

## STUDIES CONCERNING THE EFFECT OF THE ONGOING EVALUATION OF THE IMPLEMENTATION OF THE LOCAL ACTION GROUPS STRATEGIES FINANCED BY LEADER, IN RURAL DEVELOPMENT IN ROMANIA

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### Abstract

*This article aims to draw attention to the way in which the main instrument of the innovative LEADER approach in the territory, the Local Action Group, is set up, functions and is evaluated. Also, an analysis of their evolution is presented, as from the beginning, the analysis wishing to highlight, with predilection, information on the situation of local action groups in Romania, in the two programming periods, focusing on the South West Oltenia region. The data presented reveal the degree of absorption of the funds allocated to the local action groups, at national and regional level, taking into account a certain reference period. It will highlight the way in which local action groups are penalized or rewarded and the connection between developed or less developed areas and the absorption of funds, by correlating certain relevant factors: rewarded and penalized local action groups and the relative poverty rate. At national level, there are 18 rewarded local action groups, respectively 18 penalized local action groups, the value of the penalties being equal to the value of the bonuses, 2,522,162.40 euros. In the South West Oltenia region, 1 local action group was penalized, 4 local action groups were rewarded, the surplus attracted in the region being of 481,786.05 euros.*

**Key words:** LAG, LEADER, development, rural, strategy, evaluation

### INTRODUCTION

The rural population in Romania is an important human resource in the economy, but the standard of living is very low. This situation will be improved by implementing the National Rural Development Program 2014-2020, whose measures aim to increase the level of education and modernize technologies and farm efficiency, resource use, infrastructure in rural areas and social inclusion and living standards. of the rural population [10]. The biggest problem in the "Romanian village" is the migration of the rural population to large urban centers or to other more developed countries, due to unsatisfactory living conditions [2]. The main tool through which the principles of the Leader approach can be implemented is the LAG (local action group). This is the main

engine of the activities that will take place in the territory [13]. The local action group, one of the main features of the LEADER approach, is a public-private partnership, which has the role of identifying and implementing a local development strategy as well as managing financial resources. It is set up in accordance with Government Ordinance 26/2000 on the basis of an agreement, in which the private partners must represent the majority (at least 51% of the partnership structure) [6]. In Europe, the emergence of local action groups began with the implementation of the LEADER approach, the number of LAGs increasing with each new stage LEADER, which demonstrates the interest in this concept and its implementation, the number of local action groups has an upward trend since their establishment until now, a number of 2,783

local action groups operating throughout Europe, at the end of 2019 [14]. In Romania, the local action groups had a timid start, as shown in 2009, with 81 LAGs selected, and in 2012 another 82 local action groups will be selected. The 2014-2020 programming period led to the selection of another 76 LAGs, so that at the end of 2019, 239 local action groups were authorized in Romania. The local action groups are authorized based on a Local Development Strategy (SDL) approved and selected, in advance, by the Ministry of Agriculture and Rural Development. Like any partnership, its activity can be and is evaluated based on a procedure established by the Managing Authority [14]. The launch of the Leader program in Romania has provided, since 2012, a number of funding opportunities for local initiatives that have not found their place in other rural programs [4]. The Romanian rural area faces many difficulties, which are the causes of the disparities between different regions of Romania [9].

Local Action Groups (LAGs) are a strong driver of rural progress, and the involvement of all stakeholders in the LAG is essential for good development [8]. The research also confirmed the adequacy of four main pillars of indication (economic, infrastructure, social and environmental), while their indicators should be adapted to the character of the tested territory [7]. A more targeted regional policy is needed, including through the impact of European Union funds to address regional disparities in rural areas [3]. For Romanian public policy, sustainable local development has become a strategic tool for supporting the heritage sector (public and private) and is the objectives of national strategies for social and economic development [1].

## MATERIALS AND METHODS

This paper presents the situation regarding the number of existing LAGs and the financial situation of these local action groups, which are financed on the basis of a Local Development Strategy, both at national level and at the level of Oltenia region, having as period reference the interval between the date of their authorization (2016) and 30.09.2019.

The main criterion for evaluating performance is the achievement of a level of at least 60% contracted value relative to the total value of the SDL (including operating expenses). If this level is reached, no penalty is applied [11].

