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DIFFERENTIATION OF ECONOMIC ACTIVITIES IN THE ROMANIAN RURAL AREA THROUGH EUROPEAN NON-REFUNDABLE FUNDS

ANDREEA DANIELA GIUCĂ¹

Abstract

The diversification of economic activities in rural areas is a topical issue and can be a fundamental strategy for the development of the Romanian rural area, because it can produce a beneficial effect from an economic point of view, by increasing the income of the rural population. The Romanian rural area is characterized by a weak economic diversification and a major dependence on agricultural activities, which leads to low incomes for farmers. The practice of agriculture represents the essential / primordial activity in the rural environment, because it has a diversity of natural resources, having a strong economic and social potential. Due to the variety of natural conditions at its disposal, agricultural occupations occupy a dominant share in all economic activities carried out in rural Romania. The rural workforce should be directed to other economic activities, especially in services, based on accurate and ongoing information, human resources awareness and training. National rural employment strategies include measures to improve the quality of human resources to facilitate access to employment in non-agricultural economic activities. This paper aims to highlight the importance of developing and diversifying economic activities in rural areas, thus promoting entrepreneurial initiatives and the implementation of integrated actions for the development of local products. This study analyzes the impact of projects carried out through measure 312 "Support for the creation and development of micro-enterprises" of the National Rural Development Program 2007 - 2013, on economic development in rural areas and assess whether investments for the establishment, development and the modernization of non-agricultural enterprises has contributed to this development as well as to the reduction of rural migration.

Keywords: rural, economy, rural development, non-agricultural activities, micro-enterprises

JEL classification: R11

INTRODUCTION

In the context of globalization, rural areas face major development challenges. By definition, rural areas include small and geographically dispersed settlements, which have a significantly smaller population than the urban environment, its main source of income being from land use. (Iagăru, R., 2011)

In Europe, more than half of the population of the 27 EU countries live in rural areas, with rural areas occupying more than 90% of the EU's territory.

Rural development is a strategy at European level that aims to set certain objectives aimed at leading to the economic revitalization of rural areas. The perspective of the development of the Romanian rural space is a positive one, based on two primordial elements. The first element is the European Union's increased focus on rural areas, supporting economic development by financing investments in rural areas. The second element consists of the location area, extended to about 90% of the country. (Iagăru, R., Anttila, C., Iogăru P., 2014)

Currently, the Romanian rural area faces many socio-economic problems that are reflected in the gap with living conditions in urban areas, the standard of living of the resident population in rural areas being significantly lower compared to that of the resident population in urban areas of the country. (Lepădatu, C., 2011)

Rural areas, through their natural resources provide many jobs in agriculture, to carry out agricultural activity in optimal conditions farmers in need of land, agricultural machinery, buildings, fuel, plant protection products and animal care, all these products and services formation of the "upstream" sectors. In addition to these sectors, there are also those "downstream" where people who deal with the processing, preparation and packaging of agricultural and food products, as well as their transport, storage and retail. In order to function efficiently and profitably, both agricultural

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enterprises and the upstream and downstream sectors need access to the latest information on agriculture and rural development, as well as information on market trends.(Kerekes, K. și colab. 2010)

MATERIALS AND METHODS

The paper studies the issue of diversification of economic activities in rural Romania through European non-reimbursable funds. The objective of the research is to analyze the socio-economic impact of the projects financed under the PNDR 2007-2013, through measure 312 "Support for the creation and development of micro-enterprises". on the diversification of economic activities and implicitly on the revitalization of rural areas in Romania. For this purpose, the research on the rural development strategy was followed, using the data provided by the Ministry of Agriculture and Rural Development (MADR), as well as the scientific resource platforms: enformation and google academic. Statistical data on the rural population on the website of the National Institute of Statistics (INS) were processed and analyzed, for these data statistical indicators were calculated such as: minimum, maximum, arithmetic mean, standard deviation, coefficient of variation and rhythm annual growth. To achieve the proposed objective, a database of selected and funded projects and the amounts awarded through measures 312 was created on the basis of reports provided by the Agency for the Financing of Rural Investments (AFIR).

