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LEADER FUNDING IN ROMANIA – COMPARATIVE ANALYSIS OF TWO PROGRAMMING PERIODS

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Abstract

Since its accession to the European Union, Romania has been working to strengthen its support for area-based approaches in local development, including the implementation of the LEADER approach. This has been made possible through increased financial support and the establishment of Local Action Groups (LAGs) throughout the country. The growing number of LAGs in Romania indicates an increasing recognition of the importance of bottom-up approaches and local empowerment. LAGs serve as platforms for collaboration and coordination among various stakeholders, including local authorities, civil society organizations, and businesses. They enable communities to take ownership of their development processes and design strategies that are tailored to their specific contexts. This paper presents a comparative analysis of LEADER programme implementation in Romania in two programming periods (2007 – 2013 and 2014 – 2020), from the point of view of territorial distribution of funds, type of projects and beneficiaries, using choropleth maps with data at NUTS3 and LAU2 level. The results of the analysis show a modification of the behaviour of public and private beneficiaries, willing to involve their own funds in the realization of their projects, and the LAGs maturity in financing innovative projects and projects that develop existing businesses. The article proposes future research of LEADER impact at national and regional levels from the social return perspective.

Key words**:** *LEADER approach, Local Action Group, rural development*

INTRODUCTION

Until the 1970s the exogenous approach of development has been the dominant model for establishing rural development policies. The exogenous approaches to development have been heavily criticised for promoting the following [6]:
-*"dependent development*, reliant on continued subsidies and the policy decision of distant agencies or boardrooms;
- *distorted development*, which boosts single sectors, selected settlements and certain types of business, but leaves others behind and neglects non-economic aspects of rural life;
- *destructive development*, as it erases the cultural and environmental differences of rural areas; and,
- *dictated development*, as it is devised by external experts and planners".
Starting with the 1980s, once the rural development policies' exogenous model proves its limits in terms of sustainability "the emphasis shifted to rural diversification, to bottom-up rather than top-down approaches, to support for indigenous businesses, to the encouragement of local initiative and enterprise and, where these were weak, to the provision of suitable training" [6].
A European Commission paper, The Future of Rural Society [2], was the first official document re-thinking rural policy, acknowledging the diversity of the European rural space and the need of place-based approaches. The paper argued that: "If the endogenous potential of rural regions is to be properly developed, local initiatives must be stimulated and mobilised" [2]. This new perspective led the European Commission to launch in 1991 the LEADER Initiative – a pilot experiment "which, though involving minimal funding, has introduced a crucial 'bottom-up', community-based approach to EU support for rural development and (…) has had a huge symbolic impact and has proved its effectiveness in countries such as

Finland" [11]. The term "LEADER" originally came from the French acronym for "Liaison Entre Actions de Développement de l'Économie Rurale", meaning "Links between the rural economy and development actions".

In the last 30 years various stages of LEADER have been launched in European rural areas: LEADER I, from 1991 to 1994, LEADER II from 1995 to 1999, LEADER+, from 2000 to 2006 followed by the programming period 2007–2013 in which the LEADER Approach has become known as an own Axis (Axis 4) of the Rural Development Programme (RDP) and the current programming period (2014–2020) when LEADER has transformed into CLLD (Community-led local development), being financed not only through one fund (EAFRD - European Agricultural Fund for Rural Development), but also through EMFF (European Maritime and Fisheries Fund), ERDF (European Regional Development Fund) and ESF (European Social Fund), "enabling the Local Action Groups (LAGs) to integrate local needs and solutions and to help to reinforce the links between rural urban and fisheries areas" [4].

LEADER has the merit of providing support to rural communities in finding the way to sustainable development [1], but without indicating what actions need to be taken to achieve this goal; therefore, LEADER program responds to "how we should act" rather than "what should be done" for the sustainable development of rural areas [3, 8].

"The LAG is a coagulation factor between local actors: public authorities, entrepreneurs, farmers and civil society, strengthening local governance. Applying the bottom-up approach, it manages to identify the common problems of a territory and to find solutions for them, by involving the population. Access to non-reimbursable funding is an advantage that the LAG leverages for the benefit of the community" [12].

In Romania, LEADER programme was implemented starting with the 2007 – 2013 programming period once it became a Member State of the European Union. After a rather long period of administrative establishment, the first 82 LAGs were selected in 2011, followed by another 81 LAGs selected at the end of 2012. The 163 LAGs covered 78% of the eligible surface (communes and cities with less than 20.000 inhabitants) and 72% of the population [10, 13].

The second programming period had only one stage of LAG selection, and in 2016 there were 239 LAGs authorised by the Ministry of Agriculture and Rural Development, covering 92% of the eligible area and 86% of the population.

For the next programming period, Romania has foreseen selecting 206 LAGs, according to the Strategic Plan 2023 – 2027 [7].

Specifically, the purpose of this study is to analyse the distribution of rural development aids in Romania in relation to LEADER financing.

MATERIALS AND METHODS

In this work, the first methodological step has been the construction of 2 databases, one for each programming period.

The first database contains all the projects LEADER has financed for the period 2013 (the year of the first projects selected by the LAGs) the end of the programming period (2015) with information related to the type of beneficiary, the type of action financed, amount of the contract and amount paid at county level (NUTS3).

