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Local Action Groups Implications in Rural Romania

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Abstract

Common Agricultural Policy is known to determine most of the present changes in the Romanian agriculture. Local development strategies are currently representing a viable solution to uplift rural potential. The European LEADER axis, through its cross-sectional structure, contributes to each nation's rural development identified objectives across both national and international programmes, being measure that focuses on offering additional opportunities for sustainable development for rural communities, taking care of the local needs, aiming directly at caring for cultural heritage, economic development and strengthening group organizational skills. The current paper aims to highlight the importance of Local Action Groups for rural citizens in Romania. These essential groupings are of important relevance for rural communities since they address measures to enhance the socio-economic situation.

Keywords: LAG, rural development, financing, income, LEADER.

JEL Classification: Q01, Q19.

1. Introduction

The Romanian rural area is represented by an area with great diversity of physical, economic, social and ecological aspects, creating heterogeneous rural communities, with their own identity and characterized by unity through diversity.

Regional development consists in a broad process of development of all areas of a state, which brings a balance between the levels of economic and social development of different regions, considering the long-term management of natural

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resources and the protection of the natural environment (Bran et al., 2020; Faludi and Neamțu, 2020).

Several threats have been signalled when it comes to Romania's rural area economic and social extensive development, and the impossibility of finding a successful way out of this situation would further hurt communities. Rural Romania is lacking economic diversification, whereas international funding is increasingly providing investment for non-agricultural streams, even though agriculture still lacks high-tech equipment and has access to poor market (Paul, 2020).

Now, Romania, as a European country, is forced to solve existing and emerging problems related to the economic and social development of rural communities, given the existence of resources with a pronounced limited character, the need to preserve the national identity and the need for environmental protection. Thus, it is necessary to formulate clear goals and develop national and local strategies that allow economic development, which would also solve social problems, while maintaining and conserving the balance of the natural environment.

In the current stage of development, the Romanian village is going through both an acute economic and social crisis and an identity crisis. In this context, it is necessary to find new models of sustainable development, starting from the structure, size and economic-social specificity of each rural community (village, commune and region) (RNDR, 2020).

In recent years, the sustainable development of rural communities has been influenced primarily by the demographic developments of a society in the process of modernization and transformation. Thus, the process of population decrease in rural areas is a current trend on the backbone of rural-urban migration (attenuated since 2008), characterised by a negative natural increase of the population and a high percentage of infant mortality (Staic and Vladu, 2021).

From the experience of the previously two financial programming periods in Romania, it was found that LEADER can contribute considerably to the daily life of the rural population. It can play an important role in encouraging innovative responses to old and new rural problems and becomes a sort of laboratory for strengthening local capacities and testing new ways to meet the needs of rural communities. The implementation of LEADER has led to important results in many rural areas in the Member States of the European Union (EU) and could play a significant role in helping rural areas to adapt to ever-changing contemporary realities (Luca et al., 2018).

Awareness of the importance of the LEADER tool increases local development, creates new jobs, supports a new digital economy and acknowledges the need for cooperation between Member States in trying to protect the interests of farmers. (FNLAG, 2020).

2. Problem Statement

The present paper puts on the radar the importance of LEADER through Local Action Groups (LAGs) for local rural communities and wants to achieve this

through systematic statistical analysis of the most recent official indicators of rural Romania.

The LAGs are a non-profit group of local community representatives (such as trade unions, business associations and municipalities in the territory administered by the LAG) that manage LEADER projects in rural European areas (Menconi et al., 2018).

The field of sustainable development of Romanian rural environment is no longer an emerging one, at least in terms of empirical research, and yet there are still ambiguities, including in terms of definition and delimitation from a conceptual point of view. In the current conditions, the sustainable development of the rural environment is the general word, when talking about development policies at national and European level, the focus is rather on the recognition of the multiple functions of agriculture in today's human society, as well as on the vital role of rural space, which ensure the existence and efficiency of agriculture. The policy of integrated sustainable development in rural areas is still poorly addressed, most often being contradictorily interpreted.