In case of not reaching this level, the penalty percentages are the following:

- 60%, for not achieving the level of at least 60% contracted value in relation to the total value of SDL (including operating costs);
- 25%, for not achieving a level of at least 20% value paid in relation to the total value of SDL (including operating costs);
- 5%, for not meeting the maximum threshold of 30% regarding the evaluation rate of the projects;
- 10%, for the low efficiency of the animation in the territory (in no session of all the launched ones no measure was overbought, so as to demonstrate that through the animation in the territory the beneficiaries were informed and there is interest in the territory, as also demonstrates the SWOT analysis and animation activities performed at the time of SDL).

Proportional penalty applies cumulatively (if there are several criteria not met) to the difference between 60% of the total value of SDL and the value of contracted projects.

On the other hand, the amounts recovered from the LAGs that did not reach the mandatory performance level are redistributed to the high-performance LAGs, with their consent, the number of public-private partnerships being rewarded is equal to the number of penalized partnerships.

$40 \times \text{the share of the contracted value} + 60 \times \text{the share of the paid value}$
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The bonus algorithm is as follows:

The amounts are granted progressively, increasing progressively at a rate of 10%, based on the formula:

$$S = n * a + [1 + 2 + 3 + \dots + (n + 1)] * 0.1a$$

$$S = n * a + n(n-1) / 2 * 0.1a, \text{ where,}$$

S = amount made available;

a = lowest value awarded (received by the least performing LAG);

n = number of performing LAGs (equal to the number of penalized LAGs) [11].

It highlights the number of local action groups that received additional amounts, as bonuses and the number of local action groups to which amounts were withdrawn, at national and regional level, making a comparison with the relative poverty rate in each region.

In order to highlight the correlations between (1) the number of rewarded LAGs and the relative poverty rate and (2) the number of penalized LAGs and the relative poverty rate, the following are used:

- **correlation coefficient equation:**

$$r = \frac{\sum(x_i - \bar{X})(y_i - \bar{Y})}{\sqrt{(\sum(x_i - \bar{X})^2)(\sum(y_i - \bar{Y})^2)}}$$

where:

$\bar{X}$  and  $\bar{Y}$  - are the averages for the samples, the mean (matrix1) and the mean (matrix2).

- **linear function and polynomial function:**

$$y = a + bx;$$

$$y = a_0 + a_1x^1 + a_2x^2 + \dots + a_nx^n.$$

In the analysis, the values of the correlation coefficient (r) and the determination coefficient will be presented ( $R^2$ ).

## RESULTS AND DISCUSSIONS

At national level, the 239 local action groups had allocated a funding amounting to

563,516,550.93 euros in the 2014-2020 programming period, 12.02% of this value being directed to the LAGs in the South-West Oltenia region, respectively 67,785,700.92 euros .

Most local action groups are located in the North-East region and the fewest in the Bucharest-Ilfov region, as well as the amount of funding. The existing local action groups in the South-West Oltenia region represent 11.71% of the total of 239 , the public average value/LAG -2,420,917.89 euro being above the public average value / LAG at national level and on the second place after the West region (Table 1).

This may derive from the fact that, according to the West region, the South-West Oltenia region has the most favorable conditions for establishing such a public-private partnership, given that the value of the financing results depending on the number of inhabitants and the LEADER eligible area.

In the South-West Oltenia region, most of the local action groups are in Dolj county, 8, the county that has the highest financial allocation in the region 19,429,382.90 euros.

The average allocation per LAG in the region is 2,420,917.89 euros, Olt County being on the first place from this point of view with an average allocation / LAG of 2,736,658.47 euros (Table 2).

Table 1. Numerical and financial situation of LAGs at national level, in the period 2014-2020

Region	Number of LAGs	Public value (euro)	Average public value / LAG (euro)
North – East	45	106,413,047.39	2,364,734.38
South East	36	79,130,345.45	2,198,065.15
South Muntenia	42	99,604,958.51	2,371,546.63
South-West Oltenia	28	67,785,700.92	2,420,917.89
West	19	58,842,019.44	3,096,948.39
North – West	31	72,119,672.89	2,326,441.06
Center	34	75,000,407.87	2,205,894.34
Bucharest-Ilfov	4	4,620,398.46	1,155,099.61
Total	239	563,516,550.93	2,357,809.83

Source: Own data processing www.madr.ro [5].

Across the country, as a result of the ongoing evaluation process of the implementation of local development strategies, 18 local action groups were penalized for not meeting the minimum performance criteria and 18 local action groups were rewarded for their

successful implementation. The value collected from the penalized LAGs was distributed to the LAGs qualified for bonus, according to the established criteria, this amounting to the amount of 2,522,162.40 euros.

