

# LOCAL ACTION GROUPS - THE EUROPEAN INTEGRATION CATALYST FOR THE ROMANIAN RURAL AREA

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*Romania has the highest share of European Union rural areas (44.9% in 2009), which generates and maintains a long series of regional disparities. Because of these disparities, the economy faces a number of elements that undermine the quality of human and social capital and reduces the potential for growth: precarious social and economic infrastructure, reduced access to markets and thus to goods, a low level of both economic cohesion and living standards, and a difficult access to education and training (leading to the underutilization of labor in rural areas, while major shortages in the labor market and increased migration phenomenon manifests).*

*In these circumstances the European Union LEADER initiative is an important chance for the development and tightening of the rural - urban continuum in Romania. A fundamental element of this initiative are the local action groups. These local action groups are conceived rather as an ad hoc framework for exchanging ideas, for debate on matters of local interest, on initiatives to boost economic activities. Thus, these local partnership structures can be self-organized by very real problems and directions: to promote a brand of product made in a certain area, the image of a tourist attraction, of traditional occupations, crafts of products, etc.*

*In this paper, the authors aim to highlight the difficulties of European integration for rural areas in the new Member States, considering that the LEADER initiative would be a good opportunity to accelerate this process. To emphasize this, a review of the progress in implementing the LAGs program in Central and Eastern Europe was undertaken. Also, we identified the success factors of this program based on the experience of the European Union developed countries. Finally, we provide arguments in favor of local action groups as the solution to the rural problem of Romania.*

*Keywords: local action groups, regional disparities, regional development policies.*

*JEL Codes: O18, R11, R58.*

## **1. European integration of the rural area in the New Member States**

After the "Purgatory" transition to a market economy of former Central and Eastern Europe communist countries, their process of modernization continued through the EU accession. But the integration into a developed European economic and social space is difficult and fragmented. Beyond the various measures and assessment of the convergence process, the peripheral area fragmentation of the EU due to centripetal and centrifugal forces of the integrating process is more than obvious. These differences are evident both on the national and regional dimensions, but also on other dimensions of the EU: institutional, economic, social, political, cultural, etc.. From this perspective, the authors consider that the most serious fracturing of space in the Central and Eastern EU is the one concerning the rural - urban areas. Disparities between urban and rural areas are by far the most conspicuous in the heterogenic landscape of the Central and Eastern EU both in synchronic and diachronic terms. Without insisting on the spatial distribution causality of economic activities, even under an optimistic attitude about the present (which would consider

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disparities as ephemeral), we are, however, concerned about the significant differences in the time horizon perception of the economic development. Often, Eurobarometers show net discrepancies in the assessment of economic development opportunities, degree of optimism, confidence in progress, etc. between residents in urban areas and those in rural areas. As shown in some studies (Cristescu A., Andreica. M.E., 2011) there are considerable differences even in the inflationary expectations in relation to the residential environment of individuals.

In these circumstances the European integration of Central and Eastern Europe former communist countries has an additional problem - the rural area.

Supported financially and institutionally through pre-accession funds (ISPA and SAPARD in particular), these countries have made great efforts to modernize their rural area. After the EU accession the new member states from Central and Eastern Europe have benefited from additional financial resources made available by the European Agricultural Guidance and Guarantee Fund. However, opportunities in the new Member States to improve the quality of European integration of the rural areas increased dramatically with the adoption of the European Agricultural Fund for Rural Development<sup>2</sup> (EAFRD). In accordance with EAFRD, Member States should develop and implement the National Rural Development Programs. An important component of these programs is the LEADER axis, which underlies the local action group (LAG) initiative in the new EU Member States.

LEADER is a European initiative for rural development that started in 1991 with LEADER I. It continued with LEADER II (1994 – 1999) and LEADER+ (2000 – 2006). Today it is the fourth thematic axis of the Rural Development Policy (2007-2013).

The aim of LEADER is to introduce a new approach to territorial rural development from bottom to top, integrated, that builds on identifying local needs and support local development strategies that combine one or more priority objectives - competitiveness (axis one) and life quality/diversification (axis three). LEADER target areas are geographically, socially and physically, homogeneous small territories that are often characterized by common traditions, local identity, common needs and expectations. The main aim of LEADER is to improve local governance in order to boost economic and social development and the main vehicle is given by LAGs. This is a local partnership made up of organizations from different socio-economic sectors.