The second database contains the projects financed under LEADER during the second programming period, i.e. from 2017 (the date of the first contract) until 1st March 2023. Although we analysed the programming period 2014–2020, it is important to bear in mind that implementation of the approved projects will continue until the end of 2025 (due to the transition period of 2021-2022 and the N + 3 rule), which means that the first comprehensive data for this period will not be recorded until the following year, in late 2026 or early 2027. This second database is more elaborate including information regarding the LAU2 codification useful to create a proper territorial distribution of LEADER funds to the communes' level.

The information has been processed and the graphic outputs were created with Data wrapper, correlating the information with the keys of the maps. The stepped scale of each map was created using the Jenks optimization method, also called the Jenks natural breaks classification method, „in order to minimize each class's average deviation from the class mean, while maximizing each class's deviation from the means of the other classes" [5].

RESULTS AND DISCUSSIONS

In the first programming period, 7,578 projects selected by the LAGs were contracted by the Paying Agency totalling approximately Euro 385 million. 13% of them (1,017 contracts with a total value of 40.5 Euro million) were terminated due to different reasons among which: 80% at the beneficiaries' request and the rest for noncompliance with the contractual clauses.

Therefore, at the end of the Programme, with a total of over Euro 297 million in payments, the financial execution the LEADER projects was 86.3%.

When studying LEADER, most authors analyze the creation and improvement of employment, investment in tourism (one of the most favoured sectors by LEADER) or the incorporation of young people and women into the labour market.

An important conclusion can be drawn from these studies: there is an unequal distribution of LEADER funding in several areas of study, indicating the existence of a positive discrimination towards the most developed areas, as well as more solvent sectors and entrepreneurs [9].

The many differences existing in the Romanian rural territory, such as the place of agriculture in rural economy, was confirmed also when considering the interest in absorbing LEADER funds. The mapping of LEADER contracts per 10,000 inhabitants is presented in Figure 1.

It shows that there is no homogenous distribution of contracts, the minimum being 0.16 contracts/10,000 inhabitants (Vrancea) and the maximum of 17.44 contracts/10,000 inhabitants (Covasna), with an average of 4.7 contracts/10,000 inhabitants (38% of the counties being above the average).

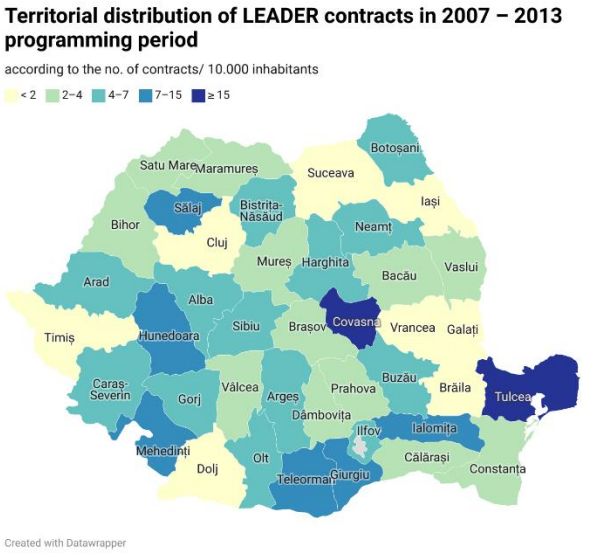


Fig. 1. Territorial distribution of LEADER contracts according to the number of contracts per 10.000 inhabitants in 2007 – 2013 programming period, using Jenks natural breaks classification method
Source: own elaboration.

In analysing the GDP per capita of the 42 counties and the territorial distribution of LEADER contracts, we observe that two counties from the 42, managed to absorb over 12% of the funds (e.g. Covasna and Mehedinți). In 2015, both counties were among the poorest counties in Romania having the highest gap related to the other counties, of 7:1, considering the GDP per capita (Figure 2).

On the other side, counties like Cluj, Timiș and Iași were among the most powerful counties, but the interest shown in LEADER projects was rather small (less than 2 contracts/ 10,000 inhabitants with less than 8 euro/capita absorbed), thus confirming Nieto's conclusion.

The average value of a project at national level in this period was Euro 50,913.95, at the county level, registering a minimum average value of Euro 32,218.72 per contract (Giurgiu) and a maximum average value of Euro 145,441.67 per contract (Vrancea) (Fig. 2).

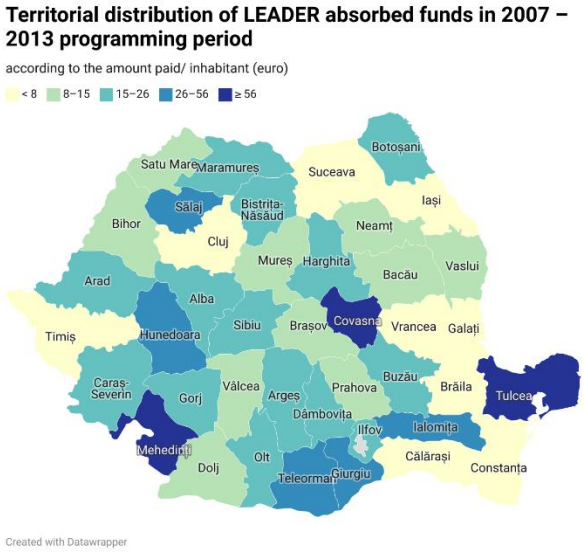


Fig. 2. Territorial distribution of LEADER absorbed funds according to the amount paid/ inhabitant (euro) in 2007 – 2013 programming period, using Jenks natural breaks classification method
Source: own elaboration.