Table 2. Numerical and financial situation of the LAGs at the level of the South - West Oltenia Region

County	Number of LAGs	Public value (euro)	Average public value / LAG (euro)
Dolj	8	19,429,382.90	2,428,672.86
Gorj	5	12,090,657.51	2,418,131.50
Mehedinți	5	10,389,456.75	2,077,891.35
Olt	6	16,419,950.86	2,736,658.47
Vâlcea	4	9,456,252.90	2,364,063.23
<b>Total</b>	<b>28</b>	<b>67,785,700.92</b>	<b>2,420,917.89</b>

Source: Own data processing www.madr.ro [5].

The highest penalty was applied to the local action groups in the Bucharest-Ilfov region, Ilfov county, 663,962.99 euros, where, out of a number of 4 authorized public-private partnerships, 4 were penalized. From the Oltenia region, 1 local action group - Amaradia Jiu LAG - from Dolj County was penalized, the amount of the penalty amounting to 101,416.61 euros (Figure 1). On the other hand, the largest amount of additional amounts, in the form of bonuses, was distributed to the North-East region, in

Vaslui County, where the 3 rewarded local action groups attracted additional funding amounting to 386,277.09 euros, and the lower in Satu-Mare county, 30,455.75 euros (Figure 2). In the South West Oltenia region, 4 local action groups were rewarded (Vedea-Găvanu-Burdea LAG - Olt County, Lunca Jiului LAG-Câmpia Desnățuiului- Dolj County, Cerna-Olteț LAG - Vâlcea County, Ținutul Vinului LAG - Vâlcea County), the value of the bonuses being 583,202.66 euros (Figure 3).

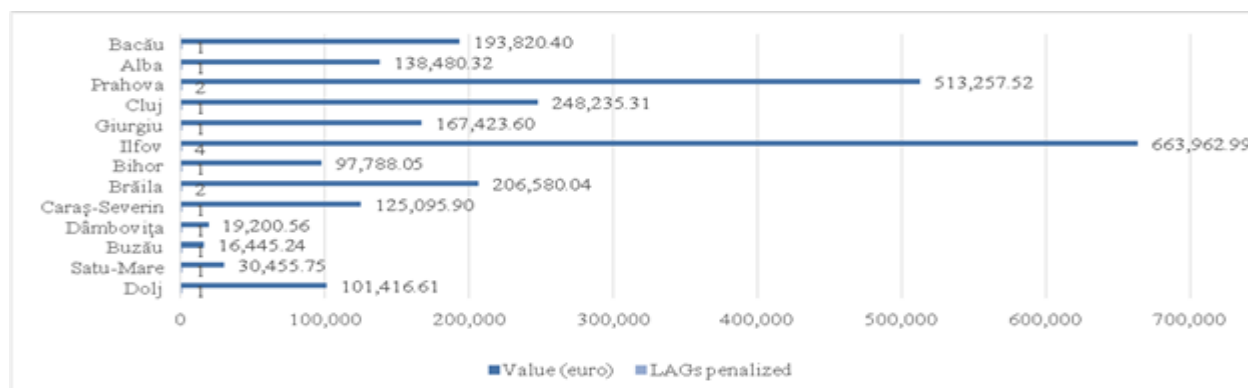


Fig. 1. Number of LAGs and value of penalties at national level, 30.09.2019

Source: Own design.