The research methods used in conducting the study were the following: systematic and comparative analysis and complex approach to the topic by studying previous research conducted by different authors. The statistical research process cost the following stages: data collection and recording, data processing, analysis and interpretation of results.

RESULTS AND DISCUSSIONS

For the economy of the Romanian rural area, demography represents the most significant component, its structure and dynamics depending in a very large proportion on the rate of economic growth.

At present, the rural environment is facing problems regarding: the aging of the population, as well as the proportional decline of the labor force and of education. The effect generated by the aging of the population is represented by the decrease of the rural population, a phenomenon that is also influenced by the migration of the population to urban areas or in other countries. Since 2007, the rural population has decreased by about 6%, the negative demographic trend generating a decrease in demand for goods and services, which discouraged entrepreneurial initiatives in rural areas.

Table 1. The evolution of the resident population on January 1 in the Romanian rural area

Specification	Years (thousand persons)							Average	Standard deviation	Coefficient of variation (%)	Annual growth rate (%)
	2007	2008	2009	2010	2011	2012	2013				
Resident population in rural areas	9,414	9,441	9,429	9,353	9,297	9,242	9,230	9,343.6	88,801.36	0.95	-0.33

Source: data processing provided by the National Institute of Statistics, www.insse.ro, accessed on 02.04.2021

At the level of the period 2007-2013, the resident population in rural areas varied between 9,441,061 people in 2008 and 9,229,533 people in 2013, their average in the analyzed period being 9,343,616 people. Following the analysis of the calculated statistical indicators, a negative annual growth rate was noticed (-0.33%), which means a negative evolution trend. In this context, the acceleration of economic development in rural areas is more than essential, being a priority at both national and European level. (Table 1)

Table 2. Evolution of the resident population on January 1 in the Romanian rural area, at the level of the period 2014-2020 (thousand of people)

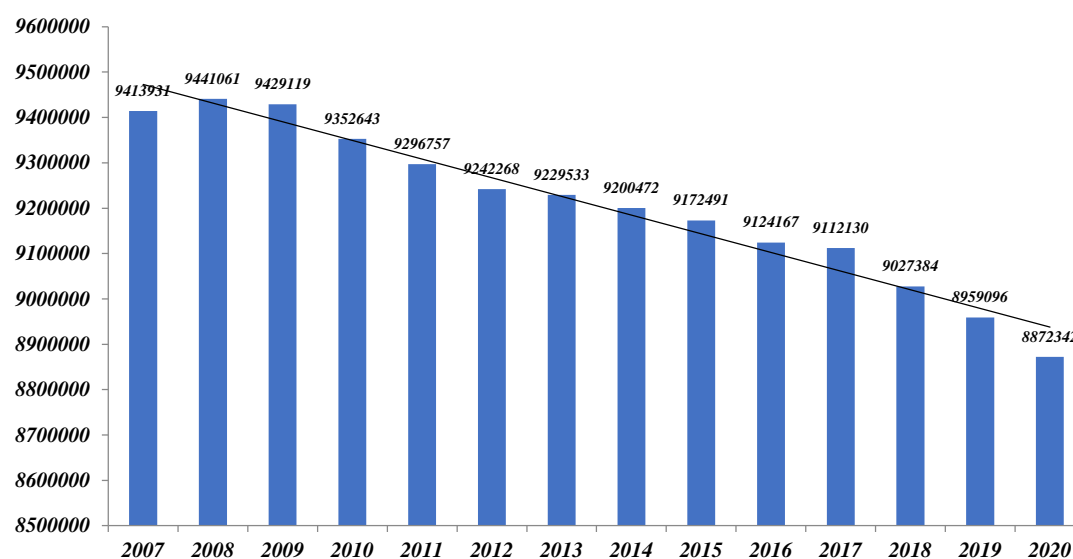
Specification	Years							Average	Standard deviation	Coefficient of variation (%)	Annual growth rate (%)
	2014	2015	2016	2017	2018	2019	2020				
Resident population in rural areas	9.200,4	9.172,4	9.124,1	9.112,1	9.027,3	8.959,0	8.872,3	9.066,8	119,270.16	1.32	-1.21

Source: data processing provided by the National Institute of Statistics, www.insse.ro, accessed on 02.04.2021

