

ROMANIAN LOCAL ACTION GROUPS' (LAGs) ECONOMIC IMPACT: A SOLUTION TO A PROBLEM OR A PERPETUATING *STATUS QUO* OF A GIMMICK?

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Abstract

This article takes into consideration local action groups (LAGs) in the European Union and Romania in particular, in terms of resources needed, resources used, and measured impact on public services, infrastructures, and quality of life. Previous research showed that the impact of LAGs is difficult to assess due to weak links between actions and objectives and also due to different benchmarking. Romania absorbs EU funds for agriculture and rural development, however, the administrative, preparatory, and project costs are high, raising certain questions about LAGs' genuine productivity and performance. This article provides clarity on LAGs' costs and benefits, by mapping out a state of play of LAGs and comparing findings with expert opinions. Policy formulation and recommendations conclude this research.

Keywords: Local Action Groups, LEADER, local communities, economic impact.

1. Introduction

Local action groups (LAGs) and Community-led local development (CLLD) respectively, are politically and economically designed structures of representatives of public and private local socio-economic interests to address bespoke needs of rural areas, in communities with populations between 10,000 to 100,000 inhabitants, yet limited to 150 people per km². As defined by Courades and Brosei (2018, p. 220), LAGs are ‘local institutionalization and a legally binding formalization of the partnership principle’. In this respect, LAGs are a mixed grouping of local authorities, NGOs, churches, farms, SMEs, etc. in a specific entity with a distinct legal personality. The immixture between political decision-makers and stakeholders balances off representation provision for the basis of multilateral development and community consent. Hence, LAGs are an example of a Janus God type, two faces of management, one looking inside the organization, while the other facing the outside world towards the community, in a structure and agency type of relation run by the general assembly of members, with a board of directors, executive teams and working groups (Council Regulation (EC) No. 1698/2005, p. 126; Regulation (EU) No. 1303/2013; Hay, 2002). They have the following characteristics: specific territory, partnerships, multisectoral approach, orientation toward innovation, interconnecting ability and implementation, use of local resources while keeping community focus, promotion of public-private partnerships, improvement of local governance and capacity building for diversification of economic activity, heritage promotion, food, and energy security, except for the fisheries sector, which is dealt with by FLAGs. All these objectives have to be reached with financial, human, and natural resources locally available (Regulation (EU) No. 1303/2013; Florescu and Rahoveanu, 2021).

The European Union via its LEADER (Liaison Entre Actions de Développement de l’Economie Rurale) programs encouraged rural territories to develop and better explore and exploit local options for development by building the necessary capacity and mobilization of resources taking into account certain criteria for action. Since 1990, LEADER underwent various stages of development (I, II, +, Forestry, and CLLD) before a new LEADER program was established for 2023–2027 (Ministry of Agriculture and Rural Development, n.d.). The differences between the different periods of development relate to the financial models, allocation of resources, such as exclusive European Agriculture Funds, or wider access to European Regional Development, Social and Fisheries Funds, and others, creating synergies with other policies of the EU (Regulation EU No. 1303/2013). From 2014 to 2021, all rural development programs had to spend a minimum of 5% of the allocated funds on LEADER development (except for Croatia as a new Member State). Taking aside the UK after Brexit, 2,783 LAGs were selected with funding worth 11.96 bn Euro, covering 172 million EU inhabitants (European Commission, 2020).

Figure 1 shows data structured by years, programs, and the allocated sums. Concerns were expressed by some scholars that the money allocated is not well invested and is spent on consumption only. For instance, as far as 2020, in Romania, the project costs were 268.4 million Euro, followed by 77.3 million Euro administrative costs, and 2 million

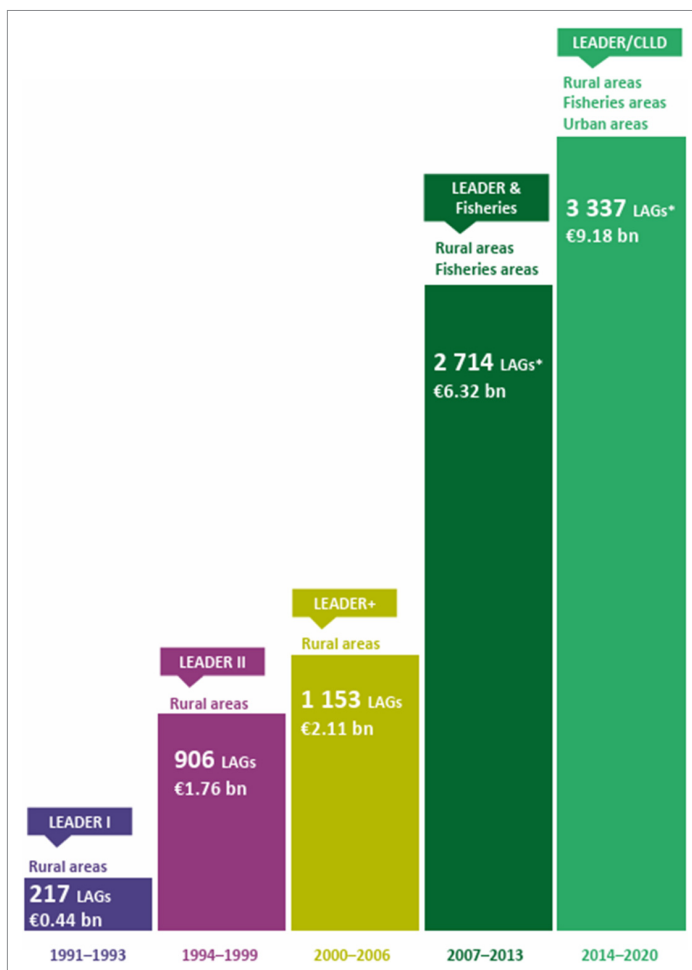


Figure 1: Funding of LEADER and LAGs over time

Source: European Court of Auditors (2022, p. 10)

preparatory costs topped by other costs leading to a total of 347.8 million Euro. High costs were reported also in countries like Ireland and Austria. In terms of benefits, there are also different interpretations, some scholars consider them immaterial (Pisani and Franceschetti, 2011), rather than taking into consideration local GDP, infrastructure development, and job creation. In this sense, the European Court of Auditors (ECA) Special Report investigation is rather inconclusive stating that there is: ‘insufficient evidence of added value of LEADER approach and, we recommend, that the Commission take urgent steps that it could account for the added value and sound financial management for LEADER’ (European Court of Auditors, 2022, p. 28).

