

LAG-S – ASSOCIATION STRUCTURES FOR LOCAL AND MICRO-REGIONAL DEVELOPMENT AND FOR ATTRACTING EUROPEAN FUNDS

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Abstract: *Local development, by means of attracting European funds, has become a priority for local authorities which, in the absence of sufficient financial resources for development, turn to partnerships with various actors in the economic and civil society to capitalize local and micro-regional potential in order to improve living conditions, to increase the quality of public services and to stimulate local initiatives. One of the partnership forms whose founding and functioning is supported by the European Union is the Local Action Group (henceforth called LAG), an associative, non-governmental form which brings together municipalities, businesses from the private sector and civil society entities within a particular geographic area. This public-private partnership is financially supported by the European Union through the National Rural Development, Axis IV, Leader, Measure 431 - Operation of Local Action Groups, acquiring skills and animating the territory.*

Keywords: *Local Action Group (LAG), public-private partnership, local development, European funds, association.*

GENERAL ASPECTS

Local development involves attracting financial resources that can be allocated, on the basis of a coherent development strategy resulting from public debate, to the sectors, areas or to the fields of local or regional interest by local government representatives democratically appointed by citizens' vote. The need of the residents from different municipalities of the country for comfort, for better quality public services can be achieved by means of designing and implementing economic, social or cultural projects for local development. As one states (Goigou, 1983), local development is the expression of local solidarity that creates new social relations and manifests the will of a micro-region to value their local resources, which leads to economic development.

Local development is a process of diversification and enrichment of economic and social activities within a territory which starts with mobilizing and coordinating their resources and energies. Therefore, local development is the result of the population efforts. By drawing up a development project that integrates economic, social and cultural components, local development will make from a proximity space a space of active solidarity” (Grefe, 1984). Literature (Ștefan, 2008) revealed that local development implies several dimensions, such as the economic dimension, the social

dimension, urban and regional planning, public services, tourism dimension, the environmental dimension, the cultural, artistic or sport dimension.

One of the forms of implementing a development strategy is Local Action Group (LAG). The design of a development strategy mobilizes and involves the entire community to contribute to achieving the aims of the Europe 2020 strategy for a smart, sustainable and inclusive development, thus placing local and regional development under the responsibility of the community (European Commission, 2010).

LAG is a form of public-private partnership consisting of bringing together local governments, economic agents, NGO-s and other civil society representatives of a micro-region. By means of Local Action Groups there can be attracted European and national funds to areas where these associative structures operate, funds that are distributed to various beneficiaries on project basis. In turn, LAG-s can be eligible beneficiaries of the various financing axes from European funds for rural development.

Through Common Agricultural Policy (CAP), the European Union aims, among others, to contribute to economic diversification of rural areas and to the application of strict standards of environmental protection, this policy being managed and financed at the European level by the European Union's annual budget.

CAP can be described as having three dimensions: market support measures, income support and rural development. Local Action Groups fall into the third dimension of the CAP, namely that of rural development. Within rural development programmes, "LEADER approach" encourages local population to find solutions to local problems (European Commission, 2013).

Based on the finding that almost half of the EU population lives in rural areas, the CAP aims at maintaining the vitality and unity of rural communities by means of creating new jobs, redevelopment of villages, protection of their cultural heritage and of the landscape, and of maintaining and improving local public services, such as schools, medical facilities, recreational facilities etc. In line with the European Strategy Development "2020", partnerships for innovation and development represent one of the most viable solutions for rural areas to become more attractive and competitive.

For the financial period 2014-2020, the European Commission proposed to allocate 89.9 billion euro for rural development. Regarding the normative perspective, the legislative package for cohesion policy, published on October 6th 2011, includes a general regulation establishing common rules for all funds that are part of the Common Strategic Framework: *Regional Development European Fund*, *Social European Fund*, *Cohesion Fund*, the *European Agricultural Fund for Rural Development (EAFRD)* and the *European Fund for Maritime and Fisheries Affairs*, regulation which allows a better fund combination for a stronger impact of the action (Romanian Ministry of Foreign Affairs, 2011).

Public-private partnership allows the design and implementation of innovative actions in a wider or more confine geographical area. By constituting Local Action Groups that bring together local authorities of several municipalities, businesses and NGOs, there can be generated, after having assessed regional needs, their strengths and weaknesses, as well as opportunities and risks involved, innovative actions in the form of infrastructure projects, projects to develop and support SME-s, as well as human

resources development. Literature (Antonescu, 2011) specifies that experience has proven the following aspects:

- Small investments can have important, considerable effects on regional and micro-regional innovation;
- A thorough evaluation of these approaches demonstrates that their value and impact are necessary to convince at the political level, but also to mobilize regional or micro-regional actors;
- Requirements of a participatory system involve all stakeholders, as well as the transparency of the government to their partners and a strong sense of commitment and responsibility;
- Through this process, new arbitration of priorities within Operational Programmes can be provided in a regional or micro -regional consensus.

