DE GRUYTER doi 10.1515/npf-2013-0001 — Nonprofit Policy Forum 2013; 4(1): 65–80

Constantine N. Iliopoulos*, Vladislav Valentinov, Vasyl Kvartiuk, and Bartosz Bartkowski

Government–Third Sector Relations in European Rural Development: A Critical Perspective

Abstract: Rural development has significantly benefited from intensifying relations between the government and third sector organizations (TSOs) during the last several decades. TSOs can induce innovation in rural development in a variety of ways including advocacy, awareness raising, contracting, and direct delivery of public goods. However, there is a growing concern that these partnerships may be prone to inefficiencies due to adverse fundraising incentives. Utilizing Young's (2000) typology in a literature review, this paper illuminates potential causes for mission and goal displacement due to adverse incentives generated by public funding programs. The paper suggests that complementary and supplementary TSOs are generally more likely to suffer from adverse incentives in comparison to adversarial ones. Institutional merging between the TSOs and the state may significantly limit the scope for innovation in rural development.

Keywords: third sector organizations, rural development, Europe

***Corresponding author: Constantine N. Iliopoulos**, Agricultural Economics Research Institute, National Agricultural Research Foundation, Athens, Greece, E-mail: iliopoulosC@agreri.gr
Vladislav Valentinov, Leibniz Institute of Agricultural Development in Central and Eastern Europe, Halle (Saale), Germany, E-mail: valentinov@iamo.de
Vasyl Kvartiuk, Leibniz Institute of Agricultural Development in Central and Eastern Europe, Halle (Saale), Germany, E-mail: kvartiuk@iamo.de
Bartosz Bartkowski, Martin Luther University in Halle-Wittenberg, Halle (Saale), Germany, E-mail: bartkowski@posteo.de

Introduction

During the last several decades, local development across the world was revolutionized by the involvement of the private sector. Waves of privatization during the 1980s and 1990s were a response to a paradigmatic shift in thinking about governance. For-profit firms were seen as a remedy in overcoming bureaucratic inefficiencies and were able to introduce innovation and cost-cutting incentives in service delivery (Bennett and Iossa 2010; Valentinov 2012a). Declining availability of public funds has been calling for more efficiency in public goods provision, which could be ensured via public–private partnership and other similar arrangements. Along with the profit-oriented organizations, third sector organizations (TSOs) have been particularly operational in rural areas because of thin markets and rurality-related transaction costs (Valentinov 2009; Iliopoulos and Valentinov 2009; Valentinov 2012b, 2012c; Valentinov and Iliopoulos 2013). The "new rural paradigm," proclaimed by OECD (2006) and implemented by institutions like the European Union (EU) (e.g. the LEADER Program), envisions a growing role of rural partnerships and NGOs in the socioeconomic development of rural territories in the OECD countries. The last 25 years indeed witnessed mushrooming of various types of partnerships among local stakeholders in the European rural areas. The primary goal of these partnerships is to provide their members and the communities in which they are embedded with local public goods and the means to combat social exclusion. Partnerships are generally viewed as reflecting the rise of the so-called "new localism," whereby local actors become involved in designing and implementing solutions to local problems (Goodwin 1998). Particularly, in developing and transition countries, partnerships have been playing a key role in making local development more responsive and inclusive (World Bank 1999). Examples of these organizations include numerous community-based organizations working on local development, service cooperatives on various public goods and services provision, local advocacy groups, etc.

There is a significant amount of literature suggesting numerous benefits of local partnerships between government and TSOs. For instance, Besley and Ghatak (2001) argue that ownership of local public goods by TSOs creates better incentives to invest and maintain them. Even though Ferris and Graddy (1994) do not find grounded empirical support, there are good reasons to believe that monitoring costs are significantly lower when a partnership is established with a TSO as opposed to for-profit counterparts. Furthermore, Francois and Vlassopoulos (2007) put pro-social motivation in the center of the debate around TSOs' contribution to public goods provision. Along these lines, Bennett and Iossa (2010) suggest that TSOs may be best in delivering public services where quality control is difficult to ensure. All these contributions are just a small part of the literature considering TSOs as effective partners in local development. However, there is an emerging concern among scholars with regard to incentive alignment between TSOs and the government in public service delivery. First, local TSOs may be driven by adverse incentives created by availability of state funding and they may relinquish their original missions in favor of budget maximization (Iliopoulos and Valentinov 2012; Valentinov and Iliopoulos 2012). This opportunistic behavior may drive TSOs away from addressing local problems and drastically reduce effectiveness of state funding. Second, there is a growing concern about an institutional merging between TSOs and the state (e.g. Zimmer 2006). It is possible that the innovation initiative inherent to the TSOs is mitigated by these tendencies. This, as a result, clearly reduces effectiveness of state funding.

