

## **WHAT IMPACT OF LOCAL ACTION GROUPS ON SOCIAL CAPITAL AND LOCAL DEVELOPMENT?<sup>1</sup>**

**Antonio COSTA**

Department of Management, Economics, Mathematics and Statistics  
University of Salento  
Lecce, Italy  
*antonio.costa@unisalento.it*

**Fabio DE MATTEIS**

Department of Management, Economics, Mathematics and Statistics  
University of Salento  
Lecce, Italy  
*fabio.dematteis@unisalento.it*

**Daniela PREITE**

Department of Management, Economics, Mathematics and Statistics  
University of Salento  
Lecce

Department of Public Management and Policy  
SDA Bocconi – School of Management  
Milan, Italy  
*daniela.preite@unisalento.it*

**Alessandra TAFURO**

Department of Management, Economics, Mathematics and Statistics  
University of Salento  
Lecce, Italy  
*alessandra.tafuro@unisalento.it*

***Abstract:** The European Commission, through the reform of the Structural Funds program, has introduced a new cohesion policy for local development based on the concepts of subsidiarity, partnership and programming. Local Action Groups (LAGs), as public private partnership, are essential for the implementation of the European LEADER program by supporting integrated territorial development strategies of a pilot nature, based on a bottom-up approach. In this study adopting a statistical approach, the LEADER program, through the Local Action Group, is investigated as a model of multilevel governance useful in promoting local development, focusing on the formation of social capital, and strengthening relations and partnership synergy. To this aim a questionnaire has been addressed to all the 132 LAGs operating in Italy. The research highlights the role played by LAGs in generating a collaborative network and social capital, contributing to the achievement of the objectives of local development.*

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<sup>1</sup> Although the article has been written jointly by the Authors, par. 1 and 7 can be assigned to Costa A., par. 2 to De Matteis F.; par. 3 to Preite D. and par. 4,5,6 to Tafuro A.

## **1. INTRODUCTION**

The European Commission, through the reform of the Structural Funds program, has introduced a new cohesion policy for local development based on the concepts of subsidiarity, partnership and programming (Westholm *et al.* 1999, Bache, 2008, Batory & Cartwright, 2011, European Commission 2012, Hall *et al.* 2014). The Community Initiative LEADER, for these reasons, encourages the creation of Local Action Groups (LAGs), which are based on a set of relationships that begin from the same resource exploited in order to achieve goals that would not otherwise be reached or would result in higher costs. To this end, social capital becomes a connective resource shared among a multiplicity of stakeholders willing to experience this as a group which can impinge on the governance of rural areas (OECD 2013, p. 241).

With this in mind, this work intends to establish, through a statistical survey in the Italian context, whether or not local partnerships (LAGs) actually contribute to the building up of social capital of local community and the development of cooperative willingness. This brings an enhancement of a more efficient utilization of available resources and an improvement of the exploitation of development opportunities. The basic idea is that increasing cooperation and trust between private and public members of the LAGs may influence the development process.

The article contributes to the literature in the following ways.

Firstly, it presents an in-depth study of the Local Action Group that has rarely been studied before. Secondly, the article attempts to open up a perspective of the literature on multilevel governance, social capital and policy networks in the European polity that valorises the local characteristics in order to increase the competitive advantage of each region (European Observatory, 2007). The increased competitiveness of the regions attracts and retains a flow of capital and people into the territory, thus contributing to the creation and development of economic activities.

The remainder of this paper is structured as follows. Section 2 reviews the key literature relating to new form of governance in rural areas, while Section 3 provides a summary of the relevant features of the LEADER approach, highlighting the role of networks and social capital. Section 4 focuses on the main features of the LAGs and highlights how social capital could be a particularly interesting concept within the framework of the European Union's regional economic restructuring policies, such as the LEADER initiative. The analysis considers the LAGs located in Italy.

We have verified, with the help of the SPSS software and the procedure developed by Preach and Hayes (2008), whether there is a connection between the LAGs' activities and rural development mediated by social capital. After having verified the existence of this connection, the social capital is divided into "internal social capital" and "external social capital" so as to assess which of the two has a greater affect on local development. The methodology is presented in Section 5, followed by the key findings of the study (Sections 6). Section 7 reflects on the findings from the context of future policy development and provides some concluding remarks.

## **2. A NEW FORM OF GOVERNANCE IN RURAL AREAS**

The emerging general trends in the governance of public policies in all European countries (Goodwin 2005; OECD 2006) have imposed new needs on the organisation and management of development policies and, above all, have introduced new variables in the governance of public policies. The evaluation of governance is therefore surely one of the central themes in understanding the function of public policies and the opportunities in order to improve their overall efficiency and effectiveness (Lowndes, 1997, Lynn et al. 2000).

Formally constructed policy networks are becoming increasingly more important in supporting the policy-making process and good governance, and are recognized as powerful tools used in improving coherence and cooperation and in implementing modern public policies (Kickert et al. 1997).