All development projects are included in the development strategy that allows the connected and integrated use of local, national and European funds, thus ensuring sustainable and inclusive development. Designing local and micro-regional development strategies is one of the most important steps that support processes of local and micro -regional development. This type of strategy clarifies, on medium and long term, the directions and areas towards which community effort development are to be oriented (Marton, 2003).

Development strategy provides the following: the analysis of the actual context in which the local community stands; establishing development targets and measures by means of which they can be achieved; establishing the most efficient projects leading to local development and to funds that can be accessed for these projects; encouraging local development and the identification of untapped potential within the community; stimulating community to participate and consolidating their sense of social involvement.

2. LOCAL ACTION GROUP – LEGAL STATUS, MODE OF OPERATION AND FINANCING

The trend of associating public and private actors in order to develop local or micro -regional projects was driven primarily by the limited financial resources and by the need to find solutions for increasing the share of these resources, as well as by the policy at the European level that encouraged, by means of OP-s, the association of public and private environments in order to attract European financial resources for local sustainable development.

In terms of legal status, Local Action Group is set up as an association established with the compliance of Government Ordinance no. 26/2000 (published in Official Gazette of Romania, Part I, no. 39/ 31st January 2000), further amended and supplemented an associative structure which has a goal, specific development and operational objectives and a management structure of its own. Based on the above-mentioned enactment, LAG includes the following structures: the General Assembly, Board of Directors, and Auditor or, where appropriate, the Board of Censors. The decisions of the General Assembly are implemented by the Board of Directors.

Even if the LAG structure includes both public and private entities, it is a legal entity of private law, with non-profit purpose. Therefore, even if the administrative units that fall in this association, namely local authorities, are legal entities of public law, the entity resulting from this association agreement is a legal entity of private law. In fact, the Law no. 215/2001 (republished in Official Gazette of Romania, Part I, no. 123/ 20th February 2007) on local government, republished, provides that, in case of the association of two or more municipalities in order to achieve objectives of common interest, the subject of law resulting from their association is a matter of private law. Thus, according to art.11, paragraph 1, "two or more municipalities have the right, within the limits of their deliberative and executive authorities' competences, to cooperate and associate, under the law, thus forming the IDA, with legal personality, under private law and public utility." Local Action Groups are set up and operate with financial support from the European Union through the National Rural Development, Axis IV, Leader, Measure 431 – The Operation of Local Action Groups, acquiring skills and animating the territory.

National Rural Development Programme (RDP) is funded, in turn, by the European Agricultural Fund for Rural Development and funds from the Government of Romania. European regulations (MARD, 2013) to support Measure 431 are: Article 63 (c) of the Council Regulation no. 1698/2005, on support for rural development provided by the EAFRD, Article 38 and point 5.3.4.3 of the Annex II of the Commission Regulation no. 1974/2006, Article 1, Section 1 B of Council Decision 664/2006 of adapting Annex VIII of the Treaty of Bulgaria and Romania Accession on 19th June 2006, Article 1, paragraph 3 of the Commission Regulation no. 434/2007 amending Commission Regulation no. 1974/2006 on rules for implementing Council Regulation no. 1698/2005, following the accession of Romania to the European Union.

Measure 431 is divided into two sub-measures, namely sub-measure 431.1, which supports the construction of public-private partnerships, local development strategies and local development plan preparation to participate in the selection of Local Action Groups, and sub-measure 431.2, which provides support to LAG-s for their operating expenses, animation and skills development, the beneficiaries of this sub-measure being the Local Action Groups selected by the Managing Authority of the Ministry of Agriculture and Rural Development. Selection is based on the local development plan proposed by each LAG, plan which becomes a mandatory document for the implementation. Therefore, Measure 431 aims to increase the capacity to implement local development strategies by means of (MARD, 2013):

- Institutional capacities at the local level;
- Providing human, financial and technical resources to support the activities of Local Action Groups;
- Training the staff of the Local Action Groups in order to develop and implement local development strategies.

In addition to the European Union funds, financing of Local Action Groups is also provided by state and local funds. When associating as LAG-s, the share of economic and social partners, as well as that of other representatives of civil society, must be higher than the share of public partners. To summarize, LAG takes the form of public-private partnership, consisting of representatives from the public sector, the private sector and

from civil society, that, after being selected, on the basis of the Local Development Plan (LDP), by the Managing Authority for the National Rural Development, acquire legal personality under private law, in accordance with the Government Ordinance no. 26/2000, with subsequent amendments, and pursue the objectives set out in the Local Development Strategy for the development of rural communities.

