

Is the LEADER Initiative a Real Contribution to Rural Development in Underdevelopment Areas in Europe?

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Abstract: The LEADER Community Initiative is a public programme that adopt on a local initiative approach, targeting rural areas as their field of intervention. The aim of this study is to provide elements for discussion regarding the applicability of such strategies for rural areas, which lag far behind European levels and to gauge the true bearing they have on the diversification of activities. The area chosen for the research is an Autonomous Region located in the Northwest of Spain: Galicia, which is a region which is considerably underdeveloped as compared with general European levels and where agriculture continues to play an important social and economic role. The two first phases of LEADER were applied in Galicia over the period 1991-1999, involving a total of 2,335 projects spread out over 13 different boroughs. In this study we carry out an assessment of the territorial effects produced by this Initiative, based on an analysis of the projects implemented and in the evolution of the main economic and demographic variables in these boroughs.

Key words: LEADER, Rural Development, Diversification of Activities, Agricultural Change

INTRODUCTION

Established in 1991, the LEADER Initiative [1, 2] represented a first venture by the European Commission into a participatory “bottom-up” approach to rural development [3], which meant a new approach to the question of the rural development in Europe: According to this perspective, the development of rural areas ‘has to’ be based on the optimal utilization of local resources through the participation of the local population and *via* the promotion of private initiatives with a bottom-up, integrated, multisectorial approach based on innovation [4]. In practice, a bottom-up approach rules out across-the-board solutions because each area has its own set of resources, problems, needs, experiences and other factors which must be taken into account when undertaking any kind of action plan.

One of the main points of debate concerning this kind of approach applied is whether it is suitable for all rural areas across Europe [5, 6]. This approach initially grew up in rural areas with a relatively high population density, modern, capitalised farms and a dense rural network with a high *per capita* income. However, this situation cannot be applied across the board to the whole of the E.U., particularly to rural areas in the South whose situation is very different.

The study area chosen for the research, Galicia, is an Autonomous Region in Northwest of Spain. Galicia is very much in line with the situation before described, *i.e.* an area which is considerably underdeveloped as compared with general European levels and where agriculture continues to play an important social and economic role [7], to which end the authors believe that

an analysis of the way these public programmes are applied will help raise a series of interesting points to contribute to the on-going debate.

MATERIALS AND METHODS

The point of departure for this work was a territorial analysis, in order to define the main socio-economic characteristics of the Galician LEADER areas, which implied a total of 13 boroughs, comprising a space of 13 thousand km² and a population of 418 thousand people. In this part we used mainly statistical data: Census of Agriculture and Census of Population [8, 9].

After that, we carry out an analysis of the records of execution of each LEADER Group in Galicia. The information gathered in these records allowed us to create a database with the following information for each of the 2,335 projects: Volume and source of investment, intervention mode of funding of the project, responsible promoter, productive character, productive sector and finally, in the case of business projects, it was also included the estimates of number of projected jobs.

The aim was to obtain on the basis of the big figures of execution and of the type of situations found in the territories, an approximation to the actual potentiality of these territories.

LEADER and Farm Adjustment in GALICIA: The demographic and economic situation of the Galician LEADER Groups is not homogenous, but in general we can say that these groups are located in areas with a higher level of backwardness: boroughs which show a

loss of population and which have, besides, important education deficiencies, high levels of ageing and a still important agrarian population [10].

The implementation of the LEADER Initiative took up funds in excess of 142 million Euros (Table 1), including not only the public funds earmarked for this purpose but also private funding provided by a range of local partners. It is worth pointing out that the LEADER II Initiative has improved as far as capital input provided by the private sector is concerned reaching levels in excess of those achieved for the first phase of the Programme [11].

These data show that the funds available for either phases fall short of settling the problems that they were supposed to be designed to address. The available funds are an indication of the way in which this kind of programme will not be able to solve the problems faced by rural areas in Galicia. Even a preliminary overview of such areas provides a good idea of the scale and complexity of the problems they face, i.e. depopulation, aging of the population, a low birth-rate, differences between coastal and inland areas, economic and social marginality, large-scale deficiencies in infrastructures, low level of qualifications, a lack of productive sectors which offer alternatives to the primary sector, the break-up of the traditional farming-based society, etc. Other areas also classified as Objective 1 located in the South of Europe also share these problems.