This article looks at the economic financial health and performance of LAGs in an empirical sense, aiming to provide a clearer and deeper understanding of their performance.

The main research question explored by this paper is how efficient LAGs and LEADER program are from the standpoint of their contribution to local economic development. Further on, this article tries to replicate a study performed by the European Commission (2023) due to calls from the European Court of Auditors, which argued that the data is inconclusive. The European Commission assessment results were criticized by scholars and the present study replicates the same questions, plus further additional ones for enhanced originality and gain of supplementary knowledge. The argument is structured as follows. First, an academic and professional literature review was conducted to get a holistic overview of LEADER and LAGs. From a theoretical point of view, the article uses stakeholder theory and takes into consideration structure and agency framework to provide an understanding of the dynamic of these structures and the beneficiaries. Next, a methodology section presents the research methods. The third section covers responses from structured interviews conducted with experts/elites and cross-checks for comparison with literature review findings. Instead of a conclusion, limitations of the research and further discussion are provided as a set of policy recommendations based on this research analysis.

2. Literature review

This section looks at both academic and professional sources from a comparative and critical perspective. Both primary and secondary sources are used to uncover data on LAGs. Different sources put forward different variables with more or less significant explanatory power. Numbers provide limited insight, especially when considering local perspectives, hence both numbers and narratives are needed, especially as scholars give contradictory accounts of LAGs and their effects. Currently, at the EU level, the raw data shows that countries like France, Germany, Poland, Spain, and Romania have the largest number of LAGs (see Table 1). The distribution looks well proportionate taking into consideration the territory and population, as smaller EU Member States, like Luxembourg, Malta, Cyprus, and the Baltic States have a reduced number of LAGs. It can be seen that their performance differs, an interesting example being Bulgaria and Slovakia where no jobs were created, while in Poland 12,240 jobs resulted from 291 selected initiatives. An outstanding example is also Austria, which managed to create 2,114 jobs with only 77 LAGs. Ailenei and Mosora (2011) noted that rural areas in Romania that represent about 85% of the land and 45% of the population, with an agriculture production of about 4.5% of the EU total share, show a low economic performance and risk of poverty, calling for action. It is worth mentioning that all the 239 LAGs from Romania proposed were selected for financing.

In 2023, the European Commission issued an evaluation report assessing the costs and benefits of the implementation of LEADER. These effects are not only financial but they also include effects on governance and social capital (see characterization below). The Commission's conclusions relate to non-financial developments such as the increase in local knowledge and know-how as specific local needs were targeted. When innovative products were created the obtained value surpassed the boundaries of LEADER and had

Table 1: LAGs data from Member States

Member State	No. LAGs	Total public expenditure (EUR)	No. jobs created	Rural population covered by LAGs	% Rural population benefiting from new/ improved services
AT	77	166,340,300	2,114	4,672,784	94.4
BE	32	38,081,431	389	2,959,817	64.2
BG	64	20,233,778	0	1,646,588	46.1
CY	4	4,397,849	48	106,723	0.0
CZ	178	92,380,096	1,002	6,331,635	0.0
DE	321	1,164,006,117	2,173	30,359,352	35.7
DK	26	82,457,937	1,032	2,347,169	5.6
EE	26	75,463,451	1,453	499,457	0.0
ES	253	644,034,941	7,423	11,947,950	15.0
FI	55	244,924,226	3,221	2,722,463	88.0
FR	335	457,329,248	1,832	26,085,157	11.2
GR	50	118,332,239	867	4,150,184	1.4
HR	54	39,114,429	71	2,446,694	40.2
HU	190	112,826,445	405	5,365,000	61.1
IE	29	178,910,446	1,397	3,082,317	0.0
IT	200	377,850,452	1,649	18,956,210	10.3
LT	49	52,402,306	848	1,075,726	29.0
LU	5	6,956,581	29	177,925	0.0
LV	35	68,074,307	234	964,909	3.6
MT	3	2,785,295	3	283,284	0.0
NL	20	34,534,099	227	3,391,728	0.0
PL	291	559,741,614	12,240	20,126,294	14.1
PT	56	134,564,879	2,862	5,029,295	0.0
RO	239	426,252,808	3,660	8,726,539	40.6
SE	44	112,264,377	662	4,261,701	27.7
SI	37	30,249,422	66	1,420,504	0.0
SK	110	1,539,061	0	2,837,385	9.1
EU 27 Total	2,783	5,246,048,133	45,907	171,974,790	18.4

Source: European Commission, European Network for Rural Development (n.d.)

a wider impact on different markets. Another conclusion of the study is that ‘LEADER implementation costs are higher compared to the costs of similar non-LEADER measures (e.g., M322 Village development), but in other cases LEADER project costs are lower. The former case is largely due to LEADER higher overhead costs; latter case can occur for non-LEADER measures implemented with small financial budget or requiring high administrative effort on the part of the paying agency’ (European Commission, 2023, p. 27).

