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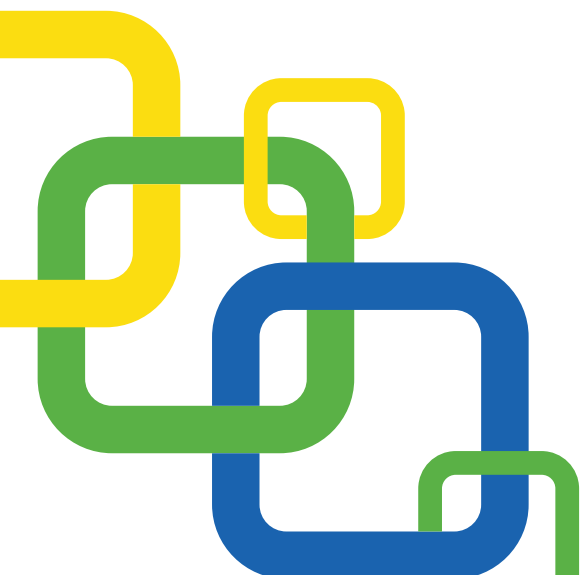
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# **BOOK OF ABSTRACTS**

1st International conference on  
practical and theoretical implications  
of LEADER/CLLD approach in South-East Europe

November 20-22, 2019.

Opatija, Croatia



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# ADMINISTRATIVE CAPACITY AS PREREQUISITE FOR ABSORPTION OF ESI FUNDS IN CROATIA

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## Abstract

Full membership in the EU opened the possibilities for full use of the ESI funds in Croatia. Since July 1, 2013 Croatia as a full member has the opportunity of participation in the EU Cohesion policy and finance its development activities through ESI funds. Multi-level governance as a doctrinal concept emerged as a consequence of requirements that Cohesion policy puts in front of the member states in the process of ESI funds implementation. Administrative capacity at national as well as on the regional and local level is a necessary prerequisite for the effective use of the ESI funds. Capacity of the private sector as well as the third (NGO) sector for development, financing and implementation of development projects is also an important part of the overall absorption capacity of particular member state. The paper will answer does the institutional arrangements set up for cohesion/regional policy management stimulate multilevel governance relations among the various governance actors and contribute to the overall increase of the absorption capacity. Croatian administrative and policy context is explored in order to present the state of play regarding the institutional arrangements for ESI funds absorption.

**Key words:** *absorption capacity, administrative capacity, ESI funds, Croatia, public administration, multi-level governance, local government*

# MODELLING “THE SECRET OF LEADER“ - INTEGRATION AND DISINTEGRATION IN RURAL DEVELOPMENT

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## Abstract

The world of rural development is basically divided into two subsystems. Typically, at first the central political subsystem of rural development comes to mind. In this, the state (or some “higher power”) intends to maintain and further develop different rural values that are considered public goods (cultural, built and natural, community values) through restrictions and development aid. All this is, hopefully done along some deliberated, long-term strategy formal rules, institutions, and with the help of paid bureaucracy and experts. The other subsystem is so obvious that many simply forget about it. This is the local, heuristic subsystem of rural development, or the everyday aspiration of people living in rural areas to enhance their environment, economy and life in general. All this is based on intimate (though often tacit) knowledge of the local context, available resources, kinship and social networks, and is manifested in the daily work and aspirations of mayors, local entrepreneurs, teachers, public employees, that is, the entire rural community.

The two subsystems are connected and overlapping in many ways, yet differ significantly from each other. The local subsystem is rich in information, practical knowledge, since its actors deal with their own lives. At the same time, the local system is normally poor in financial resources and is often shortsighted, sensitive to current benefits, threats and temptations. The central subsystem possesses the money (EU and national funds) and the resources for long-term and large-scale thinking and planning. However, it often works with a serious lack of information, can become the victim of different political and economic interests/conflicts and is utterly divorced from the subject of its work and purpose (Nemes et al, 2013). To achieve long term, structural improvement, these two worlds of rural development should, in fact, work together in an integrated system, complementing each other’s knowledge, resources, interests and aspirations. However, the overall experience is that the central and local levels generally do not understand each other. Disintegration is more frequent than integration, conflict and incomprehension, than co-operation, and, despite the policy efforts, we regularly experience the exacerbation of social, economic and environmental problems in rural areas.