This paper seeks to point out the problem with the incentive design within public funding programs aimed at rural development. We review relevant literature to find specific instances of TSOs' adverse budget-maximizing behavior, which makes them less responsive to local needs or serving their members. Although the empirical examples are drawn from the rural development literature, our arguments, the derived implications, and conclusions are also applicable to local development more generally. In order to consider different models of TSO–state relationships, we use Young's (2000) typology of the relationship models: adversarial, supplementary, and complementary. We argue that adverse budget-maximizing behavior is more in line with complementary TSOs. However, in all three cases state-funded programs should pay special attention to incentives design within their initiatives. In order to support our arguments, we provide an overview of the current literature which demonstrates empirical observations of TSOs' adverse behavior in the context of public funding. First, we look at one of the most important funding programs in Europe – LEADER. Then, we proceed and examine some cases of Eastern European countries in order to examine similar situations in a different institutional context. Finally, we present selected literature on Nordic local TSOs in order to better illuminate the issues of institutional merging. In the next sections we will, first, provide an overview of the theoretical background of TSO–government relations. This is followed by a systematic review of existing literature looking at budget-maximizing incentives and attempts to draw tentative conclusions in order to come up with functional policy implications. Our key policy implication focuses on mechanism design; donor organizations need to craft their funding programs so as to avoid providing adverse incentives to the recipients of funds that result in considerable inefficiencies.

Theoretical background

The discussion about optimal governance design in local public goods provision dates back to Hayek (1945). He proposed decentralized governance with local knowledge being utilized in the most efficient fashion. Like so, decisions about public goods delivery should ideally be made locally in order to take advantage of the local information. Local TSOs can be particularly instrumental in utilizing it. Ex-ante institutional setting and local needs shape the way TSOs get engaged in local governance systems. Young's (2000) typology of nonprofits, if applied to the local context, could greatly contribute to better understanding of state–TSO relationship in the context of public goods delivery. Young (2000) distinguishes three broad types of relationships. First, supplementary relationship looks at TSOs as providers of supplementary public goods and services not covered by median voters' preferences. Second, complementarity focuses on contractual partnership relationships between TSO and state when TSOs assume some of the functions of the government. And, finally, adversarial relationship describes advocacy and lobbying which challenge approaches utilized by the state. We look closer at each type.

Supplementary relationship

The Median Voter Theorem (Black 1948) suggests that the state will address the preferences of the group of voters situated close to the median. Thus, preferences of underrepresented groups or minorities may stay unaddressed. As suggested by Young (2000), this situation could also be viewed as government failure in the sense of Weisbrod (1977). Rural context may aggravate this problem by introducing rurality-related transaction costs, which make state delivery of public goods more costly (Valentinov 2009). Thus, local communities may have strong incentives to further local collective action using TSOs as a platform and deliver missing public goods and services independently from the government at least to some degree. Moreover, there is a special scope for supplementary local TSOs in transitional and developing institutional settings since Weisbrod's (1977) government's failure may be more pronounced there.

These organizations are more likely to be funded via nongovernmental sources as their output constitutes a supplement to the state's current level of public goods provision. Their fundraising portfolios could range from user-fees levied on the recipients to grants from external donors. State grants are excluded since otherwise the relationship with the state would transform into complementary (even though it is difficult to strictly define any of the types). Because of this limitation, it is less likely that public funds will be used in the adverse budget-maximizing behavior of these TSOs. However, it is not excluded due to availability of other large quasi-public donors like the EU, UN, or World Bank. In general, it is safe to assume that TSOs working as supplements have tighter budget constraints in comparison to their complementary counterparts because, clearly, availability of public funding provides major fundraising stability.

Complementary relationship

TSOs qualifying under this relationship type have probably attracted most of scholars' attention. Indeed, outsourcing public services to TSOs as an alternative to more traditional for-profit firms is a booming research field today. After waves of privatization in the 1980s and 1990s, motivated mostly by efficiency gains (Savas 1987), incentives of key stakeholders have been the focus of numerous studies. As a result, asset ownership has been an important topic in understanding stakeholders' incentives. Besley and Ghatak (2001) demonstrate theoretically that quality investment incentives in incomplete contractual relationships are better when ownership is assigned to the party which cares or values public good most. This motivates establishment of public–private partnerships (PPPs) when the private partner is the owner and the state only specifies output services to be delivered as opposed to traditional procurement. PPPs are generally considered to bring about better cost-efficiency and maintenance incentives when outputs can be easily monitored (Hart 2003). But what happens when the outputs are not easily observable and contracts are incomplete? Here there is generally more scope for TSO delivery due to their mission orientation.

