as Local Action Groups (LAGs). Our focus is on the LAGs role in rural development projects, which have been supported by the LEADER program in Slovenia.

The LEADER program can bring to rural development a new innovative theme in the way on how to develop the countryside with regard to the agricultural and forestry sector, and the environment and quality of life in the countryside (Hudečkova and Loštak 2008). It is based on the endogenous development concept (Terluin and Post 2001, 3) which builds on the capacities of the local actors. It is determined by three main characteristics which makes a basis of some sort of a postmodern laboratory (Ray, 2000, 174): First, all activities are implemented in a certain local area (not an economic sector any more, as it was in the exogenous development concept), which brings a greater interest of the of local population and interested in inhabitants for the development of the local area where they live in. Second, all economic and other activities implemented in a certain local area multiplies its effects and stays inside the local area. This means that local resources are being used by local actors who want their living area to be safe, healthy and a nice place to live in. Third, it is oriented towards the activation of the skills, knowledge, cooperation, and development capabilities of the local actors. With their participation and integration in the development activities they can get the opportunity to actively participate in the sustainable development of the local area.

The basic assumption of the LEADER approach is that local development potentials exist and they can be strengthened through local initiatives such as by LAGs (Thuesen

2010). These groups are expected to possess a relatively high degree of various intangible forms of capital, especially social capital which is believed to be the most important for LAGs (Loštak and Hudečková 2008). The reason why social capital might be crucial for LEADER approach lies in the fact that through the established network-like cooperation, this can induce synergies and supports in strengthening the roles of other forms of intangible capitals such as intellectual, human and cultural. According to Schumacher (2000, 60), economic development does not come from goods, but from educated, well organized and disciplined people without whom the resources rest unused, latent and only intellectual capital, which is available in the local area and by the local actors living there, they can activate them. So, we can say that the distinctive characteristic of the LEADER approach is that reliance is placed on the people who live in local rural areas, and on their ability to discover what is best suited to their local development area needs (Nemes 2005; High and Nemes 2007).

Lowe (2000) argues that the integration and encouraging network-like cooperation between local people and local actor groups in local development activities does not necessary mean that they possess the appropriate knowledge and experience to implement such local development activities. Therefore, the core question for the LEADER approach is if different groups of local actors really possess the necessary skills, knowledge and capabilities to implement the entrusted local development activities? If this innovative local development approach is to work well, the local actors must have the necessary capabilities or they have to acquire them in order to develop project ideas. They need to have know-how and the human resources to devote to particular local development and local employment activities. They also need to have the financial skills to manage those activities (European Commission 2006, 15). Moreover, when implementing LEADER programmes, some irregularities might appeared such as approving co-financing of the project which had already been implemented, non-transparent selection of the local development projects, the dominant influence of the public sector in the LAG's board and financing of the projects which were not developmental-oriented (European Court of Auditors 2010). All the above-mentioned deficiencies and shortcomings are likely to be due to the lack of appropriate

capabilities of the LAG members. More precisely, of those LAG members who through LAGs participate in the local development activities.

The aim of this paper is to empirically investigate the impact of a formal and informal system of the LAG board's performance on the selection of rural development projects. The LAGs define local development strategies and policies, and make decisions on awarded grants for local development projects, which should comply with the objectives of the local development strategy. The formal and informal system of the LAG board's performance determines the opinion of their members and thus directly and indirectly determines the selection of rural development projects. The empirical analysis using the unique in-depth survey data and related available secondary data is focused on the role of the LAG board's performance in the case of the LEADER programme in Slovenia and particularly in the selection of suitable rural development projects for LEADER funds co-financing.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

One of the main objectives of LEADER is to allow through bottom-up approach participation of local community actors to more effectively voice their needs. The LEADER aims to improve governance mechanisms in rural areas in order to harmonise interests and solve potential conflicting interests by encouraging decision-making process closer to local rural citizens. The LEADER approach through decentralized and bottom-up governance may lead to innovative approaches in rural development (Dargan and Shucksmith 2008), which may contribute to a more efficient use of resources and may lead to a reduction in territorial local rural and social inequalities (Nemes and Fazekas 2007; Nardone et al. 2010).