Between 1991-2006 1143 LAGs were created in 25 EU Member States. Thus:

- 52 LAGs had the "Use of new know-how and new technologies" theme;
- 187 LAGs had the "Improving the Quality of Life in Rural Areas" theme;
- 114 LAGs had the "Adding value to local products" theme;
- 235 LAGs had the "Best Use of Natural and Cultural Resources" theme.

Of course, the differences in institutional culture and in the temporal moments of accession were significantly reflected in the LEADER initiative implementing (Table no 1).

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<sup>2</sup> Council Regulation (EC) 1698/2005

*Table no 1: LEADER implementation in the New Member States*

Country	Implementation	Rural area (%)*	No of LAGs	Budget (mil. €)	LAGs surface		LAGs population	
					Km <sup>2</sup>	% out of total surface	mil	% out of total population
Poland	2006-2008	39	167/80	30,44	125 500	39	7	18
Slovakia	2007-2013	43	11	-	-	-	0,1	2
Hungary	2006-2008	32	186/70	25	29 141	31	1,52	15,2
Slovenia	2004-2006	52	-	-	-	-	-	-
Czech Republic	2004-2007	26	133/70	6,53	4 748	6	0,32	3,1
Lithuania	2004-2006	33	49/39	2,715	-	-	-	-
Latvia	2004-2006	32	32/17	3	-	-	0,74	33
Estonia	2004-2006	31	/24	1,84	40 000	88	0,4	30
Bulgaria	2007-2009	29	11/11	-	-	-	0,22	2,9
Romania	2007-2013	46	120/0	14,5	90800	38	11,7	54,4

Source: [http://ec.europa.eu/agriculture/rur/leaderplus/lagdb\\_ro.htm](http://ec.europa.eu/agriculture/rur/leaderplus/lagdb_ro.htm), \*World Bank

As seen, the best results in implementing the LEADER are registered by Poland. According to European Commission reports, Poland has already completed the action for financial support of about 80 LAGs, covering 39% of the country and 18% of the population. In terms of eligible LAGs, Hungary has more than Poland (186 vs. 167, but the first has established only 70 LAGs and has a lower allocated budget). Hungary covers 31% of the country with the financed LAGs and 15,2% of the population.

Czech Republic select the same number of LAGs as Hungary (70 out of 133 eligible), but their activity is financed by almost a quarter of the budget allocated for Hungary. As a result, both Czech LAGs area and population are smaller compared to those of Hungary (6% out of total area and 3,1% out of total population).

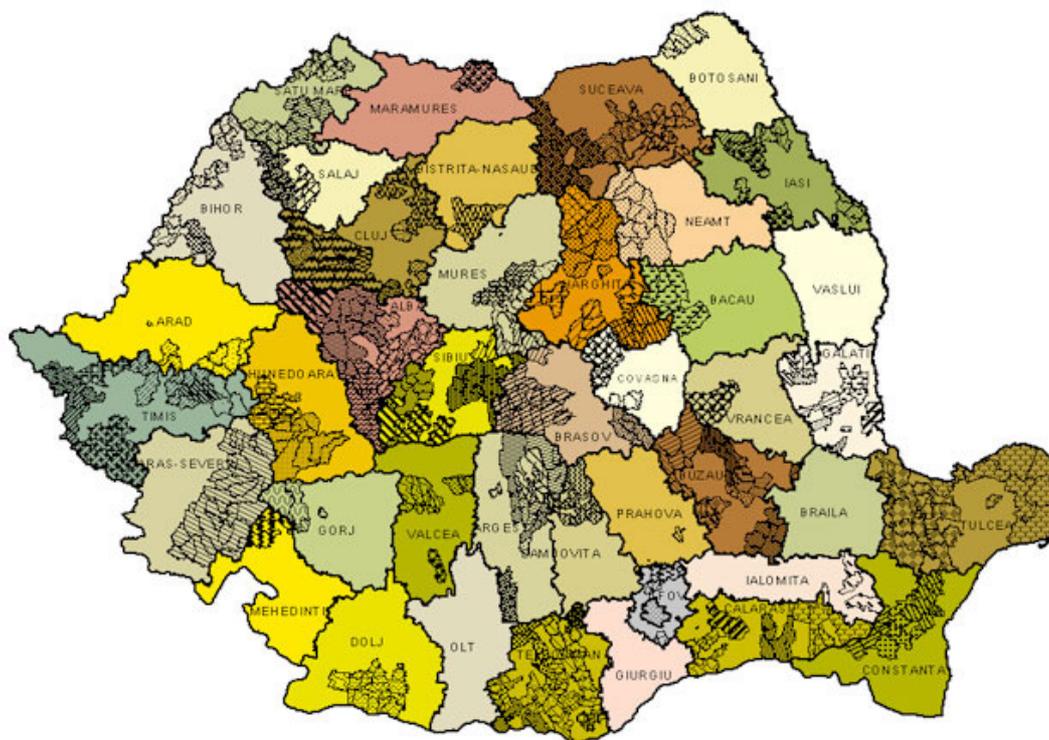
Slovakia has 11 local partnerships that are ready to become LAGs (covering 2% of the country population), while Slovenia has a very consistent budget allocated to preparatory actions for LEADER implementation (about €19 millions).