Analyzing the resident population on January 1, at the level of the period 2014-2020, there was a trend of constant decrease from year to year, from the analysis of statistical indicators highlighting a negative annual growth rate (-1.21%). In 2020 (8,872,342 people), there was a decrease of 4% compared to the population in 2014 (9,200,472 people). (Table 2)

The reduction of the resident population in rural areas is influenced by its migration to urban areas, where the standard of living is significantly higher. Due to this fact, the Romanian rural area is facing the loss of qualified young labor. To address this major problem local authorities should provide incentives for local young people to remain in their communities. In addition to directly supporting local employment, business opportunities should also be provided to local entrepreneurs, selling products based on the nature, history and culture of the area, and providing services that contribute to the development of rural areas. (Figure 1)

Figure 1. Evolution of the resident population on January 1 in the Romanian rural area, at the level of the period 2007-2020 (number of people)



Source: data processing provided by the National Institute of Statistics, www.insse.ro, accessed on 02.04.2021

Following the analysis of statistical data on the participation of the population in the rural labor force, in the period 2007-2019, the following were found: the economically active population varied between 4,016 thousand people in 2016 and 4,589 thousand people in 2008, registering an average of the period equal to 4,238 thousand people who provide the labor force available for the production of goods and services. Regarding the employed population, its oscillations were noticed between 3,765 thousand people in 2016 and 4,376 thousand people in 2008 and an average of the period of 4,017 thousand people. Analyzing the inactive population (students, pensioners, etc.) were observed variations between 4,850 thousand people in 2008 and 5153 thousand people in 2011 and an annual average of 4,989 thousand inactive people. Also, the unemployed population presented an

average of the period of 222 thousand people and values between 185 thousand people in 2019 and 273 thousand people in 2015. (Table 3)

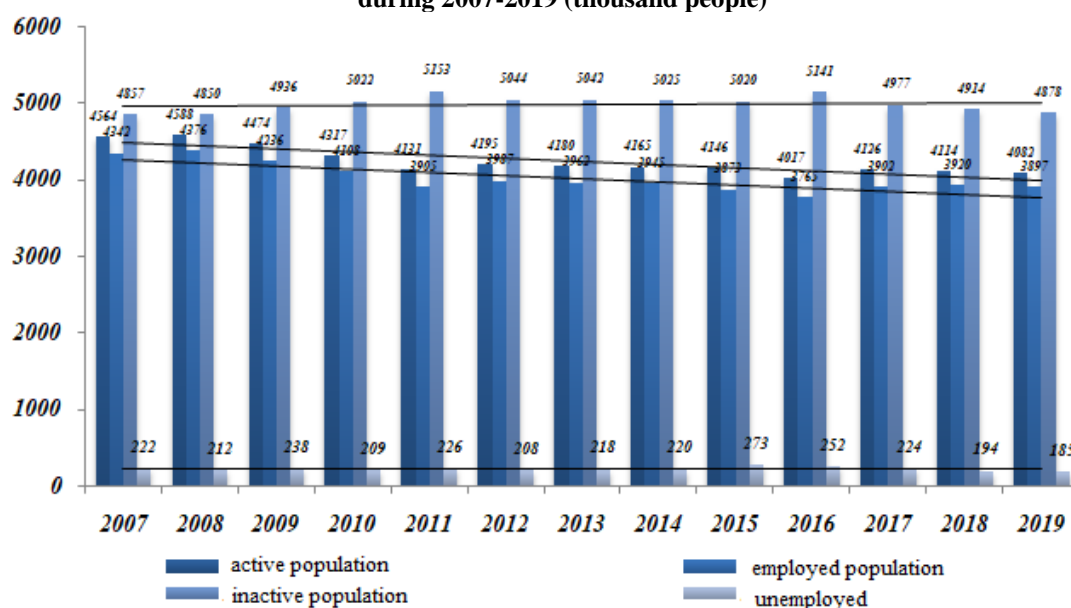
Table 3. Evolution of the active, inactive, employed population and the unemployed in rural areas (thousand people)

