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## SOCIO-ECONOMIC RESOURCES AND STRUCTURES FOR THE SUSTAINABLE DEVELOPMENT OF RURAL ECONOMY

### ABSTRACT

Within the current Community political framework concerning rural development, the Member States are legally encouraged to focus the resources devoted to the field of diversification of income sources on key actions contributing to the overarching priority of the creation of employment opportunities and conditions for growth. Although rural areas in Romania offer real opportunities in terms of their human potential, the provision of rural amenities and tourism, their attractiveness for employment and living, and their role as a reservoir of natural resources and highly valued landscape, the poor situation of the rural incomes is a strong argument for the need to develop a diversified rural economy. The present article is enrolled in the context, presenting a synthesis concerning the definition of sustainable development, with implications in rural area development and main results of the baseline indicators analysis providing evidences of existing non-farm sector potential, as a sustainable source for the livelihood of the communities in rural areas and the leading factor for development of the rural economy, used for the design of the present rural development plan.

**Key words:** socio-economic structures, sustainable rural development, economic diversification.

**JEL Classification:** J21, O18, O15.

### 1. INTRODUCTION

Taking into consideration the diversity of endowment in natural resources, the ethnic and cultural traditions and the different technical, economic and social development level, the rural areas cannot be treated as homogenous entities, yet the final objective of rural policies should target the balanced development between the regional and local levels. From this perspective, the rural development encompasses all those actions focusing upon the improvement of the rural population's quality of life, the maintenance of the natural and cultural landscape, which must contribute to sustainable development in correlation with the conditions and specificity of rural area.

The economic thinking and policy evolution in the EU Member States was reflected in the increasingly larger focus on the rural area importance, which is thoroughly investigated and subject to a complex development process, so that at present the rural development is considered the Second Pillar of the Common Agricultural Policy, in which a fundamental principle of integrated rural development is represented by sustainable development (Gavrilescu coord., 2006).

The true dimension and value of rural area is given by its basic functions: economic, socio-cultural and ecological. As a result, the focus laid upon rural development and interconditionality between economy and environment has grown in importance for the policy analysts and policy makers throughout the world, who investigated the rural development concept from three main points of view (Rusali, 2002). Hence, rural development means a reconciliation of these concepts and making them operable in the conditions of a balanced consideration of the three elements. The interfaces between the three approaches are equally important: the economic and social elements are interacting in order to generate (income distribution) equity and orientation towards poverty alleviation; the economy-environment interface generated new ideas on the evaluation and internationalization of the environmental impact; and the link between the social and environmental issues led to a renewed interest in certain directions, as intergenerational equity (the rights of future generations), the population participation to the development of communities and occupational diversification into non-farm activities, as a factor promoting socio-economic growth.

## 2. CONCEPTUAL EVOLUTION STAGE

In the contemporary thinking, the sustainable development, from the conceptual point of view, has been a largely debated topic, some of these ideas being presented in Box 1.

### Box 1

In a retrospective look on the world economic thinking, the sustainability and sustainable development concepts were advanced in early '70s during the debates on the theme of the '*Limits of growth*'<sup>1</sup>. At that moment it was considered that the economic growth will inevitably lead to a severe degradation of the environment and to the collapse of the society. By the end on the '70s the scientists found an apparent solution to this problem, namely by the need to conceive the economic development as a sustainable development that takes into consideration its fundamental dependence upon the natural environment.

D. Pirages from the Institute for World Order defined the sustainable development as the economic growth that can be supported by the physical and social environment in a predictable future<sup>2</sup>. He considered that "an ideal sustainable society could be that where all the energies would derive from the solar energy and all the non-renewable resources could be recycled".

In 1979, J.C. Coomer raised the issue of *sustainable society*, as that society living by the self-perpetuation of its environment limits<sup>3</sup>. This society is not a society that stagnates. It is rather a society that recognizes the growth limits and searches for alternative economic growth modalities.

The sustainable development continued to develop and to represent an ample topic for the modern analysts and economists in the 1980s, who considered that the economic development based upon industrialization erodes the natural capital on which future development depends.

<sup>1</sup> Meadows *et al.*, 1972; Cole *et al.*, 1973 "Limits of Growth"

<sup>2</sup> Pirages, D. "The Sustainable Society- Implications for Limited Growth", Praeger, New York, 1977.

<sup>3</sup> Coomer, James C. "Quest for a Sustainable Society" Pergamon Press, New York, 1979.

The recognition of the fact that a healthy environment is essential for a sustainable development and a healthy economy determined the need to consider the sustainable development as a purpose of economic development policies. The initial moment when the environment and development problem were put together in a single concept of sustainable development was marked by the publication of the World Conservation Strategy that was endorsed by the leaders throughout the world<sup>4</sup>.

In 1980, Robert Allen<sup>5</sup> advanced the sustainability issue in the following way: the sustainable use is quite a simple idea, we should use the species and ecosystems at the levels and in such ways that enable their own renewal for any practical purpose. For a subsistence society, the sustainable use of most, if not all the vital resources, is essential. The higher the diversity and flexibility of the economy, the lower the need to use certain resources in a sustainable way. The sustainable development is the development that satisfies the human needs on long term and improves the quality of life.

The sustainable development concept was imposed in the international thinking in 1987 by the World Commission for Environment and Development report that promoted the idea of sustainable development defined as: *the development that ensures the present needs, without compromising the possibility of future generations to cover their own needs*<sup>6</sup>.