During the second programming period, until March 2023, 8,509 projects selected by the LAGs were contracted by the Paying Agency totalling approximately Euro 463 million.
5% of them (422 contracts with a total value of Euro 26.4 million) were terminated due to different reasons among which: 62% at the beneficiaries' request due to COVID-19 related causes and the rest for noncompliance with the contractual clauses.
The financial allocation for supporting the projects selected by LAGs has increased in the second programming period, reaching over Euro 495 million. To support the transition period 2021-2022, in 2022 another Euro 100 million were distributed to the LAGs to select more projects. Therefore, with a total of over Euro 358 million in payments, the financial execution for the LEADER projects at 1st March 2023 is 60.20%.
From the point of view of the territorial distribution of the funds (Figure 3) and of the interest of the beneficiaries, reflected by the number of contracts per 10,000 inhabitants (Figure 4), there are differences compared to the previous period:
- although the much higher financial allocation, the „champion" counties of the first period (Covasna and Mehedinți) managed to absorb up to now less than 4% of the funds.
- If during the first period, Iași county, the most developed county in North-East region, managed to attract less than 100 beneficiaries with less than 5 million absorbed, during the second phase of LEADER it has over 300 contracts with almost 20 million euros absorbed, in absolute value being the champion of the second period.
- Ilfov county has the lowest number of contracts and of amounts paid; this is due also to the fact that two of the functioning LAGs had their authorisation withdrawn in 2021.

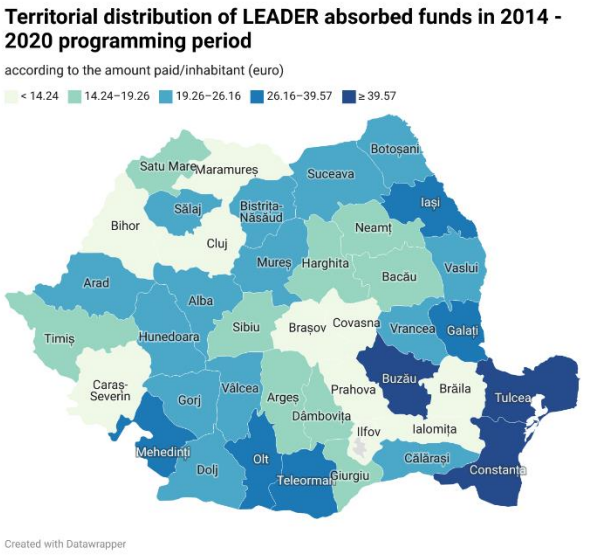


Fig. 3. Territorial distribution of LEADER absorbed funds according to the amount paid/ inhabitant (euro) in 2014 – 2020 programming period, using Jenks natural breaks classification method
Source: own elaboration.

Comparing the maps of the two programming periods in terms of the amount paid/inhabitant, considering also the Jenks breaks, it is noted a balancing at the county level with a decrease from 7 to 2.7 in terms of the ratio between the classes of values (in the first programming period the range was from 8 to 56 euro/inhabitants, while in the second programming period the range is from 14.24 to 39.57 euro/inhabitant).
This proves a higher interest in LEADER funds and a more homogenous distribution of funds at national level.

Fig. 4. Territorial distribution of LEADER contracts according to the number of contracts per 10,000 inhabitants in 2014 – 2020 programming period, using Jenks natural breaks classification method
Source: own elaboration.

This balanced distribution can be noticed also when comparing the number of contracts per 10,000 inhabitants.

It is interesting to notice that the poorest regions in Romania, South-West and North-East have the highest number of contracts and the highest values in payment.

Besides the gross analysis of general data, the two programming periods can be analysed according to the type of beneficiaries and to the type of projects. The summary of the information is presented in Table 1.

In the first programming period more than 64% of the beneficiaries were private entities interested in setting-up in agriculture as young farmers (1,884 contracts), in setting-up new non-agricultural businesses (933 contracts), in developing small and semi-subsistence farms (809 contracts) or modernising their agricultural holdings (662 contracts).

Table 1. Comparison between programming periods, according to the type of beneficiaries and measures implemented

	2007 – 2013			2014 – 2020		
	No. of contracts	**Amount of contracts (euro)**	**% paid**	**No. of contracts**	**Amount of contracts (euro)**	**% paid**
PRIVATE BENEFICIARIES	**4,918**	**201,450,032.02**	**47.05%**	**4,235**	**211,486,420.28**	**80.73%**
Training	151	3,127,280.15	43.66%	93	1,881,372.81	57.36%
Young farmers	1,884	63,291,221.00	77.22%	636	23,435,603.98	97.21%
Modernising agricultural farms	662	34,829,096.00	91.42%	724	53,805,263.95	91.01%
Processing	67	5,879,234.00	55.98%	17	1,455,568.96	65.44%
Small and semi-subsistance farms	809	6,067,500.00	53.60%	597	8,611,043.05	95.39%
Producers' groups	2	55,903.87	56.08%	1	41,025.00	0.00%
Consultancy	5	147,235.00	65.67%	18	386,221.36	43.02%
Setting up non-agricultural businesses	933	55,889,511.00	72.64%	1,158	49,978,634.80	88.53%
Developing non-agricultural businesses	405	32,163,051.00	55.32%	991	71,891,686.38	61.67%
PUBLIC BENEFICIARIES	**2,660**	**184,375,886.00**	**84.18%**	**4,159**	**246,422,400.88**	**75.99%**
INNOVATIVE				**115**	**5,777,045.37**	**51.11%**
TOTAL	**7,578**	**385,825,918.02**	**53.02%**	**8,509**	**463,685,866.53**	**50.45%**

