

# **What is the Development Strategy for Rural Development in South Europe: The Experience of European Union LEADER I Initiative**

**By**

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Presented to the  
XVII Congress of the European Society for Rural Sociology

**WG - 12: Tourism, Agriculture and the Countryside**

Chania, August 1997

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### **1. The CAP reform and its perspectives**

Forty years have passed since the establishment of the European Community and its Common Agricultural Policy (CAP). The member states have more than doubled since to reach fifteen in 1997, but CAP remains the single common policy of the European Union, still in effect.

The CAP, under the pressure of the important evolution taking place in the European agricultural sector coupled with the GATT negotiations, has come across a series of changes during the last fifteen years concerning both the level of its practices as well as its goals, which resulted by the reform of 1992.

A major characteristic of the reform was to introduce the idea of rural integrated development. The 1992 reform was also fundamental in realigning the CAP strategy towards ecological awareness and environmental protection, while at the same time attempts were made to deal with the problem of depopulation and the concerns expressed about the social fabric of rural areas. Encouraging alternative functions of the countryside and improving their infrastructures were seen as key factors for the revitalisation of the rural economy (Commission of EC, 1996).

The structural policy of the Community took its present form following the reform of its structural funds in 1988. The reform introduced an important innovation which refers to the capability of the Commission to take the initiative of proposals in the member states known as Community Initiatives (CIs).

According to their goals the CIs are divided into:

- The C.I.s of regional character,
- The C.I.s of agricultural character,
- The C.I.s of social character.

During the period 1989-1993, they were a total of twelve and focused on five subjects:

- Co-operation and networks among regions, borders and countries,
- Rural development,
- Areas especially distant from the center,
- Employment and development of labor force,
- Management of industrial changes.

In the framework on the Green Book deliberations, the Commission added two more subjects:

- Development of urban districts that are facing particular problems,

- Re-organization of the fishery sector.

Concerning the topic of rural development, in 1991 the Commission action focused on the adoption and implementation of the CI LEADER I.

The topic of rural development is of great significance for the European countries as it is for many other countries, one of the reasons the confrontation with the search of an identity. The main challenge is found in the need for modernizing rural areas, because even though agriculture still remains a central factor in these areas it is not the only one factor anymore. The differentiation of activities in the countryside is the main result of its development. As a result, rural development is not a branch of the rural or social policy. On the contrary, it must be considered as a policy that is built on a basis of novelty, equal opportunities and an integrated approach. It is a new policy that will benefit all rural areas and the local population must be closely involved. Improving competitiveness and viability of rural areas take precedence Apart from limited economic interests, cultural and ecological resources must be included, by incorporating human ingenuity on topics concerning development and economic variety.

The mobilization of the LEADER Initiative able to create value added, employment and new solutions adapted to its own framework follows this direction, as it promotes the dynamics of modernization for the survival of rural areas.

LEADER I (Steichen, Reni, 1994) was developed as a "model" program intended to display the validity of an approach of rural development based on local integrated development initiatives bringing together all the interested parties (members) to a specific area. Encouraged also experimentation with innovative approaches that were based on the development of endogenous resources and on the participation of local businesses and local population targeted at the promotion of the business spirit and the local reaction towards degradation.

The LEADER I Initiative, for which 400 million Ecu were spent, aimed at showing the importance of direct support of collective rural development initiatives which the same local communities take charge of. Its innovative character lies on the chosen methodological approach that is based on:

- programming and management by the local agencies,
- taking advantage of the endogenous capacities,
- the completion of projects and the displaying character that is attained with the networking of local groups that are part of the program.

