

Local action groups – entities of rural development

SVATAVA NUNVAROVA
Department of Regional economics and Administration
Faculty of Economics and Administration
Masaryk University
Lipová 41a, 602 00 Brno
CZECH REPUBLIC

nunvar@econ.muni.cz

Abstract: Rural development is carried out by local action groups. This paper introduces the entities concerned with local community development. It specifies what conditions must be met so that they can be established. This paper explores the ways the local action groups work and implement the LEADER method, which is typical of community-led local development. Also the difference of the local action groups and voluntary associations of municipalities is mentioned.

Key-Words: local action group, strategies of local development, LEADER, Rural development programme of the Czech Republic, rural development

Introduction

Most of the territory of the Czech Republic is rural. Regardless of the methodology used for the definition of this space, the countryside makes up about 75% of the area of the Czech Republic and about 25% of the population live there (more on definition and categorization of the countryside, see e.g. [1], [2]). Rural areas are no longer associated with farming only; therefore, rural development is a complex topic that cannot be simplified. Among others, the European Union has brought rural development together with the Leader method, which is implemented by local action groups (LAG) in the specific areas. LAGs are new structures that have not often been discussed in the Czech Republic, e.g. [3]. This paper aims to introduce these entities that carry out rural development through local partners working in the communities. The aim is therefore to identify and briefly introduce the conditions for the existence and functioning of the local action groups in the Czech Republic and their possible effect on rural development.

Material and Methods

LAGs are a relatively new way of cooperation of the entities at the micro-regional level in the Czech Republic. Their emergence in the Czech Republic is related to the preparation and implementation of the EU Common Agricultural Policy (CAP Rural development has been one of its priorities since 2000 when the EU adopted Agenda 2000,

declaring rural development as a priority of the CAP for the first time.

Rural areas form a significant part of the European Union (almost 90% of the total area of the member states). The effort to preserve the cultural character of the landscape which is located in the surroundings of rural settlements has led to the implementation of the idea of rural development by LAGs. The landscape located between cities and villages is not only a space for agricultural production, but also a place for other activities, for example it is a place where we can spend our leisure time. However, rural areas should also provide their inhabitants with a suitable social and economic environment for their life so that they stay and are interested in a full functioning or development of the territory. [4] The concept of the farmer has changed as well. The farmer is not only a person or a company engaged in crop and livestock production. In a broader perspective, farmers are also foresters and fish farmers (fishermen). The farmer has always been the key person in the country. Nowadays, the farmer is no longer just a producer of food and raw materials for other sectors of the economy, but also a person closely involved in the provision of additional rural functions, such as protection and maintenance of the landscape and the environment, the development of other businesses directed towards the use of historical, natural and cultural potential of rural areas (typically in the field of tourism). The ability to develop rural areas through communities living

there and entities working there is one of the outcomes of this change in understanding the countryside, which has led to a respect of the broader context and stopped relating the countryside to farming only.

The significance of agriculture as a multifunctional economic activity related to rural development is manifested in the fact that the development of rural areas has been excluded from the EU policy of economic and social cohesion and has become a part of the CAP since 2007. The CAP itself focuses on the functioning of the market for agricultural commodities, support for farmers and their production, conservation of the landscape and rural development by LAGs.

Results and Discussion

A LAG is a community of people who actively contribute to the development of their microregion. The group is based on the principles of partnership. Their priority is the use of community methods for strategic planning of the territory development, which consists in involving all stakeholders of local development in the creation and implementation of the microregion strategy. The financial resources for the implementation of the territory development strategies are obtained from the EU budget and national programmes. It is also important that LAGs use the LEADER method (hereinafter referred to as Leader).

The Leader method comes from the European Union. The EU works based on the principle of programming, i.e., its policies are implemented through programmes. Therefore, also the Czech Republic uses various programme documents to implement EU policies. The Rural Development Programme (RDP) of the Czech Republic is a programme document that outlines the national priorities within the framework of the CAP. The RDP defines the criteria that must be met for the formation and operation of a LAG, above all, so that they can use the resources from EU funds for their existence and development of the defined territory. The parameters of local areas are defined with regard to the territorial and demographic specifics of the Czech Republic. The LAGs founded should meet the following conditions:

- a geographically homogeneous area: a small socially cohesive territory which has for example typical traditions, a local identity, a sense of belonging or common needs and expectations. Geographically, such a territory

need not match with an established territorial arrangement of the public administration [5];

- the number of inhabitants from 10,000 to 100,000 outside cities with populations of over 25,000 (The Ministry of Regional Development provides an upper limit for local partnerships of 150,000 inhabitants in its methodology for the creation of a Community-led Development Strategies [6]. The Ministry of Agriculture works with a limit of 100,000 inhabitants [7]);
- the participation of public administration representatives in the LAG is at most 50% (also concerns the managing authority), the other half is made up of representatives of entrepreneurs and non-profit organizations;
- the members of the LAG must have the residence in the given microregion or they must perform their activities there;
- the LAG must have the statute, regulations and organizational structure issued and approved, and must be registered;
- the LAG has to discuss and approve the strategy for the given LAG territory;
- use of the Leader method. [8]

The local areas in concern are thus characterized by a small size, homogeneity and cohesion; there is no need to take account of the territorial arrangement of the public administration, and there are typical common traditions and identity as well as common needs and expectations.