The reasons for this apparent failure of rural policies have been the subject of rural development literature for a long time. According to the “new rural paradigm” (OECD, 2006), the analysis of “multilevel governance”, a crucial element of rural development policies

under the new paradigm, can explain much of the problems. Multilevel governance refers to the institutional, administrative framework in which socio-economic co-ordination of rural development takes place. It implies advanced communication (horizontal and vertical) between and within different levels, and sharing responsibilities and resources between different actors on a reasonable and equitable way, beyond the traditional, centralized administrative practice (Marks, 1993; Hooghe and Marks, 2003). This also means that for successful development there is a need for partnership-based cooperation between three very different institutional, managerial styles (Thompson, 2003), public institutions, private businesses and NGOs. The central-political and the local-heuristic sub-systems, described above, are special "meeting points within multi-level governance. Their apparent and noticeable disintegration, from the analytical perspective of the new rural paradigm, originates in the different styles of governance and institutional culture of the different stakeholders, resulting in insufficient cooperation and other dysfunctions of multi-level governance.

However, when we observe the practical results of European rural policies, we can still find many successful projects, programmes. Thus integration of the two sub-systems, using central resources to support truly bottom-up initiatives, achieving long term structural improvements must be possible somehow. The analysis of successful cases usually shows the presence of some new, reflexive development agent, human or institutional capacity (formal or informal institution) complementing traditional development institutions. It normally belongs to (and is controlled by) the local system, but possesses appropriate development capacity understand and work with central requirements. Thus, it can creatively connect/combine the central and the local system and ensure integration during the rural development process. Positive examples are generally based on co-operation and bottom-up initiatives. All this requires social learning and social innovation at various levels, since for success, besides exploiting internal and external resources, knowledge, markets, building networks, there is a need to find a way through the maze of general distrust and bureaucratic institutions.

This article, based on some 20 years of experience in rural development, explores how the LEADER programme could sometimes cut the Gordian knot, what is the role of social innovation in connecting rural policies and local development aspirations and what are the conditions, the content and results of the connected social learning.

**Key words:** *integrated rural development, LEADER, social innovation, social learning, local development*

# FINANCING LOCAL DEVELOPMENT IN SOUTH-EAST EUROPE: REDISCOVERING THE CRUCIAL ROLE OF COMMUNITY-OWNED AND CONTROLLED FINANCE

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## Abstract

Following the collapse of the former Yugoslavia in 1989, the international development community (World Bank, IMF, European Commission, USAID, etc) arrived in South-East Europe with a plan to restructure the economies and societies according to the simplistic free market ideology known as neoliberalism, or the 'Washington consensus'. It is today apparent that this approach to reconstruction and development has created a calamity in South-East Europe for all but a narrow domestic elite. This calamity since the early 1990s involves declining living standards, a massive rise corruption and fraud, dramatically worsening public services and deteriorating public infrastructure, multiple privatisation failures, massively increasing household and public debt, and spectacular levels of inequality. Moreover, it is only because of EU (and other) financial assistance since the late 1990s that an even *greater* economic and social failure in South-East Europe has been narrowly averted, suggesting that had the region *not* received external financial support at crucial junctures, the end result of the neoliberal policy paradigm would have been considerably worse. The aim of this paper is to show that this deleterious 'anti-development' trajectory was both inevitable under the chosen neoliberal policy regime, but also potentially avoidable had the policy lessons of very successful local state-led reconstruction and local economic development episodes in northern Italy, the former West Germany and the Basque region of northern Spain in the post World War II period been examined and followed more closely.