In order to promote rural development numerous policies and changes to governance are necessary as it requires co-ordination across various sectors, different levels of government, and between both public and private entities (Hooghe, 1996, Jordan 2001, Ansell et al. 2008, Piattoni, 2010, Stephenson 2013). Several countries are therefore shifting their approach to a focus on places rather than on sectors and placing emphasis on investments rather than on subsidies (OECD, 2006).

Governance specifically refers to the development of governing styles where boundaries between and within public and private sectors have become blurred (Stoker 1998).

The term governance indicates a significant change in the processes by which rural society is governed and rural policy is delivered. Policy evaluations typically involve institutions and other entities beyond government, and, presumably, produce a greater complementary, cross-cutting knowledge than that of the government alone (Ansell & Gash, 2008, Emerson et al. 2012). The new paradigm of governance, in principle, gives an expanded role to the evaluation during the forming and shaping of rural policies at different levels (Marks, 1996, Peters and Pierre 2000, Skelcher, 2005).

There are various factors influencing the transition towards new forms of governance. In most Member States, national policy for rural areas is predominantly focused on maintaining macroeconomic stability to enable firms and individuals to plan for the future and on implementing microeconomic reforms to remove the barriers which prevent markets from functioning efficiently. National macroeconomic policy is probably the most important factor supporting the development and diversification of the local rural economy. The problem is, however, that national policy has, in many cases, not been taking into account local or even regional variations. In addition, many national policy programmes which try to address "local rural problems" seem to have been designed by experts and researchers who do not possess direct contact or knowledge of what happens locally. Critics suggest that they have focused on introducing new theoretical models without being aware of the real local issues at play. However, Member States are increasingly recognising the scope for action at regional and/or local levels.

Governance, in the specific case of rural areas, involving the different levels of government, increases the complexity of institutions and entities that participate in the

collective decision-making processes. In the available literature, the development of the theme of rural governance is undoubtedly tied to various forms of local cooperation and the involvement of local communities. As highlighted by Goodwin (1998), the institutional map of rural government has been transformed into a system of governance that involves a wide range of agencies and institutions deriving from the public and private sectors and voluntary service. The increasing diffusion of public-private partnerships has been considered by a great number of scholars (Stoker 1998, Westholm et al. 1999, Glendinning et al. 2002, Moseley 2003) as the most tangible sign of a general change in governance systems.

The concept of governance has, over the years, gained momentum and a wider meaning: apart from being an instrument of public affairs management, or a gauge of political development, governance has become a useful mechanism to enhance the legitimacy of the public realm. The literature is characterized by a terminological and conceptual confusion (Kersbergen and Waarden 2004); the reason is due to the variety and variability the word can assume with reference to the theoretical perspective adopted. Therefore, the actual meaning of the concept depends on the level of governance we are talking about, the goals to be achieved and the approach being followed.

Many scholars - such as Rhodes (1997) and Kettl (2000) - argue that the spread of new modes of governance depends on the crisis of the State, and these new models are characterized by an increasing number of types of partnerships among private and public members. For this reason networks and their collaboration with each other are becoming always more essential to promote collective wellbeing and to guarantee positive inter-institutional cooperation (Agranoff & McGuire, 1998). With this in mind, governance is considered to possess the capacity to coordinate the activities of a number of stakeholders that cooperate to obtain shared goals, even if they also work to obtain their own personal goals (Pierre 2000).

In this perspective, partnerships are networks in which the members try to solve the problems of social coordination through collective collaboration, rather than with the use of hierarchy or control (Glendinning et al. 2002, Kooiman 2003).

The networks constitute the main approach to governing and the partnerships represent organizational structures that manage the interaction among diverse ways of governing.

The influence of the public sector is changing, from a direct controlling body to a collaborative participant. This means that the public sector cooperates with the private one in order to share responsibility, authority and resources and to recognize the opportunity to obtain benefits deriving from the results of the new shared policies.

With this view point, there are two very important elements: the first one is the revision of the public sector's role with reference to the definition of territorial policies, and the second one is the importance of cooperation and the combination of resources, professionalism and skills coming from both public and private entities.

The rural economy are driving policies towards a multi-sectorial approach to rural areas and it also supports a culture of cooperation across different sectors and at all levels of government fostering public-private partnerships, and mobilising new resources at local levels.

The systems of governance for rural areas need to offer a greater role for partners at regional, sub-regional and local levels (Zonneveld *et al.*, 2012), while national governments need to ensure better overall coherence and co-ordination as well as technical support for policy-making. Another challenge is the involvement and engagement of private stakeholders and citizens in general.

All these adjustments require an appropriate governance framework to be effective.

To respond effectively to local needs, full dialogue and participation are needed between all stakeholders at every step: from the idealisation to the implementation, and from the monitoring to the evaluation of each programme.