Although they have smaller budgets allocated for the LEADER implementation, the Baltic countries have already made significant advances in implementing this program. Thus, all three countries selected and funded LAGs, which comprise between 30% and 33% of their total population. Most funded LAGs are in Lithuania (29), followed by Estonia (24) and Latvia (17).

With a later EU accession, Bulgaria and Romania planned to implement the LEADER initiative between 2007-2013. At the program beginning, Bulgaria recorded 11 LAGs, while Romania has selected 120 sub-regions that were eligible to be funded as LAGs.

After analyzing<sup>3</sup> the social, economic and geographical context, the territorial cohesion and its homogeneity, reported to the residents number and to the eligible area, considering the financial allocation for the LEADER axis and the interest of local actors, it has been estimated that following the selection procedures an approximate number of 80 LAGs can result in Romania.

Thus, the area eligible for LEADER comprises a population of approximately 11,7 million, of which about 2 million are from small cities with up to 20000 inhabitants. Therefore, 17% of LEADER eligible population may come from small towns and about 9% of the eligible area will be owned by cities.



Source: [www.madr.ro](http://www.madr.ro)

*Fig. no 1: Map of potential Local Action Groups in Romania*

<sup>3</sup> <http://www.madr.ro/leader.php?prezentare=9>

## **2. The experience of EU more developed countries**

Taking into account the experience of EU developed countries it seems that a good practice<sup>4</sup> in implementing a LAG depends on the following factors:

-*Area-based approach*. This entails defining a development policy on the basis of an area's own particular situation, in terms of its strengths and weaknesses.

-*Bottom-up approach*. This aims to encourage participatory decision-making at the local level for all development policy aspects.

-*Partnership approach and the Local Action Group*. All the partners are invited to provide ideas about how to develop the project concept.

-*Innovation*. Three fields of innovation are important:

*a.specialization*: to learn about *quality instead of quantity* as a principle for agricultural development;

*b.quality*: the preparation of a project is based on a broad consultation about a clear innovation in the region;

*c.marketing*: learning about the importance of marketing innovative products and the necessity of marketing for goods produced by LAGs.

-*Integrated approach*. The actions and projects contained in the local action plan are linked and coordinated as a coherent whole. The idea originated in the LAG, which aimed to find a widespread bottom-up support for it.

-*Local financing and management*. This means delegating to the LAG a proportion of the decision-making responsibilities for funding and management.

-*Transferability*. The action/project is transferable to other rural areas with similar geographical and economic characteristics.

-*Sustainability*. Projects developed by LAGs are conceived that in the long run will contribute a lot to the economic development of the agricultural sector in the region.

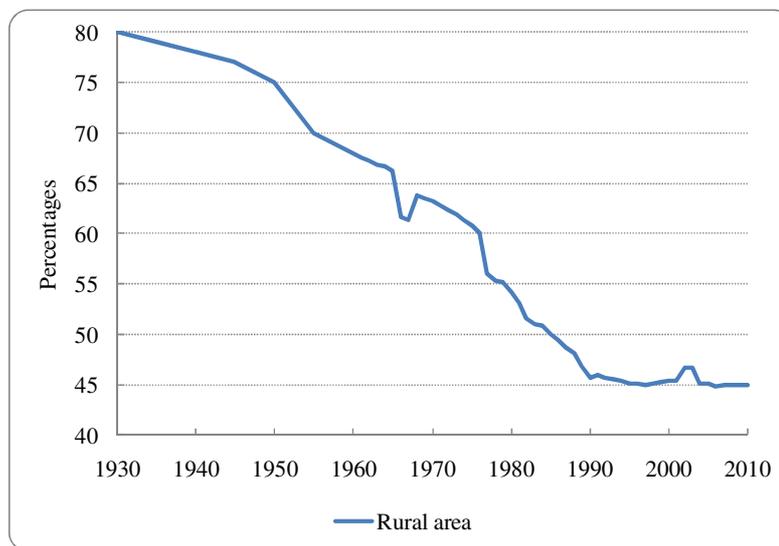
## **3. LAGs a possible solution for the Romanian rural problem**