The 2020 strategy, unlike the previous one, did not remain a vision without resonances in terms of concrete facts. A typical example of the path that has been taken to the knowledge society is National Rural Development Programme (NRDP) 2014-2020. The NRDP 2014-2020 aimed to make rural development smart, sustainable and inclusive, according to the Europe 2020 Strategy. According to these three distinct features, the general objectives of the current Strategy are: innovation, environment and climate change mitigation.

Even though the LAGs preparation and implementation of sub-measure for 2014-2020 implied the lowest effective allocations throughout the strategy (Dinu et al., 2020), its implications and effects are beyond direct recognition and could impact the near future of rural communities.

One of the situations in which it is explicitly emphasized that innovation must be the key priority for rural development is when innovative actions are tailored for local communities in accordance with LEADER principles (Popescu, 2017).

The Local Action Groups represent public-private partnerships made up of various representatives of the socio-economic sector from the respective territory. At the decision-making level, the social and economic partners and civil society representatives, such as farmers, women, rural youth and their associations, must represent at least 50% of the local partnership. LAGs have different legal structures and forms of organization, such as: non-profit associations, associations-foundations, local or regional authorities, companies, cooperatives. LAGs represent the interests of residents and their communities, being the engine of the LEADER Program (Menconi, et al., 2018). The value added of this approach is associated with local empowerment through the development of local strategy, delivery and allocation of resources.

LAGs across the EU made efforts to contribute more on the sustainable development of the rural communities, through continuous reorganization and initiatives launch aiming at employment stability and economic diversification and

even at touching the selection criteria for accepted projects in order to be more adaptable to the present scene (Arroyo et al., 2015).

The LEADER program has evolved over time, along with other common agricultural policies. The information from the assessments and those provided by rural stakeholders shows that the LEADER approach is a tool that works effectively in different situations and types of areas, by adapting rural decisions to the extremely diverse needs of rural areas (Florescu and Rahoveanu, 2021). By encouraging local participation in the development and implementation of sustainable development strategies, the LEADER approach can prove to be a valuable resource in future rural policy. LEADER funding was provided through the Structural Funds (EAGF, EAGGF, EAFRD) and through the NRDP. For the 2014-2020 programming period, LEADER funds can be accessed through Measure 19 - Local LEADER Development of the National Rural Development Program 2014-2020. Through LEADER, the development of rural areas and small towns with a population up to 20000 inhabitants, specifically addressing the needs of local development in education, business, agriculture, health, social services, infrastructure, culture and environment, facilitating the implementation of projects with an innovative multisectoral and cross-cutting approach, to support the needs of the eligible and to meet the objectives of the Europe 2020 Strategy.

Romania has started exploring the possibility of setting up Local Action Groups since 2005, when the first territorial definition exercises took place. The Romanian Fund for Social Development was chosen as the initiator together with the Ministry of Agriculture in this endeavour, starting from the previous experience in establishing informal partnerships in disadvantaged communities.

The main objective of local development strategies is to provide support to those rural areas, by implementing small-scale projects. Through this approach, LAGs can better target the needs and priorities of their territory, as they are part of the territory. The literature shows that Europe is characterized by a high degree of diversity in the implementation of the LEADER program (Menconi, et al., 2018).

It is mandatory for rural stakeholders to become more resilient, as challenges would be easier to face in such a way, especially in the present globalized market and digital era. Agriculture and other rural activities need to be amended with up-to-date abilities in order to find social and economic prosperity. Resilience could not easily become a fixed characteristic of rural Romania, though continuous adaptation should be prioritized through local programmes (Simmie and Martin, 2010; Tudor, 2015).

There are several theories about the incipient elements that are at the stage of LAG formation. The initial assumption was that the civil society in the territory, the economic agents and the public authorities meet spontaneously and decide to form a partnership. In most of the cases, the emergence of the Groups was due to the coagulation of a very small group of initiators who gradually managed to convince a larger and more diverse number of local development actors to join the proposal. There is an obligation for all governance structures of the LAGs that the representation of any category of participants in the economic, civil or public sphere

should not exceed 50% of the decision-making rights in the Local Action Group. Public representatives must represent less than 49% of the stakes. A higher number of private entities is considered a favourable condition for operation.