In this study the focus is on the role of the LAG's board members on efficiency of LEADER related rural development projects. The LAG's board members are appointed under the expected requirement to have all the necessary skills to implement LEADER's rural development activities. Namely, the LAG board is the legal structure responsible for leadership and control of the LAG activities. Each LAG member can be a candidate to become a LAG board member, regardless of education and/or previous

experiences, but by getting enough election votes. An elected member gets the opportunity to have an influence on a direction of the further development of the local rural development projects. The only formal limitation is that the LAG board has to be composed of 50% of public institutions representatives, 25% of economic sector representatives and 25% of civil society representatives. By representing different groups of local actors every member brings a unique insight into the needs of the local rural area development, but may have a quite different level of expertise in serving on LAG's board structures (Irish LEADER Support Unit, 2006). Once composed, the LAG's board should operate in accordance to the adopted rules and regulations regarding board meetings, decisions-making procedures and other formal rules and regulations. This formal system encompasses the LAG's rules and regulations that help the board to function effectively and make decisions (Maharaj 2009, 107). However, only focusing on a formal system of the LAG's rules and regulations alone neglects the LAG's board's actual behaviour and the LAG's board's process. Therefore, in addition to a formal system, also an informal system of characteristics related to behaviours and attitudes that help the LAG's board to function effectively and make decisions should also have to be considered.

Maharaj (2007) shows that the experience and personal attributes of the individuals comprising the LAG board members and the decision-making process of the board's behaviour do affect good organizational governance. The informal system focuses on how formal systems are embedded and translated and goes beyond the superficial adherence to the formal system and looks at three major LAG board members' characteristics that are required for effective decision-making process. According to Maharaj (2007, 72), these three major LAG board members' characteristics are: knowledge, groupthink, and values.

Knowledge represents the actual depth and breadth of knowledge of the LAG board members. Knowledge is a prerequisite for LAG board members and involves the knowledge base and expertise of individual LAG board members. They need it to better understand issues and to be able to synthesize received information and to be fully engaged in discussion and dialogue during LAG board meetings. Yet, it does not mean

that LAG board members should be experts, rather knowledge should encompass their ability to critically evaluate received information. Furthermore, LAG board members should also possess learning capabilities which include their ability to absorb new knowledge, to synthesize this knowledge and to develop problem-solving skills, i.e., ability to create new knowledge (Maharaj 2007). The knowledge base of each LAG board member should fit the needs of the LAG. Therefore, it should include knowledge of the seven key features that summarize the LEADER approach, acquaintance of the Local development strategy and the knowledge needed to identify the potential for further development of the LAG's rural development area. Moreover, they should be willing to share this knowledge and expertise to ensure effective decision-making and not be afraid to ask tough questions in a case that they are not clear about an issue.

Groupthink represents LAG board members' ability to interact or the groupthink mentality of LAG board members and the level of engagement and questioning of LAG board members. More specifically, Maharaj (2007, 75) called groupthink "when receiving information, board members may succumb to the persuasive power of their peers in their thinking patterns and opinions." Groupthink occurs when a person's thought process and decision-making capabilities become heavily influenced by peer pressure. This may cause the group to overestimate their power and morality, causing the members to ignore the ethical or moral consequences of their decisions. This pressure may cause the LAG group members to withhold their opinions for fear of having an opinion different from that of the group. This silence may create a domino effect where silence may be considered as consent among the LAG group members. If a LAG member expresses a strong argument against the majority of the group, however, direct pressure may be exerted on that member to ensure that the LAG member understands that dissent is contrary to what is expected of loyal members. The level of participation among LAG board members at board meetings can be used to reduce the negative effects of groupthink. LAG board members, however, need to be able to think independently and not conform to in-group pressures. Thus, it is necessary that LAG board members question each other and the management to preserve the integrity of the information and avoid groupthink. If board members are not able to think

independently, free from group pressures, then this may adversely affect the decision-making process.