The World Bank also approaches the sustainable development by the assertion that the commitment to economic growth, poverty eradication and a sound environmental management represent common, hence compatible objectives<sup>7</sup>. The economist O'Riordan provides the sustainability concept with a larger connotation, by including ethical norms from the field of mankind survival, of the rights of future generations and institutions in charge, while specifying that these rights are fully taken into consideration within the policies and actions<sup>8</sup>.

This aspect is also supported by the economist D.W. Pearce<sup>9</sup>. Referring to the sustainability criterion, the economist defines it as a positive concept that targets the optimization between the sustainable development rates and a desired objective in the conditions in which equal access to the basic resources is obtained for each generation. Under these terms, the sustainability can argue the use of resources on very long, theoretically infinite periods of time.

In a paper on the sustainable development and the cost/benefit analysis, the authors conceive the sustainable development as a vector of desired social objectives, with the following elements<sup>10</sup>: increase of real income per capita; improvement of the nutritional and health condition; education development; access to resources; a more equitable distribution of income; increase in basic liberties.

In 1986, within the Institute for World Resources, the economist Repetto already grasped the sustainability essence as being the concept in which the political decisions must not hinder the maintenance or improvement of the future living standards. This implies the need for the economic systems to be managed in such a way so that to obtain maximum benefits at present without diminishing the future consumption perspectives.

The executive director of the United Nations Environment Program<sup>11</sup> stated that the sustainable development concept targets the following: the safe development, while taking into consideration the natural resources restrictions; efficient harmonized development, without degrading the natural environment and without a decline in productivity; the human resources through health control, safety

<sup>4</sup> International Union for the Conservation of Nature and Natural Resources (IUCN) Gland Switzerland 1980.

<sup>5</sup> Allen, Robert, "How to save the world", Barnes and Noble Books, New Jersey, 1980.

<sup>6</sup> WCED, 1987, "Brundtland Report".

<sup>7</sup> World Bank, "Environment, growth and development", 1987.

<sup>8</sup> O'Riordan, T. "Sustainable Environmental Management: Principles and Practice", Belhaven Press, London, 1988.

<sup>9</sup> Pearce, David W. "Optimal prices for sustainable development" In Collard, D., Pearce, D. and Ulph, D. 1987; "Economics, Growth and Sustainable Development", St.Martin's Press, New York 1988.

<sup>10</sup> Pearce, D., Barbier, E and Markandya, A. "Sustainable development and cost benefit analysis". London, Environmental Economics Centre Paper 88-03, 1988.

<sup>11</sup> Tolba, Mostafa K. "Sustainable Development-Constraints and Opportunities". Butterworths London, 1987.

of foodstuffs, water and dwellings; adequate, non-polluting production technologies; aid for the very poor people, so as to prevent the vital option to destroy the environment for survival purposes.

In FAO vision, an extension of the essential ecological aspects is made, paying equal importance to the agronomic, economic and social factors<sup>12</sup>. In context, the FAO experts consider that the sustainable development also presupposes the utilization and protection of natural resources and the orientation of technical and institutional exchanges so as to meet the present and future generations' needs. This consists in the optimization of resources utilization, environmental management and obtaining stable yields, a correlation that harmonizes the demographic policy with the changing productive potential of the ecosystem.

In time, the *sustainability* principle was largely debated, but few attempts have been made to transpose this concept into an analytical framework that could be used in the development of "sustainable" economic policies. In his work "Sustainable Development Concepts" that makes a synthesis of the sustainable development concept, an economic growth and human activity model is proposed that includes, together with environmental considerations, the principle of allocation and progressive utilization of resources so as to reach rational development<sup>13</sup>. In this vision, the sustainable development consists in using the renewable resources in those amounts that overall should not affect their renewal possibility, not exceeding the environment capacity to assimilate the waste either.

The successful efforts in imposing the sustainable development as global strategic alternative for the next century were materialized by the sustainable development institutionalization at the Rio de Janeiro Conference of June 1992 through an international agreement expressed by the 'Rio Declaration on Environment and Development' and Agenda 21.

In Romania, the concept of agriculture sustainable development was taken over by the agrarian economists and developed under the research programs and projects, placing it among the permanent objectives of the agrarian policy in the national economy development strategy.

*In an exhaustive definition, it is considered that sustainable agriculture development through the market forces should be able to produce economic surplus for its own development and for the overall society development, be efficiently integrated into the market economy mechanisms, develop in harmony with the environment, ensure farmer incomes comparable to those of the other socio-economic categories and contribute to raising the living standard for the entire population<sup>14</sup>.*

In essence, the sustainable development, both of agriculture and of the rural area or national economy, has as main axis the equilibrium between man and nature; in other words, between the man who needs food, clothes, footwear, shelter, travelling means, etc. in order to live and nature, which ensures many necessities that man uses directly, under their natural form, or indirectly, after transforming them. The man-nature equilibrium is not a fixed ratio; it always changes, but in any change, as Professor N. Belli<sup>15</sup> also considers – it should be reproduced and maintained as such. Therefore, any sustainable development is justified as such if it reproduces

<sup>12</sup> FAO, Development durable et environnement, Roma, 1992.

<sup>13</sup> Pezzey, J. (1992).

<sup>14</sup> D. Dumitru, M. Popescu, N. Belli și F. Toderoiu, "Dezvoltarea agriculturii durabile prin forțele pieței", CIDE 1995.