The LAGs are communities where the representatives come from the public, private and non-profit sectors. The number of representatives of the public sector is limited to a maximum of 49% so that the LAGs are not just another form substituting activities of associations of municipalities but are forced to repeatedly and systematically encourage other entities to work towards the development of the microregion. Other cooperating entities can be citizens, non-profit organizations (cultural, social and environmental), representatives of the private business sector (craftsmen, farmers, company owners, trading associations, professional organisations and unions), clubs (fire brigade, Sokol - a Czech sports organization, women's associations, children's groups, groups of young people, and more). In the process of decision making, all the partners in the group have an equal voice, irrespective of their size. The involvement of other than public representatives is successful to a varying degree in the practice. The public sector representatives are usually more active and more involved (typically the mayors of municipalities).

The LEADER Method

LEADER ("Liaison Entre Actions de Développement de l'Économie Rurale", which stands for 'linking of activities of the development of rural economy') denotes linking of activities developing the economy of rural areas. Leader was founded in 1991. It was originally called the European Union Initiative and gradually evolved, similarly to the CAP with which it is closely linked now. Its aim was to strengthen the development potential of rural areas using local initiatives and skills by promoting the know-how acquisition in the process of local integrated development and the dissemination of know-how to other rural areas. [9] It was applied three times as an initiative in EU countries: Leader I (1991–1993), Leader II (1994–1999) and Leader+ (2000–2006). In addition, the member states or EU regions had separate Leader programmes with their own funding allocated at the EU level. In 2007 the distribution of resources by the Leader method was included in one of the CAP axes.

We can find mentions of first LAGs in the Czech Republic since 2002 in the context of their support within the rural renewal program. Leader+ was implemented in the first EU programming period 2004–2006 the Czech Republic participated in. It was funded from the EU budget within the framework of the Rural Development and Multifunctional Agriculture Operational Programme. This programme was to support the creation of the first LAGs and test the application options of the Leader method for the development of rural areas. It continued in the years 2004–2008 by a separate national programme Leader CR, which was financed from the budget of the Czech Republic. Since 2008, LAGs activities have been financed from the Rural Development Programme of the Czech Republic (Axis IV Leader). It was allocated five percent of the total financial allocation of the Rural Development Programme (RDP) of the Czech Republic. This remains similar in the programming period starting in 2014: the implementation of the RDP will newly involve programmes managed by other ministries, namely the Integrated Regional Development Programme (managed by the Ministry of Regional Development and funded by the European Regional Development Fund), the Operational Programme Employment (managed by the Ministry of Labour and Social Affairs and funded by the European Social Fund) and the Environment Operational Programme (managed by the Ministry of the Environment and funded by the European Regional Development

Fund and the Cohesion Fund). Through LAGs, the RDP will endeavour to achieve the modernisation of agricultural and food industry enterprises and investments in forestry. Financial resources go to the RDP from the European Agricultural Fund for Rural Development.

The territory development policy is going to be understood more comprehensively by 2015. The development of rural and metropolitan areas is to be interwoven and they should complement each other. The development of rural areas will continue to be implemented through the LAGs and the strategic documents they create. The strategic documents that LAGs are creating in the current programming period are called "Strategy Community Led Local Development" for the programming period 2014–2020 (SCLLD). Metropolitan areas should use the Integrated Territorial Investments (ITI) for their development; similarly to LAGs, these combine financial resources across priority axes of operational programmes and integrate them into one tool that focuses on specific problems of a specific territory.

A prerequisite for the Leader method to work is that "the effectiveness of the strategies increases if the decisions at the local level are made and implemented by local entities, clear and transparent procedures are used, and support and the necessary technical assistance for the transfer of good practices is provided by the relevant public administration authorities" [9].

The Leader is characterized by the "bottom-up" approach, in which the community members are involved in decision making about the territorial strategy and the choice of priorities that are to be monitored in the local area. The principle is to call local residents and entities to take over the leadership and involve in the local development. However, even the "top-down" combination seems to be appropriate, in which the cooperation with the central and regional public administration representatives may bring achievement of better general results. The cooperation can take a form of e.g. an appropriate and adequate support or a methodological guidance and providing examples from the practice.