The program provided assistance to the Regional/Local Action Groups (LAG) which are groups of public or/and private parties that plan, in common, a strategy and implement measures for the development of a certain rural area. In every member-state, an intermediate organization was granted a subsidy from the three European structural funds and was responsible to channel the support towards several Local Action Groups (LAG), whose identity and program were defined by the Commission. According to the Commission (Commission of EC, 1995) the basic characteristics of the LEADER I Initiative are given below:

- The LEADER zones are homogeneous and of a limited size.
- In these zones, the LEADER program is based on the active participation of the local population, businesses, unions and other collective bodies. The LEADER Initiative is based on the local initiative, and the ability of the local economic agencies and local population to take joint action in creating a development plan that will suit the zone in question.

- The motivation and encouragement of local agencies, and the provision of technical assistance and training are a preface for the specification of these actions, which will lead to initiatives and innovations that will have continuous results.
- The LEADER plan has been developed and encouraged by a Local Action Group (LAG) that brings together partners of local development such as private and public agencies, businesses and their unions.
- Every LAG plans and implements a development strategy adapted to the characteristics of the area, in the framework of a multi-sector approach.
- This development strategy is laid down in a business plan; its contents are the subject of the LEADER agreement between LAG and the national responsible body for the management of the program.
- Finally, a European network, that gathers all the LEADER business plans, is responsible to facilitate the exchange and transfer of experience among the rural population of the Community.

The implementation of LEADER I, was undoubtedly a great success, showing in fact that it corresponded effectively to a expectations of the rural world (Commission of EC, 1993). More that 500 LAG submitted proposals from which a number of 217 were chosen to implement their program. LEADER I, success led the Community to decide its continuation adopting LEADER II, right after the end of the three years period of implementation of LEADER I.

## **2. From LEADER I to LEADER II**

LEADER II was not adopted simply as a natural continuation of LEADER I. It was rather its supplement and extension with the addition of new characteristics such as innovation, capability and transferability of its actions. Thus, the suggested actions in the framework of LEADER II must be innovative, transferable and be of displaying character. This also implies the display of coherence and novelty in relation to the mechanism of rural development under the Community Support Framework (CSF). Finally, the rural innovative programs must be accessible not only to LAG, as in LEADER I, but also to other collective bodies, based in rural areas and involved in innovation and technology transfer actions in the framework of local development approach.

The new program supported the abilities of the local population and its representatives in order the poorest rural areas to be able to plan and implement strategies of local integrated development.

Rural areas in different member-states are offered, by LEADER II, the possibility to plan, in common and implement european co-operation programs together with other participants in the European Network of Rural Development (ENRD). A variety of organizations and bodies involved in rural development can also participate in the European Network of Rural Development. The activities of the network have been expanded. There is a decentralization of all the initiatives' procedures with the exception of those that are related to the network. As a result, the main decisions of management and the related actions are taken at regional and local level.

Innovation is a basic concept of LEADER II. The partners participate in this program should ensure the innovative character of the actions to be supported. Innovation in the framework of LEADER II means (Vuarin P, Rodriquez M., 1994):

- Implementation of something that does not exist in a region, or the sector,

- Establish something new that is not done by others (mainly in the sector of other programs that are subsidized by national or European agencies),
- to organize things and manage them in a way that ensures a stable structure and continuation in the relevant environment, which will also take into consideration the social infrastructure, the employment and the environment.

LEADER II goals are (Anonymous, 1992):

- To ensure the continuity of LEADER I, supporting model rural development initiatives,
- To support innovative actions with demonstrative and transferable characteristics, that point to new directions for rural development,
- To multiply the exchange of experience and the transfer of know-how, through a European Network of Rural Development,
- To support programs of inter-country co-operation countries originated from local bodies of rural areas.

### 3. Representation of the LEADER I program

LEADER I referred to 217 rural regions which the majority of them in Southern Europe of approximately 11,5 million people, where 217 LAGs were assigned to accomplish 217 local programs that they had totally planned by themselves (Anonymous, 1992).

