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LOCAL ACTION GROUP (LAG) – FUTURE OF REGIONAL AND RURAL DEVELOPMENT

LOKALNE AKCIJSKE GRUPE (LAG) – OKOSNICE REGIONALNOG I RURALNOG RAZVOJA

ABSTRACT

Local Action Groups (hereinafter referred to as LAG) are organizations that are established on the initiative of local governments, entrepreneurs, civil association and OPGs within certain area of the local community and in accordance with the EU LEADER program as the relevant measure for the implementation of the objectives and activities of the LAGs. The main objective of LAGs is the creation of local partnerships, connecting organizations from public, civil and economic sectors and to coordinate with these organizations in order to establish local development strategies which will result in creation of strategic framework for growth and community development relevant for LAG.

Policies and measures which are emanated from the objectives, activities and results of each LAG will be main subject of the paper entitled "Local Action Group - future of regional and rural development." Throughout this document I will show importance of LAG for regional and rural development, explain relevance of LAG for future growth and development of the region as leader organization in the process of economic, public and civil sector networking which is one of the main difficulties in current situation in Croatia. LAG will therefore have the opportunity to be the bearer of many changes which will result in organized market of labour, goods, services and capital. The main result of such activities will be rural and regional development, which will be based on balanced development of economic, environmental and social potential of the community, with an emphasis on the individual, in so-called "bottom-up" approach.

For this reason I believe that the future of regional and rural development should be based on implementation of LAGs policy. I will support this with several examples of cases where the true value and potential of LAGs in the community are still not recognized and properly valued.

Keywords: LAG, rural and regional development, partnership between public, civil and economic sectors, organization of labour, goods, service and capital market, „bottom up“ approach.

SAŽETAK

Lokalne akcijske grupe (u daljnjem tekstu LAG) su organizacije koje se osnivaju na inicijativu jedinica lokalnih samouprava, poduzetnika, obrtnika, OPG-ova i udruga s područja određene lokalne zajednice sukladno LEADER programu EU kao mjerodavnoj mjeri za provedbu

ciljeva i aktivnosti LAG-ova. Osnovni cilj LAG-ova je stvaranje lokalnih partnerstva, povezivanje organizacija iz javnog, civilnog i gospodarskog sektora te koordinacija s navedenim organizacijama u cilju izrade lokalne razvojne strategije i stvaranja strateškog okvira rasta i razvoja zajednice mjerodavnog LAG-a.

Upravo politika i mjere iz koje proizlaze ciljevi, aktivnosti i rezultati rada svakog LAG-a glavna su tema rada pod nazivom „Lokalne akcijske grupe – okosnica regionalnog i ruralnog razvoja.“ Tijekom definiranja važnosti LAG-a za regionalni i ruralni razvoj zastupati ću ideju u kojoj LAG vidim kao predvodnicu budućeg rasta i razvoja regija te liderom u procesu umrežavanja gospodarskog, javnog i civilnog sektora što je jedan od bitnih problema u RH. LAG će iz tog razloga imati priliku biti nositelj brojnih promjena koja će se manifestirati u konkretna rješenja za stvaranje organiziranijeg tržišta ljudi, robe, usluga i kapitala. Rezultat takvih aktivnosti biti će ruralni i regionalni razvoj koji će se temeljiti na očuvanju i uravnoteženom razvoju gospodarskog, okolišnog i društvenog potencijala zajednice s naglaskom na pojedinca kako bi zbir takvih aktivnosti osigurao konkretne učinke za tu zajednicu, takozvani „bottom up“ pristup.

Iz tog razloga smatram da je LAG budućnost i okosnica budućeg regionalnog i ruralnog razvoja a kako bih svoju teoriju približio realnom stanju društva, u radu ću se koristiti istraživanjem aktualnih okolnosti i primjera iz prakse a sve s ciljem kako bih dokazao još uvijek nedovoljno prepoznatu vrijednost i potencijal LAG-ova za zajednicu.