<sup>15</sup> N. Belli. „Proprietatea în teoria și practica economică. Abordări conceptuale. CIDE 1994.

the equilibrium of the changing man-nature ratio. Professor N. Belli also considers that *our country needs its own concept, with specific national roots and trajectories, stemming from our historical matrix and from the useful lessons learnt from the experience of other countries with market economies*, proposing the concept of *sustainable human development of rural areas*<sup>16</sup>.

It can be mentioned that the great variety of the definitions given to the sustainable development concept in time implies economic, social, political and ecological factors, with a relatively high convergence level; these factors impose different analysis criteria and the need to combine them in the reconsideration of the development strategies from the perspective of simultaneous satisfaction of the ecological requirements by the socio-economic requirements, through an adequate allocation of the ownership rights and by a correct price establishment. From the rural area perspective, the design of development strategies and policies must have the sustainable development as a key-component, which presupposes complying with the following requirements:

- the sustainable development of agriculture – main component of rural area and diversification of economic activities, of those related to agriculture inclusively;
- economic growth in correlation with the reasonable use of resources and focusing upon the quality aspect;
- poverty alleviation by satisfying the basic needs related to jobs, food, energy, dwelling and health;
- demographic acceptability (population increase in number and the increase of the demand of subsistence goods creates pressure upon the stocks of renewable resources, resulting in the intensification of the demand for non-renewable resources);
- ownership right establishment, public property and facilitation of access to resources;
- protection and increase of natural resources, reorienting the technologies and risk control in their use;
- democratization of decisions on the environment and economy.

### 3. MATERIAL AND METHOD

The informative materials comprise reference scientific studies from the international specialty literature, documents and reports of different research projects (e.g. FAO, 2003; projects funded by the Ministry of Education and Research<sup>17</sup> in

<sup>16</sup> N. Belli „Dezvoltare umană durabilă a comunităților rurale”, in „România și Rep. Moldova: agricultura și ruralul în perioada de tranziție”, Coord. O. Bădina, Ed. D. Gusti 1996.

<sup>17</sup> CEEEX-05-D8-34/2005, Dezvoltarea durabilă a României în context european și mondial; CEEEX-56, Modelarea răspunsului exploatațiilor agricole la integrarea principiilor economice cu cele de mediu prin managementul durabil al resurselor de sol. CNCSIS, Modele și metode complexe de cercetare în dezvoltarea rurală durabilă a României.

the period 2006–2008), own research works inclusively, statistical data and information: Ministry of Agriculture, Forestry and Rural Development (MAFRD), National Institute for Statistics (NIS), EUROSTAT etc. The methodological instruments used the analysis and synthesis of the information collected during the inventory regarding the conceptual definition of sustainable development and integration into rural development, as well as of the data and information on the non-farm component of rural economy, with development promoting role, including the determinants of activity diversification, economic potential to generate non-farm rural activities and human potential size for rural economy development.

## **4. RESULTS AND DISCUSSIONS**

### **4.1. Determinants of rural activities diversification**

In recent years there has been an increasingly greater focus on rural development, as well as the recognition of the fact that rural economy is not confined to agriculture; it rather encompasses the entire rural area, its population, economic activities, infrastructure and natural resources.

The non-farm rural economy features great heterogeneity, the rural means of living being capable of deriving from different income sources, agricultural and non-agricultural, including small and medium activities and commercial activities.

The non-farm rural economy can be defined as the set of activities associated to wage and salary employment or self-employment comprising income-generating activities located in the rural areas, except for agriculture. Industrial activities can be established (e.g. agro-processing) as well as small business, entrepreneurial activities, adaptive activities that make it possible to shift from production to trade in certain special cases (drought, for example), securizing activities (e.g. non-farm employment or the sale of goods from household, as immediate response to shocks), which can be part of a survival strategy, as reaction to the shock of the lack of living means. The definition has an economic substantiation (employment and self-employment), as well as an institutional substantiation, including the social infrastructure, besides the physical infrastructure (roads, schools, hospitals, etc.) as integrating parts and essential support for the sustainable development of rural economy.

Agriculture generally has an important role in providing incomes to the rural population. Hence, the agricultural sector is the key to the development of a vigorous non-farm sector, the links in the consumption sphere being usually stronger than the direct links to agriculture, having in view that the agricultural incomes are in the first place spent for consumer goods and in the second place for supplying inputs or processing. The population density, the physical infrastructure, the education and the access to financial services are basic elements of rural economy development.

In rural economy, the agricultural and non-agricultural sectors are interconnected by the following two types of links at the farm and non-farm production level:

- upstream agriculture connections are stimulated by the agricultural sector growth, determining an increase of the non-farm sector activities for producing inputs and services necessary for the agricultural sector;
- downstream agriculture connections appear when the non-farm sector is determined to invest in the capacity to produce agro-processing and distribution services, using the agricultural products as inputs.

When larger incomes are obtained from the non-farm activities compared to the agricultural activities, indicating a risk related to the agricultural incomes, *the triggering factors* are acting, with destressing effect of the pressures made explicit by the indicators. (Table 1).

Table 1

Triggering ('push') / mobilizing ('pull') factors of rural activity diversification

<i>Triggering factors</i>	<i>Mobilizing factors</i>
High population level	Larger incomes from non-farm activities
Decreasing availability of arable area and of access to fertile land	Higher level of investments recovery in the non-farm sector
Lower agriculture productivity	Lower risk of non-farm activities compared to the agricultural activities
Low agricultural incomes	Generation of necessary cash to meet household objectives
Lack of access to agricultural input markets	Economic opportunities, associated to social advantages provided by the urban centers and by those from outside the region or country
Decrease of the natural resources base	
Natural disasters and temporary social shocks	
Absence or lack of access to rural financial markets	Attractiveness of the urban life style, mainly concerning younger people

Source: Davis, J 2006. Rural non-farm livelihoods in transition economies: emerging issues and policies. FAO Agricultural and Development Economics Division, Vol. 3, No. 2, 2006, pp. 180–224.