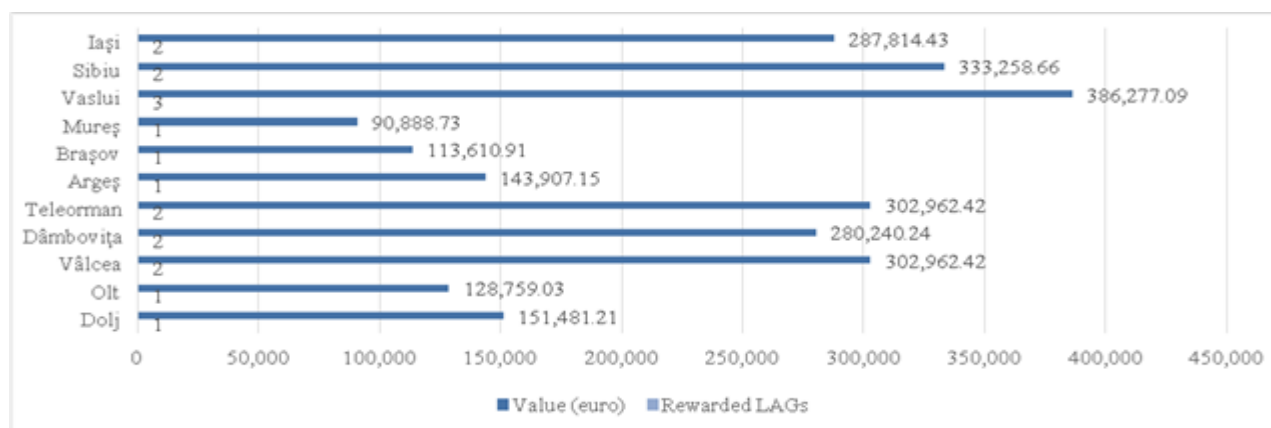


Fig. 2. Number of LAGs and the value of bonuses at national level, 30.09.2019

Source: Own design.

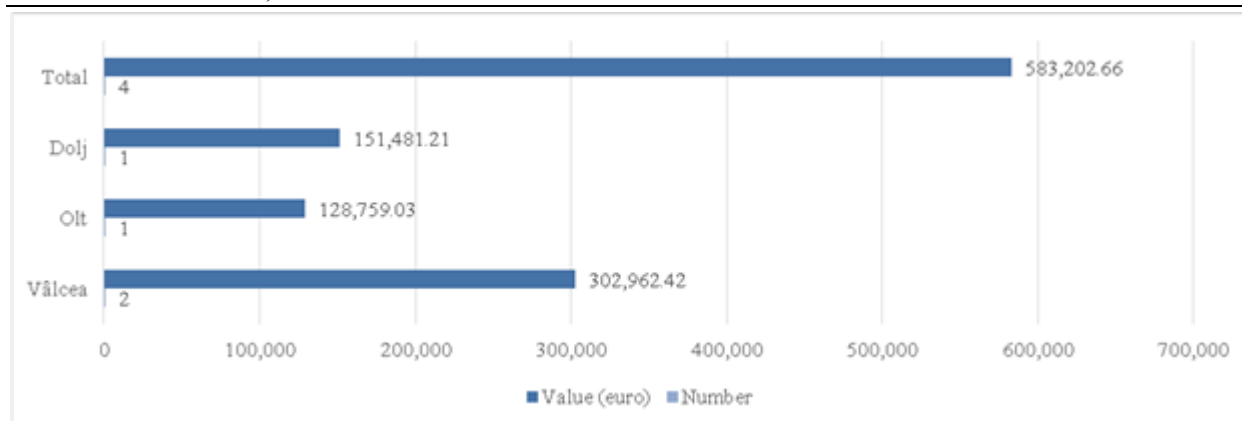


Fig. 3. Number of LAGs and the value of bonuses at regional level, 30.09.2019  
 Source: Own design.

The relative poverty rate is an indicator that measures the share of poor people in the total population. Among the main causes of poverty are the level of education, lack of interregional mobility, etc. At the level of our country, the highest poverty rate is found in the North-East region, 35.60% and the lowest, 4.1% in the Bucharest-Ilfov region. By region, most penalized local action groups are in the South-Muntenia region, the fewest in the North-East region, none. In terms of bonuses, the most advantaged regions were North-East

and South-Muntenia, with 5 local action groups each, while three of them had no award-winning partnership. The South-West Oltenia region is on the second place in terms of the relative poverty rate, with a percentage of 34.3% after the North East region, these areas being included in the category of disadvantaged areas in Romania. We will try to see to what extent this indicator had any influence on the higher or lower absorption of the financing obtained by the local action groups from the respective areas (Table 3).

Table 3. Number of LAGs, rewarded LAGs, penalized LAGs and relative poverty rate, in Romania

Region	Total LAGs	Rewarded LAGs	LAGs penalized	Relative poverty rate (%) *
North - East	45	5	0	35.60%
South East	36	0	3	31.20%
South Muntenia	42	5	5	25.70%
South-West Oltenia	28	4	1	34.30%
West	19	0	1	14.90%
North - West	31	0	3	17.50%
Center	34	4	1	19.40%
Bucharest-Ilfov	4	0	4	4.10%
<b>Total</b>	<b>239</b>	<b>18</b>	<b>18</b>	-

Source: Own data processing www.madr.ro [5], \*[12].