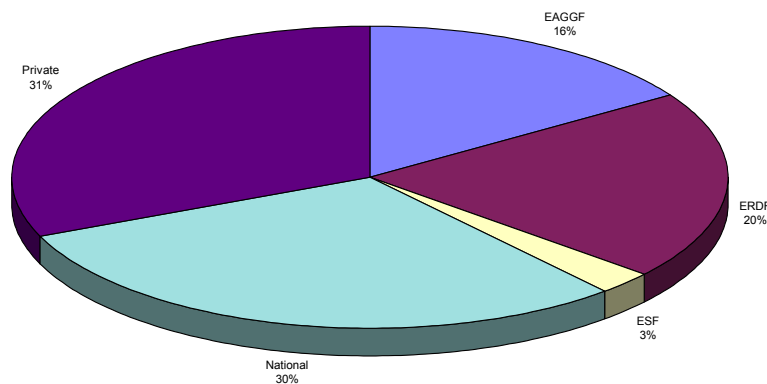
#### The areas covered

LEADER I, areas referred to 364.000 km<sup>2</sup>, of approximately 11,5 million people, which means that the area covered is sparsely populated. The geographical conditions in these areas were quite difficult while the majority of them were related to Southern Europe.

#### The profile of the programs

The total budget of LEADER I was 1155 millions Ecu, 39% of which were funded by the EEC budget, 31% by the member-states and 30% was the own contribution of the economic agencies.

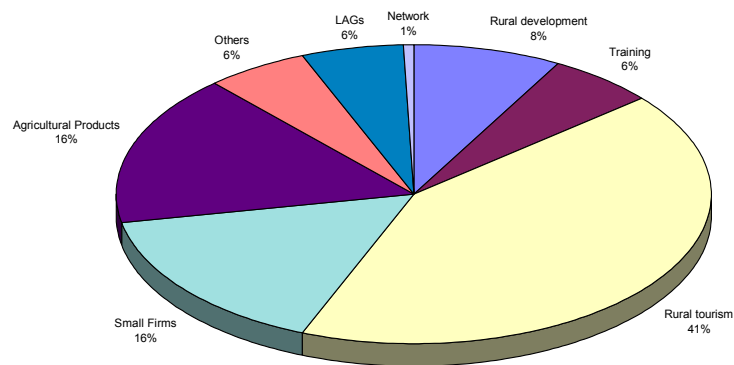
**FIGURE 1: LEADER I - FINANCEMENT BY SOURCE OF FUNDS**



Source: Commission des Communautés Européennes, 1991A: "Initiatives Communautaires: Panorama LEADER", Luxembourg: O.P.O.C.E.

As it regards the financemnt by measure, the dominating measure was that of rural tourism which attracted up to 41% of the total finance, followed by the measures concerning Small and Medium Enterprises and the manufacturing and processing of agricultural products, each of which came up to 16% of the total finance.

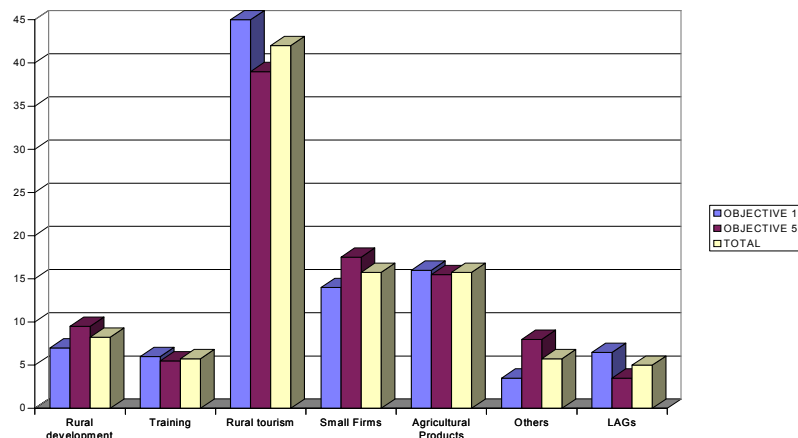
**FIGURE 2: LEADER I - FINANCEMENT BY MEASURE**



Source: Commission des Communauts Europeenes, 1991A: "Initiatives Communautaires: Panorama LEADER", Luxembourg: O.P.O.C.E.

