

THE ROLE OF THE LOCAL DEVELOPMENT STRATEGIES FINANCED FROM EUROPEAN FUNDS, THROUGH THE LEADER MEASURE - NATIONAL RURAL DEVELOPMENT PROGRAMME 2014-2020, IN SUPPORTING INNOVATION AND REGIONAL DEVELOPMENT IN ROMANIA

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Abstract: *The paper aims to carry out an analysis of the performance components of the local development strategies funded under the LEADER Measure from the National Rural Development Program 2014-2020. The article analyzes the Local Development Strategies financed in each development region of Romania from the perspective of the most relevant performance indicators achieved through the implementation of these strategies. The paper emphasizes the contribution of the Local Development Strategies to supporting the bioeconomy, as a smart specialization field, in the National Strategy for Research, Development and Innovation and within the smart specialization strategies adopted by Romania's development regions. The "bottom-up" approach, specific to the LEADER concept, is highlighted, and the role of the Local Action Groups implementing the Local Development Strategies is outlined, in supporting the development and innovation at the local level, as well as in supporting the areas of smart specialization within the relevant regional and national strategies. The paper concludes that the field of bioeconomy, benefiting from the huge potential of the Romanian agriculture, in the context of a growing food industry, could represent a key sector of development of the Romanian economy.*

Keywords: *Local Development Strategy, Local Action Groups, LEADER measure, smart specialization, bioeconomy.*

JEL Classification: *O10, O13, F63.*

1. Leader measure in Romania in the programming period 2014-2020

1.1. Leader characteristics. Local Action Groups common features

LEADER, the acronym for “Liaison entre Actions de Developpement de l’Economie Rurale”, is the European Community initiative assisting rural communities with the goal of improving the quality of life and economic prosperity of the local area. It has been used for about 20 years to engage local actors in the design and delivery of strategies, decision-making and resource allocation for the development of their rural areas. From the very beginning LEADER was a tool to introduce and test new methods and concepts, or allowing innovation in traditional approaches and linking the institutions.

Local Action Groups (‘LAGs’) are the local partnerships at the core of LEADER, associating public and private partners for composing well-balanced groups, representing the interests of the existing local groups coming from different socio-economic sectors in a particular area, created to develop and implement a Local Development Strategy for the respective territory. In terms of decision making, private partners and associations should participate at least by 50% in the local partnership. A LAG could be specially established

to get LEADER preparatory support, but it could be also established on grounds of existing partnerships.

LAGs are allowed to apply for financial assistance in the form of grants for operating expenses in order to implement the Local Development Strategy (LDS) in its territory. A Local Development Strategy is meant to be a bottom-up decision-making process, addressing a well-defined local area (rural area and small cities with a maximum 20.000 inhabitants representing eligible LEADER territory). In addition, LDS is integrating activities concerning the proposed allocation of resources as well as the monitoring activities, and is taking into account the whole range of local stakeholder concerns. The main aim of the strategy is to plan and develop medium and long-term development policies, each strategy being based on a detailed analysis of the current situation of the area's local needs, in which the potential and development opportunities should be clearly identified. The objectives of Local Development Strategies are reached through individual projects, implemented by various stakeholders from the rural communities in question.

There are seven key features that sum-up the LEADER approach, outlined in the Figure no 1, each of them being complementary, having positive mutual impact with other features throughout the process of implementation, with permanent effects on the dynamics of rural areas and their capacity to solve their own problems.



Figure no. 1. Key features of the LEADER approach

By the end of 2018, LEADER measure was implemented by 2.800 Local Action Groups (LAGs), covering 61 % of the rural population in the EU and bringing together public, private and civil-society stakeholders in a particular area.

Currently, LEADER measure is present in Romania for the 2014-2020 EU multiannual financial framework, being integrated into the National Rural Development Programme which is co-financed from the European Agricultural Fund for Rural Development (EAFRD). The measure is designed to draw on the community-based capacity and knowledge acquired through community-led local development in the previous funding LEADER and to further develop rural space and communities by targeted interventions on building infrastructure, developing businesses and assisting the poor with social inclusion and jobs.

