

Dorel, Ailenei; Cosmin, Mosora

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Local Action Groups - a possible solution to the rural problem of Romania

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Local Action Groups - a possible solution to the rural problem of Romania

*Dorel AILENEI, Professor PhD
The Bucharest Academy of Economic Studies, Romania
dorel_ailenei@yahoo.com
Liviu-Cosmin MOSORA, Assistant Professor, PhD
The Bucharest Academy of Economic Studies, Romania
mosora_cosmin@yahoo.com*

Romania has the highest share of EU rural areas (44.9% in 2009), which generates and maintains a long series of regional disparities. Because of these disparities, the economy faces a number of elements that undermine the quality of human and social capital and reduces the potential for growth: precarious social and economic infrastructure, reduced access to markets and thus to goods, a low level of both economic cohesion and living standards, and a difficult access to education and training (leading to the underutilization of labour in rural areas, while major shortages in the labour market and increased migration phenomenon manifests).

During the communist era, a forcefully reduction of the rural share was undertaken through various means, most often destructive (the land systematization program during Ceaușescu period). Even the transition to a market economy has failed to improve the situation because, in recent years, the urban-rural migration flows have surpassed the rural-urban flows making the too large rural share problem to block the structural changes needed on one hand to modernize the economy, and on the other hand for the European integration. Moreover, the gross domestic product structure is much different from that of European Union developed countries, Romania still having a high share of agriculture and even industry, and a share of services significantly below the European average. When analyzing the use structure of work resources we observe even greater differences, especially on account of population employed in agriculture.

From this perspective, the authors consider that the program impact of sustaining local action groups, LEADER+, extends beyond the horizon of the National Plan of Rural Development (2013), tending to a medium or even long run, when the rural problem of Romania can be solved. Thus the local action groups can contribute to urban areas revitalization and development, through the promotion of economic activities in adjacent rural areas in a manner similar to Lösch's theory. The authors effectuate a diagnosis of the Romanian rural problem and its negative effects. In this framework the implementation progress of local action groups in

Romania will be reviewed by testing the main factors that contributed to the organization of local action groups in certain regions of the country.

Key words: local action groups, regional disparities, economic cohesion, structural changes.

JEL classification: O18, R11.