The work of Fährmann and Grajewski (2018) is quoted in the Commission's report and explains that higher implementation costs have a negative effect on economic effectiveness, and the other way around, meaning that the evaluation has to consider these trade-offs and the equilibrium between costs and benefits because some of the implementation costs (ICs) incurred are to be seen as an investment in effectiveness. For this reason, targeted, effective measures in particular tend to have high to very high relative ICs due to their sophisticated design and differentiated approaches, advising intensity, etc. 'Conversely, high implementation efficiency of individual measures, as expressed by low relative ICs, indicates a low effectiveness of measures, combined with higher deadweight risks arising from low funding requirements' (Fährmann and Grajewski, 2018, p. 6).

Other scholars are also critical of the assumption and general perception of LAGs' positive results. Opria, Roșu and Iațu (2023) took into consideration three economic indicators to provide an understanding of LEADER's results of actions. For example, Propensity Score Matching looks at the beneficiaries of LAGs and compares them with a non-beneficiary control group looking at changes in the population income in 164 communes (control group) and 2,021 communes as an experimental group. As a counterfactual method, Difference in Differences looked at calculations before and after the intervention of the LEADER program, resulting in an assessment of the interference in a binary way: positive or negative. Aspects that improved for the experimental group were employment, approximately 15% divided into the primary, secondary, and tertiary sectors.

However, a more in-depth analysis by Opria, Roșu and Iațu (2023) argues that despite some economic significant impacts, such as economic diversification and job creation, no maturity of the labor force market in rural areas was reached and the experienced shortages were due to social mobility and migration that produced gaps in economic development. Other identified problems were the aging population, brain drain, poor infrastructure, and a domino effect that created a vicious circle of development. While the European Commission assessment was rather inconclusive on beneficiary vs non-beneficiary communities, Opria, Roșu and Iațu (2023, p. 413) concluded that LEADER sustained a status quo and produced little advancements in terms of economy and quality of community life. In the authors' own words: 'LEADER program's impact has proved to be the lowest in terms of per capita income. Thus, the contribution brought in the sense of increasing the income/inhabitant among the population from the beneficiary territories was of only 0.08%', according to the Difference in Differences calculation (Opria, Roșu and Iațu, 2023, p. 413). Worth mentioning is that LEADER funds absorbed in Romania were 786,139,533.9 € since its implementation (Opria, Roșu and Iațu, 2023, p. 408).

On the contrary, different results were found by Florescu and Rahoveanu (2021) who consider that LAGs put forward a system approach balancing economic activities and local communities' needs and improving quality of life. Similarly, Dumitru *et al.* (2021, p. 2) noted that the Regional Operational Programme had an absorption rate of 44.29% of its allocation for 2014–2020, meaning 6.9 bn Euro for development. Also, in the last financial program, 9 bn Euro were spent on projects dedicated to enhancing tourism, food, and

energy security, interconnecting, promoting innovation, and sustainable development. However, Opria, Roşu and Iaşu (2023) based their research on LEADER, while Florescu and Rahoveanu (2021) considered LAGs. While LEADER is an EU framework with funding available for rural development, LAGs are the local partnerships. Hence, LAGs implement LEADER and the EU goals and ‘guarantee the satisfactory operation of the partnership and the ability to administer public funds’ (Regulation (EC) No. 1698/2005, p. 126). Kersbergen and Waarden (2004) provide some explanations on the reason why scholars have diverging views, providing a contradictory output of LAGs/LEADER and their economic impact. Kersbergen and Waarden (2004) consider that some conceptual confusion exists because some concepts and terms are not well defined, while others depend on the different action levels. Social capital, among others, does not necessarily mean in *stricto sensu* the initial capital invested, as it does in a private company, but more of a social limited liability (Haslam, 2019). In addition, the European Commission (2023) defines added value as any improvements in governance, social capital, and implementation of EU goals, aspects that may not necessarily have a universal connotation for everybody. Considering the different results found in the academic literature for sound reasons, a secondary opinion needs to be extracted from the professional literature. Also, worth mentioning is that the level of money absorbed is important, although, it does not guarantee an absolute success, as it is more a means to an end, rather than an end goal. The European Courts of Auditors (2022) disclosed the costs for Romania in comparison with other EU states. This information is presented in Table 2 and provides some insight into the costs and benefits of LEADER and LAGs.

Table 2: LAGs costs per selected Member States (million Euros; as at the end of 2020)

Member State	Preparatory costs	Administrative costs	Cooperation activities	Project costs	Total
Czechia	-	-	0.2	64.5	64.7
Germany (Saxony)	-	19.4	2.5	200.5	222.4
Estonia	1.6	12.5	2.3	48.8	65.2
Ireland	1.3	44.3	0.8	77.6	124.0
Greece	3.2	43.1	0.2	46.4	92.9
Austria	-	33.8	8.0	68.7	110.5
Portugal (mainland)	1.4	36.0	0.5	36.0	73.9
Romania	2.0	77.3	0.1	268.4	347.8
Slovakia	1.1	0.4	0	0	1.5
Sweden	3.4	28.3	3.2	63.0	97.9
Selected Member States/regions	14.0	295.1	17.8	873.0	1,200.8
All Member States + UK	67.4	1,038	98.6	3,054.4	4,258.4

Source: Data from European Court of Auditors (2022)

Table 2 shows that Romania scored well compared to other countries, for which the remaining fund allocation was high; however, it was not an example of good practices. There is one aspect to be taken into consideration, as project costs are the highest among all the costs, topped up again by the highest administrative costs in 10 countries selected, among which Germany, Sweden, Austria, Greece, etc. Administrative costs are costs related to managing authorities, mainly staff salaries and overhead costs. This provides a complex situation, as on one hand resources are taken from investing and implementation of LAGs' programs, while on the other hand, it fulfills some of its goals, like fostering employment. This dual perspective, a good absorption rate, and billions in inflow of cash to the country are offset by massive costs, leading to questions about management practices and actual investments (Figure 2). This confusing perspective was also encountered in the literature review, and it is further investigated by the original research of this article via structured interviews with experts/elites.