Figure 4 is the graphical representation of the local action groups that received bonuses following the evaluation of the implementation of local development strategies. We notice that in the North-East region, where the relative poverty rate is the highest, there is the highest number of rewarded local action groups, the same number being found in the South region, where the relative poverty rate is 25.70%. In the South West Oltenia region, in second place in terms of relative poverty rate, the

number of LAGs that excelled in their work was 4.

Analyzing the graphical representation in Figure 4, we find that the relative poverty rate is a factor that influences to a certain extent the degree of attracting funding, but we can still highlight the extremes of this situation: North-East region with the highest relative poverty rate has the highest higher number of rewarded LAGs, at the opposite pole being the Bucharest-Ilfov region with the lowest

relative poverty rate but without any rewarded local action group.

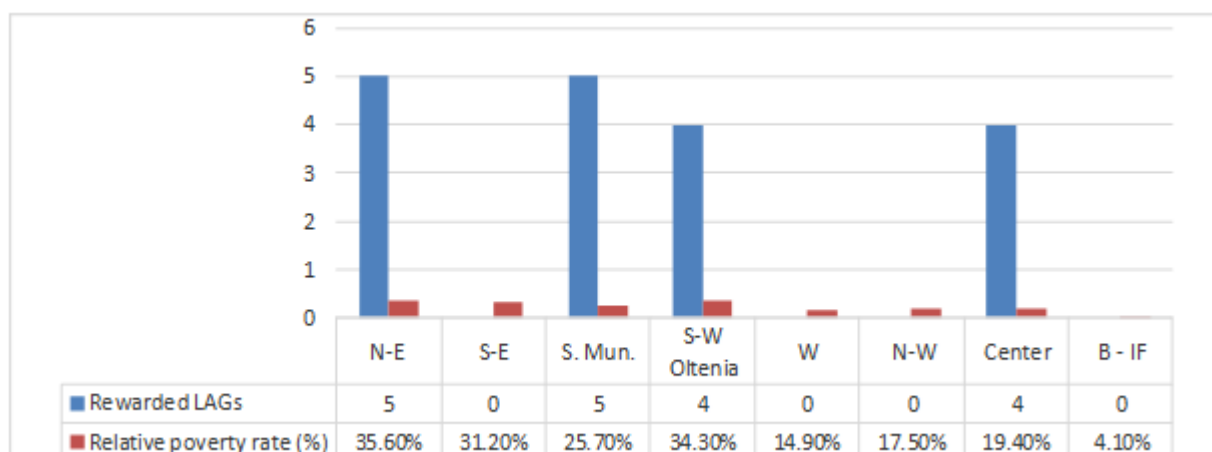


Fig. 4. Number of rewarded LAGs and relative poverty rate in Romania  
 Source: Own design.

Regarding the relative poverty rate and the number of local action groups that have been penalized as a result of evaluating the implementation of local development strategies, their graphical situation can be found in Figure 5. Most local action groups that have received penalties are in South region, 5, where the relative poverty rate is 25.70%, in the South-West Oltenia region

being a single local action group that received penalties. The extremes are the North-East region, the poorest, without any penalized local action group and the Bucharest Ilfov region, the richest, with 4 penalized local action groups. It should be noted that in the Bucharest Ilfov region there are only 4 local action groups set up, the centralized data being easy to follow in Figure 6.