Ključne riječi: LAG, regionalni i ruralni razvoj, povezivanje javnog, privatnog i civilnog sektora, organizacija tržišta ljudi robe, usluga i kapitala, „bottom up“ pristup

1. Introduction

One of the main priorities of the EU is a balanced development of its regions. Large differences in the development of rural and urban parts of the EU obliged EU institutions to act and determine strategy that will achieve balanced development and establish growth of underdeveloped rural areas with high rates of depopulation, deruralization and deagrarization. Rural policy as an important segment of the Common Agricultural Policy of the EU and therefore agriculture as a main activity of these regions was and still is one of the main priorities. Activities of this policy determined that it's important to encourage so-called bottom-up approach because any other way will not be efficient as this one and in that way old fashion way of policy determination must be changed. Another issue that has been more rule than specified exceptions is cooperation between local government bodies, entrepreneurs, educational, non-governmental organizations and citizens as residents of these communities. Poor coordination of activities between listed organizations was the main reason why many rural municipalities had and still have difficulties to use EU funds and create sustainable projects that would provide new workplaces and a better life in those communities. As a result of this behaviour those municipalities had and still have unused natural and human resource potential which directly reflects on economic strength of these regions but also reflects even on national and EU budget what we can see throw smaller inflow of funds every year. As part of the Common Agricultural Policy and therefore of rural development policy, each member state is obliged to establish a National Plan for Rural Development in accordance with the strategic guidelines for rural development. This will determine the way of allocation of funds from EPFFR (European Agricultural Fund for Rural Development), either it's based on a national or regional level.

Today, rural development policy covers more than 90 percent of the territory and 56 percent of the total EU population¹³⁶. To solve problems mentioned in earlier part of this work, EU started to support establishment of Local Action Groups (LAGs). They need to become main instrument of implementation of rural policy. Their importance for rural development, role in future EU rural development and performance indicators of these organizations will be the main topic of this work. I will try to explain its position and determine that LAGs are backbone of rural and regional development in all EU member states, even in Croatia. My opinion is that in rural areas lies the true potential of economic recovery and development of the economy and Croatia will be my example that this potential is still unused. Renewable energy, agricultural production and other kind of production, continental tourism, are all activities that can bring a breakthrough in the current status of rural areas and new momentum of economic boom of whole country. Unfortunately, lack of cooperation within public, civil, private sectors; non-competitiveness; small budgets; poorly educated workforce; lack of information and other problems provides difficulties in almost all rural areas, especially if they are from Southern and Eastern Europe. Regarding to this I will try to explain my views and inform public about the potential that lies in the LAGs as holders of Rural Regional Development and EU rural development policy, as one of the most important policy which EU promotes and provides financial support. I hope that my work will provide new way of thinking which will ensure implementation of this institutions and rural development in the end. To do so I determine to write more about "Local Action Groups - the backbone of regional and rural development" and open new horizons regarding to rural and regional development.

2. LAG - backbone of rural and regional development

2.1. LEADER program

Public institutions and LAGs as well serve as service for implementation of specific policies and projected program. If I want have successful explanations of LAGs importance for rural community first I must explain the main program that defines purpose of this kind of institutions. Name of this document is LEADER program ("Links between actions for the development of the rural economy"). Main purpose of LEADER is to encourage public and private partnerships at the community level, and between subjects who live, works as integral part of a particular community.

The EU has started the implementation of LEADER program since 1991. Today it became one of best EU programs and initiator of development of the EU, mainly because of successful implementation of all measures into national development programs of all EU members. That tells us that basic EU initiatives to support the balanced development of its regions are substantially reflected through the application and implementation of the LEADER program and main principles of this program are: sustainable rural development, area peculiarity in order to preserve the identity of the area, a bottom up approach, establishment of local partnerships, innovations, multi-sector approach, networking and collaboration of public and private entities. And why is the LEADER program so revolutionary?

Bottom up approach is one of the fundamental principle of LEADER program. Former policy development was in most cases defined from the top down or from the highest instances to lowest ones. LEADER program changes such practice and sets the local unit as the main core of all future guidelines which will define future national and European development strategy.

¹³⁶ LEADER program EU and rural development, VESTA association, Tuzla 2012., page 5

LAG as instrument of LEADER program implementation will be used for networking, establishment and implementation of cooperation among subjects and as a body which will provide establishment and implementation of local development strategy. This strategy will contain project activities and it will define policy which will recognize all potentials of region and therefore help local municipalities to work better according to national and European policies. Strategy will in that way achieve common goals, reduce unemployment, enhance GDP growth and production, competitiveness, energy efficiency, as well as numerous other identified problems. To summarize, the establishment of organizations that will implement policies and measures presented in above mentioned principles will provide new opportunities for rural development and better cooperation and information of all subjects in particular community. Ministry of Agriculture is competent for implementation of the LEADER program in Croatia¹³⁷.