1.2. LAGs in Romania

LAGs are very advanced institutional models of rural community actions in Romania, and were built on previous community action projects, such as the Romanian Social Development Fund project steering committees for small infrastructure projects, empowered to implement the actions financed in the rural areas, starting with 1999.

For the 2014-2020 multiannual programming period, there are currently 239 rural LAGs in Romania, implementing 239 strategies in the eight development regions, with an allocated budget representing 7% of the total public resources allocated for NRDP 2014-2020. The financed strategies cover territories inhabited by 90.81% of the rural population, with a large involvement of people living and working in rural areas in the planning and implementation of LDS and based on real needs of the territory. From the perspective of the correlation between the regional disparity index and the number of LAGs, North East region has the largest number of LAGs (45) with the lowest value of disparity index (62.5), while the smallest number (4) is in the more developed region, Bucharest Ilfov (221.5), thus showing that LEADER is operating where is most needed, thus creating favourable environment for stimulating individual initiatives. The disparity index is the report between the GDP of the region and national GDP.

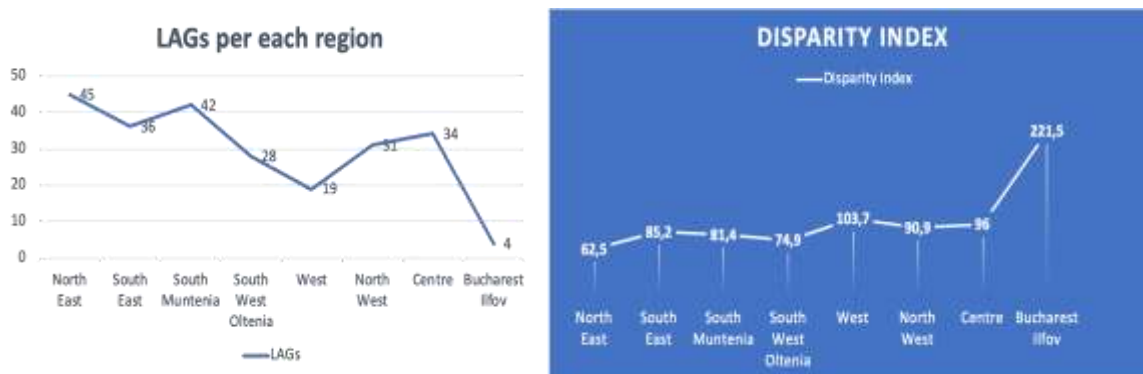


Figure no. 2. Correlation between LAGs/region and the disparity index

Source: National Federation of LAGs and National Commission for Strategy and Forecasting, 2019.

The promoters of the funded projects are represented mainly by SMEs (51%) and public institutions (35%), followed by other types of local actors (11%) and NGOs (3%), which ensure the adoption of a multisectoral approach in LDS implementation, representing a variety of needs, interests and points of view. Leader measure through LDS is a significant financial support for SMSs development.

2. Relevant measures in the National Strategy for Research, Development and Innovation and the eight smart specialization strategies

2.1. National Strategy for Research, Development and Innovation

The National Strategy for Research, Development and Innovation aims to support and invest in based on the following three categories of priorities:

- priorities of intelligent specialization that involve the definition and consolidation of areas of high competence in which there are real or potential comparative advantages, and which can significantly contribute to the economic growth. The areas of intelligent specialization are highlighted in Figure 3.

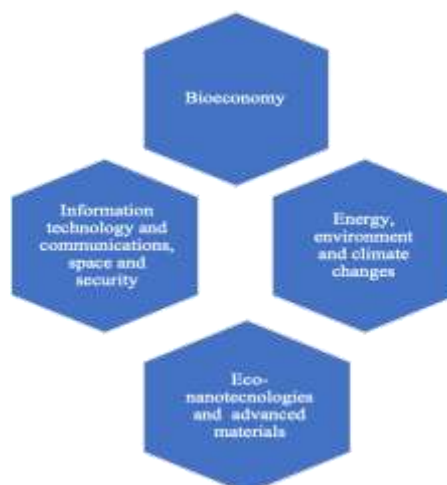


Figure no. 3. The areas of smart specialization for the strategic cycle 2014-2020

Source: adapted from NSRDI.