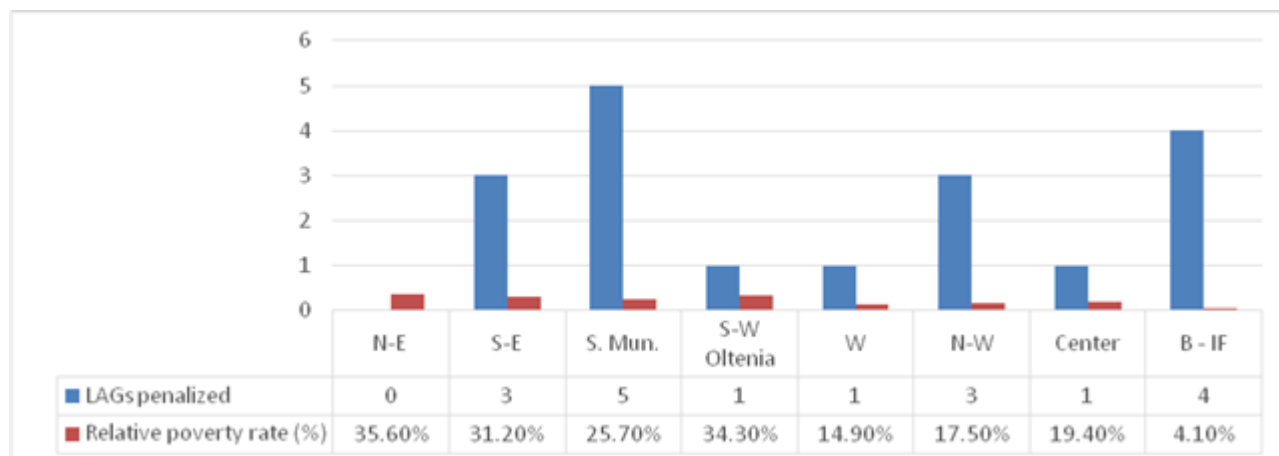


Fig. 5. Number of penalized LAGs and relative poverty rate in Romania  
 Source: Own design.

Between the number of rewarded LAGs at national level and the relative poverty rate at national level there was a correlation coefficient of 0.5951, respectively a direct dependence between the two variables, so it can be said that the distribution of rewarded LAGs followed the regions Romania's poorest.

The coefficient of determination  $R^2$  has the value 0.3541 for the linear function and for the polynomial function of degree 2 has the value of 0.3557, and shows the connection between the rewarded LAGs and the relative poverty rate (Figure 7 and Table 4)

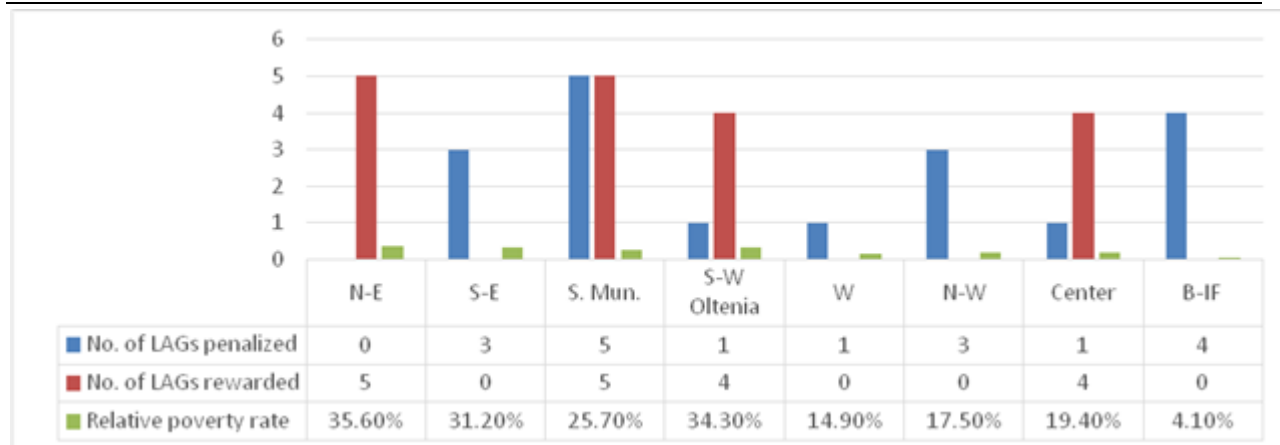


Fig. 6. Number of penalized and rewarded LAGs and relative poverty rate in Romania  
 Source: Own design

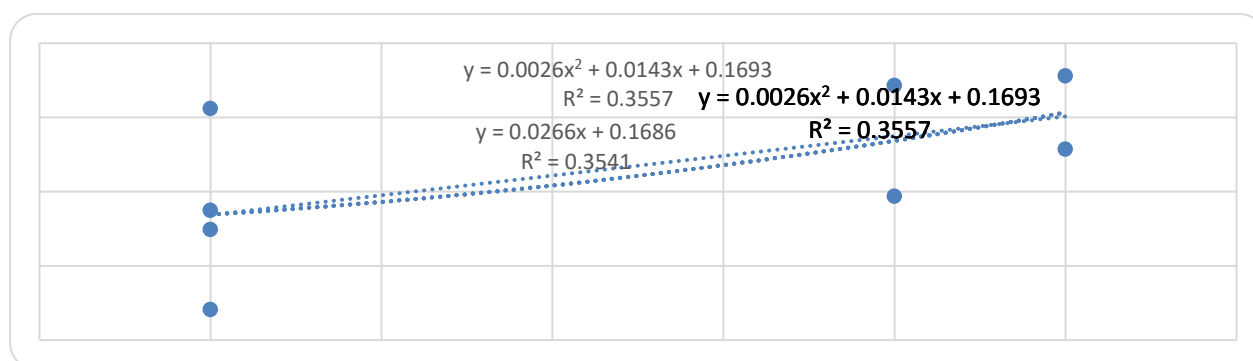


Fig. 7. Correlation between the number of rewarded LAGs and the relative poverty rate  
 Source: Own design.