LAG integrates within the European Union Member States to decentralize the management of structural instruments (Apostolache, 2013). After acquiring legal personality, the Local Action Group agrees with the Paying Agency for Rural Development and Fisheries (as the Contracting Authority) on the financing contract. In order to be eligible (MARD, 2013), the costs incurred by LAG should be within those of the territory eligible for the Local Development Plan implementation, with the exception of the costs implied by the transportation to the activities of the national and European network for rural development or by the participation in national and international seminars on Common Agricultural Policy, in national seminars on agriculture / Forestry / food industry and rural development, LEADER approach, knowledge of best practice examples of SAPARD projects and / or EAFRD GAL staff training and that of local leaders.

Once established, the Local Action Group has the responsibility to select projects and to initiate activities for acquiring skills and animating the territory. The LAG functions are the following:

- raising the level of local population awareness;
- designing the Local Development Plan;
- promoting the Local Development Plan in the territory;
- launching the selection calls and receiving projects from potential project beneficiaries;
- verifying the conformity and eligibility of the submitted projects;
- evaluating the submitted projects and establishing the score for each project;
- verifying the proper operation of interventions, by means of their monitoring;
- coordinating and supervising all activities;
- conducting activities in accordance with the established audit trails;
- continuous monitoring and expenses accounting.

These associative structures function as real management authorities at the local level, being the ones carrying calls for the submission of projects funded by the European Union by the entitled subjects within the geographic area in which LAG operates. After launching the call for proposals, these are to be submitted by public authorities, NGO-s, businesses and other administrative people across localities associated in the public-private partnership to the implementing unit within LAG.

As far as funding from LAG funds is concerned, this is possible for the following measures:

– *Axis I – Improving the competitiveness of agriculture and forestry:*

Measure 111 - Training, information and diffusion of knowledge;

Measure 112 - Setting up of young farmers;

Measure 121 - Modernizing agricultural holdings;

Measure 123 – Increasing the added value of agricultural and forestry products;

Measure 142 - Setting up producer groups;

Measure 143 - Providing counseling and consulting services to farmers.

– *Axis III – Improving the quality of life in rural areas and diversification of rural economy:*

Measure 312 - Supporting the creation and development of micro-enterprises;

Measure 322 - Village renewal and development, improving basic services for rural economy and population and promoting rural heritage;

Measure 313 - Encouraging tourism activities;

Measure 421 - Implementing cooperation projects.

Apart from this type of financial support (EAFRD), there is also a component of co-financing which, depending on the type of project, can be public or private (public - national or local contribution, private – NGO or private environment). In fact, co-financing is one of the basic principles of the Cohesion Policy and it assumes that Member States and beneficiaries of the Member States are to financially contribute, thus completing grant Community assistance, by means of co-financing being also developed the beneficiaries' sense of belonging to the projects promoted (Apostolache, 2013).

LAG-s put into practice the concept of Axis IV - LEADER within RDP on starting and operating initiatives of local interest, by using "bottom up" approach, which involves local stakeholders in developing their own territories.

The advantage of the Local Action Group selecting the projects is that the selection process is done in a much shorter time than the national selection, as LAG-s examine a small number of projects compared to the large volume of projects submitted at the national level that are to be reviewed by the managing authority.

After the projects being submitted, evaluated and selected by LAG-s, they are sent to APDRP which provides final verification. One can say that Local Action Groups are managing authorities that are the closest to citizens, their activity highlighting the principles of decentralization and subsidiarity.

3. LOCAL ACTION GROUP. CASE STUDY – PRAHOVA COUNTY

To understand exactly how Local Action Groups are constituted and operate, we shall exemplify with several examples of associative structures from Prahova County. The selected groups are: "Colinele Prahovei" LAG, "Valea Cricovului" LAG and "Treimea Colinelor" LAG.

"Colinele Prahovei" LAG is located in the commune Florești and it includes public and private partners from seven localities - Filipeștii de Târg, Măgureni, Florești, Bănești, Cocorăștii Mislui, Scorțeni și Vâlcănești (LAG "Colinele Prahovei", 2013).

"Valea Cricovului" LAG consists of 40 members (11 public authorities, 16 commercial companies, 1 agricultural society, 3 individual companies, 7 NGO-s and 2 parishes) coming from Bucov, Valea Călugărească, Urlați, Ceptura, Iordăcheanu, Gornet-Cricov, Albești Paleologu, Drăgănești, Ciorani, Sălciile and Jilavele - the last one from Ialomița County (LAG "Valea Cricovului", 2013).