- priorities with public relevance, which aim to invest resources and creativity in areas where research and development respond to concrete and pressing social needs. The strategy supports the following priorities with public relevance: health, heritage and cultural identity, respectively new and emerging technologies;
- fundamental research that remains a priority in the strategy. The basic sciences (mathematics, physics, chemistry, as well as life sciences, nature and engineering) are targeted, as well as humanistic and socio-economic disciplines.

Even if the LEADER contribution is not outlined in the strategy, agriculture is considered as the one of the main sectors in Romania, both by its contribution in economy and the share of occupied population, demonstrating its vital social role. Therefore the present paper is focusing on the bio-economy contribution as national area of smart specialization in rural areas.

2.2. Regional strategies for smart specialization

The strategies for smart specialization aim to encourage the increase of economic competitiveness in the eight development regions, by creating and developing innovative companies, introducing modern technologies in the research-development-innovation units, capitalizing on these infrastructures and stimulating the partnership between universities, institutions of research and companies, in those areas where the competitive advantages for each region were registered. The strategies are meant to feed several Operational Programs (including the National Rural Development Programme) with actions' ideas to be implemented during 2014-2020.

Continuing the approach started at national level, this chapter is outlining the role of bio economy as regional priority. The authors have performed an analysis focused on this field, with the scope of revealing the relationship between areas of intelligent specialisation in NSRDI and the smart specialisation fields/priority areas in the eight regional smart specialisation strategies. The main conclusion is that, in terms of bio-economy priorities, the strategies are completely aligned. In addition, the analysis for North-West and Bucharest-Ilfov regions were performed considering the draft strategies prepared in 2019, thus confirming the interest for bio-economy field as smart specialisation for the future programming period. However, several regional strategies are proposing general indicators, with no specific indicators for bio economy. In addition, the LEADER

contribution is not clearly underlined. These could be a key recommendation for the next programming period for all the regional priorities highlighted by the strategies.

Table no. 1. Analysis of regional strategies for smart specialisation

Region	Regional priorities of smart specialization related to bioeconomy	Strong points of the region (SWOT analysis) related to bioeconomy	Indicators contributing to bio-economy
North East	Agri-food with the areas of competence: agronomy, horticulture, livestock, food engineering, forestry and wood engineering; agri-food biotechnologies	15 research stations in the agricultural and forestry field, which are subordinated to the Academy of Agricultural and Forestry Sciences; tradition in the field of organic farming	no specific indicators related to bioeconomy
South East	Agri-food and fishing industry; agri-food biotechnologies	Significant number of research and development stations in agriculture and fish farming. Revealed Export Advantage Index above 1 for relevant agricultural products	number of projects that created safe, affordable, and nutritionally optimized food; Number of RDI personnel involved in the development and application of agri-food biotechnologies; Number of
South Muntenia	Agriculture and food industry. The activities of interest concern the agriculture and food industry (genetic material, species diversification, irrigation systems, high nutritional value products, fertilizers, short and online distribution chains, agricultural machinery). Bioeconomy-circular economy (bio fuels, eco-fertilizers etc.)	Over 60% of the area of the region is located in the Câmpia Română, an excellent agricultural area. The region presents the largest arable area at national level.	no specific indicators related to bioeconomy
South West Oltenia	Agriculture and food industry: safe, accessible and nutritionally optimized food products; innovative products, practices, processes and technologies in cereal crops, vegetables, horticulture, forestry; production of seeds for field crops adapted to extreme weather phenomena - drought, floods; agro-food industrial biotechnologies; bio-fertilizers etc	Functional clusters at regional level focused on agriculture. Revealed Export Advantage Index above 1 at regional level for the product group "Grain mill products". 8 functional agricultural research stations in the region.	no specific indicators related to bioeconomy
West	Agri food sector: safe food products, accessible and nutritionally optimized, development of new products and processes; bio-energy; agri-food biotechnologies	Agri-food cluster; universities with activity field in agriculture; fertile soils	creation of centers for the production, collection, processing and marketing of local products; support for the implementation of product quality and safety standards; partnership of
North West	Agri-food field	Market leaders with majority domestic capital in certain markets including agri-food; clusters in the agri-food field; intensive research and development activity, demonstrated by the number of patents obtained in the agri-food field	no of companies supported in the field of agri-food; no of agri-food companies cooperating with RDI entities; no of researchers etc.
Centre	Agri food sector	Agriculture is the main occupation and source of income of the inhabitants of the rural area, benefiting from an important and diversified natural potential; the share of the population employed in agriculture is high (30.2%)	no specific indicators related to bioeconomy
Bucharest Ilfov	Food industry and food safety	critical mass of companies and researchers; existing RDI infrastructure with positive results of capitalizing on the research results; skilled workforce	no specific indicators related to bioeconomy

