

## SOCIO-ECONOMIC DEVELOPMENT PROSPECTS OF RURAL AREAS IN THE CONTEXT OF APPLICATION OF LEADER PROGRAM IN ROMANIA

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### Abstract

Rural development policy is an important component of the Common Agricultural Policy. LEADER is an innovative approach to rural development policy in the European Union to improve the quality of life in rural areas. LEADER is a very effective way to support "smart" and to increase "sustainable" and "inclusive" rural areas, encouraging rural territories to explore new ways to become competitive, to capitalize at maximum their assets and overcome difficulties encountered, encouraging the socio-economic factors to collaborate in order to produce quality goods and services in their local area.

**Key words:** local action group, local territorial development, rural development, the common agricultural policy

### INTRODUCTION

As the name "Liaison Entre Actions de Développement Rural" suggests, meaning „Links between actions for rural development", LEADER is a method of mobilizing and promoting the rural development in the local rural communities. The experience has shown that Leader can make changes to the daily lives of people in rural areas.

The countryside holds an essential place in the history, civilization and European identity. More than half of the EU population lives in rural areas, which cover 91% of EU territory. Also, the European rural space offers a large social, economic, cultural, historical and ecological wealth [2]. (Fig. 1).

Since it was launched in 1991, LEADER offered to rural communities from EU the tools to play an active role in shaping their own future. It has evolved over time, with the other common agricultural policies. Information arising from evaluations and brought by rural stakeholders show that the LEADER approach is a tool that works efficient in situations and different types of

areas, by adapting decisions on rural to the extreme diversity needs of rural areas. Therefore, it has become an integral part of rural development policy.



Fig. 1. Specificity of rural space

Since the inception of LEADER initiative it was intended to provide rural communities in the EU with a method for involving local partners in guiding the development of their area. For example, Leader actions can activate and mobilize local resources, supporting pre-

development projects (such as diagnostic studies and feasibility studies or local capacity building) that can improve these areas to access and utilize not only funds LEADER, but also other sources for their development financing (like broader EU programs, national or regional of rural development).

LEADER support sectors and categories of beneficiaries that often receive no support or only limited support through other programs operating in rural areas like cultural activities, enhancement of the natural environment, architecture and heritage buildings restoration, rural tourism, improving relations between producers and consumers, etc.

Encouraging the local participation in the development and implementation of sustainable development strategies, the LEADER approach has proved a valuable resource in the EU rural policy. There were three generations of LEADER Programme: LEADER I (1991-1993), LEADER II (1994-1999) and LEADER + (2000-2006). In the programming period 2007-2013, LEADER was included in all national / regional rural development programs. Because of this, it was possible to apply the LEADER approach on a much larger scale and in a much wider range of rural development activities.

For the programming period (2007-2013) the Council approved the Regulation no. 1698/2005 on the European Agricultural Fund for Rural Development (EAFRD) which emphasized more the approach in LEADER style. During this period, each rural development program must have a LEADER component for the implementation of local development strategies "bottom up". Member States or regions can select local action groups based local development strategies proposed by them. Each program can finance capacity building and encouragement necessary for the preparation of these local strategies, operating costs of LAG structures and implementation of local development strategies and cooperation projects between LAGs.

EU Cohesion Policy for the period 2014-2020 will pay special attention to areas with specific natural or demographic characteristics

such as low population density and an additional allocation for the outermost regions.

The fundamental concept of the Leader approach is that, given the diversity of rural areas, the development strategies are more effective, if they are decided and implemented at local level by local actors. The difference between Leader and other rural policy measures is that it shows "how" to do and not "what" to do.

The Leader approach is based on the link between people, activities and territories. Local partnerships are established as local action groups and their establishment enables practical application of the concept of local partnership. Being a member of this partnership is to take part – to be associated, to make part - to assume responsibility, take action and participate in interchange [1].

On long term such a project encourages cooperation, local economic development by increasing investment and will result in economic disparities elimination and improving living standards.