We shall begin by analysing the effects that this Initiative has had on the diversification of activities in these rural areas. It is a well-known fact that over recent decades farming has been undergoing an upheaval due, in part, to the need to bring farms in line with the European context. Amongst other effects, this process has led to a sharp drop in the total number of farms, in turn leading to a sharp fall in jobs in agriculture and this phenomenon has an inevitable knock-on effect on the areas dealt with here. In fact, it is fair to say that the areas studied are badly affected by this on-going process. The previous territorial study enabled us to define most of the areas covered as rural areas where the agricultural sector continues to play a key role, the following data should serve to illustrate this fact: 44% of the population was involved in the agricultural sector in 1991 in affected boroughs, rising to 50% for 5 boroughs; in 2001 the average was 22% [8].

The fact that the Censuses of Agriculture recorded a 41% drop in the number of beef farms in the overall Galician territory between 1989 and 1999 [9], in turn leading to a 45.9% in the number of people employed on family farms, gives an idea of just how far-reaching of this process has been.

What bearing has this process had on rural areas? Has it led to a diversification of the economy in these areas or has it simply meant the loss of jobs and active population? It remains clear that an analysis of the demographic evolution for these areas is far from optimistic, all studied variables show negative results: A comparison between Population censuses 1991 and 2001 reveals sharp falls in the population for all of the areas, increase in the proportion of older population and falls in the activity rates.

In accordance with the previously mentioned source, in the areas of study this process implied the closure of 25,815 farms in ten years [9]. Did these Programmes in any way help to correct this situation? A reply to this question would require a more in-depth study than that carried out to date, including fieldwork in the affected areas. However, an analysis of the impact they have had on job creation does allow for a certain number of conclusions to be drawn.

According to the figures provided by the Galician Agency for Rural Development (AGADER), the number of jobs created by the Programmes increased by 414 for LEADER II, while estimates for long-term jobs was in the order of 221. In the case of the LEADER I Pérez Fra [11] has estimated that the long-term jobs was 224. Everything would seem to indicate that the impact these Programmes had on job creation falls very short of making any significant contribution to solving the problems faced by these areas.

A comparison of the figures of population employed by sectors from the 1991 and 2001 Census, allows us to approach to the existence of economic diversification in global terms in these areas. Table 2 confirms the before mentioned sharp fall of agrarian employment: according to the 2001 Census the number of people working in the agriculture sector is, in this areas, the 52.7% of the level in 1991. But the figures also show the existence of an increase of employment in the other two sectors, specially in the tertiary sector: thus, the number of workers in the secondary sector increases with respect to the figures in the 1991 Census in a 9.5% and the tertiary sector in a 36.5%.

Unfortunately, the creation of employment in the secondary and tertiary sector is less than the number of jobs destroyed in the primary sector. It seems thus clear that, independently of the existence of a LEADER programme, the areas with a higher level of backwardness the fall of agrarian employment is balanced with the passing of population from active to inactive population or with the people in working age leaving the region.

RESULTS OF THE LEADER IN GALICIA

The short funds provided for the LEADER Initiative is a first explanation of these negative results in terms of employment. But, there are more elements that merit further discussion. We shall begin by analysing two investment ratios: The proportion of public funds over private funds and the amount of local capital.

Table 3 reveals a low proportion of private funds: one euro of public capital got 0.72 euros of private investments in the LEADER II. Although, it is noteworthy the improvement of this ratio respect Initiative results for the first phase.

Ratio of Outside Capital also experiment an improvement with respect to the earlier phase of the programme. It is important to highlight that the local capital is not only private capital, since the Local Governments had an important roll in the execution of LEADER Initiative.

Table 1: Total Funding and Sources

	Total funding (millions)	European union (%)	State Admin. (%)	Private sector (%)	No. of projects (%)
LEADER I	18.6	38.0	26.3	35.7	325
LEADER II	123.9	38.2	19.8	42.0	2,010

Source: The authors based on data provided by AGADER

In order to provide a clear overview of the situation, we shall now go on to analyse two variables, which we found to be relevant, *i.e.* whether of the projects carried out were business-oriented and the type of partners involved.