LAGs proved to offer economic diversification from the traditionally agricultural based activities to non-agricultural solutions, to provide agriculture with multifunctionality, which is possible through socio-cultural heritage improvement, improvement of local food importance in food security fulfilment and further stabilization of rural incomes (Florescu and Rahoveanu, 2021).



Figure 1. Treemap of effective payments for 2014-2020 period by county, measure 19.2. and 19.4. as of 29th of October 2020

Source: Authors' conceptualization based on AFIR database.

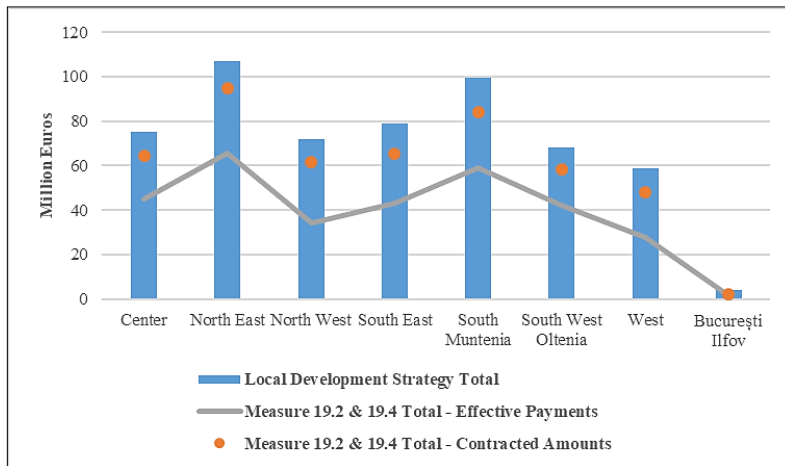


Figure 2. Total Local Development Strategy allocations for 2014-2020 period by NUTS classification and the representation of both contracted amounts and effective payments in million EUR

Source: Authors' conceptualization based on AFIR database.

The financing of the Local Development Strategy for the 2014-2020 period can be observed in Figure 1 & 2, the top-five counties making up 20% of the total payments, while top 10 counties reach 36%; among the first 10 counties (summing more than 114 million euros), four are from the North-Eastern region, and two belong to South-Western Oltenia region. Both regions are historically known to contain severely disadvantaged rural areas (Mitrică et al., 2020). The largest contracted amount (for measures 19.2. and 19.4.) out of the total Local Development Strategy, is in the North-Eastern region, with 89% , and the lowest amount is in the Western region (82%), excluding Bucharest-Ilfov region. Interesting to note is the fact that out of the total 479 million euros for 19.2. and 19.4. measures for the 2014-2020 period, the effective payments out of the total contracted amounts still miss, being close to 170 million euros (34% of contracted amounts), meaning that in the upcoming period before the next Multiannual Financial Framework (MFF) and in the first part of the next MFF, opportunities for local communities still exist altogether with room for improvement across future rural incomes and general socio-economic status.

3. Aim of the Research & Methods

The paper highlights and interrogates different specific databases (Romanian National Institute of Statistics – INS, Financing Rural Investment Agency of Romanian – AFIR and the European Commission's Agricultural Data Portal – AGRIDATA) in order to accurately illustrate the representativeness of LAGs in total rural Romania, aiming to provide an accurate socio-economic impact of the LEADER programme. The analysed time frame consists in the two previous MFFs.

The upcoming analysis is structured in such a way that provides the study a fair proportion, it starts from identifying the demographical representativeness of LAGs in the rural side of Romania and quickly follows with several economic and labour-related indicators analysis.

