

**THE INVESTMENTS, SOURCE OF ECONOMIC GROWTH AND RURAL
DEVELOPMENT – CASE STUDY**

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Abstract: The main objective of this study is to highlight the impact of investments made with the help of Local Action Groups, on economic growth and rural development. Local Action Groups are partnerships made up of different representatives of the socio-economic sector in that territory. The social and economic partners, as well as farmers, women, rural youth and their associations, must represent at least 50% of the local partnership at the decision-making level. LAGs represent the interests of the inhabitants and rural communities and represent the LEADER Program's operating engine. Local Action Groups are key to implementing LEADER actions by supporting bottom-up territorial development strategies. Among the most important advantages of this approach is the ability of the LAG to mobilize more local resources for the development process. At present, the LAG comprises about 45% of the rural population in Romania. One of the objectives proposed by them for the 2014-2020 programming period is to increase the area covered by the LAG and the participating population to 80% of all rural residents as a result of the need to implement integrated projects, but also to facilitate people's access to information as well as to the available funds of the program. Through this growth, the implementation of the LEADER approach will lead to the reduction of economic and social imbalances and regional disparities. The case study of this work was made on the Stephen the Great Action Group, which takes place both on the territory of Iasi County and Vaslui County. GAL Stefan cel Mare was founded in 2010 but received funding in 2013, benefiting from European funds in the amount of over 2.8 million euros. Of this amount, € 300,000 was spent on running costs and the remaining amount of € 2.5 million was distributed to the implemented development projects. This LAG has 13 communes with component villages and one city. Since its establishment, the Local Development Plan 2007-2013 and the 2014-2020 Local Development Strategy have been implemented.

Keywords: investments, rural environment, LEADER, Local Action Group (LAG), european funds, development

Introduction

The Romanian rural area has always required a refresh because the activities and jobs it offers are limited and the number of young people who choose to remain in rural areas is also very low. After 2000, various organizations started to appear focusing exclusively on the development and economic growth of rural areas (eg NRDP - National Rural Development Program coordinated SAPARD Program 2000-2008, National Rural Development Program 2007-2013 and National Rural Development Program 2014-2020). The problems of rural space have been taken more seriously relatively recently, especially after Romania's accession to the European Union. The creation of local capacities leads to the intensification of the local development activity, the mobilization of local resources and the development of networks that allow mutual learning and integrated approach to dealing with the issue economic and social complexities. The LEADER program was initiated with the aim of improving and capitalizing on the potential of rural development through the exploitation of local initiatives and competences and by promoting the

acquisition of knowledge on integrated local development¹. In Romania, the beneficiaries of this program are Local Action Groups. These groups operate in rural areas and receive financial support to develop and implement Local Development Strategies.

Material and method

Methodology used to the development of work in order to obtain conclusions which reflects the realities in the territory, it was used an optimal mix of analysis methods and techniques, such as:

- methods of collecting data / information;
- quantitative analysis methods;
- qualitative analysis tools.

We used Microsoft Office Excel as a database program for Microsoft Office PowerPoint, and we used ArcGis to represent data in cartographic systems.

Results

The Association of Stephen the Great Action Group was established in 2010 at the initiative of several NGOs with an important activity in rural areas, with its headquarters in the Aroneanu Village, Aroneanu Commune, Iasi County. This association was formed within the framework of the NRDP LEADER Axis, and the Stephen the Great Action Group has set out to contribute to the economic and social development of the area in which it operates, taking into account the values and local specifics. The area of deployment of the Latitude Stephen the Great has characteristics similar to rural areas in Romania, but it also has many peculiarities.

The Local Action Group Stephen the Great is located in the North-East of Romania, more accurately in the southeastern Iasi county. the area that makes up the territory of Ștefan cel Mare is an area with great potential for agricultural, economic, cultural and tourist development of rural space. This led to the association of 13 communes and a city in Iasi and Vaslui counties in order to develop a common local development strategy by organizing a local initiative group to help increase and develop competitiveness in the agricultural and non- agriculture on this territory.