## **MATERIALS AND METHODS**

LEADER approach involves strengthening territorial coherence and implementation of integrated actions that can lead to the diversification and development of rural economy for the benefit of communities.

Another goal is the institutional construction for the development and implementation of integrated strategies that will enable rural stakeholders, representatives of different fields to work together and interact for the benefit of rural communities.

Development of rural areas by LEADER is scheduled and coordinated by local actors representing the decision maker and also bears the responsibility for development in regional areas demarcated to proceed.

This paper presents briefly the theoretical arguments for the introduction of the LEADER program and analyzes its implementation stage in Romania.

## RESULTS AND DISCUSSIONS

With a total area of 238 000 km<sup>2</sup> and a population of 19.04 million, Romania is, as size, the second new member state of the European Union, after Poland. It represents 6% of the total EU area and 4% of the EU population [4].

Romania is one of the European countries that enjoy a good resource endowment in terms of land, water and human resources. However, to date, these benefits had only a limited influence on the generation of significant developments and restructuring in agriculture and rural areas.

Rural areas have a substantial growth potential and a vital social role. According to the definition<sup>3</sup> from national legislation, rural Romania covers 87.1% of the country, comprising 47.2% of the population, namely 8.98 million inhabitants in 2011 [4].

Unlike most EU countries, agriculture has been and continues to be a sector of prime importance in Romania, both by its contribution in economy and the share of occupied population. Romanian agricultural sector performance remains relatively modest, in contrast to its natural potential and the population expectations on facilitating the financing system. The year 2011 marked the resumption of economic growth (of 2.5% compared to 2010), mainly on account of increasing the gross value added in agriculture, forestry and fishing (+11.3%), while exports have boosted growth in some industries (+5%) [7].

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<sup>3</sup>From the administrative point of view, Romania is organized at the level NUTS 5 in 320 municipalities (out of 103 municipalities - the most important cities) that form the urban areas and 2,861 communes, which are rural (31 December 2011) according to Law 350/2001 on spatial planning and urbanism and Law 351/2001 regarding the approval of the national land. In turn, the municipalities are mostly made up of several villages (there are a total of 12.957 villages), who have administrative responsibilities. For a community to become city has approved a specific law. Cities and towns are divided into counties (NUTS 3 level) administrative functions. The 42 counties are divided into 8 regions (NUTS2), not administrative functions.

With a utilized agricultural area of 13.3 million hectares (representing 55.8% of Romania) in 2010, Romania has significant agricultural resources in Central and Eastern Europe. Although significant zones of used agricultural area are classified as less favoured areas, soil conditions are particularly favourable for farming production in southern and western regions of the country. Most of the utilized agricultural area is arable (8.3 million ha), followed by pasture and hay (4.5 million ha), permanent crops (0.3 million ha) and family gardens (0.2 million ha) (NIS, 2011).

Regarding the mode of use ("Use of agricultural land") and its evolution (from 2002 General Agricultural Census to that from 2010), due to a continuous reduction of the whole agricultural area used, there is a slight downward trend in the share of arable land and permanent crops in total utilized agricultural area, along with a slight increase of the share of pastures, hay fields and family gardens.

Unutilized agricultural land, registered at the General Agricultural Census 2010, including units that have not met the requirements to be considered agricultural exploitations, was 896 hectares and the agricultural area in rest was 953 000 ha [3].

The labour force in agriculture and forestry. The labour force in agriculture remains much oversized compared to other EU countries. Employment rate in agricultural, forestry and fishery activities remains high - 28.6% in 2011) compared to the European average (4.7%), and its performance in recent years (from 2005 - 31.6%) had not registered significant developments [5].

The rural intrinsic characteristics (relief, demography, small and spaced production units) make often difficult to extend technical and social infrastructure, which hinder the development of economic activities, contributing to widening gaps.

Rural areas face significant problems: low competitiveness of farms and rural enterprises, environmental and natural resources degradation (land, water, air, biodiversity) income lower than urban, lack of

workplaces, living conditions inferior to those of urban (in terms of public services and infrastructure).