Under for-profit design of public goods delivery, there are strong incentives to cut the costs in order to increase profit. Unfortunately, there are numerous cases when costs are cut at the expense of quality. This argument raises two important points. First, efficiency incentives and accountability to the recipients should be linked (Besley and Ghatak 2003; Bardhan and Mookherjee 2006). In this case recipients of the public service decide how much quality they would like to forgo in order to make delivery more cost-efficient (or vice versa). In the rural context these decisions are made on the community level and, thus, there is scope for TSOs' participation in the process. Second, mission-oriented incentives of the TSOs have the potential to balance cost-cutting and quality-improving incentives (Bennett and Iossa 2010). Hence, intrinsically motivated managers of the TSOs are more likely to sustain proper levels of quality of local public goods in comparison to their for-profit counterparts. This argument gains even more weight when it is applied to the developing context where governments may have lower interest in providing proper quality levels at the local level.

Finally, looking at funding options will help us better understand the incentives faced by managers of complementary organizations. It is clear that this type of organizations is mostly funded by the state and, thus, is highly dependent on it. There are two problems that may arise in this regard. First, TSOs' incentives to secure stable and predictable funding sources may drive it away from the original mission (Smith and Lipsky 1993). High dependence on public funding makes them adjust their goals over time, which defeats the original purpose of a TSO as a more efficient and innovative organizational form. Second, such organizations may be particularly subject to capture of local elites (Bardhan and Mookherjee 2006). Mission orientation outlined above may be corrupted by local opportunistic individuals using TSOs for rent-seeking. Local privileged groups are in a better position to negotiate preferential funding and, consequently, can drastically distort the distribution of benefits. As a result, these problems lead to inefficiencies in public goods provision: underprovision to nonelites, overprovision to elites, and mismatch between preferences and the supply due to mission displacement (ibid). This gives support to the above discussion that incentives and accountability to the recipients should be closely linked.

Adversarial relations

There is relatively little research done on this type of Young's (2000) classification. Lobbying, monitoring, and advocacy are among the central activities of organizations fitting in this category (Valentinov et al. 2013). The relationship with the state is less cooperative in comparison with the other two types. This is due to the nature of these organizations' missions which has a potential for conflict of interest between the TSO and the state. These organizations may challenge existing policies on local development and launch campaigns for reforms (Zimmer 2006). Challenging the status quo in public administration requires large amounts of resources. However, these organizations are probably the most restricted in their fundraising opportunities.

Adversarial TSOs, such as those engaged in advocacy, are often hypothesized to have limited access to public funding (Schmid, Bar, and Nirel 2008; Nicholson-Crotty 2009), even though the relationship between advocacy and public funding is more nuanced. A recent study of nonprofit advocacy has found out that significant dependence on public funding affects the tactics of advocacy but is not inconsistent with advocacy per se (Mosley 2011). Nevertheless, to the extent that the access of adversarial TSOs to public funding is indeed limited, they would be forced to look for other fundraising options. For adversarial TSOs, opportunistic behavior is restricted as the budget constraint is tight. The fundraising campaigns of these TSOs are usually based on a cause corresponding to their mission. Thus, the incentives of these organizations' managers are more likely to be aligned with the mission which reduces the probability of opportunistic budget-maximizing behavior in comparison to the other types.

Review of empirical literature

One of the most well-known European rural development programs is LEADER. Rural partnerships within the program aim to build up the capacity of voluntary and community organizations which then become active in dealing with local problems; secure "co-finance" for local projects; attract voluntary contributions to the development process; and forge a stronger link between the state and excluded people, especially the unemployed and socially marginalized (e.g. Convery et al. 2010; Lošťák and Hudečková 2010; Maurel 2008; Furmankiewicz and Slee 2007; ÖIR 2003a, 2013b; Moseley, Cherrett, and Cawley 2001). Independent evaluations of LEADER I, II and LEADER+ suggest that overall the program has been successful in supporting local development initiatives (Metis 2010; ÖIR 2003a; von Meyer et al. 1999). Yet, several persisting shortcomings of this EU initiative have also been reported. For example, the evaluation report of LEADER+ concludes that a "European wide comparison and aggregation of LEADER+ monitoring data for the purposes of evaluation is seriously compromised by systemic weaknesses…" (Metis 2010, 151). Even harsher is the critique by the European Court of Auditors (ECA 2010).