Nowhere has this across-the-board failure of the neoliberal policy approach been more apparent than in the financing of local and rural development. With the focus on only supporting private sector financial institutions, especially the branch units of major western European banks, the majority of local communities in South-East Europe have as a result failed to create self-sustaining local and rural economies. The type of commercially-oriented financial support on offer was all too often entirely unsuitable for the development of local small-scale industrial and service enterprises. Nor was it suitable for potentially sustainable family-based farming units. Put simply, the short-term profit priorities of most private financial institutions paid no attention to the fact that most growth-oriented business projects tend to have long-term profit horizons and distant break-even points, and so (at

least in the short-term) simply cannot cope with market-priced finance. Using the example of Bosnia and Herzegovina since 2000, this paper will illustrate how and why private sector-led local financial institutions, especially its large number of microfinance institutions and the local branches of major western banks, have directly helped to create primitivised, de-industrialised and informalised local economies that now almost entirely incapable of sustainable development and growth.

This paper then argues that the key to successful local economic and rural development will most likely be found in the establishment and support of a range of community-owned and controlled financial institutions that, put very simply, are development-oriented rather than profit-oriented. As in the successful western European country examples from the post World War II period, as well as in East Asia since 1950 during the rise of the so-called 'miracle economies', this institutional structure will involve a mixture of local public banks, community development banks, cooperative banks, social venture capital funds and other similar financial institutions. These local financial institutions exist to directly pursue key local economic development policy goals through comprehensive, coordinated and, very often, subsidized working capital and investment support aimed at those MSMEs thought to be in the best position to sustainably grow. We can call this the 'developmental local financial model' and, as elsewhere where such a model emerged, history has shown that has proved to be a key factor in helping create sustainable and equitable local and rural economies. Moreover, the incidence of successful policy transferability between the countries in the above examples - South Korea learned much from Japan, China learned much from South Korea, Vietnam learned from China, and so on - indicates that, had they been allowed to, there is nothing to suggest that the countries of South-East Europe could not also have learned and adapted the variety of local and rural financial institutions successfully pioneered in these countries and regions in order to accelerate their own sustainable economic and social development. The urgent priority today, therefore, is to revisit these and other local economic and rural development experiences. Countries and localities in South-East Europe need to assess the extent to which such valuable experiences can form the foundation for an alternative local financial system in the region that will begin to underpin, as opposed to frustrate, the chance of sustainable local economic and rural development.

**Key words:** *finance, sustainable development, anti-development, neoliberalism, microfinance, policy transferability*

# CONSIDERING RESOURCES AT THE BORDER OF TWO CYCLES – LEADER LAGS AND THEIR DEVELOPMENT AGENCIES

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## Abstract

We explore in this presentation how effective the LEADER Programme has been in addressing social and spatial inequalities, and under which conditions local actors are able to design and implement strategies to address inequalities, what are factors, limiting and enabling the process. Our examination is based on an in-depth case study of the Balaton-uplands LEADER LAG, that has been one of the most successful local development groups in Hungary. The presentation takes into account the existing EU and domestic framework conditions in the current and preceding programming cycles, highlighting the consequences of centralizing and simultaneously reducing administrative capacity and the erosion of the local development agencies caused mainly by the prolongation of the cycle. The presentation ultimately seeks to answer the question whether it is possible to break out of today's circumstances at all. Could local development become more independent from the LEADER funding, ensuring the sustainability of rural development results, such as institutional and human capacity, networking and high level of trust in the local community? How could the LAGs' operational resources be increased? Is the LEADER model still appropriate within the current policy framework/circumstances? Could the current implementing bodies of the LAGs become complex, multi-legged, multi-funded, self-sustaining local development agencies, serving local authorities, NGOs and entrepreneurs, to bring together local rural development? (This presentation is based on research carried out within the RELOCAL project supported by EU Horizon 2020. Contract number: 727097)

**Key words:** LEADER, spatial justice, participation, RELOCAL

# MULTI-STAKEHOLDER INITIATIVES AND GRASSROOTS PARTICIPATION - A CASE STUDY OF THE UNFOLDING OF THE LEADER PROGRAMME IN CROATIA