Therefore, the EU rural development policy aimed at solving the problems facing rural areas in the EU and sustainable exploitation of their potential.

In Romania, based on Council Regulation (EC) no. 1698/2005 of 20 September 2005 on the support for rural development by the European Agricultural Fund for Rural Development (EAFRD) it was created the National Strategic Plan for Romania, which is the basis for the implementation of the National Rural Development Programme for 2007 - 2013.

European Agricultural Fund for Rural Development has been accessed since March 2008, after the approval of the National Rural Development Programme (NRDP).

The National Rural Development Programme 2007 - 2013 (NRDP), a document prepared by the Ministry of Agriculture and Rural Development, details the concrete mode in which investments are financed from European funds for agriculture and rural development.

The National Strategic Plan measures take into account the Community Strategic Guidelines that refer to rural areas. Depending on the analysis of the socio-economic and environmental situation, obtained from statistical data available, were set priorities and directions for rural development, in conjunction with community priorities.

By the National Strategic Plan 2007 - 2013 and afterwards through NRDP have been outlined four priority directions (axes) for funding by EAFRD:

-Axis I - Improving the competitiveness of agricultural and forestry sector - seeks reorganization and development of agricultural and forestry production and related processing industries to make them more competitive and contribute to economic growth and income convergence in rural areas (where possible), while ensuring living conditions and environment protection in these areas.

-Axis II - Improving the environment and the countryside - focus on maintaining and improving environmental quality in rural areas of Romania by promoting a sustainable management both on agricultural land and on the forest. The objectives of maintaining biodiversity and nature conservation is materialized by supporting forest conservation and development, ensuring a balanced occupation of the territory and sustainable management practices development of agricultural and forest lands.

-Axis III - Improving the quality of life in rural areas and diversification of the rural economy - aim to manage and facilitate the transition of labour from agriculture to other sectors to ensure adequate living standards of socially and economically.

-Axis IV - LEADER - is considering the implementing of local development strategies for improving administrative governance at rural level.

The overall objective of LEADER Axis is the starting and operation of local interest initiatives, using the approach "bottom up" by involving local stakeholders in developing their own territories. LEADER approach "bottom-up" is a way that allows local stakeholders to determine the needs of the area of origin and contribute to the territorial development of economic, demographic, educational, cultural, etc., through a development strategy elaborated and implemented locally.

LEADER Axis objectives are implemented "step by step", first focusing on activities of training local stakeholders and supporting territories to achieve development strategies. LEADER priority themes established by Commission are:

- best use of natural and cultural resources;
- improving the quality of life in rural areas;
- adding value to local products, in particular by facilitating access to local and regional markets through collective action;
- use of expertise and new technologies to make products and services in rural areas more competitive

Establishing a local partnership "local action group" (LAG) is an original and important

feature of LEADER approach. LAG has the task of identifying and implementing a local development strategy, make decisions on the allocation of financial resources and manage them. These groups can effectively stimulate sustainable development because they: gathers and combines human and financial resources available from the public sector, private sector, civic and voluntary sector; associate local players around collective projects and multi-sector actions to obtain synergies, joint ownership and critical mass to improve the area's economic competitiveness, strengthen the dialogue and cooperation between different rural actors, facilitating by interaction of various partners processes of adaptation and change in the agricultural sector (like quality products, supply chains) integration of environmental concerns, the diversification of the rural economy and quality of life.

Through the National Rural Development Programme 2007 – 2013, LEADER approach was first introduced in Romania according to the rural development regulation. LEADER is

the method of "bottom up" (ascending) of involvement of local stakeholders for the implementation of rural development policy. LEADER approach complemented NRDP measures providing rural local communities the opportunity to explore new ways to become competitive as a result of exploitation of local assets, to preserve the environment, create jobs for the rural population and to increase quality of life.