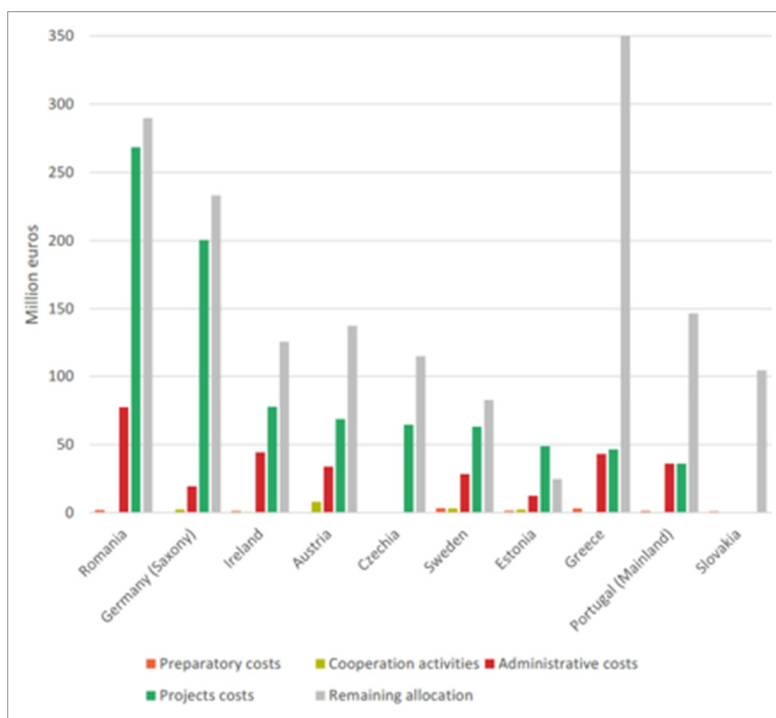


Figure 2: Reported LEADER spending in rural development for the selected Member States and regions (end of 2020)

Source: European Court of Auditors (2022, p. 22)

Alecu *et. al* (2015, p. 373) argue that ‘the development of rural areas in Romania is quite low compared with what rural environment means in countries that benefited from Rural Development Program [...] it is noticeable that Romanian farms begin to grow slowly and

try to align with European standards found in developed countries in the European Union’. Their paper claims that there is a paradigm shift and that the National Program for Rural Development 2014–2020 puts more emphasis on the LEADER measure, which implies a more active involvement of local actors in the support and development of Romanian rural areas. Other data related to the financial execution shows that Romania is above EU average and that only a few countries score below, among which surprisingly France and Italy, which are leading in terms of number of LAGs and employment generated; Bulgaria and Slovakia do not come as a surprise (see Figure 3) as their low performance could have been deduced from the European Commission (2023) data. Additional research is needed specifically on these countries to provide an understanding on what is the issue and how shortcomings can be overcome.

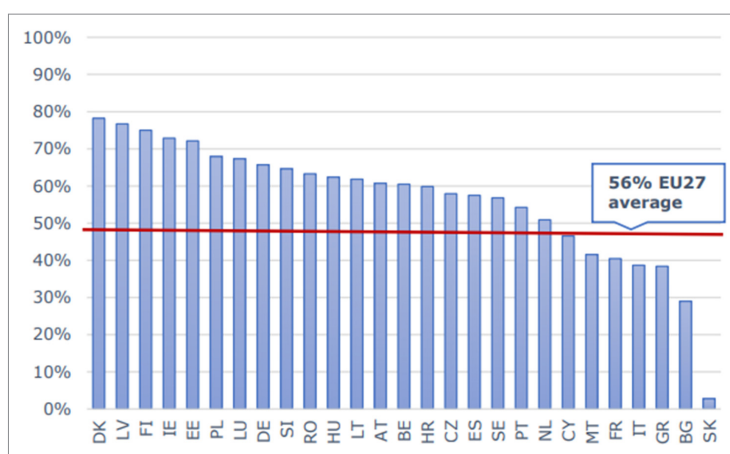


Figure 3: Financial execution M19-LEADER, 2015–2020 (EU-2020)
 – total public expenditure as % of total financial allocation

Source: European Commission (2023, p. 32)

Hence, efficiency after financial execution is judged more in terms of coherence with EU goals, and social impact. The connection to economic efficiency is not that direct, as more social services are taken into consideration. Of course, everything that can be measured has a value, yet, there are differences between efficiency and benefits, tangible and intangible developments, and as the ECA recommended, the European Commission (EC) should comprehensively evaluate both the costs and benefits of LEADER and its LAGs as results are not demonstrated in a traditional economic sense, or at least risks and costs are more prominent. Later on, this article assesses other non-financial benefits. One of the conclusions of the ECA report reads as follows ‘LEADER and community-led local development facilitates local engagement, but additional benefits still not sufficiently demonstrated’ (European Court of Auditors, 2022, p. 1) and that the European Commission should publish further results. Finta (2023, p. 341) wrote a series of comments regarding

the ECA report, especially on the evaluation and measurements. His study unraveled two intriguing aspects, namely: (i) That the concepts of added value were not clearly defined; an aspect which this article also identified; and (ii) That objectives are changing, influencing measurements, and affecting benchmarks and performance links. His research concludes that ‘the recent European Court of Auditors’ evaluation of a development instrument more than three decades old has certainly proved useful in one respect. It has contributed to a way of thinking that analyses not only the outcome of a process but also the causal link between the conditions without which the expected or anticipated result cannot be achieved, although it is these conditions that are the least frequently examined in the various evaluations’ (Finta, 2023, p. 341).