The participation of local entities in the decision-making process is growing through the partnerships and thus wiser and fairer decisions are being made in every development initiative which affects them. In particular, rural development should be implemented in partnership with local and regional authorities in line with the principle of subsidiarity which involves delegating responsibilities to lower levels consistent with their efficiency and effectiveness. The interaction, coordination and cooperation among several partners fostered by the LAGs is supposed to produce a disproportionately high beneficial impact relative to the resources committed (Farrel and Thron, 2005).

Good governance requires mediation of the different interested parties of society to reach a broad consensus on what is in the best interest of the whole community and how this can be achieved. It also requires a broad and long-term perspective on what is needed for sustainable human development and how to achieve such a development.

Accountability is a key requirement for good governance (Meadowcroft, 2007, Papadopoulos, 2010). Not only government institutions but also the private sector's organizations and the common citizen must be all accountable to the public and to their institutional stakeholders.

In general, an organization or an institution is accountable to those who will be affected by its decisions or actions. Accountability cannot be enforced without transparency. Transparency is intended as all decisions taken and their application, done in accordance to the existing rules and regulations. It also means that information is freely available and directly accessible to those who will be affected by such decisions and their application. It also means that enough information is provided and that it is presented in an easily understood form accessible in different types of media.

The operational characteristics of a new form of governance in rural areas are examined through the example of the LEADER programme which is considered to be a very successful rural development initiative of the European Union. In fact, the LEADER program - with its capacity to tackle development problems through new forms of partnerships and linking activities - influences national, regional and local administrations and their decision making policies.

### **3. THE LEADER APPROACH**

The European Union has always been concerned with the implementation of a rural development policy. Over the past 20 years, the LEADER (Liaison Entre Actions

de Développement de l'Economie Rurale) approach to community-led local development, financed by the Structural and the Rural Development Funds, has helped rural actors consider the long-term potential of their local region, and proven an effective and efficient tool in the delivery of development policies.

In 1988, the Community set up a specific framework devoted to rural areas along with the encouragement of integrated rural development under the reform of the structural funds. In 1993 rural areas received further political recognition within the EU through a specific citation in article 130A of the Maastricht Treaty which identified rural areas as a priority for assistance under the EU policy for economic and social cohesion. In particular, the rural development policy is an increasingly important component of the common agricultural policy (CAP) and its goal is to promote sustainable development in Europe's rural areas addressing economic, social and environmental concerns.

The LEADER Community Initiative (CI) was one of the first tools used by the EU for the purpose of integrated rural development. The first programme, LEADER I, followed by LEADER II and then LEADER+, reinforced the local identity of the regions in which they were implemented. In this sense, LEADER is an innovative approach because it encourages rural territories to explore new ways to become or to remain competitive, to make the most of their resources and to overcome the challenges they may face. Since it was launched in 1991, the LEADER initiative has been working to provide rural communities in the EU with an effective method which involves local partners in steering the future development of their own area.

The main concept behind the LEADER approach is that, given the diversity of European rural areas, development strategies are more effective and efficient if they are decided on and implemented at a local level. Having as a reference a definitive area, it is easy to recognize the local strengths and weaknesses, threats and opportunities.

For this reason, the European Commission stresses that this approach is likely to work better than other approaches because it allows actions to be tailored more precisely to suit the area's real needs and local competitive advantage. This approach is comprised of:

- area-based local development strategies developed and delivered by local public-private partnerships (local action groups, LAGs);
- a bottom-up approach for the implementation of the local development strategies,
- the implementation of innovative approaches,
- the implementation of co-operation projects, and the networking of local partnerships.

The local development strategy is important for two reasons. Firstly, the process of drawing up the local development strategy provides the partnership with one of the main tools for building support and alliances for the implementation of the programme at both local and supra-local levels. Secondly, once the strategy has been prepared, the plan may be useful in giving legitimacy to negotiations with new members and in integrating more themes into the process.

The bottom-up approach means that local players participate in the decision-making on the strategy and in the selection of the priorities to be pursued in their local area. Development practitioners have many opportunities to customize programming for

the needs of their specific area remaining within the organizational structure and activity parameters defined by the European Commission. The real added value of LEADER is the contribution of all local stakeholders, both public and private. This is achieved by taking into account their ideas, knowledge and experience to define valid territorial projects.

The involvement of local entities includes the population at large, economic and social interest groups and representative public and private institutions. To this end, the animation programme is a variable key in the creation of links among different members of the web. The primary goal of the animation programme is to stimulate participation and help potential ideas to come out, bringing stakeholders together and achieving a common, shared understanding of the principles and values of working together for the development of their rural areas. The key players in this process are the facilitator and the local partners, and the key challenge is to build trust upon which working relationships can be developed. The creation of a “core” group with members representative of the area and a strong commitment to the process of partnership development can particularly increase the level of trust among the LAGs (Katona-Kovács et al. 2011).

