

## Financing of the rural country through the institute “LOCAL ACTION GROUP”

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### Abstract

The paper in brief explains the process of creating the local action group (LAG). Its entity is one of the suppositions to achieve a development of rural country. As it is well known, the local budgets alone are not able to initiate sustainable development, because their sources are low and can't implement innovation. A big chance for those regions is to form the partnership and cooperation between all actors and postprocess local action group (LAG). Its role consists in liability for preparing, managing, implementing, controlling strategy for territory. The strategy pointed on territorial conditions is important part of this whole process. There is possibility to get some finances for implementing the strategy and for function of the LAG from Programme of developing rural areas SR for years 2007 – 2013, according to axle 4 of approach Leader.

**Key words:** Leader, development, financing, local action group (LAG), multiple effect, rural country

### 1 Introduction

The Slovak republic is a country with many rural territories. Economical and social situation in those areas is quite difficult, because there is a high unemployment rate, a few possibilities to work, low capital ratio, and wrong condition of technical infrastructure. Citizens are not satisfied with their lives and young people depart from their homes and so the demography grows worse, and economical processes develop in negative movements. But the aim of a new European policy is to reach sustainable development of rural communities. Therefore the aim of these communities should be to apply a new approach for planning, managing and financing local activities. It is necessary to use methods, which are efficiently able to exploit a local assignments for getting a multiple and desired effects on community. The approach Leader we consider for very adequate possibility to reach local defined needs. Constituent of this method is creating a local action group (LAG), which is pointed on making integrated strategies which reflects on local needs and drifts. The charge for planning, managing, realizing, financing, monitoring and controlling of local integrated strategy is up to created local action group. The whole process is complicated, but has a lot of advantages. The local action group has juridical form and can be a successful applicant for finances from a new Programme of developing rural areas SR for years 2007 – 2013, according to axle 4 of approach Leader. The opposite site of this is that although the local action group will not be successful applicant, there is a chance to generate other sources to finance local needs and the method also means a new way of thinking and managing.

## 2 Characteristic of the method Leader

Method Leader was created with initiative of European Commission at the beginning of 90's as a project for supporting of developing activities, which are programmed and then realized on local level. This name can be translated as a „Partnership for economic development of rural communities”. [1]

The only republic from the new member states acceded in 2004, which can't utilize finances from Leader plus is Slovak republic. The reason of this situation consists in replacing offered finances to different Operational programs by government SR in the year 2003.

Therefore there are low experiences with making strategies at local level and also in creating local partnerships. Even though in implementation of technical support Sapard had some experts of 11 territories opportunity to exam building local partnership and strategies in Slovakia.

Leader approach is one of the chances for rural areas to achieve a socio – economical development of chosen territories. It is based on coincidence of the investing and decisions, also expects achievement in many parts of local life. It supposes arising of managing and programming abilities of local people and building of community society in rural areas. The most important approach in this method is partnership and cooperation between many institutions from different sectors. It means that it is tripartite of sector of self - government, then private sector and the third sector. The main characteristic of this attitude is to find and to denote priority in solving local problems. This partnership is on level of making decisions about the priorities of community, about planning and together – deciding of the local action group. Local action group also imports in allocation of finances, liability for implementation of together preparing development strategies of the country.

The method Leader is pointed on the local actors in area, where dominates approach “from below - above “. So it means, that Leader provides room for all networks to work together by taking account of the needs coming from the ground. The allowance of local people to be a participant on this complicated process can be the advantage for regional development.

Territorial or regional principle belongs to the next characters of the method Leader which accompanies formulation of the strategies of local development, then innovation and integrated access solutions and at the same time creating of networks and cooperation between the territories.

### 2.1 Building the territory

Process of the building territory includes developing the strategic plan, implementing the strategy in territory, professional management, developing competitiveness.

For the first there is very important part to make strategy for the territory, which reflects on the regional sources. This document is preparing in cooperation with the local people and must be structured by the agreed strategic priorities.

According to this the LAG is an important complement in this strategy, in terms of providing a link to a larger region, and for the partnership. However there also needs to be an appreciation of the differences between administrations and their ability to understand the Leader method, which because of its relatively small size can be overlooked. Likewise, areas should not be too big that people have no sense of belonging, although they need to be big enough to have the necessary critical mass. Implementing the strategic plan also requires a

structured partnership which should work to disseminate information at ‘local level’ and to support the project holders.

After that the strategy must be implemented. For implementing that strategic plan in territory, there must be adopted selection criteria for choosing the projects out of consideration of agreed priorities of area. The crucial factors in implementing of the strategy are the decentralised working thematic groups and a good animation.