The comparison of local programs of the 1st Objective (Less developed regions) and Objective 5b ("Sensitive" rural areas) shows that the first regions allocated a large amount of their budget on tourism, a larger amount on training and an even larger amount on the operation of LAGs (Anonymous, 1992). In the second of the regions mentioned, significant allocation of funds put on technical assistance, support for SMEs and the category of "other measures" which indicates a greater variety in activities.

**FIGURE 3: LEADER I - CATEGORIES OF MEASURES BY OBJECTIVE**

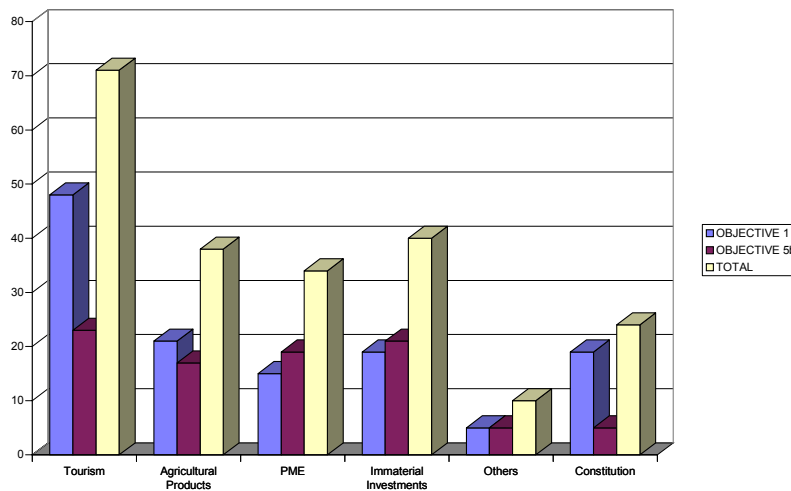


Source: Anonymous, 1992: “A first illustration of LEADER Program” LEADER MAGAZINE No2, 1992.

This differentiation between the two categories of the regions was expected since in the regions concerning the 1st objective, agriculture is the dominating factor of the economy and the society and since tourism seems to be the most accessible "passage" to diversity, through which the development of local resources is attempted. Whereas in the regions of objective 5b, which present greater economic diversity, emphasis is mostly given to SMEs, as well as to the technical assistance which is necessary for the success of every type of development activities.

By further examining the allocation of the budget among the various measures, a differentiation among the groups is observed as far as their orientation is concerned. Tourism is the dominant orientation, followed by the Small and Medium Enterprise (SMEs) involved in development of local products. The most important efforts taken in training of the labor force are mainly associated with SMEs and the development of agricultural products.

**FIGURE 4: LEADER I - DISTRIBUTION OF LAGs BY ORIENTATION**



Source: Anonymous, 1992: “A first illustration of LEADER Program” LEADER MAGAZINE No2, 1992.

From a number of 217 local LEADER I programs, 71 of them have allocated more than 50% of their expenditures on tourism. It was the most numerous among the various categories especially in the regions concerning the 1st Objective and in certain countries such as Greece, Spain and Portugal. In Italy and France this orientation is represented by a smaller amount.

#### 4. Rural Tourism and LEADER I

From the data presented in the previous paragraphs it has been established that tourism is the most important action under the LEADER I Initiative. This choice has been attributed, among others, to a series of characteristics that are attributed to rural tourism. These advantages, in many cases, make rural tourism known as a pivot of local development (Calatrava Requena J., Ruiz Aviles P., 1993).

In fact, rural tourism, with its triple function as to generate income and employment, to maintain and develop the existing infrastructure, and its stimulation

of exchange and collaboration between rural and urban environment, plays an important role in the development process of the most disadvantaged areas. Not to mention its significant multiplying results on direct investments. As a consequence of this, since the 1950's in many countries of Northern and Central Europe and the 1970's in the countries of the South, rural tourism was considered as a strategy for the future.