The effective communication of LEADER principles, regulations, and good practices, is fundamental in making stakeholders aware of the opportunities offered as well as the limitations imposed by the LEADER process, so as not to create unrealistic expectations. For this reason, information providing events and forums can be also included either as part of its animation programme or the monitoring of project implementation for local stakeholders.

Capacity building is an essential component of the bottom-up approach, involving awareness raising, training, participation and mobilisation of the local population to identify the strengths and weaknesses of the area (analysis), the participation of different interest groups in drawing up a local development strategy, and the establishment of clear criteria for the selection of appropriate actions and projects in order to define the strategy. It is fundamental that participation should not be limited to the initial phase but should be extended throughout the implementation process. This would facilitate the preparation of evaluations and assessments of the programmes which would contribute to the improvement of future strategies. There are also important issues of transparency which need to be addressed in the mobilisation and consultation procedures in order to reach a consensus through dialogue and negotiation among participating players.

Co-operation involves the undertaking of a local action group in a joint project with another LEADER group, or with a group taking a similar approach, in another region, Member State, or even a third country. There are two possible types of cooperation under LEADER:

- inter territorial cooperation: this is the cooperation between different rural areas within a Member State; it may take place between LEADER groups, and it is also open to other local groups using a similar participatory approach;
- trans-national cooperation: this is the cooperation between LEADER groups from at least two Member States, or with groups from a third country following a similar approach.

#### **4. LOCAL ACTION GROUP (LAGS) AND THE CREATION OF SOCIAL CAPITAL**

Debates in the academic and public management worlds are currently emphasizing the benefits that partnerships can offer as a means of achieving public policy goals. The existence of a local partnership involving public, private, voluntary and community interests is a precondition of application to most European Union funding schemes for regeneration, as is evident in the LEADER program.

In the past decade, especially with the development of European programmes, there has been a growth in the number and types of partnerships created to realize public policy intentions.

Government bodies of each state member of the EU, particularly at a local level, have been active in establishing formalized collaborative relationships with businesses, voluntary (or non government) organizations and community associations. Many partnerships are particularly present in the fields of rural development and their focus is to promote the economic, social and political revitalization of their respective communities.

The local development partnerships formation and success depend heavily on the governance context in which they operate.

Local public-private partnerships - which are known as Local Action Groups (LAGs) - are the heart of the LEADER approach to rural development (see Article 61(c) of the Rural Development Regulation).

LAGs combine public and private resources, increase dialogue, participation and cooperation among local members (European Commission, 2006) and identify local development strategies, combining social and economic dimensions.

Each LAG must include a balanced representation of partners from the various locally based socio-economic sectors in the territory concerned.

At least 50% of the decision-making level of the partnership should be comprised of the economic and social partners, as well as other representatives of the civil society, such as farmers, rural women, young people and their associations (see Article 62 (b) of Council Regulation (EC) No. 1698/2005).

The formation and success of the LEADER partnerships depends fundamentally upon the way in which different rural members see their role in the partnership. Each member has to feel that by working together they can increase rather than reduce their ability to achieve their objectives. LAGs have become the principle aspect of contemporary rural regeneration policies facilitating a new form of local participative governance (Argiolas et al. 2009). In this type of partnership, the separate members are essentially connected through a complex web of interdependencies in which collaboration is required to achieve singular and common goals. The main task of the LAGs is to involve a number of entities in shared projects. This stimulates the proposals and the discussions of innovative ideas that could have a positive impact on the territory and on the development of a network among different areas. This represents the basis for the partnership's legitimization and consolidation, that is, the situation in which every partner reduces their own interests so as to contribute to collective interests (Putnam, 1993) and



to achieve goals for the common good. Consequently, this contributes to the development and spreading of the consensus among local members.

This consolidation reduces the incentive to break agreements, decreases uncertainty and offers ideas for future collaboration. These elements generate virtuous circles that increase the collective wellbeing.

These organizations presume that public and private entities cooperate and create added value and benefits for all concerned parties. As mentioned earlier, relationships between public and private organizations are changing. Unlike the traditional approach where the roles of public and private entities were separated, public-private partnership creation leads to increasing cooperation towards the achievement of social and economic development (Kooiman 2003). This process is a tangible signal of the transformation of governance systems (Glendinning et al. 2002) and imposes a new way to implement the development strategy on the territories. Furthermore, this process does not lead to uniformity in differing local systems, also because the social and economic differences among geographical areas are increasing. The challenge is to guarantee the survival of these areas, and to do this, the differentiation of one local system from another and the creation of positive external relationships around the world are two imperatives which should be observe.

At the same time, endogenous resources must be enriched in order to secure a long and lasting competitive advantage. In this way, the endogenous relationships are strengthened and increase the possibility to mobilize a great number of economic, social and cultural resources. In addition, these types of relationships underline the climate of cooperation that exists between the local parties involved (Argiolas et al. 2009).