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## Abstract

We analyse how and with what outcomes does European Union as a supra-state in rural development issues foster state led development of Corporate Social Responsibility (CSR) mechanisms. We argue that CSR is context dependent and its characteristics as well as its outcomes depend on the framework of the state and the interactions between intra-national actors in charge of its framing and implementation. We present a longitudinal case study of the unfolding of the European Union LEADER programme in Croatia, the newest member state of the European Union from 2002 to 2019. Analysis is focalized on the unfolding of such organizations. A Local Action Group representing a territorially delineated partnership of public, private and civil society actors. We investigate its internal actor power play through evolving interactions between different actors around different development regimes.

**Key words:** *political CSR, governance, Neo-Gramscian, value regime, LEADER, Croatia, MSI's*



# HIDDEN IMPACTS OF LEADER IN SLOVENIAN RURAL AREAS

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## Abstract

Since its implementation as a project pilot before 28 years, there have been several attempts to evaluate the impacts of LEADER throughout the EU. Mostly, the authors have focused on quantitative indicators (amount of allocated financial support, list and structure of beneficiaries, the share of funds spent on selected priorities, etc.). There has been less focus on qualitative indicators, i. e. how the quality of life has been improved due to application of LEADER methodology and funds, what kind of networks were stimulated within the programming period in rural environments, etc. Quantitative indicators over nearly 30 years of experiences in the Western Europe mostly reported on absorption of funds, animation of local populations and their (in)formal organizations – herewith they advocated for LEADER approach and LEADER programme which became the mainstream of rural development policy in period 2007-2013.

Since the majority of Eastern and Central European countries integrated in the EU in the first decade of 21st century, they have been collecting LEADER experiences over last 15 years. Evident is a research gap in the perception and research on impacts of LEADER within these countries. The paper will focus on impacts of LEADER that have usually been overlooked – either because of lacking data, due to the existing objectives of monitoring or simply because of the fact, that we were not able to comprehend the complexity of LEADER mechanism and its impacts. We are addressing them as hidden impacts and we are trying to analyse the reasons why they have stayed in the shadow within the framework of rural development. We would point out several attempts aimed at their transformation into visible impacts of LEADER/CLLD programme in Slovenian rural areas.

**Key words:** LEADER, impacts, rural areas, rural development, Slovenia

# CLLD APPROACH TO LOCAL DEVELOPMENT PROGRAMMING IN THE LAG STROSSMAYER TERRITORY

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## Abstract

Paper describes the LEADER/CLLD approach to local development programming. The role of this approach in the cross-sectoral integration of the civil, private and public sectors has been clarified with the aim of adopting and implementing a common local development strategy, as well as other development and planning documents.

The establishment of the LAG Strossmayer in Đakovo area contributed to the expansion and implementation of the LEADER/CLLD approach to the local development of the LAG, as well as the areas of individual local government units, especially those peripheral with low levels of development.

The paper describes the LAG Strossmayer area of with its specificities. It analyzed how the implementation of the bottom-up approach contributed to cross-sectoral integration and active involvement of local communities in decision-making processes, development documents, and monitoring of development processes. Comparison of selected indicators highlighted the important differences of development programming from the „top-down“ and „bottom-up“ approaches. In conclusion, the benefits of a „bottom-up“ approach in motivating the local population to participate actively in the life of the local community were highlighted.

**Key words:** LEADER, CLLD, LAG Strossmayer, bottom-up approach, local community

# THE IMPACT OF LOCAL ACTION GROUPS (LAGS) ON SOCIAL DEVELOPMENT OF BROD-POSAVINA COUNTY

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## Abstract

In Brod-Posavina County, three LAGs are operational: LAG West Slavonia, LAG Posavina (Sava River Basin), and the LAG Slavonian Plains. The aforementioned LAGs are the successful beneficiaries of the Measure 19.1, in which the Local Development Strategies (LDS) for the 2014 – 2020 programmatic period are being devised. On the basis of contracts concluded with the the Paying Agency of the Republic of Croatia, these LAGs have received an asset allocation amounting to HRK 24,900,385.86 for the implementation of measures stipulated in the Republic of Croatia's 2014 – 2020 Rural Development Program. In addition to implementing LDS under Measure 19. of the PRR, LAGs may apply as independent legal entities (associations) to various tenders with different funding sources, and carry out other activities in accordance with registered LAG activities.