Finta’s comments are useful in the sense that they ring an alarm bell on actual economic performance and evaluation techniques. However, this research should be interpreted in a different way, looking at methodology and what should be behind evaluation principles. His article can be easily misjudged as criticizing LEADER’s beneficial impact on communities, when in fact it provides some examples of good and bad practices in financial and non-financial terms. The European Commission (2020) on the quantification of LEADER/CLLD contribution and their secondary effects, argued that the main focus is the job creation, followed by infrastructure development. A cross-check with scientific literature reveals this goal have been achieved, as Opria, Roşu and Iaţu (2023) computed a 15% improvement in employability at the local level. Interestingly enough, the Commission acknowledges that the budget is small for other significant contributions. Also, the Commission noted that the indicators are not always clear as they are hard to calculate for evaluators, especially as there are mixed effects, combined with Common Agriculture Policies, for instance (Hoinaru, 2018). To investigate more LAGs/LEADER performance, the original research conducted via structured elite/expert interviews from diverse domains is considered next, after the methodology section, to capture knowledge and an enhanced understanding of LAGs’ economic impact in Romania.

3. Methodology

The goal of this research is to provide an understanding of the impact of LEADER and LAGs in the EU and more specifically in Romania. Both primary and secondary data from the literature review were explored by comparing academic publications with official decisions of the European Commission, and ECA evaluations are primary sources together with EU and national legislation, while academic research provides perspectives and in-depth analysis on EU Regulation No. 1303/2013 for instance, which sets up the LAGs environment.

This study collected information via structured interviews applied to expert respondents from politics/public policy, academia, and practice (consultancy), covering the entire spectrum to get a complete view of the LAGs’ impact on the local economy. The answers were compared with the literature review findings for assessment. In this sense, this article

contributes to the literature. It is important to understand the differences between the perception of LAGs' economic activity and envisioned impact and their actual impact, especially as the European Commission and ECA reports were reserved in making comments and calling for further evaluations. This is the very purpose of academic research, to inquire and find reasons aiming to elucidate controversial aspects and provide understanding.

Structured interviews as an instrument to gather knowledge have certain advantages and disadvantages. It has to be acknowledged that structured interviews capture opinions in an organized manner, however, they cannot necessarily adapt to the respondents' bespoke specialized knowledge, especially when respondents with mixed backgrounds are considered. This study had carefully addressed this shortcoming, by assigning a degree of flexibility to some of the questions, which are formulated in an open manner. Close-ended questions were avoided, despite their advantages of providing a clear answer of a yes or no type. The open text gives the opportunity to provide explanations, which are useful to understand motives and provide facts, which is useful especially when dealing with experts/elites who have exclusive understanding and power to drive projects. Time and financial constraints are important in research as they require resources that might not be available for the researcher at a given moment (Saunders *et al.*, 2018). A different alternative would have been questionnaires. As argued by Varva *et al.* (2022, p. 7) who performed a similar research on LAGs in the Czech Republic, '[...] questionnaire survey is the possibility to easily contact all potential respondents, yet there is a risk of a low-response rate [...]. Similarly, the opportunity of covering various specific topics in the questionnaire is balanced by the lack of dialogue necessary for clarification and in-depth explanation, which would be possible only in qualitative interviews'.

Conclusively, despite some limitations, the methodology of this study is by choice qualitative, exploring LAGs costs and benefits through an interview comprised of seven questions. Getting relevant answers on the economic impact of LAGs is the main purpose of this original research, in addition to establishing a causal relationship between costs and benefits, without oversimplifying the explanations and arguments, and taking into consideration the complexity of the economic reality. In order to provide better connections with the literature, a few questions were taken from the European Commission evaluation survey (2023), to replicate their study with different respondents to be able to compare, contrast, and explain the results. On top of these initial questions taken from the European Commission survey, additional ones were created for enhanced originality of research and new perspectives for a better comprehension of LAGs' economic impact. The European Commission survey included only 14 participants; this research succeeded in obtaining 7 responses. Structured interviews were run anonymously, yet, respondents were assigned a code according to their profession, ACAD for academics in universities and institutes, POL for politicians and political staff, regardless if national or based in EU institutions, and CONS for consultants.

Three methodological issues were identified during the data collection phase. The first one was that some respondents considered some questions in pairs, answering two at a

time, unifying responses especially when balancing costs and benefits, or when asked to consider efficiency/inefficiency aspects of LAGs. In this respect, from the initial interview guide, two initial questions were eliminated when considering the analysis (see next section). Also, two respondents did not answer in writing as they were required and preferred a phone call, answering *viva voce*, while the researcher registered their answers with accuracy. The last methodological design problem was that two respondents had double roles, as academic and political staff and respectively academic and consultant. To overcome the issue of coding and placing the respondents in the right category: ACAD, POL, or CONS, they were placed according to the perspective from which they were approached. Thus, despite their double careers, only one of their roles was chosen. Seven answers were recorded: three academics, two politicians/political staff, and two consultants. Both Romanian and English were used and translations were subsequently done.

The thread for the interview guide and the main research question are LAGs fit for the purpose of local economic development or are their effects related more to a general and difficult-to-measure public good? Overall, all the answers have contributed to responding to the research question, as much as the research question of the article helped formulate the structured interview questions that provided multifaceted answers. In the next section, questions and answers are presented and contribute to arguments on LAGs' status quo and perspectives on economic growth.