The territory of the Local Action Group Stephen the Great is mainly located in Iași County (62.21%) and only 37.79% in Vaslui County. Localities comprising the Local Action Group (LAG) Ștefan cel Mare have a total area of 828.18 km² and a total population of 53.776 inhabitants.

From the administrative point of view, the territory of the Local Action Group Stephen the Great is made up of 9 communes of Iași County: Aroneanu, Ciortești, Comănești, Costuleni, Dobrovăț, Golăiești, Prisăcani, Ungheni and Țuțora, 4 communes: Codăști, Dănești, Rebriceea and Tăcuța. The members of the Association of the Stephen the Great Action Group are 41. Out of them 14 are local public authorities, 15 are non-governmental organizations and 12 represent economic agents or individuals. Up to now, the budget allocated to beneficiaries' projects of € 2,550,000 has been contracted to 99.4%.

The economy of the Local Action Group Stephen the Great is based mainly on agriculture, particularly on animal husbandry, viticulture and apiculture. The economic activities that have developed in this territory have left the potential of local resources: plant culture and animal breeding, vegetable growing, by harnessing the natural potential (arable land, hay fields, pastures), but also tourism and agritourism (the great tourist potential -cultural, historical, natural and ethnographic of the locality). Most of the non-agricultural companies on the territory of the Ștefan cel Mare LAG have as their main activity the retail trade in non-specialized stores, the predominant sale of food and non-food products, the retail trade of fresh fruits and vegetables, the retail trade of meat and meat products and the retail of live animals.

¹ ***Curtea de conturi europeană, 2010. Implementarea abordării LEADER pentru dezvoltare rurală. Raportul special nr.5.

As for the active population, this is composed of the civilian population and the unemployed. In most of the localities in the Ștefan cel Mare LAG, the local employment opportunities are very low. A cause of this would be the urbanization of the active rural population, which led to poor economic growth, especially in the agricultural and non-agricultural sphere, hence the need to develop non-agricultural activities in rural areas, but also Inclusion of technology in the agricultural sector. On the territory of the LAG Ștefan cel Mare the active population represents 50.39% of the total population.

The total active population represents the employed persons with legal forms, the number of which totals 3320 employees in 2013. Of the total active population at the Ștefan cel Mare level (28,977 persons aged 20-60 years), 25,657 people are inactive or people who usually work in agriculture, day by day and without legal forms.

The number of salaried employees at the LSG Ștefan cel Mare level has not increased in recent years but has been continuously decreasing, but there has been a slight increase since 2015. The decrease in the number of employees may be due to the economic crisis that has affected Romania since 2009.

The Action Plan of the Local Action Group for 2007-2013 provided for contributions in particular to Measure 313 (Encouragement of Tourism Activities), Measure 112 (Support for Young Farmers), Measure 312 (Support for the Creation and Development of Micro-Enterprises) and Measure 322 (Renovation, village development, improving basic services for the economy and rural population and highlighting the rural heritage).

The LAG Association Ștefan the Great has facilitated the diversification, establishment and development of small businesses and also the demand for jobs. There are around 400 businesses on its territory, and about 360 of these are micro-enterprises with between 1 and 9 employees.

From 2007 to 2013, the Local Development Plan was prepared, which initially prepared the LAG staff and then started the submission of the projects. The Local Action Group was not only meant to say what to do, but also how to do it, and this has led to the development of the rural area in a much more efficient way.

Since 2014, the attention of the representatives Local Action Group Ștefan the Great has turned to the 2014-2020 Local Development Strategy, which will help to strengthen territorial coherence and diversify and expand the rural economy².