Specification	Years												
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Active population	4,564	4,589	4,474	4,317	4,131	4,196	4,180	4,165	4,146	4,016	4,126	4,113	4,082
Employed population	4,341	4,376	4,236	4,108	3,905	3,987	3,962	3,945	3,873	3,765	3,902	3,920	3,897
Inactive population	4,857	4,850	4,936	5,022	5,153	5,044	5,042	5,025	5,020	5,141	4,977	4,914	4,878
Unemployed	223	212	238	209	226	208	218	220	273	252	224	194	185

Source: data processing provided by the National Institute of Statistics, www.insse.ro, accessed on 02.04.2021

The evolution trends of the indicators on labor force participation in rural areas at the level of the period 2007-2019 were negative, except for one indicator represented by the inactive population which showed an insignificant increase of 0.43% during this period. It should be noted, however, the reduction in the number of registered unemployed in rural areas, highlighting a decrease of about 17%, the reduction in the number of unemployed population was generated by the development of the economic environment of Romanian rural areas and job creation in areas include agricultural activities, this development was possible due to the non-reimbursable support provided by AFIR through PNDR in the two periods operations, respectively 2007-2013 and 2014-2020. (Figure 2)

Figure 2. Evolution of the active, inactive, employed population and the unemployed in rural areas during 2007-2019 (thousand people)



Source: data processing provided by the National Institute of Statistics, www.insse.ro, accessed on 02.04.2021

In the period 2007-2013, within the NRDP, projects were funded to support the establishment and development of small and medium enterprises. The purpose of the investments made under measure 312. was to diversify rural activities by setting up and developing micro-enterprises in the non-agricultural sector in rural areas, with a view to sustainable economic development, increasing employment and reducing poverty. in rural areas by generating additional income. Within the program, it was possible to request funding for medical and veterinary activities, production, services, crafts, crafts, investments in renewable energy production, or for other complementary activities.

Measure 312 “Support for the creation and development of micro-enterprises” - PNDR 2007-2013 was included in Axis III - “Improving the quality of life in rural areas and diversifying the rural economy” of the National Rural Development Program 2007-2013 (PNDR 2007-2013). The specific and operational objectives of measure 312 were: the creation of new non-agricultural activities, in particular for small farmers or their family members and, in general, for small entrepreneurs in rural areas; diversification of the rural economy by increasing the number of micro-enterprises in the non-agricultural sector which will generate an increase in added value in activities in this sector; service development; creating new jobs; encouraging the maintenance and development of traditional activities in rural areas, encouraging business initiatives promoted, especially by young people and women, and reducing dependence on agriculture.

Under measure 312, investments made by both existing and newly established micro-enterprises in the non-agricultural sectors in rural areas were supported. The non-reimbursable funds were granted to the beneficiaries for investments in tangible and intangible assets in the non-agricultural field. The tangible investments consisted in the construction, modernization or development of buildings for productive purposes, as well as the construction of buildings for the marketing of products, the provision of necessary machinery and equipment.

The intensity of the non-reimbursable public support granted under this measure was up to 70% of the total eligible expenditure. The amounts were distributed as follows: maximum 50,000 euros / project for authorized individuals, 100,000 for micro-enterprises operating in the road transport sector and 200,000 euros / project for individual enterprises, craft and consumer cooperatives of first degree and privately held companies.

According to the data presented in the annual progress report on the implementation of PNDR in 2015, until 31.12.2015, 7 project submission sessions took place during which 9,499 projects with a public value of 1,317,172.81 thousand were submitted euro. From the 9,499 submitted projects, 4,188 projects were selected, out of which 2,693 projects were contracted, respectively 26.69% of the PNDR target of 10,091 projects, with a total investment volume of 598,788.79 thousand Euro and a public value of 336,218.43 thousand Euro.