The aim of this paper was to investigate a contribution of the aforementioned LAGs to the social development of Brod - Posavina County and of the individual LAG areas by a quantitative and qualitative analysis. A quantitative analysis encompassed an investigation of LAG activities, their financing sources, and other resources necessary for the implementation of the LDS. An evaluation of the quantitative LAG contribution to the social development was performed by virtue of an analysis and comparison of the indices obtained, pertaining to a success analysis of the LEADER/CLLD principles implementation and their recognizability. The research results have demonstrated that the LAGs have significantly contributed to the growth of the originally modest small-sized municipalities' budgets, that they exert an important impact on the employability increase, as well as the significant social impacts on a local community, and that they exert the modest environmental impacts. The LAGs have been recognized as the important actors of an intersectoral cooperation and networking.

**Key words:** LAG, contribution to the development, quantitative and qualitative indicators, LEADER principles

## RURAL 3.0: SERVICE-LEARNING FOR THE RURAL DEVELOPMENT -A CASE STUDY OF CROATIA

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### Abstract

Rural 3.0 Knowledge Alliance intends to bring together higher education institutions (HEIs) and rural partners (LAGs or NGOs) to create a transnational curriculum based on the innovative Service-Learning (SL) approach that offers university students academic credit for the learning that derives from engagement within a rural community. Three separate surveys were conducted in April and May 2019 in Croatia to reveal the needs and gaps of the main target groups: university students, rural community partners' organizations and their beneficiaries. All examined students were very motivated for rural SL and volitional for increasing competences for entrepreneurship. LAGs/NGOs in Croatia pointed out three biggest challenges for the future: the **insufficient human capacities** induced mostly by **difficulties in funding sources** which reflects on the **development and implementation of new projects**. Croatian LAGs and rural NGOs are supportive of rural SL and inclusion of students into the work of their organization. The local community of LAG 5 area had no experience with SL. The older population recognizes a great opportunity to get support in meeting basic living needs and everyday activities, while younger population shows a great interest in engaging students in the quality improvement of the tourist and cultural sector. It is essential to increase the relevance of HEIs in rural development, as their students aim to fulfil a service that is in line with the demands of the businesses and social needs in rural areas. That could give an additional boost and support to the LEADER program and implementation of CLLD strategy. The innovative SL methodology could improve the quality of education for sustainable development and promote university-community partnerships in rural areas.

**Key words:** *higher education, LAGs, Service-Learning, Rural 3.0, rural development*

# **SOCIAL ENTREPRENEURSHIP IN THE FUNCTION OF LOCAL DEVELOPMENT THROUGH A FORM OF INTEGRATIVE WORKSHOPS**

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## **Abstract**

Social entrepreneurship is important segment of corporate social responsibility (CSR) and one of the strategic aims in Strategy of social entrepreneurship development from 2015.-2020. This form of entrepreneurship contributes to the development of the local community by creating new jobs, more specifically those that improve the life quality of individuals. This is especially important for people with disabilities. The aim of this study is to research the presence, frequency and application of social entrepreneurship concept and its effects on local development. The empirical part of the paper is based on an anonymous survey. The results confirm the presence of good entrepreneurial practice in the form of integrative workshops in Croatia, their business sustainability and development orientation.

**Key words:** *social entrepreneurship, integrative workshop, local development*

# THE IMPORTANCE OF FOREIGN LANGUAGE ACQUISITION AS AN EMPOWERING SOCIAL CAPITAL TOOLSET

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## Abstract

Indubitably, LEADER evolves from a regional, public-and-civic rural entrepreneurial initiative into a trendsetting phenomenon, generally applicable to the municipal nuclei and all local communities. Consequently, the comprehension of its basic popular-scientific phraseology, preponderantly English, appears to be crucial.