4. Data analysis and discussion

By collecting data from the interviews, the aim was to achieve a structured overview of the main themes. Further on, the analysis is presented in terms of which respondents supported one another and which had opposing views and why. The first part of the structured interviews was inspired by the European Commission survey (2023) and addressed LEADER and non-LEADER costs of implementation.

ACAD 1 considered that there is no issue whether the costs of implementation for LEADER and non-LEADER programs are similar. This counterintuitive answer is based on the transparency of costs and on the fact that possibly other public funds were used, outside LEADER, yet similar to it. CONS 1 was on the same line of judgment and argued that projects have similar costs and this is normal. On top of that, CONS 2 provided more in-depth insights: while LAGs are implemented via local authorities, other projects based on non-LEADER EU funds are implemented by Regional Development Authorities or different state management authorities, which have similar rules and procedures of implementation. Regardless of which option, LEADER or non-LEADER, a state authority is involved in the process of implementation and the standards are similar, including costs. In the case of LEADER, CONS 2 stated that costs should have been higher as it involves long-term sustainability which needs to be monitored in comparison to conventional projects developed with EU funds.

A different answer was provided by ACAD 3 who argued that costs can differ, as LEADER is unique, and involves authorities and also stakeholders with a bottom-up approach, compared to command and control of non-LEADER projects. Also, LEADER has a component of experimentation, and pilot testing projects and hence higher risks and costs, especially as LAGs have a multisectoral approach: economic, social, cultural, and environmental. ACAD 2 supported this by considering that costs should be different as LEADER is very specific to certain local conditions and LEADER and non-LEADER projects are practically incomparable.

The next structured interview question asked about the benefits specifically brought by LEADER. POL 1 and POL 2 considered LEADER and LAGs as economically efficient. On one hand, they tied their vision with ACAD 1 on local development and ‘think small first’¹, while on the other hand, they considered local income from the actual financing that comes from EU funding that helps develop micro companies, or local museums, which may further attract tourism in the area. They were also aware that projects do not always succeed and unfortunately inefficiencies in both public and private administration may lead to loss of value. CONS1 mentioned that EU funding generally comes with established benchmarks and evaluations of projects are made. The respondent said that the potential should not be mistaken for actual projects. He also considered that keeping the local workforce and capacity is important, as this prevents brain drain, and migration, educates experts, and gives access to the market for local products. CONS 2 added that LEADER comes with some flexibility for financing projects and that long-term sustainability has to be followed, which is another overall advantage, along with the diversity of projects. ACAD 2 and POL 2 added to this perspective by mentioning cutting red tape as well.

ACAD 1 and CONS1, who previously had similar views, are now separated in their positioning towards governance and social capital. ACAD 1 considered that knowledge and know-how are the best benefits for the community. Local development is very specific to small places and as much similar villages may look, as different they are when it comes to vulnerabilities and solutions that should be applied. Local knowledge, developed locally, is the best long-term benefit local authorities can get, bespoke solutions being the most efficient. ACAD 3 also praised the decentralized decision-making and tailored socio-economic solutions to specific contexts, prioritizing community needs, rather than a one-size-fits-all solution. This approach builds further the capabilities of local communities, and public-private partnerships, empowering resilience and self-efficacy, leading to economic and social initiatives. As ACAD 3 argued while the LEADER approach offers significant potential for improving governance and enhancing social capital, its success can vary depending on the context, including the level of engagement and capacity of local actors, the adequacy of funding and resources, and the institutional and policy environment.

1 This is a reference to the European Commission’s Report Think Small First.

Challenges such as bureaucratic hurdles, uneven distribution of resources, and difficulties in sustaining long-term engagement can impact the extent of its benefits.

In conclusion, the LEADER implementation can bring substantial additional benefits in terms of improved governance and enhanced social capital at the local level. However, the extent of these benefits can be influenced by how effectively the approach is implemented and the specific local context. There were also criticisms, as there is a 'local global' world and LAGs should go beyond the local level and establish a broader networking perspective in terms of partnerships and twinning between localities for sharing experience purposes. While local authorities stay local, NGOs and companies go global or should develop beyond the local level. Building bridges between public and private and in the EU constitutes an advantage towards efficiency. These two different perspectives of developing local and beyond local boundaries can provide useful insights as they feed back into the academic research and enrich specialized literature, as they provide alternatives.

When considering inefficiencies of LAGs, ACAD 3 was knowledgeable about critics over the perceived inadequacy of LEADER which could be narrowed down to bureaucracy, inefficiencies in the implementation and management of projects, allocation of resources as better-informed entities access funds, creating some inequalities in the distribution of benefits. CONS 2 elaborated on monitoring and comparison metrics that should be done at the EU level that should consistently perform a health check of the programs and their impact on local authorities and also on local communities. Transparency is a key driver, as priorities matter and focal needs should be correctly reported and addressed both politically and economically. POL 1 commented that an uneven distribution of resources can lead to inefficiencies, causing a problem, similar to ACAD 3. Maximization of impact on the community is essential for the success of the program. ACAD 2 mentioned that a clear evaluation is done on proper monitoring of the program and audits or clear evaluations after the implementation of programs were concluded, and that generally LAGs proved to be more efficient compared to national programs. However, ACAD 1 had a different approach, arguing that the well-being of citizens and communities, and indexes like happiness can go beyond economic means, and its measurement is not objective as it is not directly proportionate with the amount of money invested.

One economic perspective that was checked with experts was whether LAGs consume far more money on employment of people and administrative costs, rather than actual investment in sustainable development. Of course, the legal constraints and limits of spending were known prior to conducting this paper.

Experts did not judge LAGs' inefficiency in terms of salaries as a major expense and job creation to the detriment of other investments. Their views proved to be similar to the ECA and European Commission perspectives. ACAD 2 mentioned that the operative costs, in percentages, as a share of the total cost of assignment-implementation-monitoring process should be less than 20% of the total value of the funds available to LAG and that taxes are an important variable to be considered in economic analysis. The work done by

the employees must be meaningful to the local community and local development and should be part of a greater strategy of sustainability in the long term.