Source: own elaboration.

During the second period, only 49,77% of the beneficiaries represented private entities; the focus for investments changed to setting-up new non-agricultural businesses (27% of the total number of private beneficiaries' contracts), developing the existing non-

agricultural businesses (23%), modernising their agricultural holdings (17%) and setting-up in agriculture as young farmers (15%).

This distribution contrasts with the previous period, showing the growing importance of community services, characteristic of crisis years in which public sector budgets are squeezed.

During the first period, the public beneficiaries were limited to access LEADER only for the actions financed also through the national programme, i.e. projects related to increasing the economic value of forests and to improve the agricultural and forestry infrastructure, as well as projects for modernising the physical infrastructure of villages, developing the basic services for the population (e.g. recreation spaces, renovation of public buildings, construction of new kindergartens, acquisition of equipment for new public services etc), or protecting the local cultural heritage. The value of such projects is usually higher than 200,000 euro (the maximum value of a LEADER project), and most of the projects financed consisted in procurement of equipment for setting up public services for snow removal and maintenance of communal roads.

In the second period, the LAGs have selected the actions considered appropriate according to the specific needs, and although the share of public beneficiaries was more than 50%, the local communities have obtained an increase in their life quality by means of LEADER projects such as: improvement or creation of leisure and sports infrastructures (10% of contracts), creation of social infrastructures (5% of contracts) or investments in energy efficiency (3% of projects). 25% of the public beneficiaries have developed their local emergency services. In most of the cases, there were no other sources to finance such projects, so LEADER was seen as a complementary financing source to improve the quality of life. According to the European Court of Auditors' Special Report "LEADER and community-led local development facilitates local engagement, but additional benefits still not sufficiently demonstrated" issued in 2022, more than a decade after the 2010 special report on LEADER, "some Member States and local action groups used LEADER to fund statutory tasks of national, regional or municipal authorities or other activities for which other specific EU and national funding programmes existed".

Analysing the evolution of the share of contract's value in the total amount contracted according to the type of project, the main conclusion to be drawn is that both LAGs and the beneficiaries have shown a greater maturity regarding the themes approached and a better understanding of LEADER spirit.

As shown in Figure 5, we observe that:

-As regards the *training and consultancy* projects, they have maintained a relative low share, since there was a greater amount of projects in the national programme.

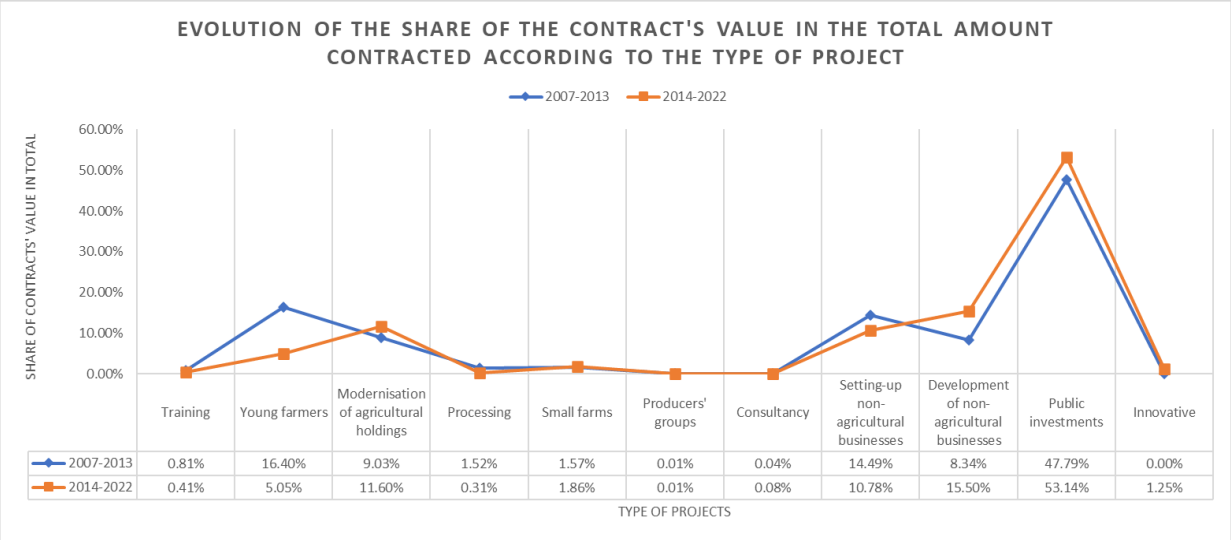
-As regards the *start-up measures* (both for young farmers and for non-agricultural activities), since in both programming periods at national level there was a great amount allocated in the national programme (over 6% of the financial allocation), covering all the counties, in the second programming period LEADER funds were directed more to projects of development and/ or modernisation of existing businesses. Therefore, since the national allocation of European funds was more equilibrated distributed, LEADER funds were used as complementary resources, passing from financing start-up businesses to existing one, proving a maturity of the Programme and of the LAGs.