TSOs within LEADER partnerships could be identified with complementary organizations, since they are often embedded in local governance structures and are in close relationships with local government. To a lesser degree, these organizations could be classified as supplementary. Their limitations are widely acknowledged. They had only limited success in changing employer attitudes to the recruitment of long-term unemployed people and frequently failed to secure partner commitment to complement the initiatives of the state. They also did not always manage to attain synergies between the partner agencies themselves (Metis 2010; ÖIR 2003a; Moseley, Cherrett, and Cawley 2001; von Meyer et al. 1999). At the root of various limitations of rural partnerships is partners' rent-seeking. It is the distribution and poorly designed conditions of EU funding that may create rent-seeking incentives for the partnership members.

In Spain, the success of the LEADER initiative is reported to be jeopardized by local groups that viewed the whole process as merely another way to gain access to public funding or achieve their lobbying goals (Esparcia 2000). Similar problems were identified in the case of the UK and Ireland where, in some cases, the goal of tapping public money took clear precedence over achieving the formally stated goals of partnerships (Moseley 2003). In a survey of rural partnerships in the UK, 69% of the respondents named access to public funding as a very important motive for initiating the partnership (Cherrett 2000). Similar percentages have been noted for other EU countries (Esparcia, Moseley, and Noguera 2000). Rural partnerships in Germany are likewise reported to be often primarily driven by the prospective funding from the EU, particularly in poorer Eastern parts of the country (Böcher 2008). In addition, German rural partnerships have exhibited reluctance to accept new members in order to avoid sharing financial resources with them (ibid). Scott (2004) draws attention to the case of Northern Ireland where the success of rural partnerships seemed to be inversely proportional to the extent of pursuit of rent-seeking activities by individual partners. As the author argues, economic development goals are central to the LEADER initiative, yet individual opportunistic incentives associated therewith suppress capacity building and community participation (ibid). Similarly in Poland, even though LEADER partnerships have made important steps forward, they have not yet realized their full potential due to, internal conflicts, among other things (Furmankiewicz, Thompson, and Zielińska 2010).

Often, LEADER partnerships are not interested in conducting any kind of evaluation of their activities. Thus, in the eight countries studied by Esparcia, Moseley, and Noguera (2000), on average 16% of partnerships had not adopted any kind of evaluation. In some EU countries, this percentage was even much higher (e.g. 33% in the UK). This finding is in agreement with the results of the aforementioned independent evaluations of LEADER. Of course, this could be attributed to a lack of capacity of these organizations. Alternatively, the lack of evaluations in some countries or regions might have been caused by a wide range of factors, including the rent-seeking incentives of local managers.

As argued in the section on theoretical background, availability of a major source of funding, like the EU funds, may lead to the domination of a powerful and opportunistic stakeholder (i.e. elite capture). For example, in Germany, "local elites and local governmental institutions have identified LEADER as a forum in which they articulate and further their economic interests" (Bruckmeier 2000, 223). Furthermore, governmental agencies often dominate project idea development and implementation. As a result, partnerships have effectively been transformed into semi-governmental organizations (Marquardt, Wegener, and Möllers 2010; Metis 2010; Bruckmeier 2000). Opportunistic battles for gaining power within partnerships and exploitation of nonprivileged partners have been observed in Finland (Lehto and Rannikko 1999), France (Buller 2000), Sweden (Larsson 2000), and southern Italy (Osti 2000). Again, the major reason for stakeholder opportunism is inherently related to the distribution of public money that was successfully attracted into the fundraising portfolio.

It is informative to take a look at similar programs in non-EU transition countries. There is a number of UN and World Bank funded development projects of a similar spirit utilizing community-based approaches. In the context of developing institutions, Weisbrod's (1977) government failure is more pronounced and local TSOs may be working in a supplementary way in relation to the state. For instance, community organizations may "fill in" for the missing public goods which are supposed to be delivered by the government (UNDP 2007). However, in Ukraine experts often point out lack of capacity for local TSO management, which creates opportunistic incentives for the local elites to tap project funds. These funding initiatives have arguably failed to provide proper facilitation and training for the local community organizations.

In the European developing countries, public funding may not be perceived as a stable and predictable funding source. For instance, in Ukraine surveyed TSO representatives do not see a reliable partner in the government (Palyvoda and Golota 2010). Similar findings are reported for Serbia (MoAFWM 2010), Albania (MAFCP 2007), and Montenegro (MAFWM 2008). These circumstances seriously limit the scope for complementary TSOs and, thus, incentives to tap public funding. Moreover, years of transition in Eastern Europe may have shaped rather antagonistic relationships between the state and the third sector (Zimmer 2006). As a result, rent-seeking incentives of supplementary and adversarial organizations in developing countries may mostly be directed at international donor organizations.

