

## ARAGON (Spain)

# A technical but also financial partnership: the Aragon Rural Development Network



## The action

In 1996 the 13 LEADER II groups of Aragon created one of the first regional LEADER networks. A non-profit organisation, "Red Aragonesa de Desarrollo Rural" (RADER) was set up to help implement LEADER II but also to introduce other rural development procedures. RADER does not only represent its members and serve as a forum for methodological exchanges, but it also organises concrete actions involving all the LAGs of Aragon. One of these actions has been the signing of an agreement with a large regional bank which offers individual project holders, the Network and its member LEADER groups advantageous financial conditions, greater autonomy and more efficiency.

## Key elements

- > Creation of a regional LEADER network.
- > Implementation of joint actions operating in a regional network.
- > Collective negotiation with various institutions concerned with the region's development.
- > Transfer of knowledge and experiences between areas in the same region, reproduction of the model in other regions of Spain and a greater capacity for dialogue with the national level.

## Context

During LEADER I (1991-1994), only three local action groups (LAGs) operated in Aragon. Aside from participating in the national and European LEADER networks, they mostly worked alone. The approval of 13 LAGs for the regional LEADER II programme extended the Community Initiative to much of Aragon and created a certain "critical mass" capable of solving certain specific problems that a limited number of LAGs could not.

The fact that the groups had a lot in common brought them closer together: all were non-profit organisations mainly run by local authorities, but unions, business groups, cultural associations, farm cooperatives and individuals were also strongly represented. The LAGs of Aragon also had similar objectives and wanted to involve local players and ordinary people in the decision-making.

Another element that helped bring the Aragon LAGs together was the regional mechanism for LEADER financing based on the global grant. The LAGs received the first tranche of this subsidy which was equivalent to 30% of the total value of the Community funds allocated to the programme, a considerable sum for the 13 groups taken as a whole. The second tranche would be paid when all the groups could justify at least half the expenses financed with the first tranche. This way the rate of payments would be set at the average rate of expenditure of the 13 LAGs and penalise the most dynamic groups. But it would also force them to negotiate a collective solution with the banks. That is what occurred in Aragon.

## Starting point

In 1996, the 13 LAGs set up the Aragon Network of Rural Development (RADER), a non-profit organisation whose purpose is to represent the LEADER groups, to provide training for the LAG practitioners, to serve as a forum for the exchange of experiences, and to lend technical assistance for projects. Although its bylaws made no explicit mention of it, RADER almost immediately launched group actions, some of which were covered in agreements concluded with regional institutions:

- > an agreement signed with the Aragon Women's Institute served as a framework for a series of actions to improve the condition of rural women, including an EAGGF Article 8 application whereby the Aragon Women's Institute pledged to match half the European funding;
- > an agreement with the University of Saragossa formalised and organised university research that could benefit rural areas;
- > RADER worked closely with the other Spanish regional networks and the LEADER national network, notably by organising seminars and training actions with them.

## Implementation

As part of this collective action, the network signed, as soon as it was set up in 1996, an agreement with the Ibercaja regional financial institution. Two main factors facilitated this:

- > managing to have the advances paid to the 13 groups grouped together, RADER was in a strong negotiating position;

- > Ibercaja attached much importance to Aragon's rural development (already it was financing several development studies and projects).

The agreement that was signed included three types of advantages:

- > logistical support for the LEADER groups and RADER, thanks to the EUR 84 000 fund made available each year (about EUR 6 400 per group), half of which is freely used by the Network and the other half serves to fund projects decided with the bank. With this fund, RADER can cover the operating costs of its central office and the salary of the Network's coordinator;
- > a certain management flexibility for each of the member LEADER groups, because there is no charge for ordinary financial operations, interest is paid on positive balances, overdrafts are possible, an exclusive line of credit is available to cover delays in payment of the final tranche of 20%, and the bank's information system can be remotely accessed;
- > advantageous credit conditions for the project holders themselves, who benefit from certain conditions reserved for the best customers. These are basic conditions, and each project holder can negotiate additional advantages depending on the guarantees that he can offer individually.

The agreement concluded with Ibercaja has served as a model for similar agreements between other regional LEADER networks and financial institutions (e.g. in the Asturias). It also later served as a reference for Spain's Ministry of Agriculture for a similar agreement concluded with a national bank and other LEADER groups.

## Innovative elements

### *Mobilisation of the community and social cohesion*

The advantages derived from the agreement with the regional bank strengthened the Network and consolidated the links between the LEADER groups of Aragon. In addition to making RADER much more credible with the groups, the funds obtained went to finance joint projects that drew the groups closer together, such as the connection of all the LAGs by videoconference.

Although it did not fully result in a collective management of the funds, the agreement made the programme's financial management easier: the groups that are overdrawn pay interest (at a reduced rate) while those with a positive balance receive interest on their deposits.

### *New activities and products*

The agreement helped pay for certain products like the publication of a "Promoter's Guide" (written for project holders and used by all the LAGs), the creation of an image bank for all the LAGs, or the organisation of various events (local products fair, "Rural Development Days", environmental awareness actions, participation in "Fitur" in Madrid, one of the most important tourism fairs in Europe). The Network regularly organised training sessions for development agents.

### *Competitiveness and markets*

The advantages derived from the agreement concluded with the bank have given the LAGs a lot more leeway and improved the project support dynamic.

## ARAGON

With 60% of the people in Aragon (population 1.2 million) concentrated in the regional capital, Saragossa, the average population density of the rural areas of Spain's fourth largest autonomous region (47 664 km<sup>2</sup>) is very low: 12 inhabitants/km<sup>2</sup>. This countryside is also penalised by a tortured landscape that makes travelling from one point to another much longer. These structural reasons were already an argument for the creation in 1995 of an "Aragon Rural Development Network" encouraged by the regional government.

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