The actions supported in the tourism sector and funded by LEADER vary, but they can be placed in the framework of certain directions (Anonymous, 1993):

Diagnosis of the situation

These actions referred to the evaluation of the development potential of the area, the organization of a list of local resources, the analysis of the existing or/and possible supply of services and the marketing planning.

Development of cultural or natural heritage

They referred to actions of the arrangement of caves, restoration of towers, villages and the arrangement of the area.

Improvement of equipment and infrastructure

They referred to the arrangement of lakes, and the construction of roads.

Support of private and public tourist investments

They referred to actions concerning renovation of lodgings and the development of infrastructure on farms.

Organization of tourist communication and information

They are associated with the definition of marketing strategies the creation of information centers, the printing of publication and leaflets with information and the creation of activities to acquaint visitors with the area so as to attract new visitors.

Management of local tourist supply

These actions aim at the normalization of supply by distributing catalogues of quality characteristics, organizing speeches and new services and by creating booking centers so as to facilitate and match the demand.

Planning of tours, passages, routes, development of special product

These actions, among other things, include hunting, water sports, canoe-cayack, etc.

Training of certain types of tour operators

This training initiative concerns hotel owners, farmers, employees, tourist institutions, development agencies, the heads of associations.

In conclusion, the analysis of the economic figures of LEADER I (Anonymous, 1993) showed that the range of finance spent on rural tourism, as a percentage of the business plan, varies from 3-95%. Six LAGs out of 217 spent more than 80% of their budget on agrotourism, whereas, on the other hand twenty six groups spent less than 20%. This percentage was greater for the regions of the 1st Objective (45%) rather than for the areas of Objective 5b (39%) and showed intense diversity among the member-states. In particular, it topped 50% in Belgium, Germany, Spain and Portugal and was less than 35% in Italy, Denmark and Holland. Tourism with its obvious contribution in the economy and its divergence in activities represents a powerful force of development for the rural areas of Europe.

However, it should not be overlooked that LEADER is not a program of tourist development, but a program of rural development at a local level. The investment in tourism, in the framework of LEADER, must be seen as a pivot of development of activities that originate from other sectors. Because rural tourism alone does not provide a therapy, nor does it provide the final solution to the problems of social marginalization of several rural areas. Tourism must be promoted as an



activity that is balanced by others in an integrated model of rural development. As a result, one of LAG goals, among others, is the development of quality tourism, which creates employment and generates activities for the local population and that is part of an integrated program of rural development of the area respecting at the same time the natural and cultural environment.

## 5. Epilogue

Even though the new directions followed the last reform of the structural policy of 1988, as well as with the CAP reform in 1992 seem to tend toward the good direction, the past experience shows that there is no ready-made solution yet. The solutions are connected to specific places and to very specific conditions each time.

The nature and the extent of the rural needs encourage a significant reform related to the priorities of expenditure and with the hope that they will lead to more specific goals, as well as to more emphasis on the involvement of the rural population in its own development.

Nowdays, an increased consciousness of the importance of rural areas and a political will to ensure the way of living in these areas is evident throughout Europe. The unequal development at a sub-regional level induces increased concern and calls for action to be undertaken by the Community, through initiatives, which will necessarily support effective institutions, that will be able to receive subsidies and to act in a legal framework at a sub-regional level.

LEADER seems to be the best mean for the solution of the common problems of European rural areas. By utilizing the combined action of the structural funds we will shortly ascertain the great progress in the rebirth of rural communities.

Dispite that the capability to create jobs and stimulate employment in rural areas is important, altought that also implies the implementation of basic development conditions. Without modern infrastructure businesses are not expected to invest, tourism will not be "attractive" and because of unemployment urbanism will follow. So, that which should be pursued is an integrated policy that will consider all the aspects of rural development, starting from the field all the way to Internet.

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