In Romania rural areas (87.1% of territory and 45.1% of population) are typified by a scattered population and very low quality infrastructure (only 33% of rural residents are connected to a water supply network, only 10% to a sewerage system and only 10% of rural roads are of adequate standard). Basic social infrastructure (health and education systems, finance and credit provision etc.) is also much less developed than in urban areas. These factors affect the quality of life in rural areas, hamper economic development, increase outmigration, and exacerbate health and environmental problems. The rural economy is highly dependent on agriculture and forestry, with low development of alternative activities, and lower incomes than urban areas. Moreover, the structure of gross domestic product creation is much different than that of the EU developed countries. We still have a large share of agriculture and even industry, while the share of services is significantly below the European average. The same with the structure and use of labor, which differs even more than that of EU developed countries, especially on account of population employed in agriculture. If we consider other factors such as access to education, quality of life, the differences between rural and urban economic and social infrastructure, than the factors that slows down economic development in Romania are even more obvious.

However, the problem of "rural burden" in development of Romania has historical traditions, which seem to contradict some legends such as "Bucharest - Little Paris" or "eternity was born in the village" and shows a significant structural gap between western economies and societies and ours (Fig. no 2).

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<sup>4</sup> [http://ec.europa.eu/agriculture/rur/leaderplus/lagdb\\_en.htm](http://ec.europa.eu/agriculture/rur/leaderplus/lagdb_en.htm)

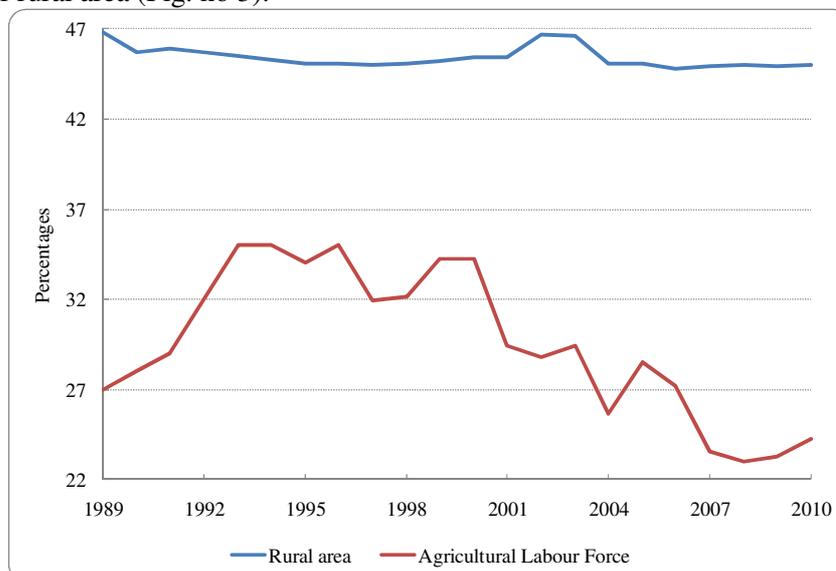


Source: made by the authors

**Fig. no 2: Dynamics of rural population in Romania between 1930 - 2010**

In the communist era the reduction of rural area was forced by different means, most often destructive (systematization planning program in the Ceausescu period). Even the transition to a market economy has failed to improve the situation given that urban-rural migration flows have exceeded the rural-urban flows in the last years, making the large share of the rural area a problem that blocks absolutely necessary structural economic mutations needed for modernization and European integration.

The agricultural sector is more important than in most other Member States, with 28,7% of the civilian population employed in agriculture and forestry, contributing 6,37% to GDP in 2009 (7,08% to total Gross Value Added), this being largely responsible for maintaining the high percentage of rural area (Fig. no 3).



Source: made by the authors

**Fig. no 3: Trends of the population employed in agriculture and of the rural area between 1989 - 2010**

The authors consider that given the urban deficit of Romania, the organization and development of LAGs could be a constructive solution to reduce the rural share and to revitalize the development of urban centers. But solving the rural problem exceeds the National Rural Development Plan (2013) horizon and tends to a medium or long run, considering that the rural share settled at a rate of 44-45% in the last decades. Therefore, for Romania, the LAGs initiative will remain current even after the completion of LEADER. By developing activities in rural networks around smaller towns, LAGs can economically and socially revive these centers accordingly to the theoretical model of Lösch (1940). In turn, these small towns can boost the development of urban centers. This can generate an economic growth effect having LAGs as growth poles.

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