Not all project carried out were geared towards the production sector: Thus, only a fraction of the total number of projects carried out were aimed at either creating, expanding and/or improving some kind of productive unit. This situation changes, however, when we turn to look at the amounts invested (Table 4).

The partners involved in the projects is other key-point which should be analysed. Four different groups were set up in order to determine them, namely:

- * **Public Bodies:** This group includes any project promoted by a public body. Table 5 shows that the presence of such partners was very high. Barring a few exceptions, the bodies involved were practically all local public administrations;
- * **Private Entities:** Including individuals and other private bodies. Together with the previous group, this group accounted for the bulk for the projects carried out, it was also responsible for most of the funding;
- * **Non-profit Making Organisations:** Avery mixed group, by and large made up of small, local associations involved in small-scale cultural or social projects, which explains why this group is so underrepresented regarding capital input;
- * **Local Action Groups (LAG):** They are a combination of public and private partners who devise a common strategy and innovative actions for the development of a rural area, they generally decide the direction and content of the rural innovation programme; they make decisions on the different actions to be financed and, in certain cases, they directly implement these decisions. Herein we include all of the projects carried out under the auspices of a LAG itself. Despite the apparently strikingly high level of participation of LAGs in LEADER II projects, it should be pointed out the figures referring to the number of projects implemented are magnified by the activities of one of the groups involved where the LAG played an active role in promoting small-scale training projects. Nevertheless, the actual figures for capital investment are substantially lower.

We shall now go on to provide a more detailed analysis of the types of projects carried out. We shall begin by analysing the way the different Measures were spread out before going on to deal with the business-oriented projects, examining the way they were distributed over the different sectors.

Figure 1 reveals how the projects were concentrated in the tourism sub sector. The central areas of interest focused were as follows:

- Measure 1, Technical assistance for rural development;
- Measure 2, Training and contract assistance;
- Measure 3, Rural Tourism;
- Measure 4, Small and medium-scale companies;
- Measure 5, Developing and marketing agricultural products;
- Measure 6, Environmental enhancement and improvement;

Measure 3 accounted for 35.3% of the overall funding. Although on the whole Measures involved the tourist sub sector accounted for most of the available funding, it was not this particular Measure that involved the highest rate of investment per project. In fact, for both programmes, projects providing backing for small-scale companies showed the highest rate of investment per project.

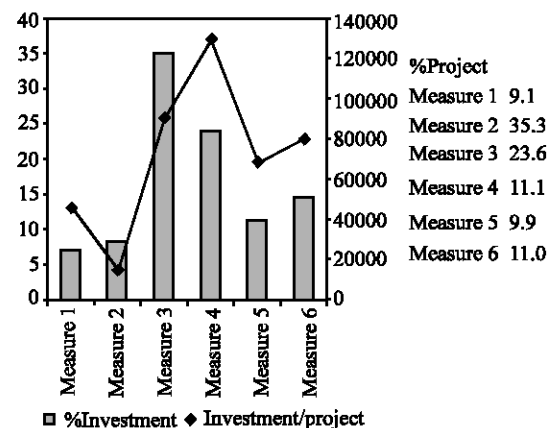


Fig. 1: Distribution for Measures

Source: The authors based on data provided by AGADER

Table 2: Evolution of the Occupation by Economic Sectors in the Galician LEADER Areas

	Primary sector	Secondary sector	Tertiary sector
1991	69,193	39,650	42,292
2001	32,702	43,449	57,710
Variation	-36,491	3,799	15,418

Source: Population Censuses 1991 and 2001

Table 3: Breakdown of Capital In-put Sources

	Ratio of private/public Capital	Ratio of outside capital *
LEADER I	0.55	0.64
LEADER II	0.72	0.87

*Local capital is the sum of the capital provided by local partners plus that provided by Local Government. Outside capital input is calculated by adding E.U. funding to the capital provided by the State and Galician Governments.