Table 4. Number of projects contracted under measure 312 "Support for the creation and development of micro-enterprises"

Specification	2008	2009	2010	2011	2012	Total
Number of contracted projects	80	1,024	620	518	451	2,693
Public value (thousands of euros)	11,498.41	147,628.60	65,443.83	47,910.24	63,737.35	336,218.43

Source: processing annual progress report on the implementation of the National Rural Development Program in Romania in 2015

Under measure 312 "Support for the creation and development of micro-enterprises", 2,693 projects were financed, amounting to over 336,218.43 thousand euros, so that the average public value was over 124 thousand euros. Within this measure, in 2009 most projects were contracted, respectively 1,024, the lowest number of contracted projects being 80 projects in 2008, this being the first year of contracting these types of projects. (Table 4)

Table 5. Regional distribution of projects approved under measure 312 "Support for the creation and development of micro-enterprises"

Nr. Crt.	The region	Number of projects	Public valuation (thousand euros)
1.	North East	374	51,682.22
2.	South East	281	37,449.83
3.	South Muntenia	490	59,042.20
4.	South West Oltenia	300	39,052.53
5.	West	358	45,920.54
6.	Northwest	546	61,224.70
7.	Center	322	39,221.42
8.	Bucharest Ilfov	22	2,624.99
Grand total		2,693	336,218.43

Source: processing annual progress report on the implementation of the National Rural Development Program in Romania in 2015

From the point of view of the regional distribution of the projects approved under measure 312, the North-West region has the highest share, respectively 20.27%, being followed by the South Muntenia region with a share of 18.20%. The lowest share, respectively 0.82%, is held by the Bucharest Ilfov region. (Table 5)

Analyzing the regional distribution of the number of approved projects, it was noted that the most significant number was registered in the North-West region (546 approved projects), followed by the South-Muntenia region (490 approved projects) and the North-East region (374 projects approved). At the opposite pole with the lowest number of projects was the Bucharest-Ilfov region (22 approved projects). (Figure no.3.)

Figure 3. Regional distribution of the number of projects approved under measure 312 "Support for the creation and development of micro-enterprises"



Source: processing annual progress report on the implementation of the National Rural Development Program in Romania in 2015

Regarding the regional distribution of the public value of the approved projects, it was noted that the most significant financing was made in the North-West region (61,225 thousand euros),

followed by the South-Muntenia region (59,042 thousand euros) and the North-East region (51,682 thousand euros). At the opposite pole with the lowest funding was the Bucharest-Ilfov region (2,626 thousand euros), this is due to the fact that the Bucharest-Ilfov region is considered the most economically developed region in Romania, this being a predominant region. urban. (Figure 4)

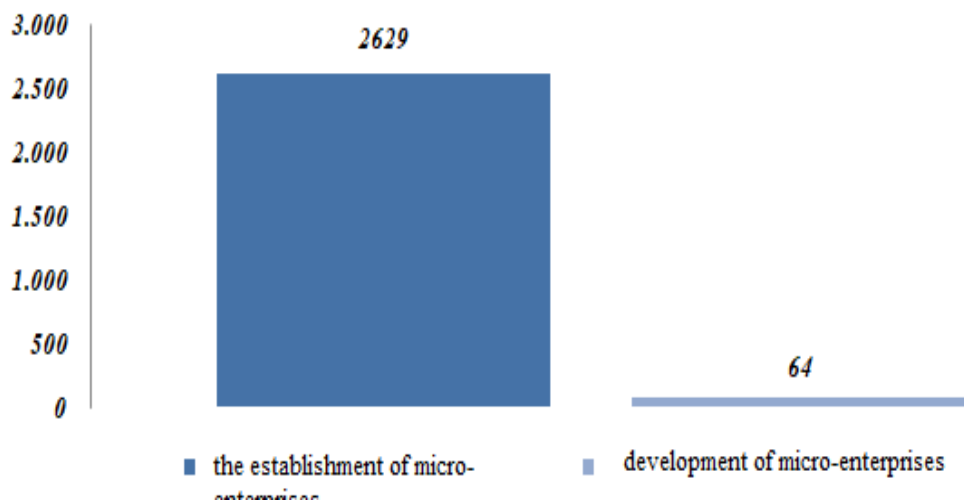
Figure 4. Regional distribution of public value of projects approved under measure 312 "Support for the creation and development of micro-enterprises" (thousand euros)



Source: processing annual progress report on the implementation of the National Rural Development Program in Romania in 2015