On the other hand, the transitional context has given rise to a special type of TSOs which could be classified as complementary according to Young's (2000) typology. They may be in an extremely close relationship with local government and could be hardly distinguishable from the state as, for instance, "public nonprofit organizations" in the Czech Republic (Zimmer 2006). Furthermore, many of those organizations were established in order to satisfy decentralization and privatization needs and, thus, their fundraising fully depends on public funding. It may be problematic to claim that they follow their own mission as it is almost fully dictated by local authorities. Being in some sense "an extension of local bureaucracy," it is not clear whether these organizations bring about any innovative approaches or better cost-efficiency of public goods delivery.

Shifting the focus to the Nordic countries, we observe a similar trend of TSOs becoming indistinguishable from the state. For instance, Lorentzen (1994) articulates a concern that within the close historical cooperative relationship between Nordic TSOs and the state, the former are increasingly failing to innovate in the public sphere. It is the state that becomes the main driving force in local innovation. Similarly, Aagaard-Thuesen (2011) questions the legitimacy of some partnerships in Denmark, Finland, and Sweden. We argue that the existing design of stable public funding programs creates adverse incentives for the TSOs, which negatively affect motivation for innovative efforts. Furthermore, it is often the case that the leadership of local TSOs serves at high positions in local municipal governments. For instance, Helander (2004) finds that board members of 45% of the surveyed organizations in Finland are also members of respective municipal councils. Thus, the degree of complementarity is extremely high in these instances, as is availability of public funds since local officials can affect the decisions to distribute them. Missions of these organizations become extremely dependent on the policy direction of local governments. Probably as a response to these distortions, some local organizations have taken relevant action. For example, the village associations in Finland and Sweden have introduced systems of decentralized decision making and development support (ÖIR 2003b). Similar supportive systems have existed in Denmark since many years ago (Metis 2010).

Discussion

Young's (2000) typology of the TSOs has provided us with a framework for better understanding of fundraising incentives of TSOs' managers. As the framework does not directly address the issue of adverse incentives, it has been informative to examine each type with this regard. It is evident that TSOs' goal displacement due to adverse fundraising incentives may be undermining the scope for partnership between the TSOs and state. In this case innovation that TSOs are expected to bring about in local public goods and services provision is compromised. Due to inherently limited fundraising opportunities, managers may follow the paths of least resistance and adjust missions of their organizations in order to be able to obtain public funding. On the other hand, proximity to the government opens the way for local elites to engage in rent-seeking activities. They could utilize privileged position among local officials in order to distribute the benefits in a preferential way. Thus, local elites may have direct incentives to pursue obtaining public funding. Adverse behavior naturally results in poor allocation and distribution of public funds.

It appears that in most of the European contexts, supplementary and complementary TSOs are more likely to be affected by adverse incentives. Fundraising portfolios of these organizations stipulate high dependence on public funding and, thus, more potential for adverse incentives because of poorly designed public funding programs. In contrast, adversarial organizations have less potential for adverse budget-maximizing behavior since they are less likely to depend on public funding and arguably face tighter budget constraints. As we argue in the previous sections, it is informative to compare these relationships to the developing context of Eastern Europe. Due to historically more antagonistic relations between the third sector and the government in those countries, fundraising options from the state are much more limited. Adversarial organizations have to rely on other nonpublic sources of funding which are arguably more volatile. However, as in Western European countries, similar adverse budget-maximizing behavior is observed with respect to quasi-public organizations like the UN, EU, and the World Bank. In this case adversarial TSOs (with respect to the local government) may also face adverse incentives as they are prone to adjustment of their missions in order to obtain funding of these donor agencies. In sum, it is imperative to appropriately design funding programs in order to avoid situations where adverse budget-maximizing incentives for the TSOs arise. In designing such programs, public and quasi-public organizations need to start by a careful review of the local, current situation. Utilizing the knowledge gained through this review in designing the mechanisms of funding programs might be a first, necessary step in ameliorating problems caused by adverse incentives. Further, adverse budget-maximizing behaviors might be discouraged by implementing an efficient and effective monitoring system that channels funds to TSOs only if they progress toward achieving their development goals.

Finally, the benefit of "quasi-public TSOs" which are subject to institutional merging is at least questionable. Being so close to local government institutionally may eliminate the incentives to innovate in public goods delivery and may give rise to rent-seeking. Further research is needed to understand how "quasi-public TSOs" are in better position to perform in comparison to the government.