- Projects regarding *processing of agricultural products* – since those are high value projects, that found financing in the national programme, the amount allocated through LEADER has been decreased by 5 times.

- Since the *public beneficiaries* have understood that with LEADER funding, they can finance also other projects that had no other financing sources, the projects of public interest transitioned from infrastructure to more specifically located projects, as described above.

- Another important feature is the appearance of *innovative projects*, showing that a series of LAGs has understood that LEADER philosophy means also discovering and

finance those projects that have no other European financing schemes (e.g. projects of promoting the adherence to quality schemes for different types of products).



	Training	Young farmers	Modernisation of agricultural holdings	Processing	Small farms	Producers' groups	Consultancy	Setting-up non-agricultural businesses	Development of non-agricultural businesses	Public investments	Innovative
2007-2013	0.81%	16.40%	9.03%	1.52%	1.57%	0.01%	0.04%	14.49%	8.34%	47.79%	0.00%
2014-2022	0.41%	5.05%	11.60%	0.31%	1.86%	0.01%	0.08%	10.78%	15.50%	53.14%	1.25%

Fig. 5. Evolution of the share of the contract's value in the total amount contracted according to the type of project
Source: own elaboration.

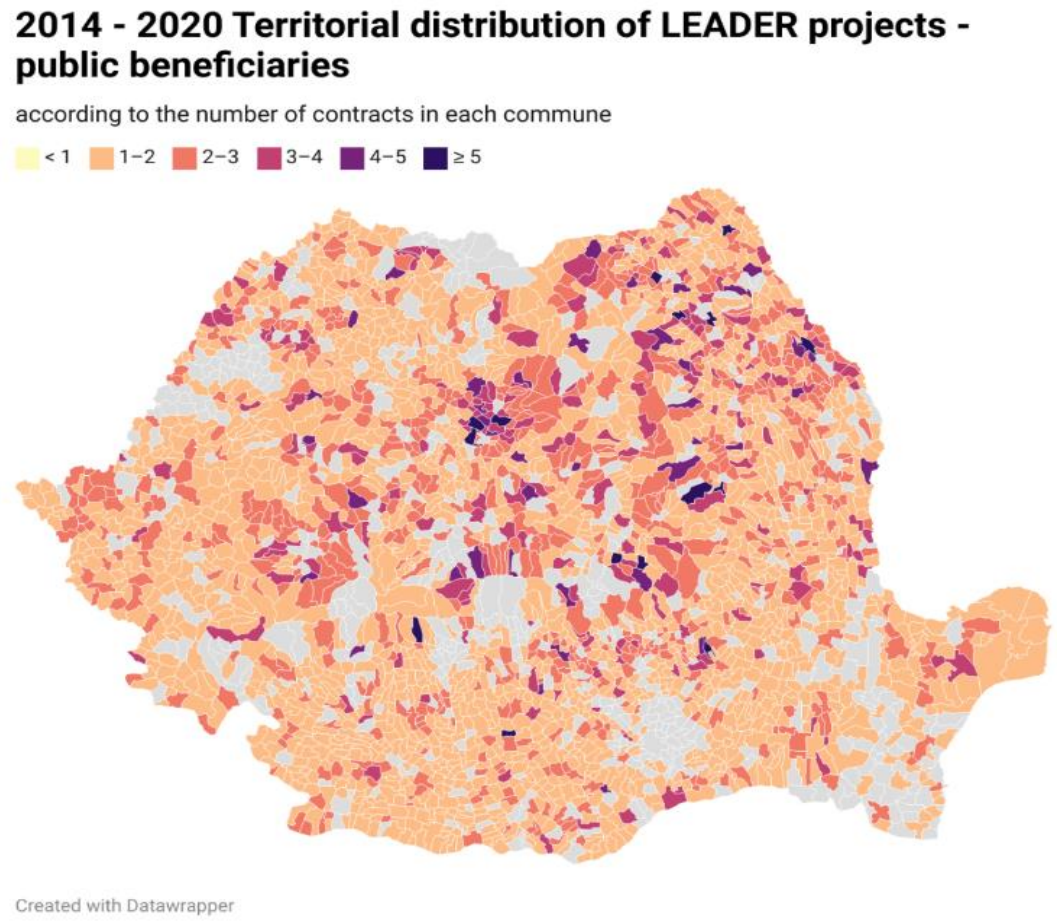


Fig. 6. Territorial distribution of LEADER contracts of public beneficiaries according to the number of contracts in each commune
Source: own elaboration.

From the point of view of territorial distribution of public contracts at commune level, most of the local authorities (65%) contracted 1 project with an average value

attracted per commune of almost 70,000 euro (Figure 6 and 7).