The first step to develop a collaborative, cooperative and participative climate is to foster positive relations among local parties and their public private partnerships: these types of relationships can be considered the bases for endogenous development. The main aspect of this development is the existence of positive relationships that generate synergy and offer the possibility for greater growth (Hellrwell and Putnam, 1999, Youngmin & Bush, 2014). Local public-private partnerships work in this direction, stimulating the exploitation of local resources, and encouraging initiatives that involve different local members in the decision making process. Moreover, partnerships achieve synergy through the involvement and the mixing of financial, cultural, organizational and professional resources. The synergy represents the major value created by the coordination of resources, capabilities, competencies, and characteristics of a number of entities (Lowndes & Skelcher 1998). In addition, public-private partnerships generate synergistic processes such as situations in which new insights or solutions emerge from the differences which exist among partners. More importantly, the decisions that affect social and economic development of a specific area is the participation of the local stakeholders, because those living in that given area know its problems and difficulties very well and their involvement can lead to better and more effective decisions and initiatives.

As Feldman and Zoller highlighted (2012, p. 24), the vibrancy of regional economies and the degree of entrepreneurial activity is certainly affected by the anatomy of local social capital. Social capital appears as a particularly interesting concept within

the framework of regional economic restructuring policies, such as the LEADER initiative. A variety of terminological approaches suggests that the exact meaning and content of the notion of social capital is still a matter of debate, in regard to both social and political processes and to economic development (Dasgupta 1999, Fedderke et al. 1999; Lin et al. 2000, Woolcock 1998).

As Laschewski (2009, 93) remarked, although there is no single definition of Social Capital but there are some common elements of its various interpretations. The first is treating trust as either a component of social capital or its effect. The second is spreading the assumption about building up social capital through the exchange relation between various social actors. The third is the assumption that these relations are possible thanks to shared norms and values. Finally, these relations take place in more or less complex social networks.

The importance of trust in economic relationships is widely acknowledged and building trust among the partnership is one of the main cornerstones of the LEADER spirit. The use of the concept of social capital in the analyses of the LEADER approach allows taking into account the wider context of change in rural areas.

Social capital and the high level of trust inherent to it are regarded as a favourable asset of an entire (local) society, which helps to collectively solve common problems. This assumption is considered the foundation for the studies on the role of social capital in rural economic development and specific regional outcomes of (embedded) collective groups (Helliwell and Putnam 1999, Leonardi 1995, Taylor and Leonard 2002).

As highlighted by Katarzyna (2014), the popularity of social capital concepts among the researchers interested in local action groups is a result of their particular usefulness in analysis of the complexity of relations between representatives of the three sectors, who form these organizations.

Some social capital concepts (Adler & Kwon 2002) underline that various social networks and links between individual and group social factors contribute not only to exchange of resources between them, but also to forming the potential of their cooperation (based on trust and norms and values they share).

The concept of social capital offers a way to bridge sociological and economic perspectives, thereby providing potentially richer and better explanations of economic development. The economic growth is shaped by the nature and extent of social interactions between communities and institutions: social relations, in this sense, are key in mobilizing other growth-enhancing resources. The nature and extent of the interactions between communities and institutions holds the key to understanding the prospects for development in a given society (Woolcock and Narayan, 2000).

According to Lopotito et al. (2011) the LEADER could be viewed as a program addressing the issue of rural development through the accumulation and use of social capital. They highlight that many cases have demonstrated that the LEADER program has contributed remarkably to the aggregation of groups with a high level of social capital (Scott, 2004) even if, as someone has observed (Shucksmith, 2000), this is not an explicit aim of the initiative.

At any rate, the closeness of member networks and the atmosphere of reliability associated with this are major constituents of social capital itself. This is relevant for

society and the economy where actions of individuals are shaped, redirected or restricted by social norms and interpersonal trust (Burt 2000).

Explicitly referring to local development, social capital is regarded as an important asset for the members of LAGs who need to raise efficiency and establish links across the partnership's boundaries. In particular, social capital can be divided into internal social capital (relations among members of the LAG) and external social capital (relations between the principal and external stakeholders of the different LAGs).

In this environment, LAGs often purposefully engage in individual and collective efforts of creating social capital. They expect this asset to eventually help them to better organise and co-ordinate their strategies of rural development. As Anderson and Jack write (2000), the nature of social capital presents a conceptual puzzle in that it is said to be both glue, which forms the structure of networks, and at the same time a lubricant that facilitates the operation of the networks. The LAGs integrated in the contact network may inspire each other; they can combine complementary capabilities and competencies that are necessary to create new technical solutions, put entrepreneurial ideas into reality or implement new programs. Exchanges of know-how are favoured by good informal and often also private contacts among those individuals constituting the local environment and display a high degree of mutual trust. Regional identity and sense of belonging indicate that in an economically successful locality, the partners are aware of the importance of forming a coherent unity and creating a common regional identity, directing the different members towards common goals for local development.