The current research focuses on statistical analysis of the relevant and current data in order to correctly assess the direct LEADER effects over the respective implementation period. Existing research work focuses on pointing out: social effects of collective learning through LEADER (Dargan and Shucksmith, 2008), administrative opportunities (Marquardt et al., 2012) and quality of life improvement (Turek Rahoveanu, 2012), whereas the present study describes the improvement of the essential economic indicators throughout the past 14 years of LEADER implementation.

4. Results

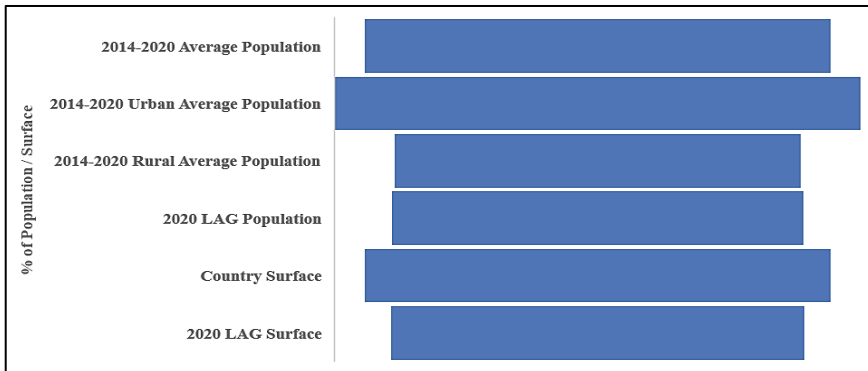


Figure 3. Visual representation of Romanian LAGs population & surface

Source: Authors' conceptualization based on INS and AFIR databases.

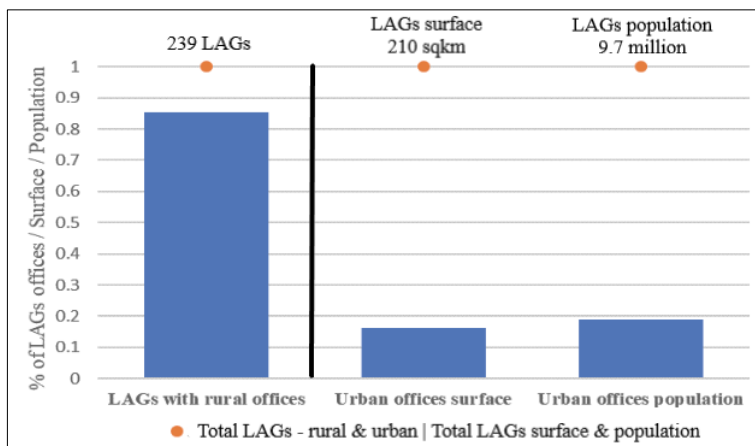


Figure 4. LAG offices representation by origin area out of the total 2020 figures |

Urban offices visualization out of the total 2020 LAG surface & population

Source: Authors' conceptualization based on INS and AFIR databases.

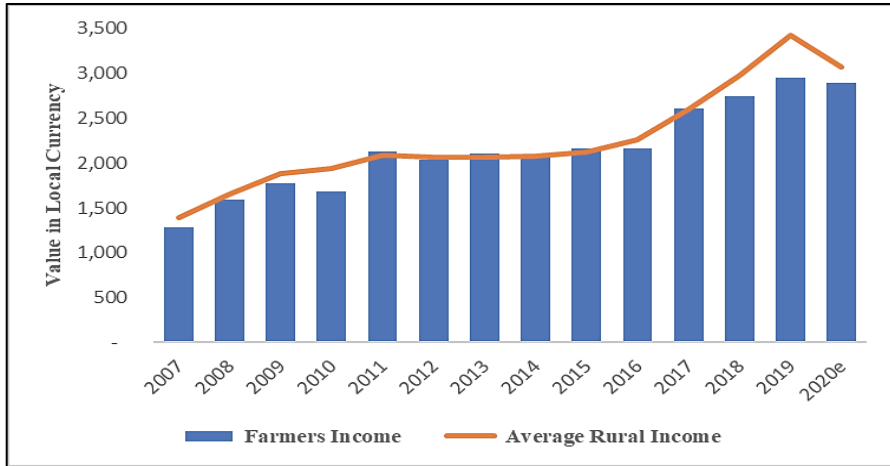


Figure 5. Farmers' income compared to Average Rural Income for 2007-2020 period, estimating the 2020 values based on average historical figures in Local Currency

Source: Authors' conceptualization based on INS and AFIR databases.