1. Introduction

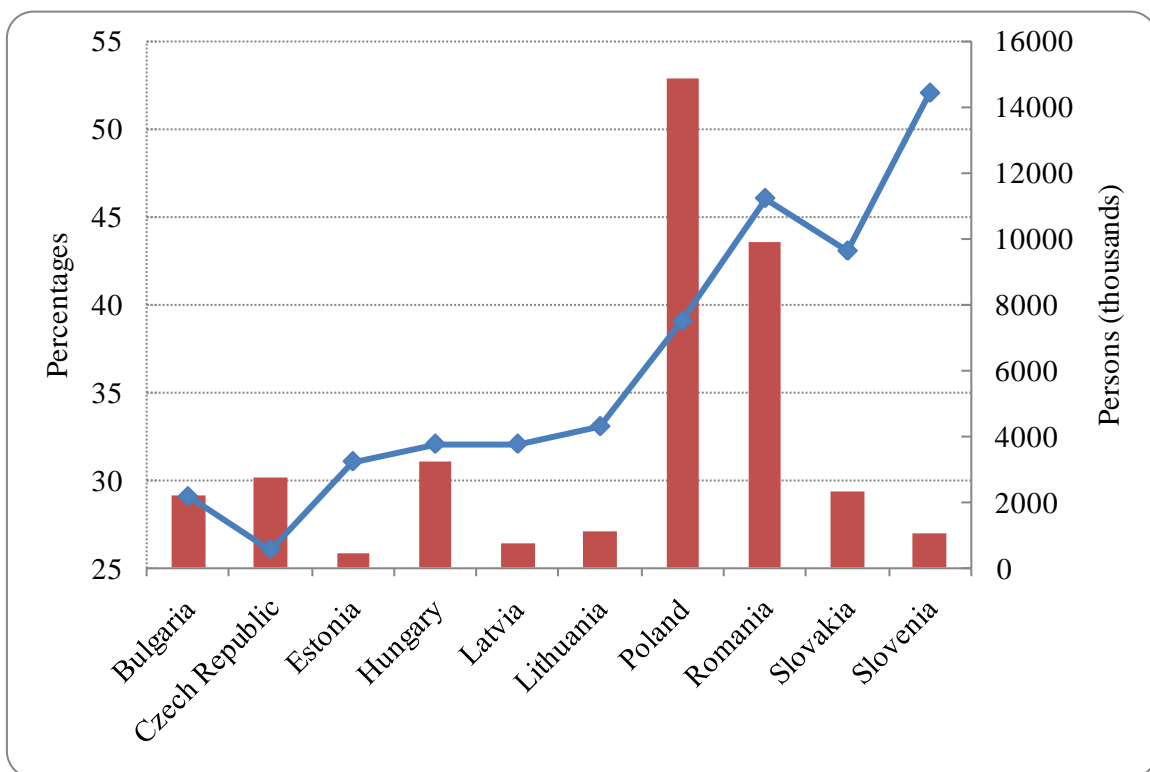
The integration of the former communist countries of Central and Eastern Europe in the EU is difficult, challenging and fragmented. The differences in economic and social performance since accession seem to have widened after the economic and financial crisis, which generates a fragmentation process of the peripheral area of the EU. These fractures are becoming more evident both on a national dimension and on a regional one, but especially on the urban - rural habitation dimension. The urban-rural disparities are by far the most conspicuous in the heterogeneous scenery of the Central and Eastern EU both from the synchronic and diachronic perspective. Without insisting on the causality of the spatial distribution of the economic activities, namely on the structural changes from the history of the national economies development, even under the conditions of an optimistic attitude on the present (which could consider the disparities as being ephemeral), however, we are concerned about the significant differences in understanding the time horizon of the economic development compared with the individuals belonging to the two areas of habitat. Often, the Eurobarometer shows net discrepancies in the assessment of the economic development opportunities, degree of optimism, confidence in progress, etc. between the inhabitants in urban areas compared with those from rural areas. Under these circumstances the European integration of the former communist countries of Central and Eastern Europe has an additional concern – the rural area.

Financially and institutionally supported through pre-accession funds (ISPA and SAPARD in particular) these countries have made great efforts to modernize the rural area. After the accession to the EU the new member states from Central and Eastern Europe have benefited from additional financial resources made available by the European Agricultural Guidance and Guarantee Fund. However, the opportunities to improve the quality of the European integration of the rural area in the new EU Member States have increased dramatically with the entry into

force of the European Agricultural Fund for Rural Development. In accordance with the principle of the strategic approach on the EAFRD use, the Member States have to develop and implement the National Rural Development Programmes.

2. The dimensions of the rural problem of Romania

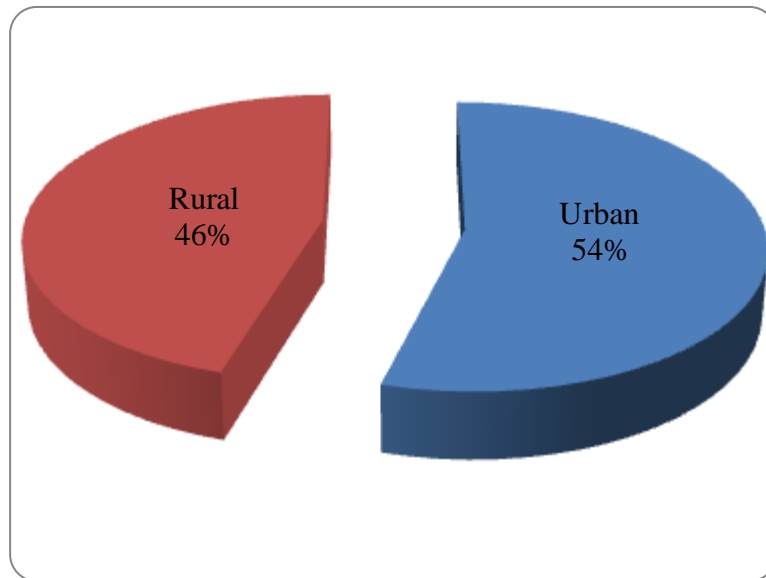
In Romania rural areas cover about 87.1% of territory and 45% of population (the second largest after Slovenia). However, in absolute terms, it notes that Romania has the second rural population between the new Member States after Poland (which has a smaller share of the rural area, Fig. 1).