## **RESEARCH OBJECTIVES AND METHODOLOGY**

Pisani & Franceschetti (2011) noted that the academic literature has made evident that the main immaterial contribution of the LEADER approach consists in the promotion of social capital in rural areas.

This research intends to establish, through a statistical survey in the Italian context, whether local partnerships actually contribute to the building up of social capital of a local community, and the development of cooperative willingness, thus enhancing a more efficient utilization of available resources and an improvement in the utilization of rural and regional development opportunities. The basic idea is that increasing cooperation and trust among private and public members of the LAGs, may influence the development process.

To better understand the phenomenon and to find a valid answer to the previous question, the research analyzed a specific type of public-private partnership: the Local Action Groups (LAGs) and it focused on the LAGs located in Italy.

With this in mind, we built a model in which it was then tested - and the results confirmed our hypothesis - the ability of the variable "Social Capital" to act as a mediator between the "Action of Local Action Groups" (ALAG) and "Local Development" (LD). In other words, it confirmed whether LAGs contribute to local and regional development through the promotion of a true culture of cooperation, such as a network of partners tied by mutual trust and ready to assume responsibility for the implementation of a joint project.

Statistically obtained results have verified the validity of this correlation when “Social Capital” (SC) operates as a mediator (see also Marcati et al. 2008).

The effectiveness of mediation analysis stems from its ability to go beyond the merely descriptive to a more functional understanding of the relationships among different variables.

Theoretically, the mediator effect models are based on the following principles. A mediation model links a putative cause predictor (independent variable) to a criterion (dependent variable) via an intermediary variable which functions as a mediator.

A simple mediation model (Preach and Hayes 2008) was used to examine the mediating effects of the “Action of Local Action Group” (ALAG), “Social Capital” (SC) and “Local Development” (LD), while a multiple mediation model was used to examine the mediating effects of “Internal Social Capital”, “External Social Capital” and “Local Development”.

The simple mediation model (Fig.1) links a putative cause (Action of Local Action Group) to a presumed effect (Local Development) at least in part via an intermediary variable (Social Capital). Through this intermediary variable, ALAG exerts an indirect effect on LD.

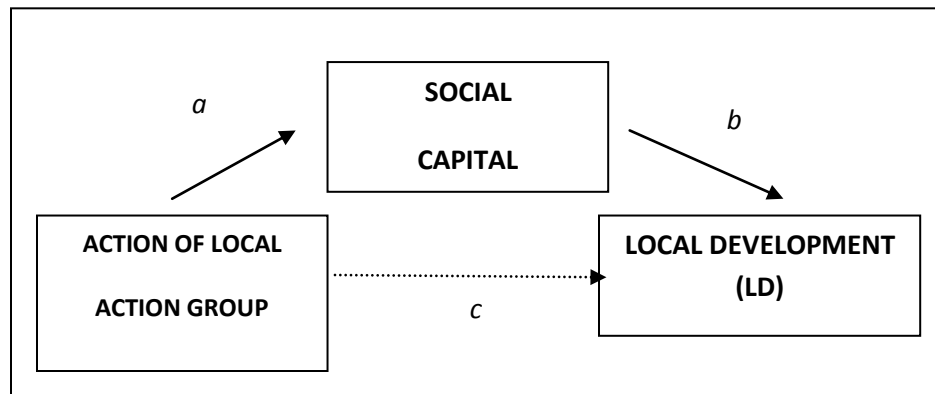


Fig.1 Simple Mediator Model

The effect of the LAG’s action on “Local Development” is mediated by “Social Capital” via path a and path b. Mediation is demonstrated when the association between “Action of the LAG” and “Local Development” (Path c) becomes insignificant after having analysed the influence of Path a and Path b.

To function as a mediator, the given variable has to meet several conditions:

- 1) the variation in the levels of the predictor (Action of LAG) should significantly account for the variation in the mediator “Social Capital” (Path a);
- 2) the variation in the assumed mediator should significantly account for the variation in the dependent variable “Local Development” (Path b);
- 3) after analysing Path a and b, a previously significant association (Path c) between the independent and dependent variables should no longer be statistically significant.

Subsequently, we utilized the concepts of internal social capital and external social capital to test a multiple mediation model.

The multiple mediation model, which includes multiple mediators in one model, allows us to examine the relative magnitudes of the specific indirect effects associated with all mediators.

Specifically, we hypothesized that “Internal Social Capital” ( $SC_{int}$ ) and “External Social Capital” ( $SC_{ext}$ ) would mediate the relationship between the “Action of LAG” and “Local Development” (Figure 2).