Concluding remarks

The main contribution of this paper is in highlighting the significance of public funding in government–third sector relations in the area of rural development in Europe. There are numerous state and international funding programs for TSOs that create adverse incentives for TSOs. This paper uses Young's (2000) typology of complementary, supplementary, and adversarial organizations as a framework to better understand incentives of local organizations. Drawing inspiration from this typology, this paper classified TSOs with respect to the relationship of their mission activity to the current rural development policy. The proposed classification is inevitably judgmental and hence subjective and contestable; yet it does call attention to the important issues of adverse incentives of rural TSOs. An empirical guess regarding these issues is that rural TSOs experience a divergence between their formal goals related to serving their members, and the informal goal of tapping public money. Distinguishing between formal and informal goals can be seen as an extension of Young's (2000) typology of complementary, supplementary, and adversarial government–third sector relations.

Complementary and supplementary organizations appear to generally be more likely to adjust their missions and goals for the sake of obtaining public funding. In some instances, one can observe institutional convergence between the organizations and local governments. In transitional and developing contexts, supplementary and adversarial TSOs are more likely to displace their goals due to availability of funding from large donors like the EU, UN, or World Bank. Of course, the empirical evidence reviewed is only indicative in nature and readers should be cautious in drawing more general conclusions. Yet, we hope that this paper will motivate more empirical research on the incentives of different types of TSOs in their relations with the state and stimulate discussion about policy implications for public funding programs.

The key policy implication is that donors should carefully design their funding programs in order to take consideration of possible adverse incentives of the recipients. There are several important lessons with this regard. First, competition for funding generates efficiency incentives. Thus, Chavis (2010) finds that high competition for public funding among municipalities is associated with higher quality and lower per unit cost of local road projects. Second, donor agencies should transparently articulate the conditions for limiting local elite capture. Third, public funding should be administered by higher tiers of the governments in order to eliminate the possibility of preferential treatment of local elites by local authorities in the allocation and distribution of the funds. Finally, it is imperative to have substantial levels of human capital along with well-informed membership of the TSOs. Human capital, in this context, should be interpreted as the stock of competencies, knowledge, social, and personality attributes, including creativity, embodied in the ability to understand the medium- and long-term socioeconomic consequences of a successfully implemented development program. Thus, major funding programs should be accompanied by awareness-raising and facilitation activities in the target communities.

Acknowledgement: The authors are grateful to anonymous reviewers for their very helpful comments. The second author gratefully acknowledges the financial support from the Volkswagen Foundation

References

Aagaard-Thuesen, A. 2011. "Partnerships as Associations: Input and Output Legitimacy of LEADER Partnerships in Denmark, Finland and Sweden." *European Planning Studies* 19:575–94.

Bardhan, P., and D. Mookherjee. 2006. "Decentralization and Accountability in Infrastructure Delivery in Developing Countries." *The Economic Journal* 116:101–27.

Bennett, J., and E. Iossa. 2010. "Contracting Out Public Service Provision to Not-For-Profit Firms." *Oxford Economic Papers* 62:784–802.

Besley, T., and M. Ghatak. 2001. "Government Versus Private Ownership of Public Goods." *The Quarterly Journal of Economics* 116(4):1343–72.

Besley, T., and M. Ghatak. 2003. "Incentives, Choice, and Accountability in the Provision of Public Services." *Oxford Review of Economic Policy* 19(2):235–49.

Black, D. 1948. "On the Rationale of Group Decision-Making." *Journal of Political Economy* 56:23–34.

Böcher, M. 2008. "Regional Governance and Rural Development in Germany: The Implementation of LEADER+." *Sociologia Ruralis* 48(4):372–88.

Bruckmeier, K. 2000. "LEADER in Germany and the Discourse of Autonomous Regional Development." *Sociologia Ruralis* 40(2):219–27.

Buller, H. 2000. "Re-creating Rural Territories: LEADER in France." *Sociologia Ruralis*, 40(2):190–99.

Chavis, L. 2010. "Decentralizing Development: Allocating Public Goods via Competition." *Journal of Development Economics* 93:264–74.

Cherrett, T. 2000. "The Extensive Survey in the United Kingdom," Chapter 6. In *Exploring Rural Development Partnerships in Europe: An Analysis of 330 Local Partnerships Across Eight EU Countries*, edited by J. Esparcia, M. Moseley, and J. Noguera, 153–78. Cheltenham, UK: Countryside and Community Research Unit, University of Gloucestershire.

Convery, I., I. Soane, T. Dutson, and H. Shaw. 2010. "Mainstreaming LEADER Delivery of the RDR in Cumbria: An Interpretative Phenomenological Analysis." *Sociologia Ruralis* 5(4):370–391.

Esparcia, L., M. Moseley, and J. Noguera (Eds.). 2000. *Exploring Rural Development Partnerships in Europe: An Analysis of 330 Local Partnerships across Eight EU Countries*. Working Paper 2000–1, Department of Geography, University of Valencia, Spain.