On the other hand, when the agricultural production is insufficient or inadequate and the opportunities to cover the consumption needs, by credits and production insurance, are absent, or when the input markets are absent or in decline and the households need liquidities for paying the agricultural inputs, the *mobilizing factors* are acting, as a response to demand.

The identification of these factors, though not simple, can be useful to the political decision-makers so as to differentiate between the different political responses that they must provide. Thus, the former can impose social assistance measures and intervention policies so as to counteract the short-term negative effects that sometimes accompany this type of diversification – for example the fast urbanization resulted in a huge pressure upon the urban centers, negative ecological impacts, etc. In the situation when the *mobilizing factors* are those that manage the

diversification process, it is necessary for the political measures to provide an adequate environment for supporting the non-farm activities and the sustainable living means.

A signal of going through an advanced stage of economic development, mainly in the poor rural areas, will be given by the households that will make a positive choice for obtaining benefits from the non-farm economy, taking into consideration the income differences between the agricultural and non-farm sector and the risk level of each employment type.

A reversed self-regulating process can be also envisaged, where the increase of incomes and of opportunities in agriculture will reduce the non-farm labour force, although this is often a dynamic inter-regional migration process.

The rural–urban links facilitate the access on the market and the transfer of financial means and skilled labour. The political objectives and the direct interventions for strengthening the non-farm rural sector can be classified into the following categories: (i) promoting overall growth; (ii) specific sectoral approaches; (iii) poverty targeting; (iv) other connections with indirect impact upon the sector.

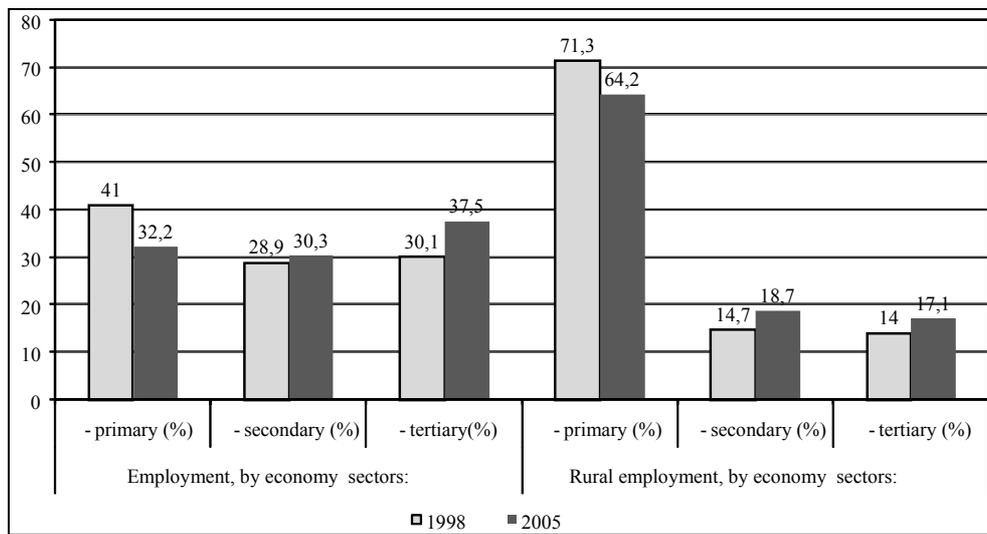
#### **4.2. Economic potential for generating non-farm rural activities**

The Romanian rural area has a significant economic growth potential and it also has a crucial social role. The rural areas cover 87.1% of the country's territory and total 9.7 million people, accounting for 45% of the country's population (NIS, 2007). The mountain area represents a valuable economic potential, characterized by a mixed rural economy: agriculture based on animal husbandry and fruit farming; timber exploitation and processing; industrial or artisanal micro-enterprises; rural tourism and mountain tourism, etc. The forestry potential provides multiple opportunities for the rural economy in timber exploitation and commercial use of non-wood forestry products. The products obtained in the mountain areas, the organic products in particular, the game resources, as well as the special attractiveness of the natural landscape represent elements that determine the significant development potential for rural and ecologic tourism (FAO, 2003).

However, in the rural population, there are great population density disparities between regions and counties, mainly determined by relief variety, as well as by the effect of the socio-economic and historical policies. The most populated rural areas are found in the north-eastern part of the country, where the birth rate is high, and in the southern regions, which were highly industrialized in the communist period; in the eastern and southern areas, the communes with a population density of 50–100 inhabitants / km<sup>2</sup> prevail; in the western part the population density is below 50 inhabitants/km<sup>2</sup> in most communes.

Although Romania's population distribution in the territory features significant differences and many rural communities contribute to the economic growth only to a lesser extent, the rural localities maintain the traditional social structure and life style.

The primary sector is by tradition the main supplier of jobs in the country's economy. In the year 2005, 2.9 million people were working in agriculture, forestry and fisheries (by National Economy Activities Classification – CAEN), accounting for 32.2% of total employment, compared to 30.3% in industry and constructions and 37.5% in the sector of services (Graph 1).