Table 4. Correlation values

Correlation	r	R <sup>2</sup> Linear function	R <sup>2</sup> Polynomial function Grade 2	R <sup>2</sup> Polynomial function Grade 3	R <sup>2</sup> Polynomial function Grade 4	R <sup>2</sup> Polynomial function Grade 5
Number of rewarded LAGs / Relative poverty rate (%)	0.5951	0.3541	0.3557	-	-	-
Number of LAGs penalized / Relative poverty rate (%)	-0.3861	0.1491	0.2422	0.2424	0.6371	-

Source: Own calculation.

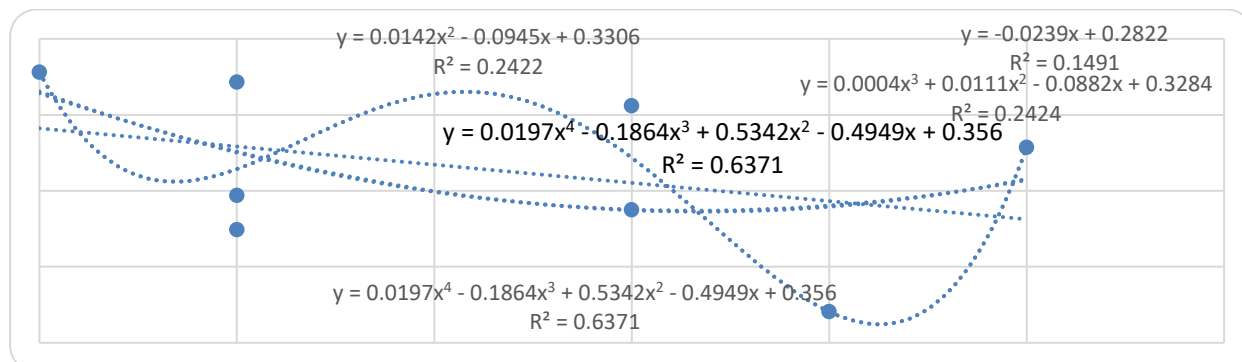


Fig. 8. Correlation between the number of penalized LAGs and the relative poverty rate  
 Source: Own design

Between the number of LAGs penalized at national level and the relative poverty rate at

national level there is a correlation coefficient of -0.3861, so a reduced indirect dependence

between the variable. The determination coefficient  $R^2$  has values of 0.1491 for the linear function and 0.2422, 0.2424 and 0.6371 respectively for the polynomial functions of degree 2,3 and 4 respectively. Starting with the polynomial function of degree 4 we can consider an increasingly strong connection between the two aspects (Figure 8 and Table 4).

## CONCLUSIONS

The analyzed data highlight the fact that the LEADER approach, through its innovative principles, is a success. The proof is the number of local action groups set up, both at European and national level, increasing during the 2014-2020 programming period. Their existence is meant to contribute to rural development by attracting funding, so that rural areas are attractive, benefit from a high standard of living and contribute to maintaining biodiversity.

Out of a number of 239 local action groups existing and evaluated in the interval between the date of their authorization and 30.09.2019, 18 were penalized and 18 rewarded, the value of the penalties being equal to the value of the bonuses, respectively 2,522,162.40 euros.

In Romania, the strongly disadvantaged areas were motivated, to a certain extent, to attract financing that would contribute to the improvement of the quality of life of the inhabitants. The South-West Oltenia region, on the second place in the top of the disadvantaged regions, is competitive, in terms of the activity of the local action groups in the territory and motivated to develop, taking advantage of the financing sources offered. From the activity of the existing local action groups in the region, following the evaluation of the implementation of local development strategies, at regional level a surplus of 481,786.05 euros was attracted (the difference between the amount attracted by the rewarded local action groups and the penalty penalized local action).

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