How LAGs work

The main LAG activity is creating a territory development strategy through a combination of the expert and the community methods. The strategy is submitted together with the application for support within the RDP (or other subsidy programmes). However, a LAG is only allowed to apply for a financial subsidy if it meets the pre-defined

standards (i.e., to act in a territory that meets the given parameters, to bring together partners of varied nature, to have the prescribed authorities, and to work in compliance with the specified legal forms and business regulations; for more, see [7]). If the LAG is successful in the process of fundraising, it can receive financial resources for its work (its existence), as well as for the implementation of the strategy (the committed financial allocation for the territory development). The LAG then selects the projects of the final recipients that are supported. The LAG is thus a 'small grant (implementation) agency' which distributes the financial resources for projects carried out in its territory with the purpose that is appropriate and demanded for the LAG's territory development strategy. In addition to the support for the projects, the LAG can also implement its own projects. It is its task to choose the projects that meet the real needs and at the same time lead to an increase in the local competitiveness. A secondary LAG activity is to look for subsidy calls suitable for the implementation of the projects of its members in various programmes and funds, and to provide assistance with the processing, submission, implementation and accounting of the projects. The LAG can also participate in the education of its members.

Each LAG elects its organisational structure; the elections of the authorities and their competences are governed by the methodology (see [7]). The names of the authorities as well as their specific tasks are different. Generally, the LAG authorities include those that perform decision-making, control, inspection, selection, monitoring, and executive functions.

The highest authority is the assembly of all the partners involved; and it is here that the public sector may not have more than 49% of votes. The competences of the highest authority include the establishment of other obligatory authorities (decision-making, inspection and selection) and the selection of their members and it decides on the admission or exclusion of LAG partners. Further, its major tasks include the approval of the local development strategy, the LAG budget and the project evaluation and selection methods. The managing/decision-making authority (e.g. the committee or the council) elects the chairperson from their ranks. Also this authority may have a maximum of 49% of the members from the public sector. The inspection authority primarily focuses on the compliance with management principles and legislative requirements. Once a year, it submits a report to the highest LAG authority on the results of its inspection activities. The inspection authority is

also responsible for the monitoring and evaluation of the SCLLD (i.e., if and how the indicator and the evaluation plans are met). In addition, the LAG has the selection committee which preselects the projects on the basis of a predetermined (by the highest authority) objective set of criteria and draws up the order of their implementation based on their contribution to the goals and objectives of the SCLLD. [7]

The executive functions are exercised by e.g. the secretariat or the manager and his/her collaborators. The minimum number of employees to perform the basic functions is two (a manager and an administrative assistant). "In the countries that have longer experience with the Leader method the LAG executive teams usually have 4–5 people" [9].

The legal forms used nowadays for LAG existence are generally: public benefit institution, society, interest association of legal entities, and institute. [10] A society is the most frequently used form - 63% of all LAGs. 33% of the local action groups are public benefit institutions. The other forms make up the remaining 4%; there is only one registered institute (LAG Brdy). LAGs in the Czech Republic are associated in The National Network of Local Action Groups of the CR. This network associated 166 LAGs out of the total 179 existing (i.e. 93%) in 2014 [10]. The network primarily represents an informational and methodological support for the existence of LAGs. It brings together LAGs and represents them in negotiations with public authorities. It cooperates with foreign entities that use the Leader method. Membership in the network is charged, each LAG paid a membership fee of 10,000 Czk in 2014 [10].

Voluntary Associations of Municipalities (AoM) are another form active in rural development. They operate using a platform completely different from the Leader method. The territories that can form AoMs have other restrictions. They need to be contiguous and there is no size limit. AoMs must comply with other regulations of functioning and financing stipulated by the Act on Municipalities (no. 128/2000 Coll. as amended) and other related regulations (e.g. no. 250/2000 Coll. on budget rules of territorial budgets, as amended). There are various kinds of AoMs, for example those with specific or non-specific purposes. Those with non-specific purpose usually aim at a general development of their territory. Representatives of the member municipalities, usually the mayors, make decisions on the development of the territory in the microregion. The resources they use to develop their territory originate either in the budgets of the member municipalities, or subsidies they gain

based on the submission of projects to different programmes and funds. AoMs need not (but can) involve other stakeholders in the decision-making about their development. This decision making is purely within the framework of the public administration through a public vote, i.e. the representatives elected by citizens. A LAG can be territorially coincident with an AoM. However, the LAG can associate more AoMs operating in its territory. The reverse does not apply. An AoM can only cooperate with a LAG as only municipalities can be members of AoMs.

Conclusion

The Leader method enables rural communities to shape their own future actively. Local action groups form the basis of its application in rural areas. The main tasks of LAGs are to define and implement the local development strategy, decide on the allocation of the available financial resources and manage them. One of the important tasks of LAGs is the acquisition and distribution of financial resources for their microregion based on the actual needs. For this reason, the local development strategy needs to be prepared and approved. The strategy is prepared using a combination of the expert and the community methods. The territory development is defined and implemented by the "bottom-up" approach, which is used in the preparation and implementation of the strategy.