The values of the LAG board members measure both personal and organizational values. According to Maharaj (2007, 74) values, both personal (such as beliefs, education and social status) and organizational (as expressed in the organization's code of ethics, vision and mission statements), may elicit a more valuable insight into the LAG board members. They are important as they determine the choices that are made by the LAG board member. Therefore, it is important that they are aware of their personal influence in the decision-making process. During LAG board meetings, board members must ask tough questions, use their knowledge and experience, and refer to the organizational values when making strategic decisions. As LAG board members refer to the company values, a sense of cohesiveness will be established among board members and this synergy will enable the board to act as a unified body. LAG board members must also act honestly, be committed to their function, avoid conflicts of interest and put their own personal interests behind them.

While in general LEADER approach can be beneficial for local communities in addressing rural problems and promoting rural development, there are a rare studies to investigate formal and informal systems that might cause effectiveness of LEADER rural development partnerships. Experience with the implementation of the LEADER approach in EU countries shows that local actors need time to build up the strategic and operational capabilities necessary to design and implement a local development strategy in the framework of a larger rural development programme (European Commission 2004b). As is the case in the new Member States of the EU, they are less prepared for this endeavour, which may require a whole programming period for experimental and preparatory steps. On the other hand, experienced local stakeholders may develop expensive, bureaucratic and technocratic behaviours and isolate the group from other local actors (Kováč 2000; Marquardt, Möllers and Buchenrieder 2012).

This paper aims to fill this gap in literature by analysing factors of the formal system (as the only criterion followed when forming the LAG's board) and the informal system on which the LAG's board in Slovenia operates (as the basis to analyse the knowledge

and abilities of the LAG board members to implement rural development activities) and empirically test their influence on the LAG member's opinion which rural development projects are suitable to receive LEADER co-funding.

The main thesis of the study is that based on the opinion of the LAG board members, which projects are suitable for LEADER co-financing, this is influenced by both formal and informal systems: the informal system which reflects the knowledge and ability of the LAG board members to implement development activities, is more important than the formal system.

The main thesis is empirically tested by the following two hypotheses (H):

H1: The opinion of the LAG's board members on which rural development project is suitable for LEADER co-financing is positively associated with the LAG's board informal system.

H2: The LAG's board formal system has an ambiguous impact on the opinion of the LAG's board members on which rural development project is suitable for LEADER co-financing.

3. METHODS

The research has been designed in three steps. Firstly, in the way that the LAG's Annual implementation plans (AIP) for the years 2008 and 2009, when LEADER projects first started to be implemented in Slovenia, have been analysed in order to establish what kind of projects were recognized as suitable for LEADER co-financing in this period.

Secondly, based on the analysis of the implementation results a questionnaire was developed through which the formal and informal system was analysed using Likert's type scale from 1 = not important at all to 5 = the most important. The questionnaire consisted of five sets of questions: first, the knowledge of the LAG's board members was measured. Second, the group thinking inside the LAG's board was measured. Third, the values of the LAG board members were measured. Fourth, the formal factors were measured. Fifth, genuine information such as age and education was measured.

The questionnaire was pre-tested on a pilot sample of 5 members of LAG board members. After then it was entered into a web tool and a link with an invitation to participate in the research was sent by e-mail to all 267 LAG board members in Slovenia between 15 March 2011 and 15 May 2011. In the survey 38.58% of all the LAG board members participated or 103 respondents fully completed the written questionnaire: 59 women (57.3%) and 44 men (42.7%). Average age of the respondent is 44 years (vary from 29 to 65 years). By education, the structure is the following: 21% secondary education, 22% higher education, 52% high or university education, and 5% master or PhD. This implies high level of formal education, which does not necessary guarantee a suitable knowledge and skills for the LAG needs. By the representation of local action groups, the structure is: 49.5% from the public sector, 29.1% from civil society, and 21.4% from the private sector.