In Romania's case, as can be seen in Figure 3, the 2014-2020 Average Population represents 100%, the Rural Population for 2014-2020 representing up to 87% of the average; 2020 LAG Population covers 88% of the 2014-2020 average, counting more persons than the rural average due to the surrounding urban areas and the 2020 LAG Surface covering more than 88% of total Country Surface. LAGs cover a significant amount of land (88% for 2020), while containing almost 45% of Romanians (according to the 2014-2020 INS population), and at the same time addressing and supporting local developing strategies throughout the countryside (Menconi et al., 2018). European LAGs are known to be the main actors in the Union's rural development (EP, 2013), in Romania's case, they also quantify a vast majority of the rural space. According to both Figure 3 and Figure 4, rural representation in Romania could easily be described as part of a LAG, and focusing on rural communities does not imply only targeting farmers, but also the entirety of its citizens. Rural incomes on the previous two MFF recorded a 5% increase throughout the years in comparison with the farmers' income, capping at an all-time high of 16% increase for rural income vs farmers' income in 2019, according to Figure 5.

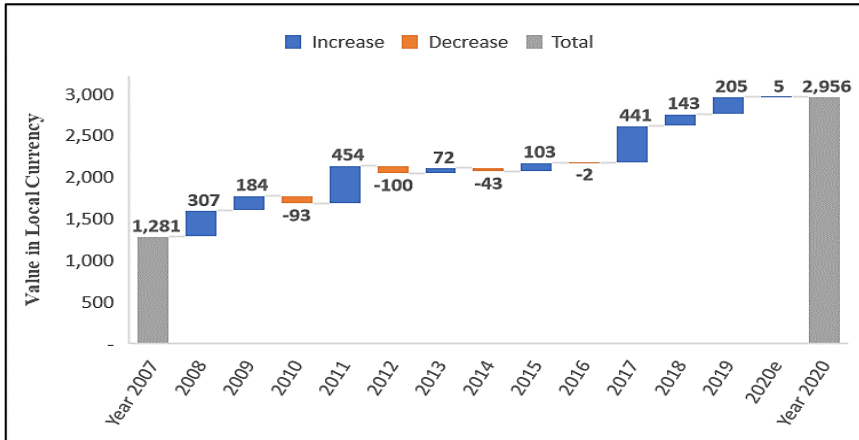


Figure 6. Farmers' income waterfall for 2007-2020 in Local Currency with 2020 estimates based on average historical figures

Source: Authors' conceptualization based on INS database.

The Average Rural Income is only 5% larger than Farmers' Income across 2007-2020 (Figure 5), indicating high agricultural dependency of rural areas, and small representativeness of non-agricultural high-income initiatives in rural areas. A 130% increase in farmers' income in 14 years as shown in Figure 6 might indicate the relevance of development measures under the LEADER programmes, the ups and downs also reflecting the yearly seasonality in agriculture. The two largest income increase blocks have been registered in 2011 and 2017 with more than double of an increase compared to the remaining upsides throughout the period.