Regarding the distribution of approved projects according to the type of micro-enterprise, it was noted that: the largest share is held by the category "Establishment of micro-enterprises", 97.62% of the total projects approved under measure 312 with 2,629 approved projects, and the category "Development of micro-enterprises" has a share of 2.38% of the total projects approved for this measure, with 64 approved projects. (Figure 5)

Figure 5. Number of projects approved under measure 312 "Support for the creation and development of micro-enterprises" by type of micro-enterprise



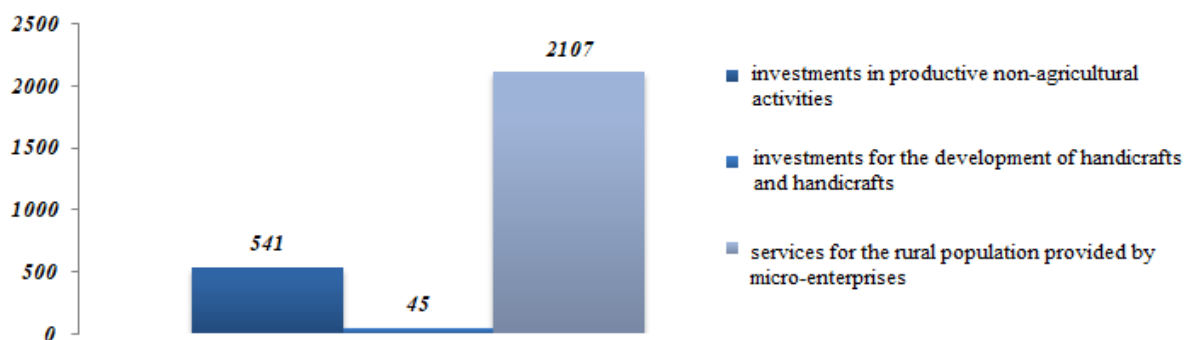
Source: processing annual progress report on the implementation of the National Rural Development Program in Romania in 2015

Depending on the type of investments made through measure 312, the most significant number of projects, aimed at making investments in services for the rural population provided by

micro-enterprises, 2,107 approved projects, representing 46.14% of the PNDR target of 4,567, being followed of investments in productive non-agricultural activities, 541 approved projects, representing 35.55% of the PNDR target of 1,52

The lowest number of projects was registered in the category of investments for the development of craft and handicraft activities where there were 45 approved projects, representing 1.18% of the PNDR target of 3,806. (Figure no.6.)

Figure 6. Number of projects approved under measure 312 "Support for the creation and development of micro-enterprises" by type of investment



Source: processing annual progress report on the implementation of the National Rural Development Program in Romania in 2015

CONCLUSIONS

The conclusions of the paper show that, for the Romanian rural area, the development of the entrepreneurial sector represents an important component whose dynamics and structure influence the rate of sustainable economic growth.

The EAFRD is the main instrument for ensuring that rural development measures are implemented in EU member states. For the 2007-2013 operational period, Romania benefited from effective payments in proportion of 33.5% of the amounts allocated through PNDR, which represents a low degree of absorption of funds in the country, among the main causes that led to this low degree. European non-reimbursable funds include: ambiguous selection criteria, which have left room for interpretation; non-compliant applicant's guides; change of rules during project submission sessions, delays in announcing eligible projects and signing contracts with selected beneficiaries; the requirement of bureaucracy; lack of financial capacity of beneficiaries to ensure co-financing of projects, as well as lack of information on funding possibilities.

At the level of the 2007-2013 programming period, through measure 312- support for the creation and development of micro-enterprises, a total expenditure of 589,891,817 euros was achieved, of which 383,429,681 euros represented public expenditure, and 206,452,136 expenditure. This financial support has contributed to the restructuring of rural activities and the creation of new alternative jobs, as well as additional sources of income from non-agricultural activities, making the development of micro-enterprises the most significant source of employment. , both for already established and developing enterprises.

Also at the level of the 2014-2020 programming period, AFIR financed 1,893 projects for the establishment of non-agricultural activities in rural areas, the value of financing contracts being 111.3 million euros.

The analysis of the data shows that the support provided at the level of the two operational periods of financing contributed to the economic and social development of the Romanian rural area, by creating cowsheds that led to the decrease of the unemployed rural population with about 17%.

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