The integration of appropriate and beneficial plans for rural areas into a single strategy (SCLLD) allows for the implementation of many high-quality projects that would not otherwise be attainable through standard ways of EU funds administration. These are often less expensive projects, providing various synergistic outputs that are not usually included in the standard structures of operational programmes. During their existence, LAGs have already allowed an implementation of many projects in which they operated as the managers of public funds. However, their role also includes being animators of the events in the region, communication channels, coordinators of cooperation and centres of microregions, who mobilize the potential of the territory and people living or working in it.

LAGs represent a revolutionary change for the development of microregions. The preparation of subsidy programmes is in the hands of the public administration, subsidies are provided by public authorities and requests mostly come from individual, isolated applicants. The Leader method changes this and supports the emergence of inter-sector partnerships, which themselves allocate the

funds for the development of their territories (LAGs are private persons). In order for a LAG to be successful, a partnership must first be established and its members must agree on the focus of its development strategy. The strategy then forms the core of the applications for funding local applicants' partial projects. The local applicants are addressed by a public call. The key role of the LAGs is the mobilization of the development potential of the microregion where it is operational. [1]

Community led local development through LAGs is evaluated positively. The Leader program has brought significant improvements in the services in the country. Moreover, there have been improvements in the quality of life, diversification, the environment, the integration of groups of women and young people. The value added to local products has increased. As a side effect, new work positions have been created. [9]

References:

- [1] Nunvářová, S. *Rural development*. 1st ed. Brno: Masaryk University, 2007, 209 p. ISBN 978-802-1043-145. [in Czech] p. 182.
- [2] Petr, O. Demographic development of rural areas in the South Moravian region. In XVIIth International Colloquium on Regional Sciences. Proceedings. Brno: Masaryk University, 2013. pp. 523-535, 13 p. ISBN 978-80-210-6257-3. doi: 10.5817/CZ.MUNI.P210-6257-2013-66. MUNI/A/0749/2012 [in Czech]
- [3] Procházka, J., Noponen, K., Věžník, A., Svobodová, H. Experience with the LEADER programme in the Czech Republic and Finland: comparative analysis. In Hana Svobodová. *New challenges for geography. The Annual Conference of the Czech Geographical Society. September 3-7, 2012, Brno. Proceedings*. 1st ed. Brno: Muni Press, 2013. pp. 267-276, 10 p. ISBN 978-80-210-6110-1. [in Czech]
- [4] Pělucha, M. *Rural development in the programming period 2007–2013 in the context of EU CAP reforms*. Prague: IREAS. Institute for Structural Policy, o.p.s., 2006, 162 p. ISBN 80-86684-42-3. [in Czech] p. 83.
- [5] EU European Commission. *The Leader approach: a basic guide*. Luxembourg: EUROPE, 2006. 27 pages. ISBN 92-790-2040-4. [online], [accessed 2014-07-1]. [in Czech] URL: http://ec.europa.eu/agriculture/publi/fact/leader/2006_cs.pdf, pp. 6, 8.
- [6] Ministry of Regional Development of the Czech Republic (MRD). *Manual for the creation of a Community Led Local*

- Development Strategy for the programming period 2014–2020*. 2014. [online], [accessed 2014-07-21]. [in Czech] URL: http://nsmascr.cz/content/uploads/2014/05/SCL_LD-17052014_mmr.pdf, p. 5.
- [7] Ministry of Agriculture of the Czech Republic (MoA). *The methodology for the standardization of local action groups in the programming period 2014–2020*. 2014. [online], [accessed 2014-07-21]. [in Czech] URL: http://eagri.cz/public/web/file/320777/METOD_IKA_PRO_STANDARDIZACI_MISTNICH_AKCNICH_SKUPIN.pdf, pp. 4, 9.
- [8] Ministry of Agriculture of the Czech Republic. (MoA). EAgri. *Local action groups*. [online], [accessed 2014-07-10], [in Czech] URL: <http://eagri.cz/public/web/mze/venkov/mistni-akcni-skupiny/>
- [9] EU European Commission. *Common Guidance of The European Commission' Directorates-General AGRI, EMPL, Mare and Regio on Community-Led Local Development in European Structural and Investment Funds*. 2013. [online], [accessed 2014-07-21]. URL: http://ec.europa.eu/regional_policy/what/future/pdf/preparation/clld_guidance_2013_01_31.pdf, pp. 8, 9, 25.
- [10] National Network of Local Action Groups in the Czech Republic (NNLAG). [online], [accessed 2014-07-10], [in Czech] URL: <http://nsmascr.cz>