Source: made by the authors with NIS data

Fig. 1: Rural population in East European Countries in 2009

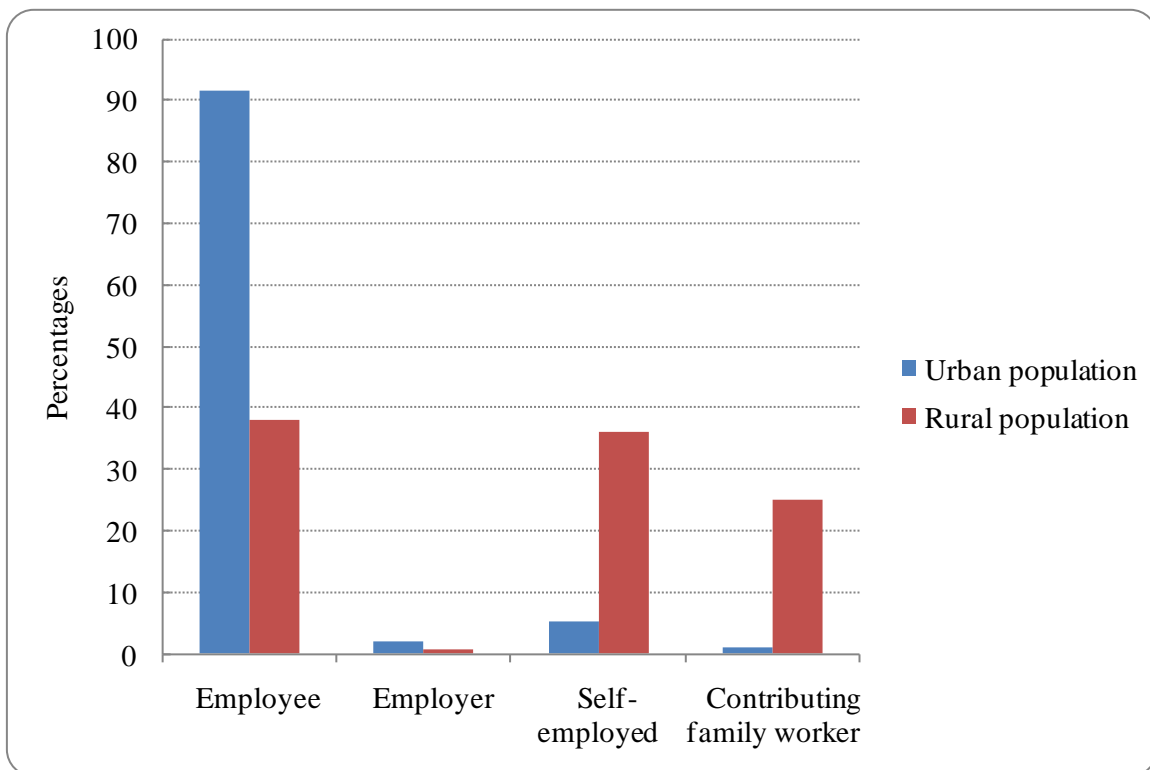
The high percentage of the rural population becomes a problem when it is associated with significant differences on employment of the labour force, the employed population structure, workers' skill level, household income, infrastructure facilities, quality of life, access to education etc.. Thus, it can be seen (Fig. 2) that for Romania, there is a gap of 8 percentage points in employment for the urban area compared to the rural area.