Success is dependent on professional management of the LAG and this means having the right tools for self-evaluation and project management.

To reach a higher competitiveness of the region means to use the strengths and resources effectively. On the other hand it also depends on the process of the building of relationships between public, private and voluntary sectors. [1]

## **2.2 Building the partnership and cooperation**

Partnership between all actors of the rural country is the base to reach the socio – economical development. The process of the building of the partnership means to establish and manage LAG. Establishing a successful LAG requires building a sound partnership structure which reflects the diversity of the area’s population. Managing of the successful LAG depends on open and transparent decision-making and continuous involvement of decision makers across the whole range of the LAG’s work. Effective approach in creating and managing successful LAG is to have written form of a communication plan, in other words Communication strategy. It is effective for administration and for solving possible problems in managing.

The LAG has a big role in developing of rural country. It can be able to steer the course of local rural development policy across various economic, social, legal and lobbying activities. Another aim of its function is to facilitate and moderate local development by animating a network of beneficiaries according to need, and encouraging the development of a distinct local identity. By choosing the right projects the LAG can ensure project’s success by selecting adequate experts and partners. The whole process is followed by creating many networks, and needs a high level of cooperation. [2]

## **2.3 Financing of the development of the rural country**

Ability for financing and managing is very important on local dimension. For the first there is the necessity for preparing the area for an innovative and integrated approach in management out of consideration to possibilities for capturing finances from the new Programme of developing rural areas for years 2007 – 2013, according to axle 4 of approach Leader. The premise is that there will be the opportunities to acquire some finances for co-financing from the national budget or from the regional budget of the financial regional body (VÚC). If the territory becomes successful applicant, then has a law for decisions about purse - strings (global grant) and his use for application of those priorities and arrangements (activities), which where appointed by the local action group in strategic documents.

### **Financial flows of the LAG**

1. LAG creates strategy for territory
2. LAG introduces strategy for direction (management organ [RO] )
3. Management organ creates Commission for choosing supported territorial strategies
4. Management organ informs the supported LAG and PPA
5. LAG begins to realize strategy for territory
6. PPA pays 10% of the „value“ of strategy
7. LAG creates a commission for evaluating of the projects

8. Chosen projects for supporting are sent to PPA
9. After agreement of PPA begins the realization of the project [3]

There must be accented, that preparing the strategies is very difficult work. It demands the analyses of the territory from the view of strong and weak aspects, reflex of chosen priorities, information about elected activities, financing plan for the whole planning patch with dividing for the each year and also for every source of financing (EAGGF, national resources). The development documents must include information about implementing, managing, monitoring and evaluation, composition of the controlling and monitoring council, adding to this the publicity of the project. That is all the consequence of activities of the local action group.

### 3 Conclusion

There is no way to explain in shortness the whole process of which is needed to apply with all actors in local level. It is the long process challenging for time, communication, comprehension and tolerance of all hands – on people. However it is, we know, that during this way may be solved many problems, which are repeating in community as a non – solved, and so it is with short run aims, which where specified in a history and where not realized of different causalities.

We also know, that the territory is able to generate own financial sources in process of preparing of strategy and the fact is that money are mostly or very often used not effectively. In most of cases exchange of practice can solve problems, which were unable to resolve before.

If the region, or territory wants to accomplish their vision, than the all actors must be in a high level partnership, where assurance permits coming to an agreement of this people, not only in priorities, arrangements, activities, but also on intent of using finances.

Although the local action group will not be successful in acquiring finances from the Leader - axle 4, there will be a chance of achievement of foreign capital and much more generate own local sources to realize strategy set on the local conditions. Therefore in short term could be achieved multiple effect by using money properly and efficiently. It is a main supposition to reach specified aims. Today we know that innovation and a change of thinking in managing the development of rural territories are necessary.

#### ACTIVITIES for reaching the local development

1. to communicate with people in territory on all levels and in different ways
2. to create the local action group ( LAG)
3. to make meetings with the private sector, the self – government and the third sector separately
4. to meet with the private sector, the self – government and the third sector at once
5. animation of the process in the territory: - organization of the social undertakings, public profitable activities, - organization of the exploration of the public meanings and private sector meanings, to assure a publicity through the local television, periodicals and etc.
6. construction of the innovative and integrated strategy of economical and social development
7. to identify the priorities for solving
8. to ensure the finances from different sources and to use them efficiently
9. to assure right people for monitoring and controlling

## References

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