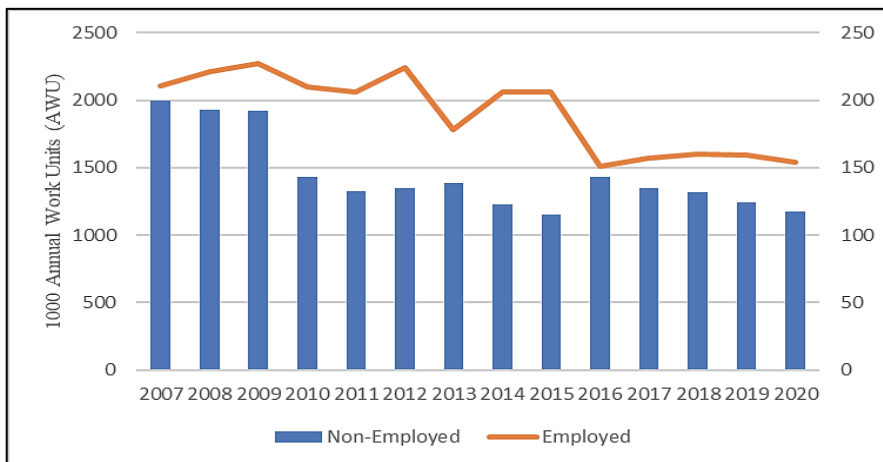


Figure 7. Romanian agricultural labour volume employed and non-employed

Source: Authors' conceptualization based on INS database.

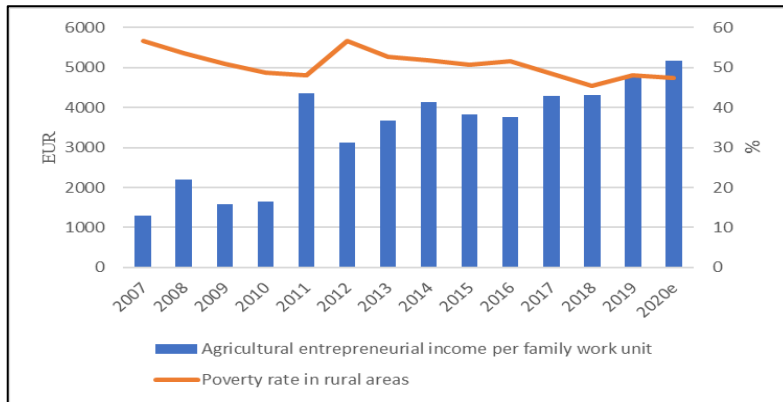


Figure 8. Agricultural entrepreneurial income per family work unit and the Rural Poverty Rate with 2020 estimates

Source: Authors' conceptualization based on AGRIDATA database.

The annual work units in agricultural labour (Figure 7) recorded a 41% drop from 2007 values at the end of the 2014-2020 MFF period. The average yearly decrease of the agricultural workforce recorded a 3% margin with the largest decreases being recorded in 2010 (-26%) and 2014 (-11%), while the largest increase was recorded in 2016 (+24%). Corroborating the previous figure with the agricultural ascending trend (Figure 8) of a yearly increase average of 18% across the 2 MFFs and the expected shrinking poverty rate in rural areas of an average yearly decrease of 1%, it is by far a fairly true statement, that agricultural income growth is in line with current agricultural developments and that general economic standards have been improved across the rural areas of Romania.

6. Conclusions

The problem of rural development is one of the most complex problems of contemporaneity, due to the fact that, in its essence, it involves achieving a balance between the requirement of preservation of rural economic, ecological, social and cultural space in the country, on the one hand, and the tendency to modernize rural life, on the other hand, rural development being at conflict with urban expansion.

Mobility of population and labour force, education and research, rational use of resources, modernization of agriculture and rural communities, protection of cultural and ecological heritage, streamlining of the administrative act must become topics in the permanent attention of all stakeholders (authorities, inhabitants, economic agents, NGOs and associations) as a manifestation of social capital collaborating towards aiding common handicaps: impassable roads, non-existence of sewerage networks and water supply malfunctions.

The remaining payments out of total contracted amounts will further push socio-economic indicators in a better position in the upcoming transition period up to the next MFF for each LAG, creating opportunities and new paths for future development. Rural and farmers' income increases, labour volumes reduction and

rural poverty rates reductions are socio-economic indicators that have been currently assessed, which also showed improvements over the last two funding periods, clearly evidencing that the LEADER program has brought many benefits for rural Romania, and LAGs do represent vectors of real and efficient local rural development, creating the premises for implementing rural development models that respect all the international agreed principles and include all the objectives and priorities at national level.

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