Source: Household Labour Force Survey (HLFS) - 2009

Fig. 2: Population employed in 2009

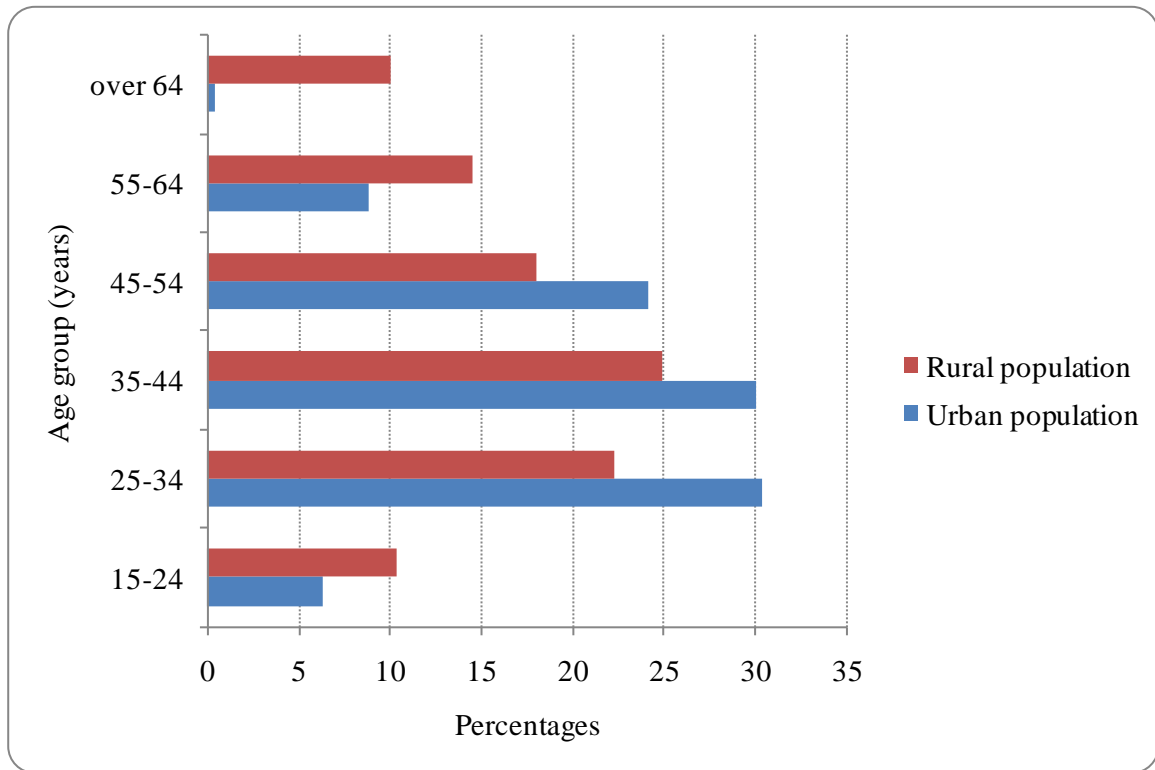
But the disparity is much notable in the case of the structure of the employed person's status (Fig. 3).



Source: Household Labour Force Survey (HLFS) - 2009

Fig. 3: Employment structure by status in employment in 2009

One can see the apparent predominance of the employees and employers in urban areas, namely self-employed and workers from family farms in rural areas. The problem here is related to the effects on labour productivity, entrepreneurship, respectively the effects of attracting the people in the labour force market (since freelancers are often occasional workers and most farms are in fact small households).