Also, immaterial contributions and public good are an important part of LAGs. ACAD 1 considered that immaterial contributions exist from small examples, like a firm building, a park, or a sports team for the community, to more general examples like improving the environment and implicitly health, youth education, well-being, spirituality, etc. Immateriality can have a leverage effect, especially when education is considered, as a trained workforce, or particular religious communities can attract investment. POL 1 stated that also immaterial contributions should be considered due to their explanatory power. Civic involvement was the example mentioned as this can stand for the basis of more material developments of the associative form of working, forming formal associations and clusters for enhanced results. ACAD 3 cast light on the fact that in the European Commission's views, social capital can be understood as an immaterial contribution, for example, aspects like trust in the local institution, taking part in LAGs activities and better coordination and cooperation between stakeholders create networks with leveraging potential.

Finally, all respondents agreed that infrastructure, and modernizing schools via whatever programs, not necessarily LEADER or LAGs are a must, together with training for enhancing digital skills, innovation, and technology adoption. CONS 2 mentioned keywords that have to have additional consideration: planning and real development opportunities, similar to ACAD 2 who mentioned that actual context should be addressed and not necessarily trends or other local political desires. Economic and environmental sustainability should be given priority as a manner to protect natural resources, reduce pollution and waste, and take action against climate change. Local authorities play a unique role in providing SMEs with the right environment to act in and create local business and economic development. LAGs in this sense are important working frameworks, according to POL 1.

Zooming out from all the answers and taking a step back to see the greater perspective, a vicious circle can be observed: economic development needs more effort, as there is a lack of education and skills. The level of education and skills in a community is affected when social inclusion suffers, inequalities are perpetuated, and vulnerable groups like the elderly, minorities, and sometimes youth are left behind. For this reason, community engagement, cultural heritage, identity, and finally sustainability are not reaching their full potential, which feeds back into and affects economic development. To address these shortcomings as explained by ACAD 3, more financial resources should become available. It seems that the respondents, regardless of their background were not necessarily fully aware of the academic and professional debate on how efficiency is judged for LAGs and if they are inefficient in terms of cost-benefit, or had another vision. Some views were over simplistic, believing that the amount of money absorbed reflects the success of the project, while other answers were more encouraging in terms of perceived performance. The results of the research were that providing local employment with EU money in rural areas is already

a huge step forward, especially when vulnerable categories are involved. By 2021 LEADER and LAGs created 45,907 new jobs in the EU, out of which in Romania 3,660, representing about 8% of the total jobs created by LAGs. Romania's performance is high and scored better compared to other countries that have a similar number of LAGs. Germany developed 2,173 jobs on 321 LAGs. A similar number of jobs, for instance, was created by its neighboring country Austria, with only 77 LAGs. The best result was achieved by Poland with 12,240 new jobs created.

This approach has merit and reason as the number of employees is a metric for economic development, and as CONS1 argued there is a multiplying effect of firms' desire to grow, and spending can create the right environment for growth. Also, human resources must be available locally and a qualified workforce is an asset that can attract more investments. This serves as the basis for further development, yet, as the Commission already acknowledged, funds are limited for more growth to happen. CONS 2 who is working closely with LAGs considered that job creation has to happen as part of a long-term sustainable strategy. An OECD report supports the findings and results of our research, as it reads: 'The Community Initiative LEADER, for these reasons, encourages the creation of Local Action Groups (LAGs), which are based on a set of relationships that begin from the same resource exploited in order to achieve goals that would not otherwise be reached or would result in higher costs. To this end, social capital becomes a connective resource shared among a multiplicity of stakeholders willing to experience this as a group which can impinge on the governance of rural areas' (OECD, 2013, p. 241).

5. Benefits of LAGs

Based on the insights gathered from the interviews and the consensus around the key pillars identified by all respondents, it is evident that the development of rural communities depends on several fundamental areas. These pillars form the backbone of a strategic approach to rural development, encompassing infrastructure improvement, access to healthcare, economic empowerment, education and skills development, and sustainable agricultural practices. Expanding on these ideas, we can outline a comprehensive plan that addresses the multifaceted needs of rural communities.

5.1. Economic growth and diversification of revenue sources

LAGs have had a significant impact on economic growth and diversification of income sources in rural communities. By financing economic development projects, such as supporting local businesses and promoting traditional products, local GDP has grown significantly. The number of start-ups increased, indicating a favorable climate for business and entrepreneurship in rural communities. Hence, average per capita income increased, reflecting improvements in living conditions and economic opportunities created by LAG-funded projects.

5.2. Health and education

Projects funded by LAGs have generated jobs in rural communities. Infrastructure development, rural tourism, and the wider agricultural sector have created employment opportunities for locals, in primary, secondary, and tertiary sectors, including in areas such as construction, tourism, gastronomy, and agriculture. Ideally, health and education services would support and preserve these jobs by keeping employees healthy and educated.

5.3. Infrastructure development and accessibility

Through their projects, LAGs have contributed to the modernization of road infrastructure in rural communities, thereby increasing the number of kilometers of modernized roads. It has improved accessibility and mobility in rural areas, facilitating the transport of people and goods. LAGs also supported improving access to public transport services so that residents could easily move to urban centers or other areas of interest. Digital connectivity was also a priority and funded projects contributed to expanding internet infrastructure and increasing access to information and communication technologies in rural communities. A better focus should be placed on digitalization in the following years.