By this time there were selected for funding a total of 163 local action groups of which 81 selected LAGs in 2011, of a public value of 227,554,390 Euro (fig. 2) and 82 LAGs selected in 2012, of a public value of 226,104,769 Euro (fig. 3).

LAGs area covered is about 142,000 km square, and in terms of population it is about 6.7 million inhabitants.

In terms of stage development strategies, up to 30.04.2013, a total of 973 projects have been declared compliant at LAGs, 555 projects were declared eligible and a number of 299 contracts were signed with APDRP [6].

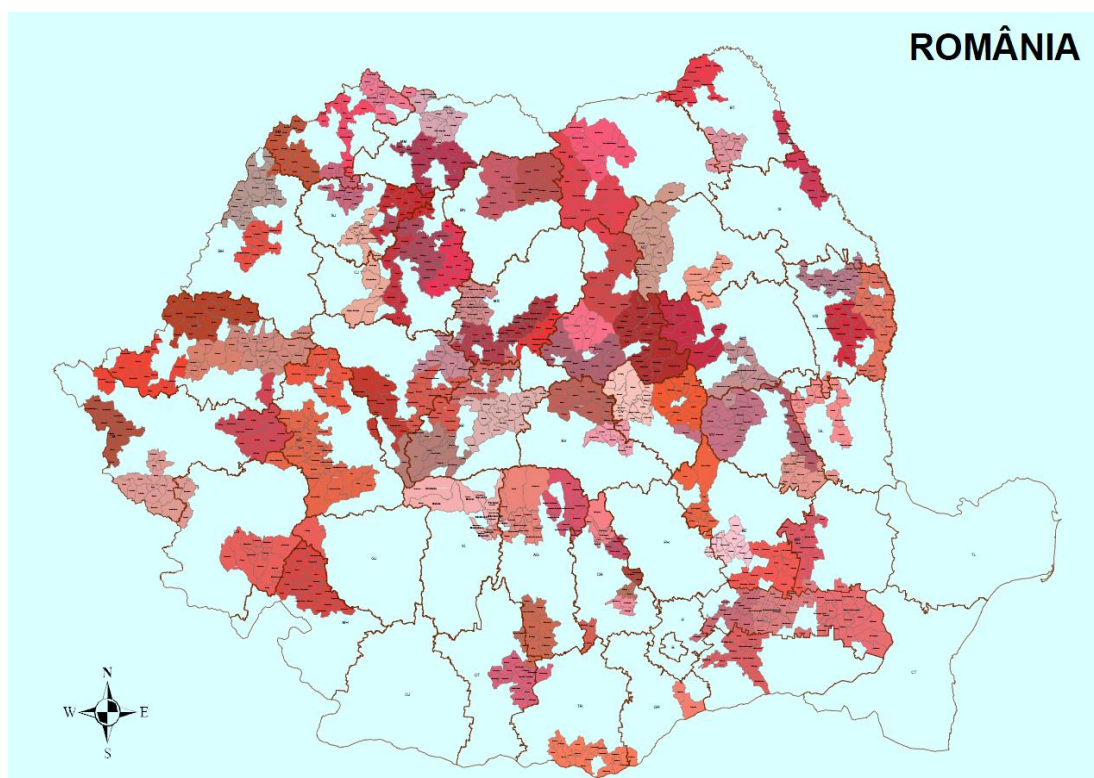


Fig. 2. Distribution of LAGs in Romania, 2011



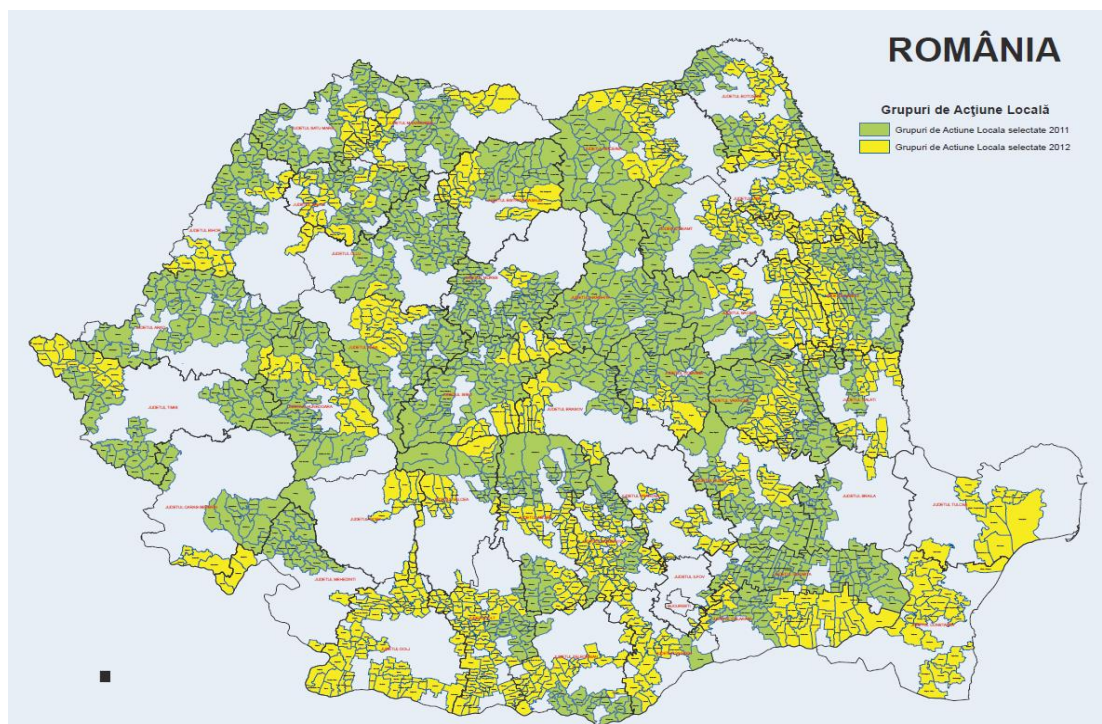


Fig. 3. Distribution of LAGs in Romania, 2011

LAGs address rural issues from a global perspective based on development strategies. Besides local partnership, the strategy is an essential element. This should take into account issues related to sustainable development and is based on potential endogenous development of the area selected. The main aim of the strategy is to create long-term development policies and each strategy is based on a detailed analysis of the situation of the area, in which the potential and development opportunities should be clearly identified. Each strategy contains:

- area characteristics (geographic, economic, demographic, sociological)
- SWOT analysis of the area (development potential of the area)
- area development vision (objectives, priorities, target groups and expected results)
- operating strategy (approach "bottom-up", time schedule, innovative actions and activities transferability of shares and activities)
- harmonization with the development programs of other LAGs.