The increase of 17% of the total contracted amount was distributed mainly to the projects of public beneficiaries. The average value of a project has increased from 50,193 euro to 54,493 euro, with an increase of 18% for private projects (from 40,961 euro to 49,937 euro) and a decrease of 17% for public projects (from 69,314 euro to 59,250 euro).

Besides the increase of 48% of the average value of small farms' projects, the highest increase in value was for the projects regarding modernisation of agricultural holdings (29.21%).

It is worth mentioning that the number of contracts involving private co-financing had an increase of 34.53% compared to the previous period, comprising more than 40% of the private contracts from the second programming period. The total amount of the private co-financing was over 85 million euros, representing almost 19% of the contracted amount, as shown in Figure 8.

LAGs in the second programming period covered 2,861 territorial units (2,729 communes and 132 small cities – under 20,000 inhabitants).

Correlating the territorial distribution of public (Figure 6) and private contracts (Figure 9) at commune level, of the 2781 communes receiving LEADER financing, 36% of them had only public beneficiaries (1006 communes), while 4% had only private beneficiaries (121 communes). 80 territorial units received no LEADER funds, showing that LAGs should continue to animate those territories to identify project ideas responding to local needs.

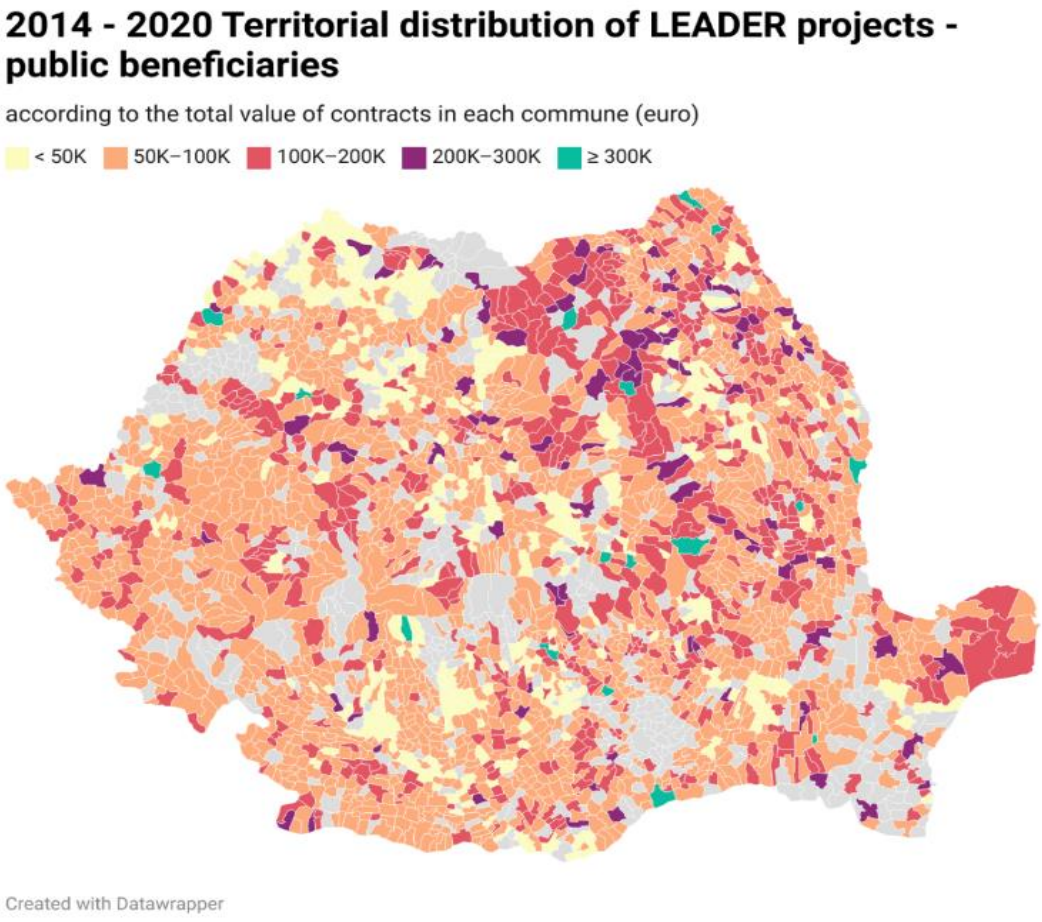


Fig. 7. Territorial distribution of LEADER contracts of public beneficiaries according to total contracted amount in each commune
Source: own elaboration.