Source: The authors based on data provided by AGADER

Table 4: Relative Weight of Business-oriented Projects

	No. of projects (%)	Investment (%)
LEADER I	37.3	66.9
LEADER II	25.5	57.6

Source: The authors based on data provided by AGADER

Table 5: Types of Partners Involved

	LEADER I		LEADER II	
	Projects (%)	Investments (%)	Projects (%)	Investments (%)
Public Bodies	21.2	17.8	26.2	21.1
Private Bodies	35.7	53.8	28.3	59.3
Non-profit making Organisations	29.9	17.5	13.4	8.5
LAGs*	13.2	10.9	32.2	11.7

*This Table does not include any activities designed exclusively to provide funds to cover the running costs for the LAGs.

Source: The authors based on data provided by AGADER

The situation described can be accounted for by analysing the way the different types of partners are spread out over the different Measures. In fact, it is fair to say that there was a marked concentration of certain partners in certain Measures. Public bodies were primarily involved with projects geared to improving the environment and heritage, improving small-scale public amenities and involving the creating of tourism-oriented infrastructures.

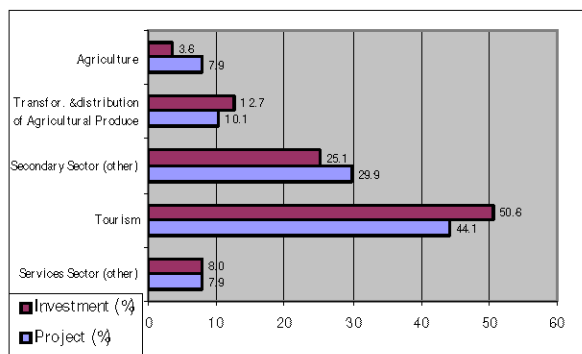


Fig. 2: Sectorial Classification of the LEADER I and II Business-oriented Projects

Source: The authors based on data provided by AGADER

On the other hand, contrary to what this initial spread of the different Measures might suggest, private partners were primarily interested in setting up and improving business-oriented initiatives, although not exclusively centred on the tourism sub sector, with considerable investment in other sectors.

In the same vein, the figures yielded by the analysis of the relative weight of each kind of partner with each Measure are particularly interesting. This analysis shows that private initiative clearly led the way as far as Measures designed to provide support for business ventures were concerned, more than the 94% of projects. However, the situation is somewhat different when we turn to look at the Measures designed to back tourism, where both public administration and non-profit making organisations played a leading role.

We shall now go on to analyse the business-oriented projects which not only accounted for a significant part of Initiative, but also had a more immediate impact on the area in question, at least in terms of job creation.

Figure 2 indicates the important role which tourism continued to play, although it is not actually as high as the Measure-based analysis would tend to suggest. We believe that this fact demonstrates that the vested interests of the private sector are only partly to blame for this sectorial bias detected in the Programmes which can be largely explained by the behaviour of the public sector.

CONCLUSION

To sum up, the following conclusions can be drawn from our analysis:

- * The application of LEADER was without doubt a take over fact, but not due to the volume of funds or their impact in the involved rural areas, but because of the innovative side of their approach: It constitutes a new way of intervention which gives the rural communities a manoeuvre margin, until now unheard of.
- * We could verify that the areas involved in the management of one of these programs show backwardness levels in the analysis indicators, with respect to the average in Galicia. This situation will get worse due to the great impact of the agrarian adjustment process. An analysis of the capital provided by each of the different groups involved clearly stands to highlight the chasm which exists between the stated aims on the one hand and the means made available to achieve them on the other. The shortage of the funds available seriously stunted the true potential impact that these programmes could have had which could never be capable of providing an overall solution to the problems of underdevelopment faced by the areas in question.
- * A large part of the funds and projects are concentrated in the tourism sub sector, although this concentration must be contextualised by referring to the level of private initiative investment. The vested interests of the private sector are only partly to blame for this sectorial bias detected in the Programmes, which can largely be explained by the behaviour of the public sector.
- * The comparison of projected employment figures with the reduction of agrarian employment in the last decade does not leave any doubt: these programmes are far from being a solution for the problems that these areas have to face. The contribution of these programs to the diversification of their economy is extremely modest. Once again, it is evident the difference between the purpose of the programmes: development of rural areas through the diversification of their economies and funds to gain this aim.

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