Analysis of the territorial distribution of LAGs reveals a stronger concentration in the west and centre of the country and a reduced distribution in the south. Looking from the

perspective of Romania's economic disparities between regions, respectively between the west and centre of the country much more developed and economically homogeneous and the south and north-east of the country, proliferation of LAGs can find the explanation, in conditions in which a better local infrastructure provides a favourable environment for stimulating LEADER initiatives. In addition, the west and centre of the country is characterized by a longer tradition regarding associative structures (crafts, handicrafts, etc.) and this element itself can be considered a contributing factor in mobilizing local initiatives.

Local development initiatives represent a possible solution to address the economic disparities among regions and will gain increasing importance, given that the European Commission emphasis increasingly local development under community responsibility (CLLD). It intends to launch in the next programming period new project calls for LAG, using LEADER experience in terms of local development.

For the programming period 2014-2020 Draft Regulation on the future CLLD (Community Led Local Development) is based on the LEADER approach and refers to all funds

covered by the Common Strategic Framework (CSF): European Regional Development Fund (ERDF) European Social Fund (ESF), European Agricultural Fund for Rural Development (EAFRD), European Maritime and Fisheries Fund (EMFF) and the Cohesion Fund (CF). CLLD is a specific tool used in the sub-regional level, which is complementary to other forms of support for local development.