Thirdly, the unique in-depth survey data obtained from the questionnaire designed for the inquiry has been analyzed using quantitative methods: first, descriptive statistics. Second, multivariate factor analysis and the regression analysis are used to test the two set hypotheses on the association between a formal system, an informal system and the perception of the LAG board members about which projects are suitable for LEADER co-financing.

4. RESULTS

Projects co-financed by LEADER in Slovenia in the period 2007–2009

In the programme period 2007–2013, an axis LEADER has been implemented in Slovenia for the first time. In order to find out how successful Slovenia has been in taking the first steps of implementing LEADER, some basic data was collected. In the years 2008 and 2009 two public tenders were published and 33 LAGs were approved for co-financing, which covers in total 97% of the Slovenian territory (without towns). With the intention of gathering more information, the AIPs for the years 2008 and 2009 were reviewed.

Firstly, the amount of funds spent was analysed and the results showed that in the observed period for co-financing the LEADER projects, €6.2 million had been

allocated, which represents at the end of the first half of the programme period only 26% of all available LEADER funds. This lack of spending is a result of delays in establishing legal rules and legislation at the EU and national level and corresponds to the situation at the EU level.

Secondly, the structure of the final beneficiaries was analysed and the findings clearly show a strong domination of beneficiaries from the public sector. More specifically, in the years 2008 and 2009 the final beneficiaries in 58% of all projects approved for co-financing with LEADER funds were from the public sector, 27% of the final beneficiaries were civil societies and only 15% of the final beneficiaries came from the private sector. The reason for such a distribution of LEADER funds may be related to the fact that the public sector has more experience in managing EU projects and has better access to financial resources to provide assets for financing or co-financing of the projects. But based on the experience from the LEADER + (European Commission 2004a) another possible interpretation would be that in the LAG's boards, the public sector representatives have a greater influence in the decision-making process, which means that their proposed projects have a greater privilege and thus biased advantage in the selection process. An additional explanation is that the LEADER approach is not well known among potential beneficiaries in Slovenia as is apparent from the interim report of the Regional development programme 2007–2013 in Slovenia (MAFF 2010) and as a result, such a biased beneficiaries' structure may occur. MAFF (2010) also states that the LAGs are not active enough in promoting LEADER approach opportunities for local rural development.

Thirdly, the analysis of the content of the approved projects for co-financing by the LEADER funds in the years 2008 and 2009 showed that almost 27% of the projects cover topics related to the development of the tourism offers in the countryside. In addition, 15% of the co-financed projects were in the field of education and 11% of the co-financed projects were related to investments in the municipal infrastructure and public facilities, events and similar activities. Moreover, 9% of the co-financed projects were in the fields of natural, cultural and ethnological heritage, 8% in marketing and promotion of the local products, 6% in preparation of projects documentation and only

3% for private investments. Yet, an in-depth review of the contents of the approved projects for co-financing by LEADER showed that also projects which bring nothing new to the area with contents that have already been implemented in the area meaning the danger of a deadweight loss, they were also recognized as a suitable. Those include different traditional events, well known among people, investments in municipality buildings and activities that would have to be paid from their own resources such as arrangements to do with the school boiler, kindergarten surroundings, purchase of chairs, set up of the municipality's official web site, maintenance of the municipality's building surroundings, financial support for running the sport's and cultural societies. One would argue it is very difficult to find LEADER features in those activities or they could not reveal an innovative character, which is thought to be the biggest advantage of the LEADER programme.

Finally, regarding projects in order to improve the knowledge and abilities of the local actors to participate in and implement development activities, the results showed that none of the projects in the field of education was oriented towards capacity building of local actors. Instead of local capacity building development, the contents of the projects were related towards the traditional topics such as learning of foreign languages, the use of the internet and information and communication technologies and learning how to cook, which supply is widely available on the market. This finding suggests the conclusion that the LAGs in Slovenia, similar to the LAGs in the other EU countries (Maye, Kirwan and Simson 2010), they consider unnecessary to gain more knowledge in capacity building in the topics related to fostering rural development.