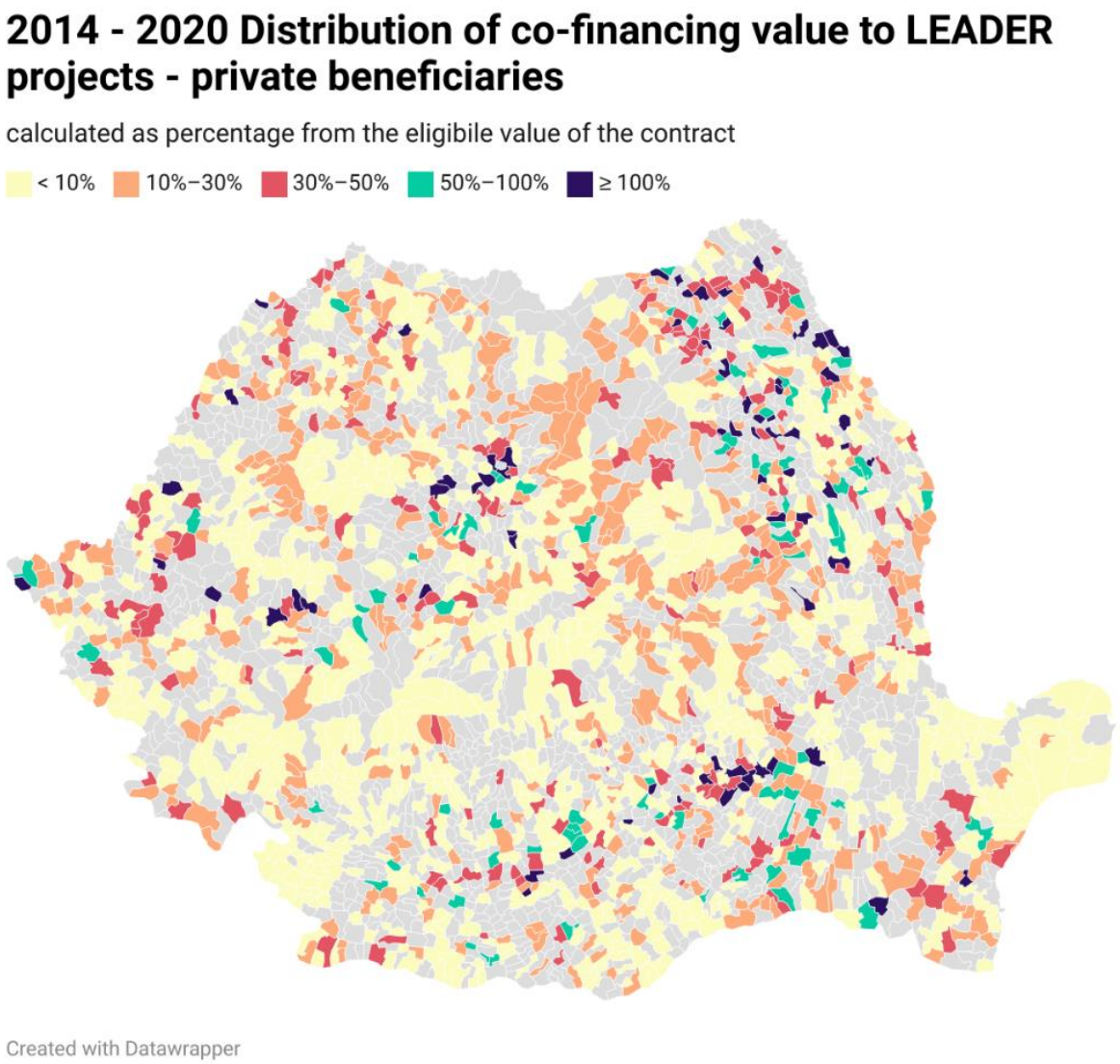


Fig. 8. Territorial distribution of private co-financing value to LEADER projects
Source: own elaboration

Another important feature of LEADER funding in the current programming period refers to the involvement of own funds.

In Figures 8 and 10, there has been mapped the distribution of co-financing value, calculated as percentage of the eligible value of the contract both for private and public beneficiaries.

This shows the amount of funding the beneficiaries have contributed to the projects submitted. If in the first programming period, most of the projects were 100% financed through LEADER, at this point the value of projects submitted is 42% higher than the value of LEADER funds.

So, the beneficiaries of LEADER funds have contributed to the programme with over 193 million euros.

For a series of territories, the private beneficiaries have submitted and implemented projects with a private contribution of more than 50% of the funds, even 100%. As a conclusion, for a great number of beneficiaries LEADER has contributed to a consistent, sustainable, and resilient development.

A significant characteristic for the second programming period for LEADER is that public beneficiaries have contributed to their community's development with own resources: thus, they involved over 110 million euros in LEADER projects.