Source: NIS, Statistical databases 1998–2006.

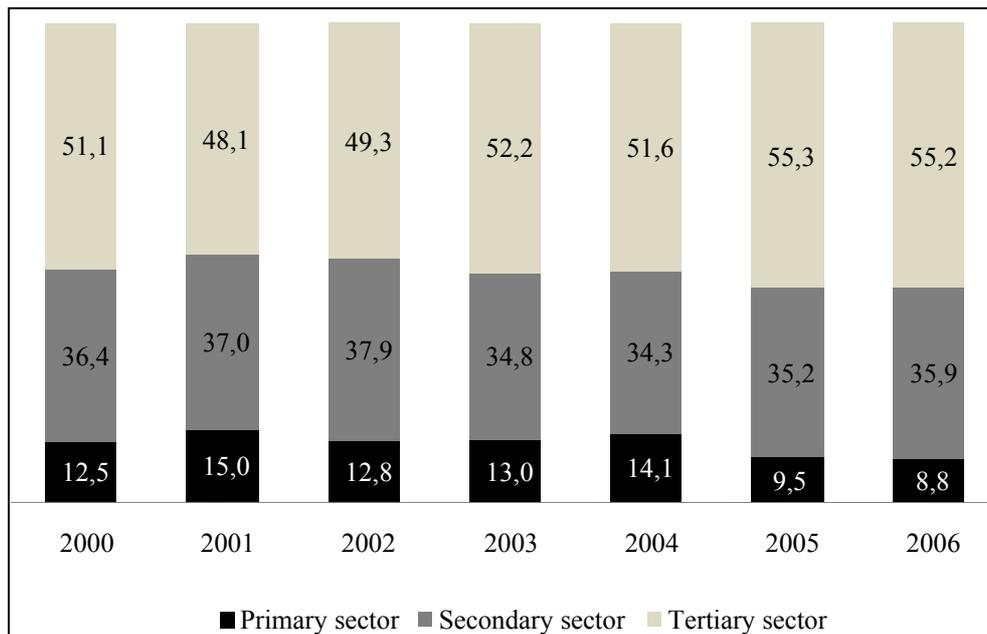
Graph 1. Structure of employed population, by economic sectors and in the rural area.

In spite of the fact that with the economic growth initiated in the year 2000, agriculture lost labour force in the favour of the secondary and tertiary sectors, at present, the most part of the rural population (64.2%) is working in agriculture, while 18.7% in the secondary sector and 17.1% in the tertiary sector.

The Romanian rural economy diversification towards the non-farm sectors is still poorly developed, although progress has been made in this direction in recent years. The insufficient statistical data on the rural area reveal that 20.2% of farmers are involved in non-farm activities generating incomes in the rural area, while 35.8% of the employed rural population is working in the non-farm sectors (secondary and tertiary sectors).

The Romanian agriculture contribution to GDP formation has always been significant. The gross value added (GVA) in agriculture represented 12.1% of GDP and 13.6% of total GVA in the year 2005 (NIS, 2006); in the year 2006, 91.2% of Romania's gross value added came from the non-farm sectors (Graph 2).

Analyzing the GVA structure in Romania's economy, it results that the GVA share in the primary sector (agriculture, forestry, fisheries) has a fluctuating evolution, with a maximum level of 15% in 2001, down to 8.8% in 2006. At the same time, a lower decline was noticed in the secondary sector (industry, constructions), from 37% to 35.9% in 2006, while in the tertiary sector (commercial and social services) it has a general increasing trend, reaching 55.2% in 2006.



Source: NIS, Statistical databases 1998–2006.

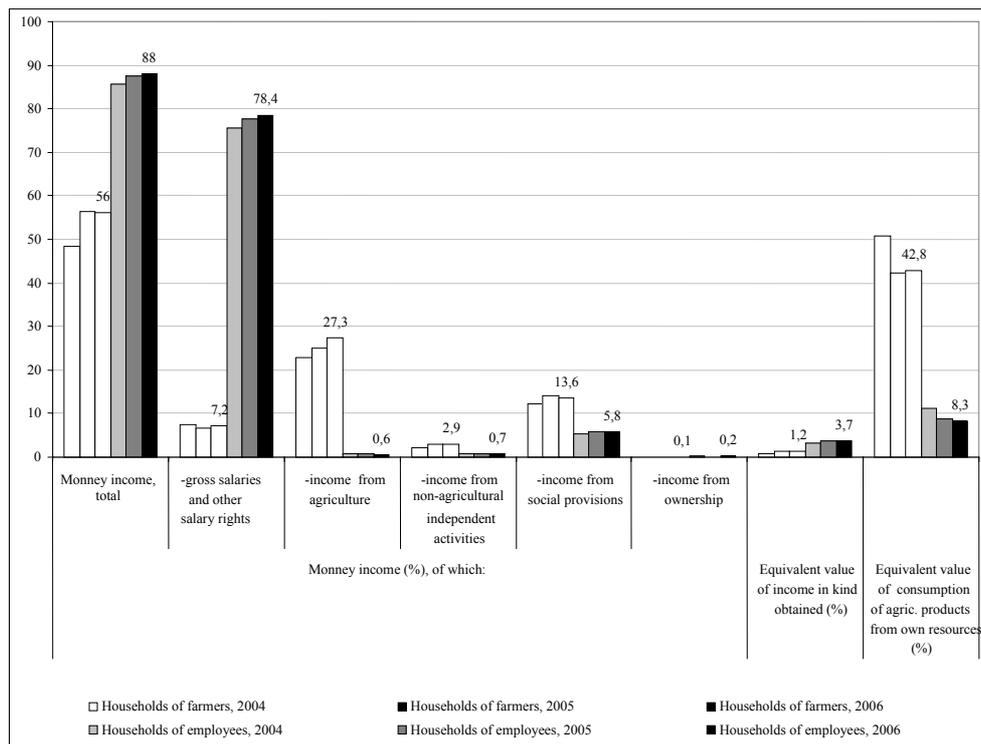
Graph 2. Structure of Romanian economy, trend of economy sectors share in GVA.