To sum up, the Slovenian initial LEADER experiences confirmed main similarity with the previous experiences at the EU level in terms of the tendency of the public sector to prevail in the decision-making process and in their perception of LEADER as an additional source for financing their local projects (European Commission 2004a). In addition, the main initial orientation of the Slovenian LAGs was tourism development, which was also the main field of investment at the EU level in previous LEADER programmes (European Commission 1999). Considering that small and medium sized enterprises have been the main generator of jobs in the rural area, there is a need for the

creation of innovative rural development projects that originate in the private sector and actually address the development problems in the local area.

Recognition of the main LEADER features among the LAG board members

In order to investigate the influence of the formal and informal system on the performance of the LAG board members, the written questionnaire was developed. One of the questions was devoted to determine how in-depth the LAG board members were acquainted with the seven distinctive characteristics of the LEADER approach. Namely, the position of the European Commission (2004b) is that many difficulties, which occurred when implementing LEADER, could have been avoided with better recognition and compliance of the basic LEADER features. The results of the conducted research showed that the most recognized LEADER features among the LAG board members were that the Local development strategy originates from the local area (81%), the LAG role in public–private partnership (72%), and the bottom–up approach (71%). However, only a half of the LAG board members recognized cooperation and innovativeness as a LEADER feature, and less than a quarter knew that a LEADER characteristic is also a networking and multi–sectoral and integrated initiatives. LEADER is a very specific approach, which builds on the intangible forms of capital. If not properly understood even among the key local stake holders, i.e., among the LAG board members, who are supposed to act in the “LEADER spirit” and promote LEADER approach, its overall effectiveness can be questionable.

These findings are also reflected in the opinion of the LAG board members on their perception and possible selection choice of rural development projects, which are suitable for LEADER co–financing. Among the respondents, 76.69% of the questioned LAG board members were familiar with the fact that such projects should be in line with the Local development strategy. Furthermore, only 71.84% of the respondents thought a LEADER co–financed project should be developmentally oriented in order to bring to the local area new products and new solutions. Yet, 31.68% of respondents thought municipality projects were eligible for LEADER co–financing simply because municipalities contribute the largest part of co–finances. This should not be a selection reason for approving a LEADER project for co–funding. However, a structure of the

final beneficiaries in 2008 and 2009 clearly proves that this is important for the project approval. 27.18% of respondents believed that LEADER projects should be mostly from the area of tourism and 23.3% from the area of agriculture. 21.36% of the LAG board members who participated in our written questionnaire survey even thought that LEADER co-financing was more suitable for projects, which have already been implemented in the local area because this fact represented less risk in its implementation.

These findings clearly show a lack of understanding of basic LEADER features among the LAG board members. This is also reflected in the range and content of the projects approved for LEADER funds' co-financing in 2008 and 2009.

Informal system, performance of LAG board members and the selection of the development projects co-financed by LEADER

Knowledge

For the purpose of this study, factor knowledge was measured with the questionnaire, by the LAG board members as the respondents, which had to choose on the scale from 1 = totally disagree to 5 = totally agree on how they gained additional knowledge, which they needed to participate in the LAG board process. The empirical results showed that the arithmetic mean for the statement "if I do not know the topic that is being discussed at the board meeting very well I will ask my acquaintances who are experts in the field" was found at 3.68, with the statement "I know all the topics that are being discussed at board meetings very well" arithmetic mean value at 4.03, and with the statement "I will seek the knowledge I need as a board member in the professional literature" arithmetic mean value at 3.09. It was also investigated on how well they knew the basic documents related to the LEADER programme in Slovenia (such as LEADER basic guidelines, Local development strategy, and Regional development programme for the period 2007–2013) and the results for the mean value were between 2.93 and 3.83.

To sum up, it was established that many LAG board members in Slovenia did not know the basic development documents, and did not know the topics that were being discussed at the LAG board meetings. Yet, in general, they did not seek extra

knowledge in the professional literature or ask acquaintances who were experts in the field.