Thus, the paper examines the information, benefit awareness, and involvement of implementing bodies, LAGs, and managing authorities in the foreign language acquisition as an instrument of the alternative knowledge management model, especially in the strategic terminology attainment programs. A comparison is also investigated between a domestic Croatian situation and that in the rest of the EU, predominantly in the CSES. With the English being a geopolitically consensual and globally acceptable *lingua franca*, the author emphasizes a competitive, sustainable communicational advantage and a noticeable correlation between this linguistic LLL concept and the international cooperation principles of the LEADER approach, notably when it comes to an experience exchange.

In effect, by virtue of their private – public networking capacity, the three essential LEADER/CLLD principles, i.e., innovation, transnational collaboration, and the processual devising of resultful projects, seem to be directly dependent on an entity's language command and comprehensive communicational competences.

**Key words:** *foreign languages, lifelong learning (LLL), Community-Led Local Development (CLLD), Local Action Groups (LAGs), social capital*

# DEPARTING FROM COMMUNITY-LED LOCAL DEVELOPMENT (CLLD) TO LOCAL DISTRIBUTION OF FUNDS?

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## Abstract

The aim of the paper is to show that the core LEADER principles and the idea of community-led local development have been distorted in practice in a way that Local Action Groups (LAGs) became pure distributors of the EU, national and regional funds to local entrepreneurs, whereby the principles and initial ideas lying behind those principles have been vanishing. The arguments presented in the paper are mostly derived from studying the “LEADER LAG Survey 2017” and LAG strategies of Croatian LAGs and their activities in 2018 related to strengthening local rural development by applying bottom-up approach and citizen participation in local policy-making.

The results show under-performance and non-fulfillment of major aims of related EU policies such as balanced regional development and stronger sense of European citizenship. The major reason of that problem is a narrow understanding of the EU policies lying behind programmes and funds and prevalence of short-term interests of national administrations over implementation of the EU path of democratic and economic development.

The conclusion is that political dimension of CLLD has to re-take the lead in implementation of the EU Rural Development Policy over the pure technical implementation. A more extensive awareness-raising campaign directed to local agents, introduction of more democratic criteria for LAG strategies, and most importantly reintroducing a bottom-up approach and ensuring its implementation in practice.

**Key words:** LEADER, LAG, CLLD, Bottom-up approach, Rural Development

# ALBERGO DIFFUSO MODEL FOR SUSTAINABLE LOCAL DEVELOPMENT ON THE ELAPHITI ISLANDS

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## Abstract

The Elaphiti islands have rich but underutilized natural, historical and cultural heritage, a reasonable number of accommodation capacities and long touristic tradition. With fostering touristic revival of the rural areas, Albergo Diffuso model allows the achievement of sustainable integrated local development.

The proposed model is based on innovative approach in enhancing tourism activities in rural areas by restoring valuable cultural and historical heritage. With fostering touristic revival of the rural areas, Albergo Diffuso model also allows the achievement of multifold economic, social and environmental benefits for local communities. For this reason, there has been a growing interest to replicate the model in rural areas of other countries, Croatia being one of them.

Cost benefit analysis is used to give an insight into socio economic and environmental framework as the basis for making judgement on the justification of implementing proposed model on the Elaphiti islands. Risk analysis lists all the potential risks that might negatively affect the implementation of the model and proposes risk mitigation activities to minimize their negative influence. Concluding remarks have been formed on the basis of the findings of the cost benefit analysis and serve to identify the future funding sources for the implementation of the model.