The dependence of rural economy on agriculture results in lower incomes, taking into consideration the fact that 71% of the agricultural holdings in Romania have an economic size unit lesser than one, by the European standard (1 ESU=1200 Euro) for the agricultural holdings (NIS, 2005).

Graph 3 reveals that the value of self-consumption of agricultural products has a significant share in total incomes of the household, i.e. 18% on the average in the period 2004-2006, yet its tendency is to decrease. For farmers, this share was extremely high, averaging 45.3% in the period 2004-2006.

Per total households, the incomes from the agricultural production accounted for 3.6% of cash incomes in the year 2006. In the farmers' households, the agricultural incomes accounted for only 27.3% of the cash incomes in the same period, with an increasing trend in the period 2004–2006.

From the official statistical data, the non-farm independent activities contribute to a less extent to the household incomes, in all categories of households, being maintained at 3% in the period 2004–2006. In the year 2006, the farmers and the unemployed obtained 3% and 2.5% respectively of their cash incomes from non-farm independent activities.



Source: NIS, 2007; Romania's Statistical Yearbook.

Graph 3. Structure of incomes on households of farmers and employees.

There are disparities in the rural areas with regard to the incomes on farmers' households compared to those on the households of employees. In the rural areas, the average income/person/month is 95 euro, while in the urban areas it is 135 euro. The average income from non-farm independent activities is 4.1% at household level (12 euro/month of the net income (MAFRD, 2007).

The sector of services is a deficient and least developed sector in rural area.

Compared to the structure of employed population by activity sectors in Romania, in the year 2005, where the largest part of the labour force was employed in the tertiary sector, namely 37.5%, followed by the primary sector with 32.2% and the secondary sector with 30.3%, in the rural area the highest share of

employed population is in the primary sector, i.e. 64.2% (Table 2). In the year 2005, the services accounted for 17.1% in the rural area.

Table 2

Structure of rural employment, by regions and economic sectors

Region/Economy sector	Primary sector (%)	Secondary sector (%)	Tertiary sector (%)
North-East	75.1	11.9	13.0
South-East	69.1	15.1	15.8
South	58.5	22.8	18.7
South-West	78.8	10.9	10.3
West	50.4	29.0	20.6
North-West	58.7	21.9	19.4
Center	44.6	30.8	24.6
Bucharest-Ilfov	15.6	30.4	54.0

Source: NIS, 2007; Romania's Statistical Yearbook.

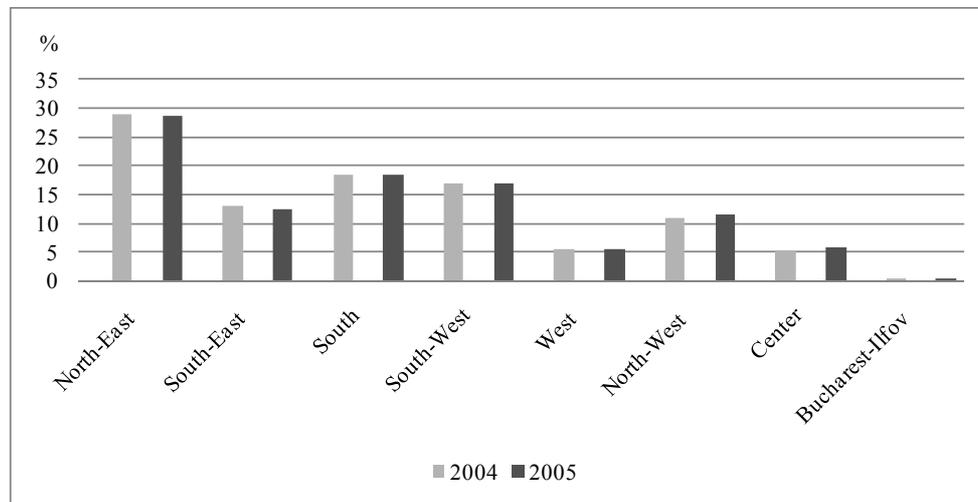
### 4.3. Human potential for rural economy development

Although in rural Romania a decreasing trend was noticed in the employed population, in the year 2005 compared to 1998, a positive trend was noticed by economic sectors, i.e. a decrease in the agricultural sector, in favour of an increasing trend in the secondary and tertiary sectors, by 4% and 3% respectively. The rural population employed in non-farm activities in the year 2005 accounted for 24.5% of total employed population in non-farm activities, following a decreasing trend in the period 1998-2005, from 1626 people to 1523 people. This was due, on the one hand, to the restructuring of non-farm activities, and on the other hand, to a low development level of non-farm activities and to migration intensification.

By development regions, the highest employment rates in the secondary and tertiary sectors, i.e. 30.8% and 24.6% respectively in the primary sector were found in the regions Center, while the lowest rates were found in the region south-west, i.e. 10.9% and 10.3% respectively (Table 2).