2.2. LAG and local community

Local Action Groups are established in order to carry out measures of LEADER program, and to encourage development of rural areas. Although each country has its own rules, models and legal forms for establishment of such organizations, the most common form of establishment is non-profit organizations in areas which combine similar economic, cultural and political interests.

LAG has a duty to recognize the potential of the community under its jurisdiction and take advantage of their potentials which will indicate community development and benefit for whole society. Local development strategy created for this purpose will submit and gather public and private partnership institutions, local governments, non-governmental sector, private sector and citizens so their interest and vision can be implemented in common vision and provide development which will mainly be based on common projects. Given the importance and seriousness of such a strategy and organization, LAGs need to be coordinated and surveillance by higher organization formed by the Government. Paying Agency for Agriculture, Fisheries and Rural Development is that kind of organization and its main duty regarding to accredited LAGs in Croatia is to approve contracting with LAGs, provide funds according to signed agreements, monitor Local strategy documents, etc. Controlling this document, it defines not only the future of local municipalities within its jurisdiction but a national and EU strategies as well. This is so called "bottom up approach" and importance of creation of such documents is beneficial for whole society.

Today in EU we have more than thousand LAGs. This number is changing every year resulting new LAGs or reorganization of existing ones, it depend on the modalities prescribed by the valid regulations of each country. Purpose and functionality of LAG depends on certain requirements and status of accreditation¹³⁸. Conditions are different from country to country and the most common regulation of terms what is needed for LAG to have full rights is to define minimum and maximum number of residents that LAG must cover, number of local governments that participate in the work of the LAG or under the authority of the LAG or size of the area under the jurisdiction of the LAG. Every LAG needs to have certain number of private, public and other kind of institutions namely because its important to establish multi sector cooperation. Problem of modern rural municipalities is that cooperation between subjects are on very low level and politics of local communities doesn't have common objectives or there are not on disposal of private sector, civil society and ultimately citizens

¹³⁷ Iva Štifanić i Borna Debelić, LEADER program – From Europe practice to opportunity, Rijeka 2009,

¹³⁸ Accredited LAG entails certain rights and obligations. LAG who received such status in the Republic of Croatia has the option to withdraw some funds, up to 900,000 kuna in the agreed period, the ability to send recommendations for actions submitted (In the IPARD it meant and extra points)

who are actively or passively involved in community life. This problem is precisely what LAGs needs to compensate. The sustainability of such communities can hardly survive if there is no imperative for collaboration, networking, creating a common policy development at the local level and projects which will encourage new investment, strengthening the competitiveness and innovation.

2.3. LAGs in Croatia

Croatia is very centralized country where we can clearly see polarization between developed urban areas of the Central Croatia and other underdeveloped areas, especially those located in the East of the country. The main role in solving this problem should have LAGs.

Basic program that will prescribe the objectives and purpose of LAGs in Croatia is the Rural Development Programme from 2014 to 2020. The same is aligned with the LEADER program and Croatia will have access to more than 300 million kunas per year to generate all goals of rural development. This program is supported directly throw EAFRD fund from which countries, as well as Croatia, withdraw funds for implementation of the measures, targets and applied projects. Its successor of IPARD and EU member states are using this for their own approved rural and agricultural policies. Priorities of Rural Development Programme in Croatia are: to promote knowledge and innovation in agriculture, forestry and rural areas, strengthening the competitiveness of all types of agriculture and enhancing the sustainability of farms; promote the organization of the food chain and risk management in agriculture; restoring, preserving and enhancing ecosystems dependent on agriculture and forestry; promote resource efficiency and a shift towards climate-resilient economy with low carbon in the agricultural, food and forestry sector; promotion of social inclusion, poverty reduction and economic development in rural areas¹³⁹. The priority aligned with the LEADER program and strategy of the EU Rural Development Programme as well will open new possibilities for the formation of Local Action Groups on Croatian territory with possibility to be financed by EU funds.

LAGs in Croatia can be registered only as a non-profit organisation - associations, according to the Law for Associations. In the process of establishment LAG must ensure certain criteria which includes clearly defined and continuous of geographical area, minimum two or more units of local government (municipalities, cities). Minimum number of residents according to current regulations in LAG is 5,000 inhabitants and a maximum is 150,000 inhabitants. There are also other limitations such as the size of the settlement, maximum number must be 25,000 inhabitants and settlement can belong to only one LAG. As far as the control structure of LAGs in Croatia, members may be legal and natural persons. LAG can be successfully accredited to withdraw funds necessary for their purpose only if 50 percent members of comity are from private or civil sector, 20 percent from local government and minimum 30 percent must be women¹⁴⁰. As I said before, the most important document established by LAG is Local development strategy which consists plan for rural development.