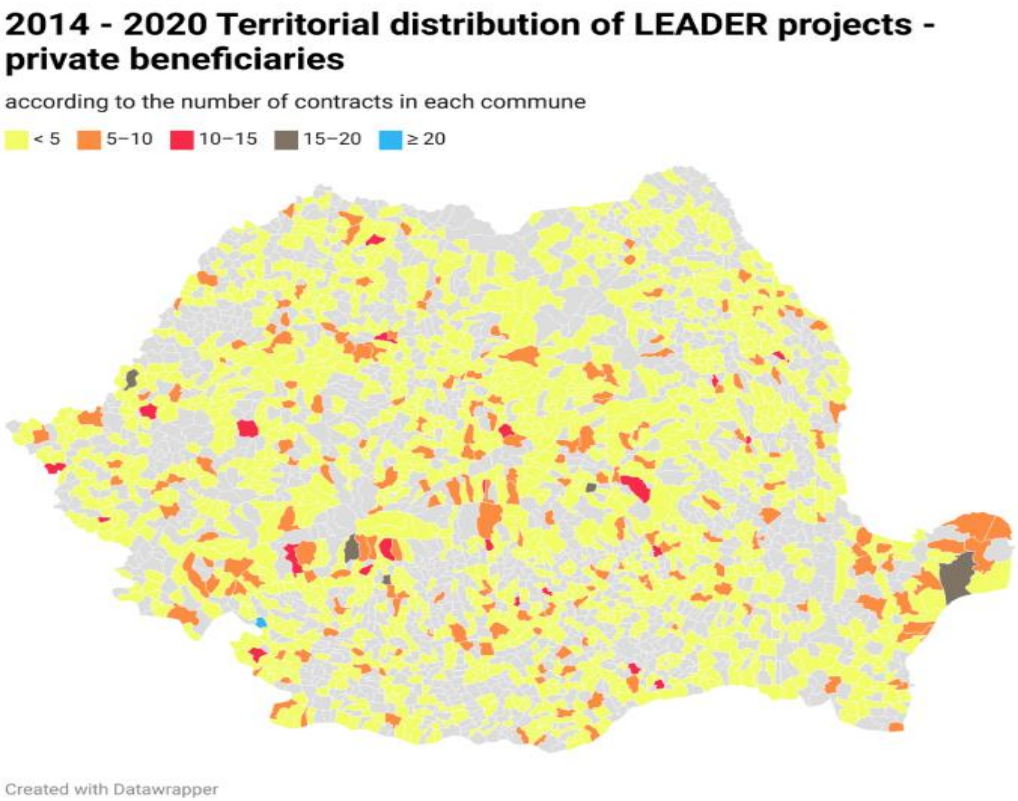


Fig. 9. Territorial distribution of LEADER contracts of private beneficiaries according to the number of contracts in each commune
Source: own elaboration.

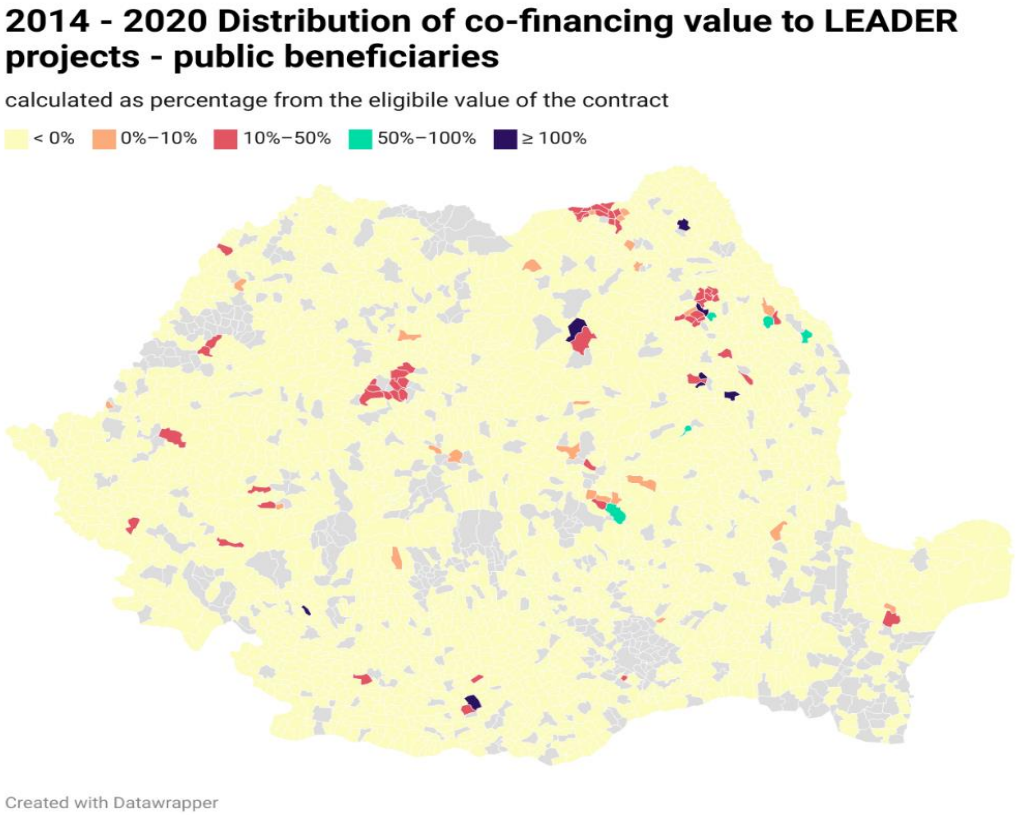


Fig. 10. Territorial distribution of public co-financing value to LEADER projects
Source: own elaboration.

CONCLUSIONS

The analysis developed in the present article presents some important features of LEADER implementation in Romania, such as:
- The highest interest in submitting projects in both programming period were in less developed counties belonging to Southwest and Northeast of Romania.
-The increase in the second programming period of the LEADER funds by public beneficiaries, characteristic of crisis years in which public sector budgets are squeezed.
-The maturity of LAGs, switching from financing start-up businesses (agricultural and non-agricultural) to supporting development and modernisation of existing businesses.
-The modification of the behaviour of public and private beneficiaries as regards their personal involvement, which lead to a contribution of over 42% to LEADER funding.
In future research, it may be interesting to explore the question of the social return of LEADER in more depth to draw more detailed conclusions that offer a better understanding of the impact of LEADER and its innovative approach when compared to other more traditional strategies adopted by the administration in rural territories.

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