According to the Local Development Plan, the following measures were taken:

Measures set out in the Local Development Plan 2007-2013

Measures	Description of the measure	Objective
41 .111	Vocational training, information and dissemination of knowledge	Improving the competitiveness of the agricultural, forestry and food sectors, sustainable land use and environmental protection through training, information and dissemination of innovative knowledge for adults working in the sectors mentioned;
41 .112	Supporting young farmers	<p>Improve and increase the competitiveness of the agricultural sector by promoting the installation of young farmers and supporting the process of modernization and compliance with the requirements for environmental protection, hygiene and animal welfare, safety at work;</p> <p>Improving the management of agricultural holdings by renewing the generation of their heads,</p>

² ***<http://galstefancelmare.ro/> - Grupul de Acțiune Locală Ștefan Cel Mare, accesat la data de 28 aprilie 2017.

		without increasing the active population employed in agriculture;
41.121	Modernization of agricultural holdings	Increasing the competitiveness of the agricultural sector through better use of human resources and production factors;
41.141	Support semi-subsistence farms	Enhancing the competitiveness of agricultural holdings undergoing restructuring in order to facilitate the resolution of transition problems, given that the agricultural sector and the rural economy are exposed to the competitive pressure of the single market;
41.312	Support for the creation and development of micro-enterprises	Sustainable development of the rural economy by encouraging non-agricultural activities in order to increase the number of jobs and additional income;
41.313	Encouraging tourist activities	Developing tourism activities in rural areas to help increase employment and alternative incomes, as well as to increase the attractiveness of rural areas;
41.322	Renovation, village development, improvement of basic services for the economy and rural population and enhancement of the rural heritage	Improving living conditions for the population, ensuring access to basic services and protecting the cultural and natural heritage of the countryside in order to achieve sustainable development;
41.421	Implementation of cooperation projects	Enhanced cooperation through sustainable valorisation of human, material and environmental resources existing in the cooperation areas;

Source: Local Development Plan 2007-2013

With the help of the Local Development Plan, 77 projects on various measures were contracted at the level of Stephen the Great Local Action Group and the total amount of the non-reimbursable financing was of 2.497.398 €.

The largest number of projects was made under measure 41.141 (25 projects) and measure 41.112 (25 projects). These were mainly implemented in the towns of Ungheni and Prisacani. At measure 41.322, 12 projects were carried out, 41.312 were 9 projects, 41 measures. 313 projects were carried out, and 41.121 were submitted to a single project. Dobrovăț commune absorbed the largest amount of the administrative units of the Stefan cel Mare LAG, respectively 668,588 euros, with nine contracted projects. The second common value is the Aroneanu commune. This has attracted funds of EUR 446,294 with a total of nine contracted projects. However, the largest involvement seems to have been from Prisăcani, where 20 private beneficiaries have managed to contract non-refundable funds for the development of crops or micro-farms. They raised funds worth 340,000 euros, of which 13 young farmers started a business and seven families set up small subsistence farms.

A successful project on the territory of the LAG Stefan cel Mare resulted from a cooperation project. The implementation time of the project was 6 months, from March 2015 to August 2015.

This cooperation project started at the initiative of four Local Action Groups in Iasi county, having as main objective the development of tourism in 47 communes in the counties of Iasi, Botosani, Vaslui and Neamt. The project partners were the following:

- ◆ GAL Association "Hill of Iasi"
- ◆ The Red Lake Regional Association of Prăjeni
- ◆ The Stefan Association of the Grand Association
- ◆ The Prut Valley Valley Association

The project is called "Local Action Groups Co-operation to Promote Tourism Objectives in the Common Territory by Developing an Interactive Travel Guide with QR Technology".

The project has a budget of 21.055 euros, being financed by Measure 421 - Implementation of the cooperation projects under the National Program for Rural Development 2007-2013 Leader Axis, the intensity of the public aid being 100%.

The aim of the project is to support the tourism sector by highlighting the potential tourism potential of the LAGs in the project, in order to optimize the experience of potential visitors.

The main objective of this project was to develop interterritorial cooperation actions to support the tourism sector by highlighting the tourism potential of the LAG members of this project in order to improve the visitor experience with the support of new technologies.