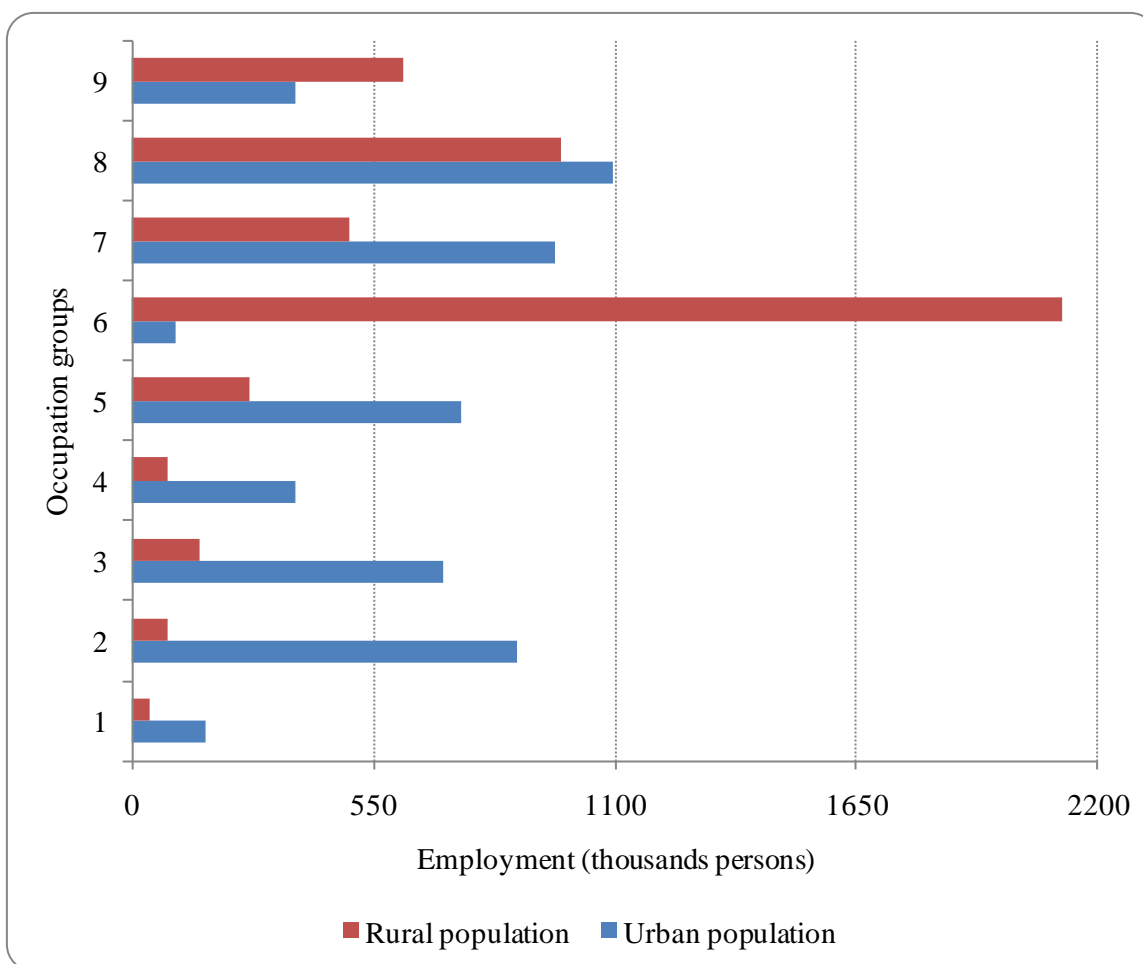


Source: Household Labour Force Survey (HLFS) - 2009

Fig. 4: Employment structure by age group in 2009

Even the employed population's age structure is unfavourable to the rural area (Fig. 4) where the elderly workforce (over 55) and the new cohorts of labour force (15-24 years) predominate. In contrast, the most productive age groups of the employed population (between 24 and 54) are distributed mainly in the urban areas.

The rural-urban disparities are even more obvious regarding the occupational structures of the employed population (Fig. 5). It is noted that the highly qualified professions predominate in the urban area, while in the rural area farmers and unskilled workers predominate.