Agency that is responsible for establishing, monitoring and assisting the work of LAGs is Paying agency, as I mentioned before. All reports accredited LAGs are sent to this Agency, which is responsible to process all reports and refund funds according to prescribed rules. On the territory of the Republic of Croatia currently there is 61 registered LAG which are covering 451 local governments. The average population covered by LAGs in Croatia is about 30,000 people per LAG. This leads us to current crucial problem of the excessive number of LAGs and difficulties in co-financing them due to lack of funds. But now, Paying Agency in

¹³⁹ www.appr.hr

¹⁴⁰ Ivan Ciprijan, Ruralni razvoj i LEADER pristup u RH u razdoblju 2014 – 2020, Ministarstvo poljoprivrede, 2013

cooperation with Ministry of Agriculture and LAGs in Croatia wants to bring a new model of consolidation of LAGs. One of the proposals is to increase minimum number of local units within specific LAG, or to increase amount of surface area that LAG must cover and number of population under LAGs jurisdiction. If we take look into geopolitical circumstances of the majority of local authorities and governments in Croatia who need to find solutions and rearrange the current number of LAGs and make them compatible with the new rules, we can clearly conclude that such changes will lead to the disintegration of fundamental objective and purpose of these organizations. It will lower down their capabilities to help subjects under their jurisdiction and in that way be less efficient in strengthening competitiveness, or recognition of potentials, protection of cultural diversity of area under their jurisdiction and creation of successful local development strategies that will enable a better life for all people in the community that LAG covers.

2.3.1. Future of LAGs

After I have explained the way how LAGs in Croatia are established and their purpose, it is important to point out model which will provide information about how and who are financing LAGs so it can be sustainable. Until 2014 Accredited LAGs will be partly financed through the IPARD program and after throw other EU funds (this refers to EU member states). Local government units, legal entities, public institutions, civil society and citizens can't finance LAG on their own so funds are ensuring them help and support so this institutions can be focused on their primary task. Each accredited LAG has signed two-year contract and amount which they will receive for their work is 900,000 kuna. Other resources are resources of all subject partners and founders of LAGs. Countries like Germany have arranged that local governments must carry out payment of over 15 kunas per capita per month. This ensures the sustainability and functioning of such LAGs, especially in the beginning when LAGs do not have funds generated from membership fees or refunds. Unfortunately, Croatia doesn't have this practice and this is mainly because LAGs are still not recognized as good opportunity for local development.

Although the period that will follow regarding to reconstruction of LAGs in Croatia is uncertain, it is certain that LAGs will soon have on disposal funds which will be managed by them for the purpose of projects from local development strategy. Currently there are some delays regarding to creation of local development strategy of each LAG for period from 2014 until 2020 and its mainly because EU and Croatia have difficulties regarding to delay of program guidelines for this period. Clearly, fact is that each lost year means less funds for LAGs to work and implement Rural and Regional Development. It is therefore essential that institutions who have competence over this question manage all effort so there will be no problems in implementation of EU policy in future.

From all I have displayed in text we can clearly see that future of rural development lies in a way how LAGs will implement common rural policy. LAGs have ability to recognize benefits of the area under its jurisdiction, presenting its uniqueness through local development strategy and implement it in national and European strategy. And what is most important, they have chance to ensure new age of rural development and salvation of rural areas in whole Europe.

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3. Conclusion

Local Action Groups are future of rural development. Advantage for local municipalities in the past 25 years from establishment of first Local Action Groups generated new possibilities and encouraged opportunity for development of all societies within jurisdiction of this organizations. Croatia follows good EU examples regarding to this matter but there are still numerous adjustments which are required so this organizations can be sustainable and dedicated to implement measures from Rural Development Programme as well as LEADER program.

I must point out that despite a fact that there are large numbers of LAGs in Croatia, the potential of these subjects in the case of rural development still doesn't provide sufficient results. The main reason for this problem lies in the lack of awareness regarding to capability of LAG and financial capacity for implementation of projects which will indicate new employments, production or providing service to subjects on their territory jurisdiction. For this reason I expect that Croatian LAGs will not withdraw all funds for their purpose and projects. Newer the less I think that LAGs in Croatia will fulfil their purpose in future and became main carrier of rural development in Croatia and other countries of EU.

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¹⁴¹ <http://www.hmrr.hr/hr/leader/hrvatski-lagovi/>