3. Contributions of LDSs financed through LEADER in reaching program monitoring indicators

The paper is continuing the approach of demonstrating the role of bio economy at the level of the LDS's projects financed by the Leader measure. According to the Regulation for the European Agricultural Fund for Rural Development, LEADER 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. 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.

Taking on board the above suggestions, the projects considered for analysis in the present paper are related to the installation of young farmers (sub-measure 6.1) and development of small farms (sub-measure 6.3), financed by LEADER measure within the National Rural Development Programme (NPRD) 2014-2020.

According to this document, in Romania there are 427,074 farms with the economic size between 4,000 - 50,000 € SO (Standard Output is the measuring unit of the agricultural holdings), which are evaluated as having the potential to develop viable agricultural businesses at the market level, if they are supported.

The implementation of the sub-measure 6.1. at the local level through LDS aims to increase the number of young farmers who are starting, for the first time, an agricultural activity from a commercial point of view, as farm managers. The younger generation of farmers can more easily meet the demands of the society related to farmer profession and those demanded by Regulations of the Common Agricultural Policy: food security, organic farming, hygiene and animal welfare, diversification, obtaining high quality local products, awareness of the role that agriculture plays in combating climate change (use of renewable energy, biodiversity, reduction of carbon dioxide emissions), job creation and economic growth in rural areas, awareness of the negative effects caused by the abandonment of agricultural lands.

The sub-measure 6.3 is supporting small farms through investments, in order to increase the competitiveness of agricultural holdings by equipping them with efficient machinery and equipment in relation to the current agricultural structure, as well as investments to modernize the farm (especially those of medium size and small and medium farm associations) and to improve the quality of fixed assets.

The stage of implementation of these sub-measures in the current programming period is well advanced and, considering the high number of submitted and financed projects, it clearly demonstrates the high interest of the rural communities for these sub-measures (Table no. 2).

Table no. 2. Stage of implementation for the relevant sub-measures 6.1 and 6.3.

Title of the sub-measure	Allocation (MEUR)	Projects submitted (no)	Projects selected (no)	Projects contracted (no)/Value (MEUR)	Payments (MEUR, 2018)
6.1. Support for the installation of young farmers	434	13.491	9833	9766 projects/Value 401	307,7
6.3. Support for the development of small farms	249,2	10.694	7671	7203 projects/Value 108	77,3

Source: National Federation of Local Action Groups

In terms of distribution of projects under the mentioned sub measures, the number of projects is correlated with the number of LDSs/each region (Figure no 1), taking into account the strenghts included in the regional smart specialisation strategies (Table no 1). In addition, if correlated with GDP/inhabitant, it demonstrates the projects are implemented where they are most needed, in the regions with lower GDP levels (Figure no. 4.).