Groupthink

Factor groupthink was measured with the questionnaire, where LAG board members had to define their perception towards the following statements (from 1 = totally disagree to 5 = totally agree):

- If I do not know a certain topic that is being discussed in the board meeting well enough I would support the opinion of the majority (arithmetic mean value = 2.99).
- The opinion of each board member is considered equal to the opinions of the others when decisions are being made (arithmetic mean value = 3.86).
- Every board member has the opportunity to state his or her opinion (arithmetic mean value = 4.24).
- When I am certain that I am right, I hold strongly to my opinion even though it is opposite to the opinion of the majority (arithmetic mean value = 3.72).
- Asking tough questions is well accepted in our board (arithmetic mean value = 3.73).
- Usually I do not interfere in the discussion at board meetings (arithmetic mean value = 2.10).
- In our board decisions are made after constructive debate and consensus (arithmetic mean value = 3.83).
- I estimate my influence in the board as important (arithmetic mean value = 3.54).

This analysis indicates a rather disturbing situation and a clear presence of groupthink in the LAG board's process. Considering that for almost two thirds of the projects in the years 2008 and 2009 the beneficiaries were from the public sector and that one third of in this research participating LAG board members think municipalities' projects are

eligible for LEADER co-funding simply because they contribute a great deal of funding to the LAGs, it can be established that apart from the lack of knowledge, groupthink also contributes to discrepancies in the LEADER implementation.

One of the issues that influences the presence of groupthink in LAG board meetings is the dedication to the function; whether all board members participate at board meetings; if board members are able to respect the views of other board members even when these views might be different; if new board members are comfortable asking questions and whether there is a high level of 'independent-mindedness' on the LAG board. In our written questionnaire, LAG board members were asked to state how often they (from 1 = never to 5 = always):

- Attend LAG board meetings (arithmetic mean value = 4.13).
- Examine the material before a board meeting (arithmetic mean value = 3.86).
- Consult an expert before the LAG board meeting about the topics they do not know so well (arithmetic mean value = 3.36).
- Consult with other LAG members whose representatives they are (arithmetic mean value = 2.93).

As we can see from the answers, the respondents from the LAG boards rarely consulted with other LAG members although they were elected to represent their opinion and interests. Apart from this, they attended the LAG board meetings on a quite regular basis even though they were not well prepared and they did not study the material they received before the meeting. Here is confirmed once again that the formal system itself is not enough. In a spite of a fact that the LAG board member receives the material for the board meeting on time, it is less likely to be studied for a meeting in advance. It is also questionable how legally does the dictated formal composition of the LAG board contribute to equally represented opinions from all three groups of local actors if the actual representatives do not come prepared to the LAG board meetings, or they do not consult other LAG members, or they succumb to peer pressure or do not even understand what LEADER is all about.

Values

For the purpose of the written questionnaire study the following questions were asked (from 1 = totally disagree to 5 = totally agree):

- Our LAG has clearly established its strategic goals (arithmetic mean value = 3.75).
- LAG board members put their own interests behind them when decisions are being made (arithmetic mean value = 3.44).
- The values of our LAG board correspond to my own personal values (arithmetic mean value = 3.64).

From these statements it can be deduced that LAG board members in Slovenia are not quite familiar with the values of their LAG or that the values are not clearly stated. That might also be the reason for the fact that not all board members put their own interests behind them when decisions regarding important LAG issues – such as financing of projects – were being made.

Formal system, performance of LAG board members and the selection of the development projects co-financed by LEADER

The formal system is set in the official documents and contains rules and regulations. Our intention is to establish whether the formal system had any influence on the LAG board members' perception on which projects were suitable for LEADER co-financing and were developmentally oriented. The respondents were asked to evaluate the influence of the following activities (from 1 = does not influence at all to 5 = has a major influence):

- Frequency of LAG board meetings (arithmetic mean value = 2.62).
- Delivery of materials within the specified period (for example 5 days before the LAG board meeting) (arithmetic mean value = 2.94).
- Formal structure of the LAG board (arithmetic mean value = 2.89).
- Formal decision-making process (arithmetic mean value = 2.93).