A relevant indicator for the diversification of income sources and the development of non-farm activities is the number of self-employed workers. This category of self-employed people includes the employers, self-employed, unpaid family workers, members of agricultural associations or of non-farm cooperatives. In the year 2005, at national level, out of the 3226 thousand self-employed people, 2790 thousand were self-employed in the rural area (Graph 4).

Although by development regions there are disparities with regard to the share of self-employed, in the rural area a decreasing trend can be noticed in this respect, on the basis of the increase in the number of self-employed in the regions North-West and Center.



Source: NIS, Statistical databases 1998–2006.

Graph 4. Self-employed workers in rural area and by development regions.

One of the key-opportunities with significant rural area growth potential is represented by tourism. With over 90% of the total accommodation places in the rural area (number of beds – the most relevant indicator of the tourism infrastructure), this sector plays an important role in most areas (MAFRD, 2007). The rural area remains an attractive place, even though certain remote and peripheral areas have particular problems. At the same time, certain aspects regarding the quality of life should be improved in many areas. For example, the information infrastructure at the level of rural population is much less developed compared to that in urban area.

Net migration is a relevant indicator for measuring the global attractiveness of a certain area, yet this phenomenon should be investigated taking into consideration several factors, among which the more favourable weather conditions, or the potential to earn incomes, which play a significant role in the people's decision to choose another place where to live or work. In the year 2005 in Romania, a negative net migration rate was noticed in the rural area, namely 3.23%, compared to 2.03% in the urban area (NIS, 2006).

The fluctuations in the migration flow, with an obvious impact upon the population evolution, define phenomena such as: active population migration to urban areas – the young people aged 20–39 years in particular, who are looking for better working conditions and a more attractive life style; migration to rural areas, in the population aged over 40 years in particular, who are coming from the rationalized labour force and did not manage to get qualified for another job, determined by the insufficient incomes for a decent living. Another current phenomenon is the emigration of the rural active population to foreign countries for work. The most intense migration flows come from the Center and North-Eastern

regions, representing 19.8% and 17% respectively of the total number of Romanian emigrants (MAFRD, 2007).

The human potential is a key factor in the development of rural areas, yet in many countries from Europe the educational level is lower in the rural area compared to the urban area, even though this is not a general situation. In Romania, the education in the rural area represents a main constraint to development. In the year 2005 in Romania, the higher education level (2.6%) and the medium education level (52.9%) of the population able to work, aged 25–64 years is 55.5%, slightly increasing from 54.2% in the year 2004. At the same time, 4.1% (2005) of the population aged over 15 years did not graduate any education form.

As regards population's participation to the educational process, in the schooling year 2005–2006, 31.3% of total population enrolled in the education system studied in the rural area. However, the rural population aged 25–64 years that graduated a medium or higher education form accounts for 55%.

The low educational level is reflected by the quality of labour in the rural area, representing a significant constraint for the economic development perspectives in the rural area. At present, the diversification of economic activities is not supported by potential workers with specific training or experience in different types of professions. The share of rural population who graduated from a higher education form is low: 1.8% (of total population aged over 15 years), being a consequence of the low access level to this education form and as well as of the low incomes. The continuous education is a useful tool for the improvement of the workers' professional training targeting economic development, mainly in the rural areas. Yet, the share of the adult population participating to this education and training process was only 0.5% (1.6% at national level) (NIS, 2006).

In close relation to the population's low educational level, the entrepreneurship development is low in Romania's rural area. Besides a low level of utilities, the rural area is also confronted with a massive temporary emigration.

Besides the agricultural activities, certain non-farm activities are also present in the rural area, yet weakly developed; the non-farm activities are mainly represented by economic activities in the primary sector, such as the exploitation and processing of natural resources. Among the activities specific to the rural area in Romania, the most frequent are the agro-processing, small-scale trade activities, services and crafts. Except for the mining sector and energy industry, the non-farm activities are carried out in small and medium-sized enterprises and on population's households.

Business development in Romania is differentiated by regions; as regards micro-enterprises (88.6% in 2005), the highest rate being found in the region North-East, 13.8%, while the lowest rate in the region South-West, 7.6%, while in the region Bucharest-Ilfov this rate was 23.6% (MAFRD, 2007).

The rural micro-enterprises have a relatively low capacity to comply with the requirements related to the job supply for the rural population. In the year 2005, these accounted for 13% of the total number of micro-enterprises (units with 1–9 employees) at national level (Table 3).

Table 3

Structure of micro-enterprises by CAEN activities and residence areas

CAEN activities / Number of units	Total	% in urban area	% in rural area
Extractive industry	385	67.79	32.21
Processing industry	34763	80.98	19.02
Electric and thermal energy, gas and water	148	86.49	13.51
Constructions	21387	87.38	12.62
Wholesale and retailing	143079	85.10	14.90
Hotels and restaurants	14192	80.97	19.03
Transport, storage, communications	22183	82.16	17.84
Real estate transactions and other services	61016	96.35	3.65
Education	1118	95.17	4.83
Health and social assistance	6717	92.47	7.53
Other activities. Collective, social, personal services	8997	94.45	5.55
Total	313985	87.03	12.97

Source: NIS, 2007; Romania's Statistical Yearbook.

More than 50% of the population from the rural area is involved in trade activities. The explanation of this phenomenon consists in the low financial resources, the shorter period of investment recovery, the population's capacities and abilities.