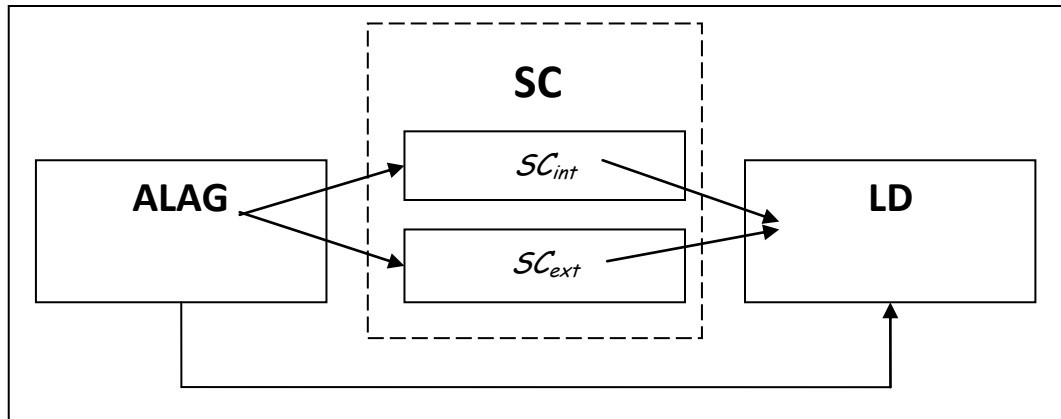


Fig.2 Multiple Mediator Model

Total and specific indirect effects associated with the two hypothesized mediators were tested.

#### Participants and questionnaire survey

Data was collected by means of an online questionnaire administered to the presidents, leaders and managers of a sample of 132 LAGs (with a response rate of 68.75%) operating in Italy. The questionnaire included 18 closed-ended questions coded according to a Likert scale of five levels (1= lowest value and 5 = highest value).

#### Measures

##### Action of the LAG (ALAG)

This variable was measured by averaging 4 items designed to assess if the LEADER approach had contributed - through the LAG - to:

- the improvement the comparison between different local stakeholders (economic and otherwise),
- the reduction of opportunism inside the public entities,
- the development of a greater capacity in understanding conflictual dynamics,
- the encouragement of the participation of local entities in the development of their territory.

The Cronbach's  $\alpha$  scale for this study was 0.72

##### Local Development (LD)

This variable was measured by averaging 8 items and assessing the contribution of the LAGs' activities on territorial development in terms of new services, new organizational solutions for businesses, the restoration and enhancement of traditions and local specialties, the training of local intellectual capital and skills growth and spread through cooperation at all levels by the transfer of experience, the creation of potential opportunities for the region, and finally, the implementation of joint projects that otherwise would have been difficult to achieve.

The Cronbach's  $\alpha$  scale for this study was 0.84

### *Social Capital (SC)*

This variable was measured by averaging 12 items useful in assessing the involvement of various local entities (public, private, non-profit) in the activities of the LAG and the commitment they made to encourage the creation of networks (local, territorial and transnational) and the increase in the degree of trust within the community and the development of the area.

The Cronbach's  $\alpha$  scale for this study was 0.79

In order to assess which of the components of "Social Capital" has a greater ability to "mediate" the relationship between "Activities of the LAG" and "Local Development", the variable "Social Capital" has been divided into:

#### *- Internal Social Capital ( $SC_{int}$ )*

This variable was measured by averaging 9 items and considering the relationships, the attitudes and values that govern interactions among members of the partnership.

For this variable we have considered the degree of participation of public, private and non-profit members in the planning and promotion of LAG's activities; the degree of interest by public, private and non-profit members in a form of joint synergistic programming; the degree of achievement of results obtained through the animation tools used by the LAG; the activation of public consultation procedures for the collection of initiatives and innovative ideas; and the current efforts by the LAG in active inter-territorial and transnational cooperation.

The Cronbach's  $\alpha$  scale for this study was 0.74

#### *- External Social Capital ( $SC_{ext}$ )*

This variable was measured by averaging 3 items and it was found that the trust and confidence which the LAG established with the external environment through the use of effective animation tools that allow the creation of local networks, both trans-national and inter-territorial, brought about an effective utilization of the local territory.

The Cronbach's  $\alpha$  scale for this study was 0.71

## **6. RESULTS**

### *6.1 The indirect effect created by the actions of the LAG on Local Development through Social Capital.*

We first analyzed the model whereby LAG (as measured through our LAG scale: Cronbach's  $\alpha = 0,72$ ) and SC (as measured through our SC scale: Cronbach's  $\alpha = 0,79$ ) are antecedents of the local development (LD).