As we can see the LAG board members estimated that the formal system does not have significant influence on the performance of LAG Board Members and on the selection of the developmentally oriented rural development projects, which are co-financed by LEADER.

Testing of set hypotheses

The testing of set H1 was conducted in two steps owing from a larger number of variables that are used in the analysis. In the first step by using the factor analysis, common factors were deduced from the individual variables that were measured using the written questionnaire and then in the second step the regression analysis was used to test the set of H1. Finally, the set of H2 was tested by using only regression analysis.

Testing of set H1

With the factor analysis all the collected data for variables was analysed and five new common factors in the informal system were created: specific knowledge, willingness to obtain information, decision-making process, commitment to the function, and values. All five new common factors were applied for the purpose of testing H1 with the regression analysis.

The regression results in Table 1 show the following:

Factor specific knowledge, which measured the acquaintance with the basic LEADER related documents, had a positive impact on the LAG board members' perception that LEADER projects should cover the widest possible range of LAG areas.

Factor willingness to obtain information, which measured how well LAG board members knew the topics that were being discussed at the LAG board meetings, how often they sought additional information in their social network and in the literature, had a positive impact on the LAG board member's perception that not only tourism projects or agricultural projects were suitable for LEADER co-financing.

Factor the decision-making process which measured if all LAG board members had equal possibility to state their opinion, if they were equally taken into account, if they expressed and defended their opinion even when it was different from the others, asking tough questions, and the level of involvement in discussion and making decisions based

on consensus, had a positive impact on the opinion of the LAG board members that for LEADER co-financing projects should be developmentally oriented.

Table 1. Regression analyses for testing of the set H1

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Specific knowledge	-0.086	0.085	-0.031	0.002	0.195**	-0.041	0.064
Willingness to obtain information	0.103	0.057	-0.161**	-0.243***	-0.011	-0.055	0.076
Decision-making process	0.087	0.157***	-0.091	-0.071	0.067	-0.018	-0.009
Commitment to the function	-0.200***	0.013	0.050	0.082	-0.068	-0.131**	0.030
Values	0.042	-0.095*	0.099*	0.086	-0.049	0.109**	0.030
Constant	0.311***	0.718***	0.272***	0.233***	0.515***	0.214	0.408***
Adj. R ²	0.107	0.189	0.101	0.178	0.059	0.143	0.035
F-test	3.44	5.77	3.287	5.411	2.279	4.398	1.733
N	102	102	102	102	102	102	102

Dependent variables:

- (1) Projects in the municipality interests because they contribute the most of finance.
- (2) Developmentally oriented (formation of new approaches, products, services).
- (3) Particularly from the field of tourism.
- (4) Particularly from the field of agriculture.
- (5) Project activities should cover the broadest area of the LAG.
- (6) Already conducted at the LAG area, because such projects represent lower risk in implementation.
- (7) Innovative if their effects are not visible immediately it is nothing wrong because they encourage in searching of new solutions.

*, **, *** indicate significance levels at 10, 5 and 1 percent respectively.

Factor commitment to the function which measured how often LAG board members attended LAG board meetings, if they read the material before LAG board meetings, if they obtained additional information about the topics they did not know well enough, how often they consulted with other LAG members, had a positive impact on the opinion of the LAG board members that municipalities' projects were not suitable for LEADER co-financing simply because municipalities co-funded LAGs.

Factor values also had a positive impact on the LAG board members' perception that projects which had already been implemented and posed a risk of a deadweight loss were not suitable for LEADER co-funding.

Key findings partially confirmed of set H1 that the informal system had an influence on the perception of the LAG board members on which projects were developmentally oriented and suitable for LEADER co-financing.

Testing of set H2

When testing of set H2 the regression analysis was used and the results confirmed that the formal system of the LAG board did not have a statistically significant influence on the LAG board members' perception on which projects were developmentally oriented and suitable for LEADER co-financing (Table 2). Therefore, these results clearly proved that formal rules and regulations were inadequate; they had little effect upon decision-making by LAG board members.