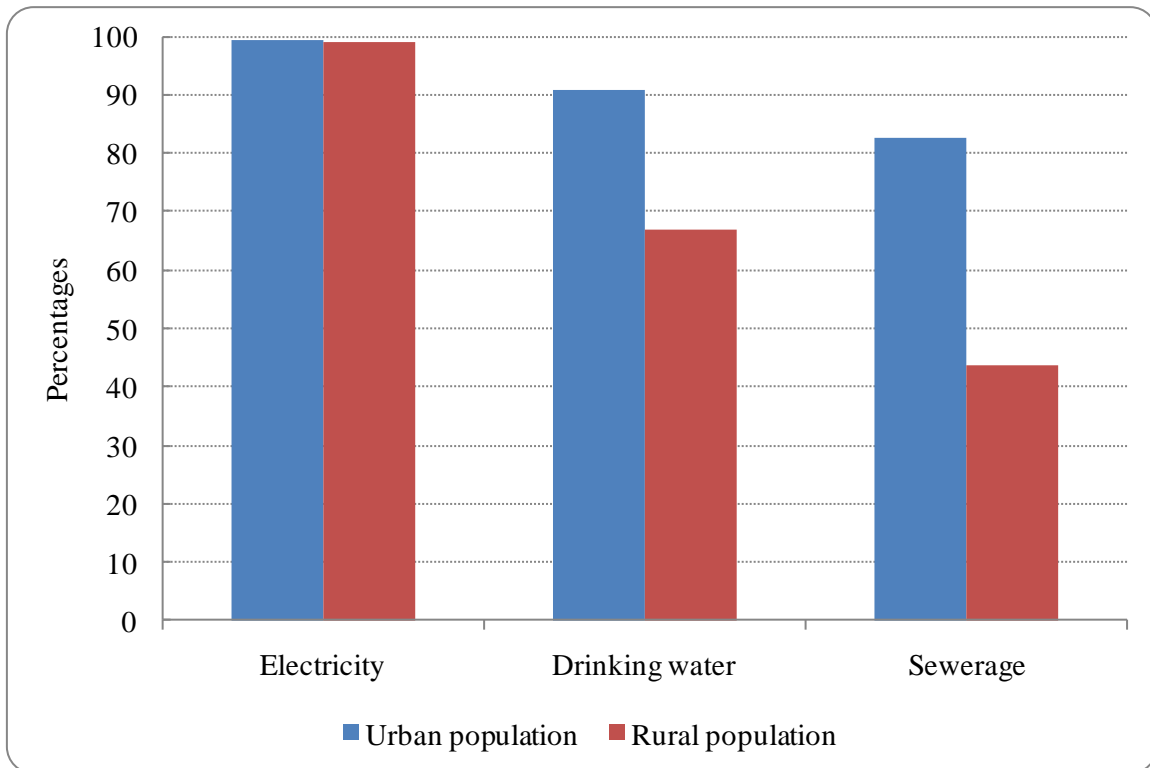
Source: Household Labour Force Survey (HLFS) - 2009

Fig. 5: Employment structure by occupation group in 2009

The occupation groups from the figure above are as follows:

1. Members of legislative body, executive, leaders of public administration, leaders and clerks of socio-economic and political units;
2. Specialists with intellectual and scientific occupations;
3. Technicians, foremen and assimilated;
4. Civil servants;
5. Operative workers in services, trade and assimilated;
6. Farmers and skilled workers in agriculture, forestry and fishery;
7. Artisans and handicraftmen in machinery and installations maintenance and adjustment;
8. Other categories of occupations, of which:
9. Unskilled workers.