**Key words:** *Sustainable integrated local development, Sustainable tourism, Albergo Diffuso model, Cost-benefit analysis, Risk analysis.*



# STAKEHOLDERS INVOLVEMENT FOR THE SUSTAINABLE INTEGRATED LOCAL DEVELOPMENT IN THE PROTECTED AREAS

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## Abstract

The paper presents the results of the study of stakeholders' opinions and their relation towards protected natural areas as a driving force for sustainable integrated local development. Analysis shows that the protected areas are an important resource of the Republic of Croatia and the potential to start and strengthen socio-economic development in regions and local communities where they are established. The results show that stakeholders whose daily activities do not include nature protection show less interest in these areas. It is necessary to strengthen the awareness of these stakeholders about the economic and development potentials of protected natural areas so the paper highlights the opportunities offered by the model of participative planning and management in local communities. The overall conclusion of this research is that the protected natural areas are still largely viewed through the protection, control and preservation of nature, and therefore seems closed to potential investors and the business sector in general. Involving local communities in the management of protected areas - national and nature parks - will allow local stakeholders to understand the possibilities, significance and role of protected natural areas and ecosystem services in enhancing their living standards and the overall quality of life.

**Key words:** *Integrated local development, Stakeholder analysis, Socio-economic development, Protected areas management*

# THE ESOP SOLUTION TO THE SUCCESSION PROBLEM IN RURAL INDUSTRY

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## Abstract

“Rural” does not just refer to agriculture; there are many small and medium-sized industrial or agro-industrial enterprises (SMEs) in small cities and towns. Rural development programs need to support the sustainability of these SMEs in addition to agriculture. The paper provides a possible LEADER development program based on the features of the rural economy, which addresses the succession problem of the SME economy. The succession problem arises when the grown children in a family-owned SME do not want to take over the family enterprise, while the alternative - a sale to an outside investor/competitor - might result in the company being slowly wound down and closed after taking the customer list and best people. The paper provides a possible LEADER development program based on the features of rural SME economy, which is oriented to specify the necessary policy agenda for the solution of the

The presupposition behind the paper is that there is a time-tested mechanism to allow a gradual employee buyout of the company without depending on the employees mortgaging or risking their personal assets. The mechanism is the Employee Stock Ownership Plan (ESOP), which was developed in the United States during the late 1970s. There are now about 7000 ESOPs in the US employing 10% of the private workforce.

This success story can be copy-pasted to any country with a legislation on cooperatives by having a co-op serve as the ESOP. The transfer of ownership to employees happens piecemeal over a period of years financed by a local bank or directly by the seller. As in the US ESOP, the finance is paid off by regular payments from the company to the ESOP to pay off the debt. The payments are ownership bonuses so workers will not only “work like owners” but will be owners. As a multi-year process, the SME owners need to think ahead about the succession problem and set up the ESOP well in advance of the owner’s exit from the company.

**Key words:** rural industry, succession problem, employee stock ownership plan (ESOP).

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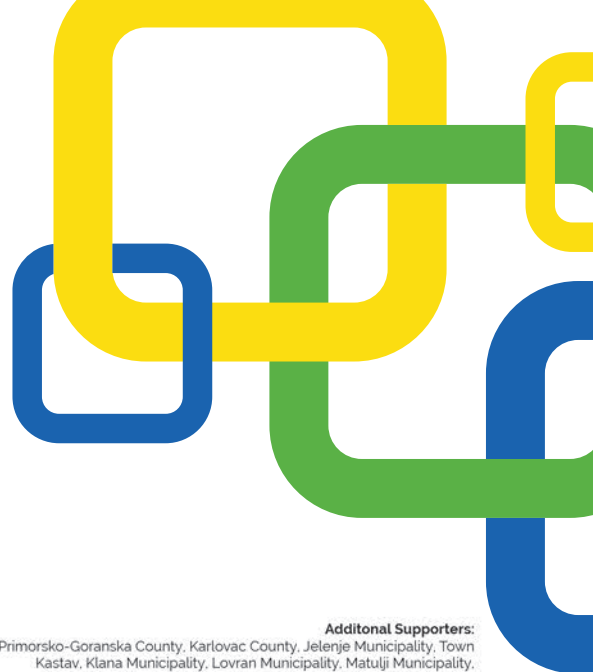
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