"Treimea Colinelor" LAG includes a partnership of public, private and civil society from Brebu, Aluniș and Vărbilău. We shall focus in our presentation on "Treimea Colinelor" Local Action Group (LAG "Treimea colinelor", 2012). According to the

website of the Group's presentation (LAG "Treimea colinelor", 2012), "Communes Brebu, Vărbilău and Aluniș merged into a public-private partnership in order to develop the territory occupied by the three communes, strategy which includes actions to be initiated in the territory in order to create the necessary conditions for future development of the territory occupied by the partnership."

This partnership includes the following: BREBU COMMUNE - Local Public Authority, ALUNIȘ COMMUNE - Local Public Authority, VĂRBILĂU COMMUNE - Local Public Authority, S.C. ADRIDENT L.L.C. – Trading Company, NEAGA GH. MIHAELA – ACCOUNTANT - Expert Accountant Neaga Gh. Mihaela, TOCITU N. MAGDALENA (PFA) - Authorized Natural Person Tocitu N. Magdalena, S.C. FABY TRANS CAR L.L.C. – Trading Company, INTERETHNIC ASSOCIATION "ÎMPREUNĂ VĂRBILĂU" – Interethnic Association, S.C. SOEZ S.R.L. – Trading Company, „MATEI BASARAB“ FOUNDATION FOR CULTURE, SPORT, TOURISM - Foundation, "ASSOCIATION OF ANIMAL BREEDERS" FROM BREBU COMUNE, PIETRICEAUA VILLAGE, PRAHOVA COUNTY- N.G.O., PRIVATE MEDICAL CABINET DR. „MOGA IULIANA“ - Individual Private Medical Cabinet, FORESTRY DEPARTMENT PRAHOVA – Public Institution. It can be seen that, in terms of share of the two sectors, public and private, 75 % of LAG's actors come from the private sector and the remaining 25 % - from the public.

The initiative to set up the LAG belongs to the mayor of Brebu, commune that also became the leader of the project. The Local Development Strategy of "Treimea Colinelor" LAG includes seven measures, related to the priorities and needs identified in the territory covered by this LAG, measures that comply with the goal of one of the measures in Council Regulation no. 1698/2005, and a development measure, other than the measures specified in the Council Regulation no. 1698/2005. These measures are:

1. Measure 112 - "Setting up young farmers"
2. Measure 121 - "Modernization of agricultural holdings"
3. Measure 125 - "Improving and developing the infrastructure related to the development and adaptation of agriculture"
4. Measure 141 - "Support for semi-subsistence farms"
5. Measure 313 - "Encouraging tourism activities"
6. Measure 322 - "Village renovation and development, improving basic services for rural economy and population and promoting rural heritage"
7. Measure 421 - "Implementing cooperation projects"
8. Measure 501 - "Territory development, preserving traditions and crafts and improving basic services for local economy and population"

Beneficiaries of these measures can be individuals or legal entities from both the public and private sectors. From the public sector, we mention as potential beneficiaries:

- Territorial administrative units, as defined in the national legislation, or their associations / partnerships, through their legal representatives;
- State institutions or their associations / partnerships that own or administrate investment objects.

From the private sector, beneficiaries may be primarily trading companies, freelancers, medical offices, NGO-s and religious institutions, as defined in the national

legislation, but also natural and legal persons or their associations / partnerships that own or administrate investment objects, as well as producers or producer groups.

“Treimea Colinelor” Local Action Group launched on 6th June 2013 a selection call for the measure 411-112 – “Setting up young farmers” with the deadline for submitting 10th July 2013, at 12 hrs. Subsequently, the call has been extended until 24th July 2013, at 14 hrs. The financial resource available for this project session call was 120,000 Euros, and the maximum repayable funding granted for the project was 40,000 Euros (LAG “Treimea colinelor”, 2012). Within this session, 4 projects were submitted for funding under measure 112, all four projects being selected for funding by “Treimea Colinelor” LAG selection committee. The submitted projects ranged between 12,000 and 40,000 Euros.

4. CONCLUSIONS

Local Action Groups have begun to make their presence felt more and more in the Romanian organizational landscape, more and more local authorities following this path of establishing associative structures based on public-private partnership, structures which, on the one hand, can be themselves the beneficiaries of grant European funds, but, on the other hand, may act as managing authority that are closest to citizens, as they are the ones to open selection calls for various projects falling under the measures presented above. Even if the process of establishing LAG-s was rather difficult, the existence of such associative structures which bring together local public administration authorities, private companies and civil society representatives that propose, based on a development strategy, to generate innovative actions to be financed from European funds, represent an important step forward in the field of institutional strengthening of grant EU funds absorption.

Therefore, we hope that the potential beneficiaries of EU funds will become more interested in these funds and will design as many projects leading to their local development as possible.

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