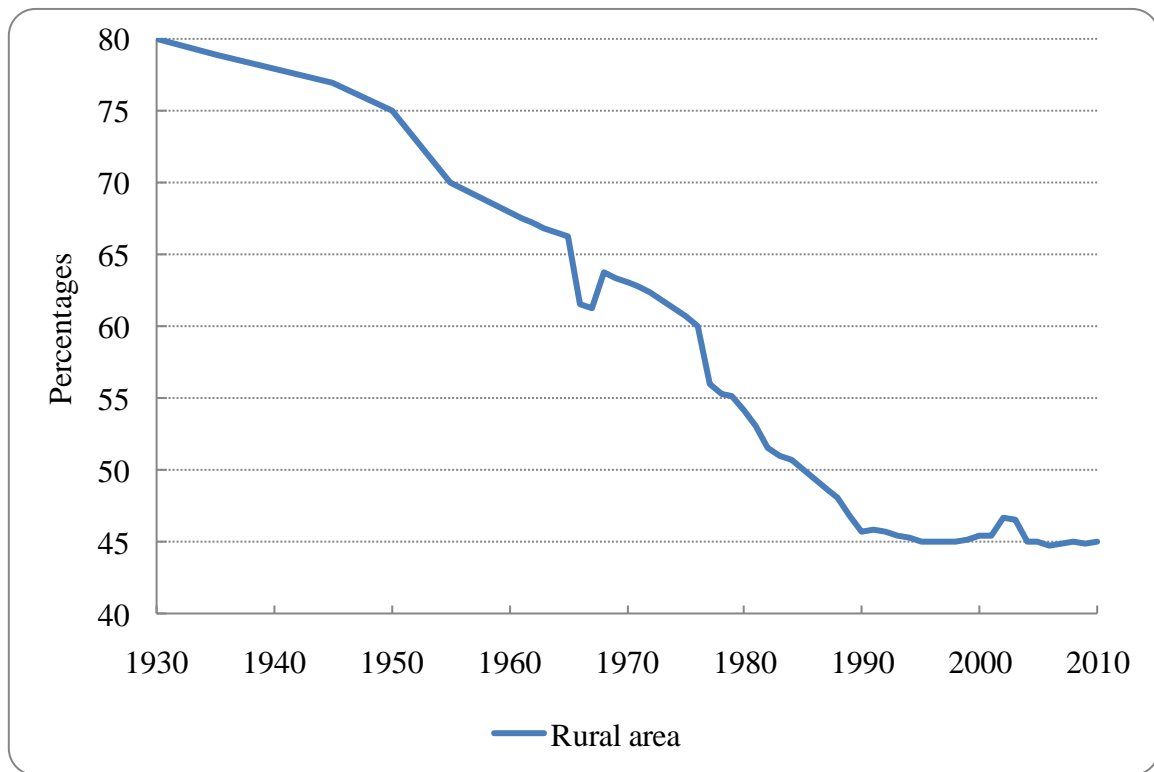
The dominance of the agricultural activities, of the less skilled and experienced elder labour force in the rural areas has direct effects on incomes and living standards of the people in this area. The disparities regarding the standard of living between the two habitat areas can also be highlighted by the new dwellings facilities (Fig. 6). Thus, if regarding the connection to electricity there is a relative balance between the two areas, the water and heating installations are more present in the urban area than in the rural one.



Source: made by the authors with NIS data

Fig. 6: Finished dwellings by type of installations they are endowed with in 2009

Of course, there are many gaps in the economic and social development of the rural areas compared to the urban areas, which make Romania's process of modernization and European integration difficult. The difficulty of the European integration of the rural area from Romania is further accentuated by the long tradition of dominance of the rural area in relation to the urban one. The historical perspective shows clearly the rural specific of the economic and social development of Romania (Fig. 7).



Source: made by the authors with NIS data

Fig. 7: Dynamics of rural population in Romania between 1930 - 2010

During the communist period the diminishing of this share was forced by various means, most often destructive (the systematization program of land during Ceausescu). Not even the transition to the market economy managed to improve the situation when the urban-rural migration flows have surpassed the rural-urban ones, in the last years, making the problem about the too large share of the rural area to block the structural changes absolutely necessary for the economic modernization process of the European integration.

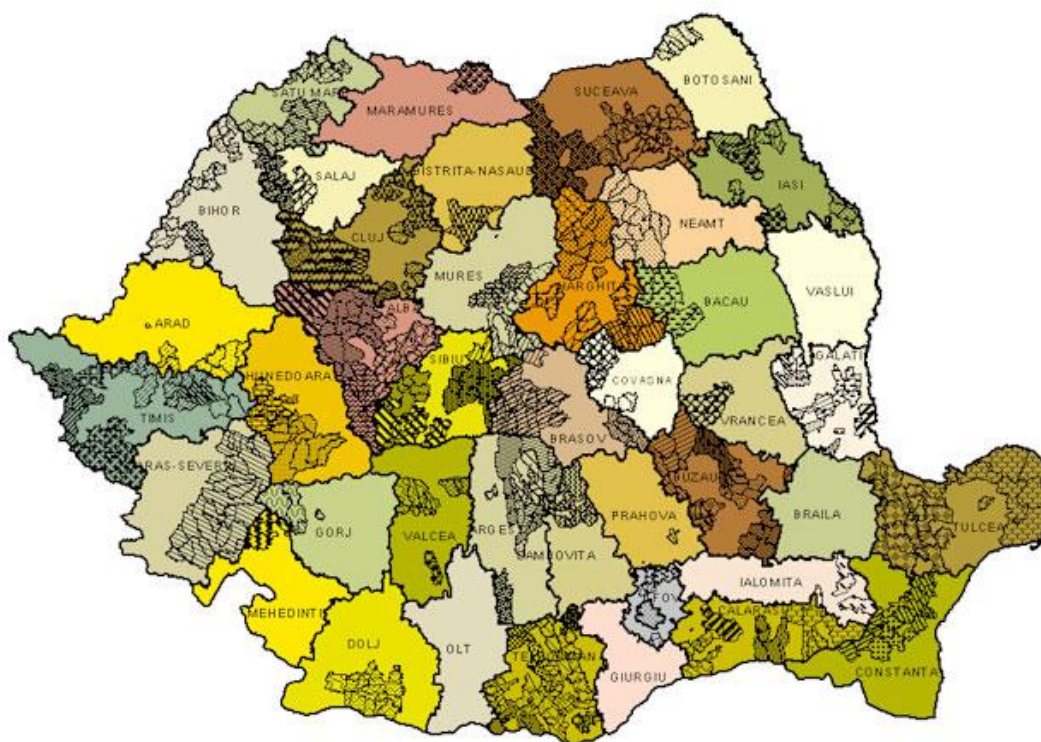
3. The chance of the local action groups to improve the urban-rural ratio