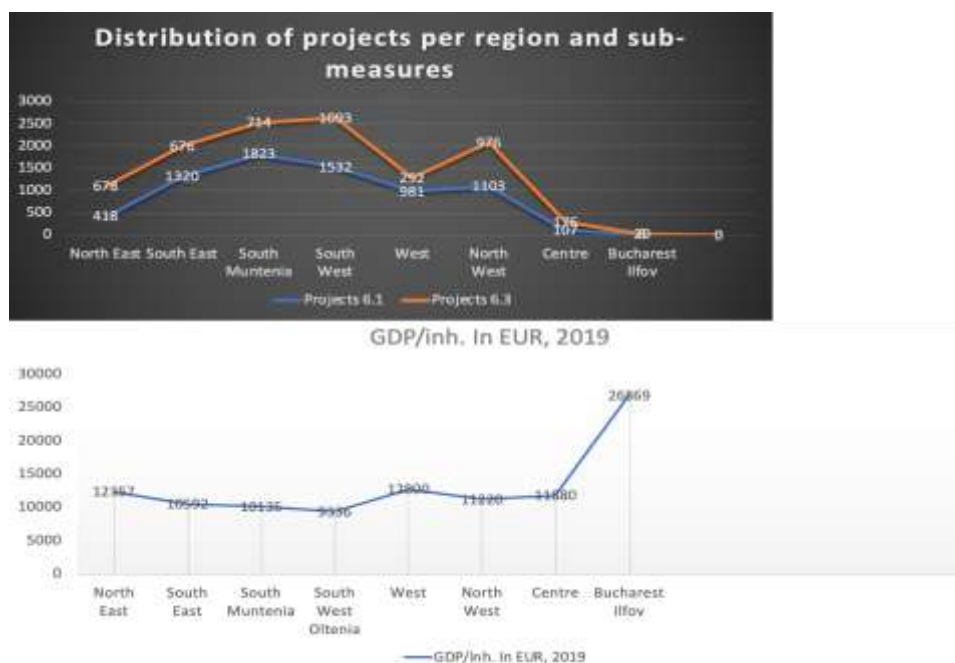


Figure no. 4. Distribution per regions of projects financed under sub measures 6.1 and 6.3.

Sources of data: National Federation of Local Action Groups and National Commission for Strategy and Forecasting, 2019

4. Conclusions and recommendations for the next multiannual programming period

The Local Action Groups in Romania are expected to intensify the participation of local stakeholders in decision-making processes in order to create Local Development Strategies that focus on a limited and more specific number of local real problems and needs.

After one complete multiannual programming period, LAGs have managed to gain maturity and began working properly. Even if LAGs still face institutional capacity and administrative difficulties, the sub-measures dealing with the bioeconomy field are successful being implemented on a large scale, demonstrating their usefulness and important role for the rural territories. Counterfactually, we can observe that, in the absence of these LEADER measures, many farmers would not have been installed and a significant number small farms producing revenues and growth in the rural areas would not exist today, thus leaving only fallow ground.

LEADER purpose is to contribute to the revitalization of rural areas thus having a positive effect on the small cities and villages. Community activation is a dynamic and continuous process with a significant impact on the development of local economies. Successful initiatives and measures will lead to an improved ownership of this concept at the local level. This ambitious experience of public-private cooperation in the rural areas, could be improved in the next multiannual programming period by further empowering LAGs with more delegated functions from national level.

Based on the findings in this paper, it is recommended for the institutions in charge with development of the National Strategy for Research and the Development, Managing Authorities and Regions responsible for planning and implementation of the regional strategies for smart specialisation, to consider embedding the LEADER approach in the documents prepared for the next programming, since this partnership is getting stronger as more and more people are becoming aware of its effectiveness and take advantage of its

actions. Representatives of the National Federation of LAGs are key stakeholders to be invited to the consultation. In addition, introduction of bio economy indicators in the regional strategies for smart specialisations would bring coherence to the process.

The last, but not the least, it has to be considered that the world is facing now an unprecedented crisis due to the SARS-CoV-2, with the high probability of leading to a global food crisis. Food safety is becoming paramount. In this context, supporting bioeconomy is essential for food production. In this context, organisational innovation in the rural areas with the goal of improving food production and product innovation will become more and more important for the population.

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