The source of non-farm rural incomes derives from a large variety of activities. In spite of this, as revealed in a study produced by (Davis and Bleahu, 2002), in Romania, the diversification of non-farm income and employment opportunities presents a different hierarchy in relation to the income categories (Table 4).

The majority of activities generating incomes in the 'median and rich categories' focus upon direct sales and retail trade, accounting for 63% of the activities of small and medium-sized enterprises.

Table 4

Hierarchy of non-farm income sources in correlation with the income categories

◀ Poor Categories		Median/Rich Categories ▶	
Classification		Classification	
1	Workers	1	Sale/marketing of food products, agricultural services
2	Daily work	2	Retail trade (grocery, bakery, bar, etc.)
3	Work on the farm	3	Employees
4	Direct sale of own agricultural products	4	Food processing
5	Crafts	5	Specialized work – mainly on farm or marketing activities
6	Informal support	6	Repair workshops and small manufacturing activities, e.g. furniture

Source: Davis, J., Bleahu, A. 2002. Diversification of income and employment opportunities: RNFE feasibility study in selected areas in Romania. UNO-FAO/SEUR

In the 'poor categories', the low incomes result from the skilled and unskilled non-farm activities, generally occasional, and where possible seasonal activities as inputs to agriculture (e.g. in the harvesting periods) or construction works.

The classification indicates a significant share of non-farm activities oriented towards ensuring the means of living. The study reveals that the main uses of non-farm incomes, in the order of importance, are the following: consumption and improvement of living standards; investments in non-farm business in the rural area; investments in upstream and downstream activities; investments in agricultural business growth.

## 5. CONCLUSIONS

Romania's rural economy is featured by a low diversification level and by dependence upon the agricultural activities, resulting in low incomes. The territorial distribution of the specific activities from the rural area is mainly determined by the local natural resources, by the geographic position and zonal traditions. The agricultural and forestry sectors are the most important users of agricultural land, significantly contributing to the socio-economic development of rural areas, to their growth potential, as well as to the growth potential of national economy.

The human potential in Romanian rural area, important from the demographic point of view, is confronted with critical migration phenomena, mainly among the young people and skilled workers, as well as with a process of demographic ageing that has a particular impact in the countryside. The human resources suffer from a low educational level, while the labour force is low-skilled. However, the unemployed, mostly coming from the rationalized staff from the industrial sector during the economic restructuring period, represent a skilled labour force potential that is not used due to the lack of occupational opportunities and non-adjustment to the new requirements on the labour market.

The under development level of the rural economy is an effect of the lack of off-farm employment opportunities (as type of employment promoting the economic development), of the dependence upon agriculture as main income source, of the low development level of services, in villages in particular, of an informal market that is not able to ensure reliable and stable incomes.

Although in many regions there is a sector of micro-enterprises, this has an uneven distribution, and the rural communities are characterized by a poorly developed entrepreneurial behaviour.

The tourism potential, favoured by the attractiveness of certain zones, by the natural resources and by the large share of forested areas, represents a significant opportunity for the diversification of income-generating activities in the rural areas. Yet, this potential is not fully used, due to the great infrastructure deficiencies, to the inadequate training of labour force in the market economy issues, to the low

access to resources, to investments in general, which constrains adding value to the local resources.

These conditions impose the following: directing the socio-economic development projects to the rural areas, where the lack of a rural finance system represents a critical issue; measures for the development of human resources and employment increase in particular, by attracting a significant segment of the population from subsistence farming to the non-farm sector, mainly in the field of services; improvement and intensification of cooperation between the participants to the local social and economic life (local administrations, entrepreneurs, NGOs) under the general objective of increasing the rural people's control over their own existence and situation; as it lies at the basis of all development efforts, the quality of human resources is a priority issue.

The existing socio-economic potential is able to ensure the necessary resources in order to face the identified unfavourable tendencies, turning them into key political objectives and socio-economic priorities. As a result, an adapted and strategically oriented use of EU funds through EAFRD as well as of national funds is a crucial element for promoting the sustainable development of rural areas and the acquiring or consolidation of their own socio-economic identity.

Briefly, the essential rural development priorities in Romania should include the following global objectives:

- (i) Increasing the economic dynamism of the rural area, expressed by GDP/capita;
- (ii) Maintaining the social dynamism, by the correction of the emigration rate and increase of the number of jobs in the rural area;
- (iii) Sustainable agriculture, as expressed by GVA;
- (iv) Conservation and consolidation of natural resources.

Romania's integration into the Community budget to support rural development provides real opportunities to generate new activities and economic growth. Yet, the national plan contains several disequilibria compared to the complex problems and renovation and development needs from rural Romania, the main concern being agriculture. Yet, the regional development financial funds can contribute to narrowing the gaps, under the conditions of a proper administration of funds in favour of the specific needs from the rural area.

The regional socio-economic disparities should draw the attention of the Romanian officials on the recognition of the need for an intermediary mechanism able to ensure the necessary coherence at regional level between the interventions funded by the Sectoral Operational Programs. For this purpose, it would be opportune to create certain coordination boards in each of the 8 development regions in order to analyze and periodically evaluate the implementation of EU-funded programs in the regions and to improve the strategic coordination of interventions under different programs, including those funded through EAFRD and other structural funds.

Overall, an improved administrative efficiency is needed, as well as an increased local managerial capacity to absorb the funds, for the projects to have the desired finality and to be functional after the end of the financial exercise, so that the rural communities could benefit to the largest extent possible from the existing financial support.

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