This opportunity is related both to the purposes of CAP reform regarding the development assistance towards the rural area and to LEADER Axis of the strategic programs dedicated to this area. LEADER is a European initiative for rural development that started in 1991 with LEADER I. It continued with LEADER II (1994 – 1999) and LEADER+ (2000 – 2006). Today it is the forth thematic axe of the Rural Development Policy (2007-2013).

The aim of the LEADER program is to introduce a new and integrated approach in the territorial rural development from the bottom up, which is built on the identification of the local

needs and support of the local development strategies that combine one or more priority objectives - competitiveness (axis 1) and quality of life / diversification (axis 3). The LEADER axis' target areas are represented by the small territories, homogeneous geographically, socially and physically, often characterized by common traditions, local identity, belonging, needs and common expectations. The main aim of the LEADER program is to improve the local governance to boost the economic and social development and the main vehicle is given by the local action groups (LAGs). These represent a local partnership made up from organizations from different local and socio-economical sectors.

Although there have been preparatory activities, such as the establishment of the Regional Centre for Rural Development, Rural Development Project (2002-2006), SAPARD Programme (2000-2006) and Romania's National Development Plan (2000-2006), our country has received technical assistance and financial support from the EU, Romania has registered serious delays in implementing the LEADER Programme. Moreover, the National Rural Development Programme itself was finalized in 2008, although it regulates the priorities for the allocation of financial resources from EAFRD on the budgetary horizon 2007 – 2013.



Source: www.madr.ro

Fig. 8: Map of potential Local Action Groups in Romania

Analyzing the social, economic and geographical situation, the territorial cohesion and homogeneity, reported to the number of residents and eligible area, to the financial allocation for the LEADER axis and to the interest of the local actors, it has been estimated that following the selection procedures, it can result in an indicative number of 80 LAGs.

Thus, the eligible area for LEADER comprises a population of approximately 11.7 million, of which about 2 millions are from small cities up to 20,000 inhabitants. Thus, 17% of the population from the eligible LEADER space can come from small cities and about 9% from the eligible area will also be owned by the small cities.

All the main phases from the timetable of the implementation of the 431.1 measure for the preparation of starting the LAG program were completed with delays, so that now the selection of eligible projects has just been completed, although this operation had to be finished in 2009. Neither the number of potential LAG projects was achieved (112 projects were submitted from the target of 120). However, more projects have been selected than originally planned (111 compared to 80) , but the amount allocated to the public - private local partnerships formation was much lower than that prescribed in the appropriate budget from the NRDP budget (9.803.734 Euros compared to 14.161.138 Euros).

4. Conclusions

The LAG programme can represent a real opportunity to develop the Romanian rural areas and thus to revitalize the small towns included in such structures. In addition, this program could be a viable solution to the diminishing of the excessive share of Romanian rural area, if it continued over a medium to long term, beyond the current period of budgetary execution of the National Rural Development Program.

Studying the way in which the community connections were made in the LAG could represent an important opportunity for research on the dynamics of the community connections in the current economy.

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