5.4. Improving quality of life and access to public services

LAGs had a significant impact on improving the quality of life in rural communities. By financing infrastructure projects such as drinking water and sanitation networks, LAGs improved access to basic services such as clean water and sewage systems, thus improving the health and hygiene of residents. LAGs also supported the development of health and education services in rural areas, thus ensuring access to quality health care and education for children. In addition, by organizing cultural and educational events, LAGs promoted access to local culture and traditions, thus contributing to the enrichment of cultural life in rural communities.

5.5. Preserving and promoting local traditions and cultural heritage

LAGs played a crucial role in preserving and promoting local traditions and cultural heritage. By organizing cultural and traditional events such as local festivals, traditional fairs, and artistic exhibitions, LAGs contributed to the preservation and promotion of traditional crafts, customs, and folklore specific to the area. Community involvement in the preservation of local heritage is an essential indicator of success. Through their projects, the LAGs involved locals in the process of preserving historical monuments, traditions, and crafts, thus ensuring their continuity and transmission to future generations. These initiatives strengthened the local cultural identity and attracted the interest of tourists, thus supporting the local economy and contributing to the sustainable development of rural communities.

6. Concluding remarks and further discussions

This article investigated to what extent LAGs are fit for economic local development or whether their effects relate more to a general and difficult-to-measure public good and immaterial growth. The literature review conducted was inconclusive as scholars took divergent sides and argued that LEADER program and LAGs are economically inefficient for community life, while other scholars consider the 786,139,533.9 Euro funds Romania absorbed stand as a clear proof of economic development. The debate also related to what happened with the money, as costs were rather high, namely 348 million Euro by 2020. Some academics considered a trade-off between job creation and economic growth, as money was invested more into consumption and not in real investments, raising issues of sustainability and management.

Official reports by EU institutions and OECD did not provide a clear conclusion over the cost and benefits relationship and the economic impact of LAGs, as the EU Court of Auditors report mentioned that: ‘insufficient evidence of added value of LEADER approach and, we recommend, that the Commission take urgent steps that it could account for the added value and sound financial management for LEADER’ (EU Court of Auditors, 2022, p. 28) and also that ‘Monitoring should be directed towards indicators of the added value of the LEADER approach, efficiency and effectiveness, rather than implementation’ (EU Court of Auditors, 2022, p. 28). The European Commission did issue a report on LEADER and LAGs, which this study aimed to replicate. The Commission report (2023) argued about the efficiency of LAGs in terms of social capital and added value; however, scholars criticized this report as concepts were not clearly defined and actions and objectives seemed to have different benchmarks.

Overall, the replication of the European Commission’s study led to the conclusion that LAGs are an efficient tool in terms of cost benefits for Romania, both in material and immaterial ways. LAGs are definitely not meant to address all problems, yet, they try to cover current issues and provide solutions adapted to the local context partially with EU funds. Especially, in the case of Romania offering jobs to people is a way to limit brain drain and improve rural life quality. LAGs are drivers of development that contribute to civic involvement, employment, and local development via public-private partnerships. Improvements can be made as it seems that Poland, Spain, and Austria perform better in terms of job creation and absorption of funds for a comparable number of LAGs. The operative costs as well as the assignment-implementation-monitoring process costs should be kept under attentive monitoring. While LAGs fit into the purpose of the European Union and international agenda, such as the Common Agriculture Policy and Sustainable Development Goals, more practicality in terms of business, innovation, and sustainability is needed.

Also, a further recommendation of this study is to consider developing the following aspects:

- a. Cost-Benefit Analysis (CBA): The LAGs should carry out cost-benefit analyses for their projects, assessing costs and benefits in financial terms and non-financial terms

using established standards like The International Sustainability Standards Board (ISSB) or Integrated Reporting (IR), for example. This includes estimating implementation costs, including human and material resources, and comparing them with predictable benefits such as economic growth, job creation, and improvement of local infrastructure and value to stakeholders.

- b. Environmental and Community Impact Assessment: LAG projects have to be assessed in regard to their impacts on the environment and the local community. This will therefore involve analyzing the impacts on natural resources, biodiversity, and the quality of life of the inhabitants. For example, it should be analyzed how environmental projects have a positive impact by reducing pollution and preserving natural areas and how these costs relate and integrate into the system, in a holistic manner.
- c. Beneficiary Satisfaction Surveys: LAGs should carry out satisfaction surveys of beneficiaries to assess community satisfaction with implemented projects. This will allow LAGs to obtain direct feedback from beneficiaries and make adjustments in future projects according to the needs and requirements of the community. The European Commission introduced for its 2021–2027² framework new features, like joint calls from within Member States, a split between the management and control of the fund, when there is a lead fund, and rules applied to individual projects.

Looking ahead, the role of LAGs in promoting sustainable and equitable development in rural areas is essential. In order to continue this positive contribution, LAGs should explore new development directions and strengthen existing collaborations. Some future perspectives and development directions include:

- Innovation and technology: LAGs should focus on promoting innovation and technology in rural communities. The deployment of technological solutions can stimulate economic development increase access to services in remote areas, and serve also as a basis of development.
- Development of sustainable tourism: Rural tourism and ecotourism can be promising development directions. Promoting the region’s natural, cultural, and traditional attractions can attract tourists and generate income for communities.
- Education and continuous training: Investing in continuing education and training can enhance residents’ skills prepare the local workforce for new labor market opportunities, and mature the labor environment. The continuing education programs should cover areas such as information technology, sustainable agriculture and business management, and also human resources management.
- International collaboration: Working with organizations and LAGs from other regions and countries can facilitate the exchange of best practices and experience. Through international collaborations, LAGs can benefit from international expertise and access European funds for joint projects and more business.

2 The budget for Common Agricultural Policy is 95.5 bn Euro, out of which 5% at least goes to LAGs.

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