Esparcia, P. 2000. "The LEADER Programme and the Rise of Rural Development in Spain." *Sociologia Ruralis* 40(2):200–207.

European Court of Auditors [ECA]. 2010. "Implementation of the LEADER Approach for Rural Development." Special Report, No 5, European Court of Auditors, Luxembourg, available online: http://eca.europa.eu/portal/pls/portal/docs/1/7912812.PDF

Ferris, J., and E. Graddy. 1994. "Organizational Choice for Public Service Supply." *Journal of Law, Economics and Organization* 10(1):126–141.

Francois, P., and M. Vlassopoulos. 2007. "Pro-Social Motivation and the Delivery of Social Services." *Economic Studies* 54(1):22–54.

Furmankiewicz, M., and B. Slee. 2007. “Cross-Sectoral Cooperation for Rural Development in Old and New EU Member States: A Comparative Case Study of English and Polish Area-Based Partnership.” *Agricultural Economics and Rural Development* 4(3–4):5–20.

Furmankiewicz, M., N. Thompson, and M. Zielińska. 2010. “Area-Based Partnerships in Rural Poland: The Post-Accession Experience.” *Journal of Rural Studies* 26(1):52–62.

Goodwin, M. 1998. “The Governance of Rural Areas: Some Emerging Research Issues and Agendas.” *Journal of Rural Studies* 14(1):5–12.

Hart, O. 2003. “Incomplete Contracts and Public Ownership: Remarks, and an Application to Public–Private Partnerships.” *The Economic Journal* 113(486):C69–C76.

Hayek, F. 1945. “The Use of Knowledge in Society.” *The American Economic Review* 35(4):519–30.

Helander, V. 2004. “*Local Associations: Municipal Areas*.” Finnish Local Government, Study No. 45, Local and Regional Authorities, Helsinki.

Iliopoulos, C., and V. Valentinov. 2009. “Toward an Economics of the Rural Third Sector.” *International Journal of Agricultural Resources, Governance and Ecology* 8(5–6):439–56.

Iliopoulos, C., and V. Valentinov. 2012. “Opportunism in Agricultural Cooperatives: The Case of Greece.” *Outlook on Agriculture* 41(1):15–19.

Larsson, L. 2000. “Reorganising Rural Policy: The Swedish Leader II Experience.” Working Paper, Dalarna Research Institute, Falun, Sweden, available online: http://www.abdn.ac.uk

Lehto, E., and P. Rannikko. 1999. “Implementation of the EU LEADER II Programme and the Struggle for Local Power in Finland.” Paper Presented at the XVIII Congress of the European Society for Rural Sociology, Lund, Sweden.

Lorentzen, H. 1994. *Volunteering Integration*. Oslo: University Press.

Lošťák, M., and H. Hudečková. 2010. “Preliminary Impacts of the LEADER+ Approach in the Czech Republic.” *Agricultural Economics-Zemedelska Ekonomika* 56(6):249–65.

Marquardt, D., S. Wegener, and J. Möllers. 2010. “Does the EU LEADER Instrument Support Endogenous Development and New Modes of Governance in Romania?” *International Journal of Rural Management* 6(2):193–241.

Maurel, M. C. 2008. “Local Development Stakeholders and the European Model: Learning the LEADER Approach in the New Member States.” *Czech Sociological Review* 44(3):511–29.

Metis. GmbH. 2010. *Ex-Post Evaluation of LEADER+*. Vienna, Austria: Commissioned by the European Commission.

Ministry of Agriculture, Food and Consumer Protection [MAFCP]. 2007. “Inter-Sectoral Rural Development Strategy of Albania, ISRDSA 2007–2013.” Tirana, Albania, available online: http://www.dsdc.gov.al/dsdc/pub/rural_development_strategy_173_1.pdf

Ministry of Agriculture, Forestry and Water Management of Montenegro [MAFWM]. 2008. “National Programme for Food Production and Rural Development 2009–2013.” Podgorica, Montenegro, available online: http://www.minpolj.gov.me/en/organization/agriculture-and-farming/103228/NATIONAL-PROGRAMME-FOR-FOOD-PRODUCTION-AND-RURAL-DEVELOPMENT-2009-2013.html

Ministry of Agriculture, Forestry and Water Management of Republic of Serbia [MoAFWM]. 2010. “Rural Development Network of Serbia – Action Plan 2011–2015.” Belgrade, Serbia, available online: http://www.ruralinfoserbia.rs/dokumenta/action%20plan%202011%20-%202015%20-%20rural%20development%20network%20of%20serbia.pdf

Moseley, M., T. Cherrett, and M. Cawley. 2001. “Local Partnerships for Rural Development: Ireland’s Experience in Context.” *Irish Geography* 34(2):176–93.