CLLD can mobilize and involve local communities and organizations to contribute to achieving the Europe 2020 goals: encouraging the transfer of expertise and innovation, increasing competitiveness, strengthening food production chains and risk management in agriculture, restoring, preserving and enhancing ecosystems, promoting efficient use of resources and the transition to a low carbon emission economy and promoting social inclusion, poverty reduction and economic development in rural areas.

In the period 2014-2020, the support more explicit, in a form of a common legal framework and harmonized rules for the five CSF funds, will increase consistency and encourage local strategies financed by multiple funds, Community Led.

In the new draft Regulation of the European Agricultural Fund for Rural Development, the proposed measures emphasize that special attention is given to the different categories of farms, activities or certain areas:

-Young farmers: they are considered guarantors of the future of agriculture in that they can bring energy and new ideas for this sector. At present, they are faced with various problems, particularly in terms of access to the land and credit.

-Small farms: they have a special contribution to the diversification of products, habitats preservation, but in some areas of EU face different challenges than those faced by larger farms.

-Mountain areas: in many cases, they provide outstanding products and attractive ecosystems. However, mountainous areas may face special challenges regarding climate and isolation.

-Short supply chains can bring economic, social and environmental benefits (by securing a greater share of the added value for farmers, reducing carbon footprint, by encouraging distribution of food, and by promoting face to face contact between producers and buyers). It may be helpful to reduce the distance from producer to consumer.

-Special agricultural sectors: they exist in some parts of the EU and have a significant impact on specific rural areas that need restructuring.

Configuration of the future European policy on agriculture and rural development has been presented (after extensive public consultation and based on a large number of impact studies performed previously) at the end of 2010<sup>4</sup> and after a year, in October 2011, the European Commission presented legislative proposals for the future CAP<sup>5</sup> which would, as noted Commissioner for Agriculture, Dacian Cioloș, "a new partnership between Europe and farmers to meet the challenges of food security, sustainable use of natural resources and economic growth" [7].

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<sup>4</sup>Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, Brussels, "Common Agricultural Policy at the horizon of the 2020: how to meet the future challenges related to food, natural resources and territorial balance" of 18.11.2010; Communication from the Commission the European Parliament, the European Economic and social Committee, Committee of the Regions and the European Investment Bank: "Conclusions of the fifth report on economic, social and territorial cohesion: the future of cohesion policy", from, 9.10.2010; Commission Communication to the European Parliament, the European Economic and Social Committee and the Committee of the Regions "A Budget for Europe 2020" from 29.06.2011

<sup>5</sup>For CAP, seven proposals for regulations, among which "the direct payments regulation", „Regulation on the common organization of the unique market", "Rural Development Regulation", "horizontal regulation on the financing, management and monitoring of the common agricultural policy" presented in October 2011, and the proposal for a regulation on cohesion policy.

## CONCLUSIONS

The model LEADER of planning and management of local resources will meet the following main requirements:

- development of plans to increase regional competitiveness on long term, in conjunction with other sector policies: agriculture, local crafts, infrastructure, environmental protection;
- opportunity to become a support for new businesses and jobs and to determine a new development locally and regionally;
- encouraging local traditional activities, but also those that may cause the development of specific trade and create new jobs;
- increase revenue of rural inhabitants, generated through local resources;
- dynamic factor in the process of increasing the quality of life in rural areas;
- formation of a viable, competitive agricultural sector, able to produce at high standards in terms of efficiency;
- promoting healthy production and respectful for environment methods, ensuring quality products at reasonable prices to meet consumer concerns regarding food safety and comfort of the animals;
- development of the agricultural sector to bring a significant contribution to the revitalization of the rural world;
- diversification of economic activities for creating alternative jobs and new income opportunities for farmers, multifunctional development of the rural space and its improvement for the benefit of future generations;
- increasing the role of local communities in decision-making.

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