The model showed a good fit ( $R^2=0.46$ ;  $R^2$  Adj= $0.45$ ). More specifically the effects of ALAG on SC and the effect of SC on LD were found to be positive and significant (with, respectively,  $a = 0.52$ ,  $t = 9,09$ ,  $p < 0,001$ ,  $b = 0.79$ ,  $t = 7.62$ ,  $p < 0,001$ ) while the direct effect of ALAG on LD disappears and became insignificant ( $c = 0.074$ ;  $t = 0.86$ ;  $p > 0.05$ ).

The indirect effect of ALAG on LD through SC ( $a * b = 0.52 * 0.79 = 0.4116$ , 95% confidence interval = 0.2728 and 0.5780) was found to be positive and significant. While the direct effect is not significant ( $c = 0.074$ ;  $t = 0.86$ ,  $p > 0.05$ ).

It is correct to consider Social capital as a mediator between the predictor and the criterion.

### 6.2 The indirect effect created by Action of the LAG on Local Development through Internal Social Capital and External Social Capital

For this type of analysis, we have used the *multiple mediation model* (Hayes, 2012).

The model showed a good fit ( $R^2=0.56$ ;  $R^2$  Adj= $0.55$ ).

More specifically, the effects of ALAG on both mediators  $SC_{int}$  and  $SC_{est}$  were found to be positive and significant (with, respectively, ( $b_{csint} = 0.46$ ,  $t = 7.08$ ,  $p < 0.001$ ;  $b_{csest} = 0.69$ ,  $t = 8.98$ ,  $p < 0.001$ ) similar to the effect of mediators on LD,  $CS_{int}$  ( $b_{csint} = 0.32$ ,  $t = 3.83$ ,  $p = 0.0002$ ;  $b_{csest} = 0.57$ ,  $t = 7.96$ ,  $p < 0.001$ ).

The indirect effect of ALAG on LD is significant on both types of Social Capital, respectively,  $SC_{int}$  ( $b = 0.46 * 0.32 = 0.1510$ , 95% confidence interval = 0.0680 and 0.2776) and  $CS_{est}$  ( $b = 0.69 * 0.57 = 0.3982$ , 95% confidence interval = 0.2578 and 0.5539).

$CS_{est}$  has a superior incidence as a mediator respect to  $SC_{int}$ .

## 7. DISCUSSION AND CONCLUSIONS

Our research has confirmed that LAGs - as local public private partnerships - contribute substantially to the building up of social capital of the local community and the development of cooperative willingness, thus enhancing more efficient utilization of available resources, and an increase in rural and regional development opportunities.

Working in partnership is advantageous primarily for those members of the local community who then, in this way, have more social capital.

Based on mutual learning, cooperation is expected to result in real added value for the participating areas. Access to new information and ideas enables cooperating partners to jointly address a specific local development issue: working together, sharing the risk and utilizing each other's experience increases the chances of success.

Moreover, social capital resources may be converted into other resources, i.e. those of economic and human capital, so creating (and strengthening) them is especially beneficial for socio-economic development (Mikiewicz and Szafraniec 2009: 116).

The results of the research, in fact, confirm our hypothesis, according to which working in partnerships contributes to the development of social capital and increases the value of the relationships among the members of the networks that have been created. The social capital approach is a useful basis to better explain and evaluate the role of trustful relationships among the different members of the partnership in the promotion of a rural area and also of a region.

It would be advisable in the future to give higher priority to cooperation, because it would enhance local activity, stimulate more efficient utilisation of local resources and more efficient handling of local problems. In our opinion, the cooperation should be encouraged on three directions:

1. the willingness among partners to cooperate should be increased,
2. the cooperation with external authorities should also be improved,
3. Priority must be given to the building up of inter-territorial and international cooperation: the transfer of good practice and the exchange of experiences can considerably enhance the efficient operation of partnerships.

The LEADER approach has shown the importance of a territorial approach, the participation of local parties and the formation of networks for rural development (Aalling Teilmann & Thuesen, 2014). In particular, rurality is viewed as a dynamic entrepreneurial resource that can become the motor of regional economic development. Therefore, LEADER was conceived to be the new form of governance through which rural entities can influence the processes in the territory in which they live and operate, while LAGs should act as active agents. In fact, they play a determinant role as incubators and they act as a catalyst giving a particular connotation to their area.

The LEADER program also ensures more extended and deeper involvement of local entities than the top-down directed rural development projects. So it would be advisable to further deepen and widen the participation through the animation initiatives. In this process the animation's activities must be taken more seriously: if social networks, local participation, and the culture of co-operation in decision-making are not improved through a clear, strategic approach, then we cannot hope to improve the system of rural development .

Major emphasis on animation activities and immaterial investments are necessary to help LAGs to focus on the mobilisation of local human resources and the elaboration of an area analysis with a coherent strategy, rather than emphasising solely on material investments. Animation actions could increase trust among the stakeholders of rural regions and maximize opportunity potential.

These considerations highlight not only the validity, but also the need, to maintain and enhance local action groups and their methodology of work also for the forthcoming programming period LEADER (2014-2020).

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