Moseley, M. J. (Ed.). 2003. *Local Partnerships for Rural Development: The European Experience*. Wallingford, UK: CABI.

Mosley, J. E. 2011. "Institutionalization, Privatization, and Political Opportunity: What Tactical Choices Reveal About the Policy Advocacy of Human Service Nonprofits." *Nonprofit and Voluntary Sector Quarterly* 40(3):435–57.

Nicholson-Crotty, J. 2009. "The Stages and Strategies of Advocacy among Nonprofit Reproductive Health Providers." *Nonprofit and Voluntary Sector Quarterly* 38(6):1044–53.

ÖIR – Managementdienste GmbH. 2003a. *Ex-Post Evaluation of the Community Initiative LEADER II – Final Report.* Vienna, Austria: Commissioned by the European Commission, DG Agriculture, Unit A.4.

ÖIR – Managementdienste GmbH. 2003b. *Ex-Post Evaluation of the Community Initiative LEADER II – Final Report – Volume 4: Geographical Reports*. Vienna, Austria: Commissioned by the European Commission, DG Agriculture, Unit A.4.

Osti, G. 2000. "LEADER and Partnerships: The Case of Italy." *Sociologia Ruralis* 40(2):172–80.

Palyvoda, L., and S. Golota. 2010. *Civil Society Organizations in Ukraine: The State and Dynamics*. Kyiv: Publishing House "Kupol".

Savas, E. 1987. *Privatization: The Key to Better Government.* Chatham, UK: Chatham House.

Schmid, H., M. Bar, and R. Nirel. 2008. "Advocacy Activities in Nonprofit Human Service Organizations: Implications and Policy." *Nonprofit and Voluntary Sector Quarterly* 37(4):581–602.

Scott, M. 2004. "Building Institutional Capacity in Rural Northern Ireland: The Role of Partnership Governance in the LEADER II Programme." *Journal of Rural Studies* 20:49–59.

Smith, S., and M. Lipsky. 1993. *Nonprofits for Hire: The Welfare State in the Age of Contracting*. Cambridge: Harvard University Press.

UNDP. 2007. "Supporting Capacities for Integrated Local Development." *Practice Note*.

Valentinov, V. 2009. "Third Sector Organizations in Rural Development: A Transaction Cost Perspective." *Agricultural and Food Science* 18(1):3–15.

Valentinov, v. 2012a. "Toward a Critical Systems Perspective on the Nonprofit Sector." *Systemic Practice and Action Research* 25(4):355–64.

Valentinov, V. 2012b. "The Economics of the Nonprofit Sector: Insights from the Institutionalism of John R. Commons." *Social Science Journal* 49(4):545–53.

Valentinov, V. 2012c. "Understanding the Rural Third Sector: Insights from Veblen and Bogdanov." *Kybernetes: The International Journal of Cybernetics, Systems and Management* 41(1–2):177–88.

Valentinov, V., and C. Iliopoulos. 2012. "Property Rights Problems of Agricultural Cooperatives: A Heterodox Institutionalist Perspective." *German Journal of Agricultural Economics* 61(3):139–47.

Valentinov, V., and C. Iliopoulos. 2013. "Economic Theories of Nonprofits and Agricultural Cooperatives Compared: New Perspectives for Nonprofit Scholars." *Nonprofit and Voluntary Sector Quarterly* 42(1):109–26.

Valentinov, V., Hielscher, S., and I. Pies. 2013. "The Meaning of Nonprofit Advocacy: An Ordonomic Perspective." Social Science Journal, online first, http://dx.doi.org/10.1016/j.soscij.2013.03.007

von Meyer, H., E. Saraceno, J. C. Bontron, N. Lasnier, J. L. Dethier, and S. Roussel. 1999. *Ex-Post Evaluation of the LEADER I Community Initiative (1989–1993) – General Report*. Brussels, Belgium: Commissioned by the European Commission, DG Agriculture.

Weisbrod, B. 1977. *The Voluntary Nonprofit Sector: An Economic Analysis*. Lexington, MA: Lexington Books.

World Bank. 1999. *Community Based Rural Development: Reducing Rural Poverty from the Ground Up*. Washington DC.

Young, D. R. 2000. "Alternative Models of Government-Nonprofit Sector Relations: Theoretical and International Perspectives." *Nonprofit and Voluntary Sector Quarterly*, 29(1):149–72.

Zimmer, A. 2006. *Comparing Nonprofit Embeddedness in the Nordic and Eastern European Countries*. Stockholm: Elanders Gotab AB.