Contribution of each LAG to the Project Co-operation Budget

r. Crt.	Name of LAG	Contribution - € -
.	GAL Association "Hill of Iasi"	5.000
.	The Red Lake Regional Association of Prăjeni	5.000
.	The Stefan Association of the Grand Association	6.055
.	The Prut Valley Valley Association	5.000
		Total 21.055 €

Data source: ghiduristic-ne.ro

At the same time, the Co-operation Project aims to contribute to a better exploitation of the tourism resources existing on the territory of the Local Action Groups participating in this project and to the promotion of tourism in order to stimulate employment and economic growth in these regions.

The Stephen the Great Action Group made its debut in the new financial year, and the first project its representatives are focusing on "Support for running and animation expenses", worth over 390,000 euros. These funds will provide for a period of 37 months the operation of the LAG which provides the local community with funds of two million euros. The two million euros will be distributed across the 14 communes of the Latitudes of the Latitude, according to the priorities of the territory and the submitted projects. The projects will be submitted to the headquarters of Ștefan cel Mare for an initial evaluation and then they will be directed to the county payment office. Local Action Group projects target investments in rural areas, small and medium-sized farms, funds are allocated to support agricultural and non-agricultural businesses in rural areas, but public administrations are also supported in various investments such as the acquisition of According to Cristian Matachi, Stephen the Great Local Action Group manager, the projects will be completed by

2020 and the monitoring period will be until 2023. The maximum project funding is 200,000 euros and the minimum value is 10,000 euro.

The budget of the local development strategy of the Stephen the Great Local Action Group has been set according to the value of the territory and population covered (component A) and the level of quality obtained from the evaluation and selection process (component B).

The amount of funding under the 2014-2020 development strategy

		Amount allocated per person / km ² (€)	Value for the population / territory	
POPULATION	5 3.776	19.84	53.776 X 19.84	1.066.915,84
SURFACE (km²)	8 28.18	985.37	985.37 X 828.18	816.063,73
Total component value A (EURO) 1.882.979,57				

Data Source: Local Development Strategy 2014-2020

The experience accumulated by the Stephen the Great Action Group through the implementation of the Local Development Plan 2007-2013 will be considered as an asset in the implementation of the Local Development Strategy and will bring added performance in the activities to be carried out.

The Stephen the Great Action Group for the period 2014-2020 aims to develop new cooperation actions through sub-measure 19.3, "Preparing and implementing the Local Action Group's co-operation activities", projects that will focus on priorities and will leads to the achievement of the objectives proposed in the Local Development Strategy.

Following the implementation of LEADER and the work of Stephen the Great Local Action Group, we aim to achieve a balanced territorial development of economies and rural groups, including the creation and maintenance of new jobs, the sustainable management of natural resources and the cessation of climate change, and at the same time as the main objective we can also call the increase of the competitiveness of agriculture.

One of the main problems that affected the smooth running of the actions undertaken by the Stefan cel Mare LAG was the poor cooperation between the LAG and the higher decision and approval boards, the representatives of the LAG Stefan cel Mare wanted, therefore, meetings more often in order to be able to solve the problems they face.

At present, some of the obstacles encountered by Stephen the Great Action Group have been resolved, others are being solved, but new obstacles are emerging.

CONCLUSIONS

The role of the Stephen the Great Local Action Group is to develop and promote the rural area on its territory through the European funds obtained and the means generated by these funds. At the level of the Local Action Group territory, with the help of the Local Development Plan 2007-2013, there were about 26 young farmers setting up projects.

The investments made so far at the level of the Latitudes of Ștefan cel Mare have led to the increase of the number of places, the increase of the living conditions and the improvement of the quality of life.

The funds were not evenly divided into the 14 localities because their distribution differed according to the number of projects. Another cause could be the lack of interest of some localities, some want too much. Involvement of local authorities is very important because this can also increase the number of private beneficiaries.

All 14 common components of the Stephen the Great Action Group have attracted European funds through the implementation of the projects. Some local administrations have chosen to

purchase machinery, others have focused on projects designed to drive small farmers. Therefore, 10 of the communes of the Stefan cel Mare LAG have purchased a backhoe loader. Also among the achievements of the Stephen the Great Local Action Group including parks, the extension of an electrical network, road asphaltting, or the extension of the water and sewage network.

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