Table 2. Regression analysis for testing of the set H2

	(1)
Frequency of LAG board meetings	0.094*
Delivery of materials within the specified period (5 days before the LAG board meeting)	-0.113**
Formal structure of the LAG board (public sector, civil society and private sector)	0.002
Formal decision-making process (voting)	0.057
Constant	0.144
Adj. R ²	0.019
F-test	1.493
N	102

Dependent variable: (1) Particularly from the field of agriculture.

*, ** indicate significance levels at 10 and 5 percent respectively.

To sum up, informal system must be considered in unison with the formal system when discussing the performance of LAG board members and the effect it has on the selection of the projects which are co-financed by LEADER funds.

5. CONCLUSION

Slovenia has, in the programme period 2007–2013, met with the implementation of the LEADER approach/axis for the first time. Based on the experiences of other EU countries, it was expected that it would take time to optimize the operational axis of the implementation process of LEADER and to build the local group actors capability. In terms of the implementation of formal procedures, it can be established that Slovenia has been quite successful, as 33 confirmed LAGs currently operate in Slovenia, which cover almost the entire Slovenian rural areas and receive LEADER axis funding for their operation. With a 12% realization of spending on the LEADER axis until the end of September 2010, Slovenia, together with the Czech Republic has been the best in realization of the LEADER axis between the new EU countries that for the first implemented the LEADER approach.

A rather different picture is evident regarding the capability of local stakeholders for the implementation of LEADER development activities. A unique in-depth survey using the written questionnaire was conducted among LAG board members. It clearly showed that the respondents knew little about the basic features of the LEADER approach. The most recognized features, as identified by two-thirds of the respondents, were public-private partnerships, a Local development strategy that originated from the area, and a bottom-up approach. Approximately half of the respondents knew that the basic features of the LEADER approach were co-operation and innovation, and only a quarter of the respondents knew that for this approach, networking and integrated and multisectoral actions were also typical. Similar findings were established at the EU level and particularly for a new EU Member State such as the relevance of social networks for LEADER in Romania (Marquardt, Möllers and Buchenrieder 2012). The European Commission even considers that several irregularities regarding the implementation of LEADER programmes derive from the lack of recognition of the basic characteristics of the LEADER approach.

An analysis of the AIPs for the years 2008 and 2009 showed the strong domination of the public sector among LEADER co-financing beneficiaries. Although they have more financial resources and knowledge to implement various project's activities, the results of a survey among LAG board members showed that the reason for this structure also lies in the lack of recognition of the basic LEADER features, specific knowledge of the LAG board members, their willingness to obtain information, the decision-making process, commitment to the function and their values.

The regression analysis confirmed the set of H1 that the perception of the LAG board members on the suitability of rural development projects for co-financing by the LEADER axis has been positively associated with informal system of the LAG board's performance. It has also confirmed the set of H2 that formal system of the LAG board's performance has had an insignificant impact on the perception of the LAG board members on a selection of projects of rural development, which were suitable for co-financing by the LEADER axis.

As a recommendation for a more effective and efficient implementation of the LEADER axis, it follows that more attention should be devoted to improving the capability of the LAG board members. In particular, they need to improve their knowledge regarding the basic features of the LEADER approach and ensure the transparent operation of the LAG board and a systematic evaluation of its performance. Finally, it is necessary to increase the awareness that learning by their own mistakes is time-consuming and costly, and that it would make much more sense to look at good practice in the LAGs around the EU, which have had many years of experience and are in a more developed stage. Therefore networking and transnational cooperation as an instrument for the exchange and introduction of new methods and best practices in rural development is an opportunity to build and strengthen the capacity of LAGs in Slovenia and other new EU countries which are building their local development capacities in the frame of LEADER axis.

The informal system of performance of the LAG board members was found to influence its members' opinion on the suitability of projects to be co-financed by the LEADER

axis. The opposite was established for the formal system, which had insignificant influence on the board members' opinion on the suitability of projects.

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