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RURAL DEVELOPMENT THROUGH NON-AGRICULTURAL ACTIVITIES IN ROMANIA

ABSTRACT

The restructuring of farm activities together with the improvement of commercial farm capital and the orientation towards partial employment in agriculture have determined the release of a significant part of labour input from farming sector. At the same time, the crafts and other traditional activities of rural people tend to be less and less practiced, mainly by the younger generation. In this context, encouraging the development of non-agricultural activities represents an occupational alternative for the rural labour force, a modality to diversify the economic activities in the countryside and a stabilizing factor for the rural population. The objective of the paper is to make an analysis how the non-agricultural activities have developed at national level, as an alternative source of incomes for the rural population. The information was obtained from national statistics, from governmental and non-governmental sources, as well as from the articles and studies published in different journals. The obtained results proved that the development of non-agricultural activities in the rural area contributes to the increase of rural population's incomes, job creation and diminution of rural-urban disparities.

Key words: non-agricultural activities; rural area, Romania.

JEL Classification: Q01, R11.

1. INTRODUCTION

At present, in Romania, the economic functions of rural areas almost entirely depend on the existence of agricultural activities. The economic development of the secondary and tertiary sectors attracted the active rural population towards the urban areas in the last decade. Although the active population in the rural area has a slightly downward trend, in the context of population decline and ageing, there is available labour force involved mainly in the subsistence and semi-subsistence farming. This situation explains the need to create alternative jobs in the rural area, and to orient small farmers or the members of their families towards non-agricultural activities. (www.madr.ro)

Occupying available time is imperative for the development of part-time farms, to which additional incomes could be provided, as well as for the development of the national economy as a whole. This is a complex process, which

implies, beside the diminution of the population employed in agriculture by attracting it in other sectors of activity, the development of pluri-activity, as well as the employment of the part-time farm members into other non-agricultural activities (Sima, 2015).

Boosting investments in the rural area, for the development of small and medium-sized enterprises (SMEs) in the non-agricultural economy and in the agro-processing sector should become a permanent concern of local authorities. These investments must be made in the context of economic de-centralization, in the rural localities (or rural areas) with surplus labour force, as well as in the industrial micro-areas of villages, with county or regional financial support, by the endowment with necessary industrial utilities (electric power, thermal power, gas, water, sewerage, access and interior roads, tele-communications etc.), on the model of those created in the rural areas of the European Union countries a long time ago. (Mateoc-Sârb, Otiman, 2011)

2. STATE OF KNOWLEDGE

One of the goals of the rural development policy of the European Union, as defined by the Council Regulation no. 1257 of May 17, 1999, regarding the community support to rural development, sustains the development of *complementary and alternative activities generating jobs*, in order to counteract the depopulation process of agricultural areas and strengthen the economic and social substance of rural areas; one of the principles at the basis of the rural development policy is the principle referring to a multi-sectoral and integrated approach to rural economy, in terms of *diversification of activities*, creation of *additional income and employment sources*, as well as rural heritage preservation. (<http://ec.europa.eu/>)

For labour employment in the rural area a series of measures are applied to boost the rural economic activities and initiatives leading to:

- Diversification of agricultural and non-agricultural activities in the rural area;
- Job creation and increase of rural population's incomes;
- Narrowing the disparities between the rural and urban areas;
- Facilitating the supply and use of renewable energy sources, of by-products, waste, residues and other non-food raw products for the purpose of bio-economy;
- Encouraging the maintenance and development of traditional activities.

Europe 2020 Strategy proposes three general key directions for economic growth, to be reached through concrete actions at European Union and national level, namely:

- promoting knowledge, innovation, education and digital society;
- a more competitive production, with more efficient use of resources;

- a greater participation in the labour force market by acquiring skills and fight against poverty.

Through actions at community level, this strategy is desired to be a solution to exit the present crisis, to reach a smart, sustainable and inclusive economy in the 21st century, leading to employment increase on the labour market, increase of productivity and economic, social and territorial cohesion. (<http://ec.europa.eu/>)

The more developed and dynamic the rural economy, the more diverse its structure is. The share of non-agricultural economy in the rural area increases through the increase of the number of enterprises in the extractive and processing industry, food industry and light industry, logging and wood and forest products processing industry, crafts, agro-tourism activities and supply of services (Sima 2015).

In agriculture, forestry as well as in the food industry, competitiveness increase leads to performance improvement, revitalization of rural areas and job creation, aspect mentioned in the Partnership Agreement, point (1) “Development Challenges”. This is the national document that describes how Romania is going to use the European Union funds to fulfil the objectives of the Common Agricultural Policy in the period 2014–2020. (<http://ec.europa.eu>)

In order to promote labour employment in the rural area, the European Commission proposes a series of measures to stimulate the economic activities in rural areas and to encourage local development initiatives, and provides necessary funding for projects for setting up micro-enterprises and consolidation of the local action groups, which will lead to the diversification of economic activities.

By diversification we understand any income generating activity that does not depend on any agricultural work, but which is linked to the farm. This refers among others to the following: agro-processing, wood processing, aquaculture, producing energy from renewable sources for the market, contracts for renting equipment, tourism, accommodation and other leisure activities, handicraft. (Feher, Gosa, 2011)

By farm pluri-activity an equilibrium could be reached between the farming activity, other forms of rural development and preservation of natural resources, while the multi-functional role of farmers could acquire other dimensions, i.e. producers of food or non-food commodities, suppliers of services and rural entrepreneurs. At the same time, the development of the business sector in the rural area, by encouraging the maintenance and development of traditional activities, leads to the diminution of disparities between rural and urban areas (Sima, 2015).

Thus, *the diversification of economic activities in the rural area* ensures the creation of new sources of alternative or additional incomes for the rural population and becomes the main possibility to increase the utilization degree of the time left available in the countryside.

Non-agricultural activities may include manufacturing (i.e. agro-processing) and be accumulative (e.g. setting up a small business) or adaptive (switching from

cash crop cultivation to commodity trading in response to drought, coping through non-agricultural wage employment or sale of household assets as an immediate response to a shock, or comprise a survival strategy as a response to a livelihood shock).

The empirical analysis revealed that the non-agricultural rural economy is not homogenous. It is essentially heterogeneous, incorporating self-employment, micro and small/medium-sized enterprises (SMEs), traders, and migration. The non-agricultural rural economy sector incorporates jobs that require significant access to assets, whether education or credit, and self-employed activities, such as roadside hawking of commodities, which may have low entry barriers (or none at all) and low asset requirements.

Livelihood diversification includes on and off farm activities that are undertaken to generate extra income via the formation of agricultural and non-agricultural products, self-employment in small firms, and other strategies to spread risk, including radical migration strategies (Ellis, 1999).

A plethora of terms to capture the non-agricultural rural economy activities of farmers have emerged: diversification, multiple job holding, pluri-activity. This has led to a series of binary classifications: between full-time and part-time farmers, pluriactive and non-pluriactive farmers, diversified and non-diversified occupiers. However these simple dichotomies are unable to capture the absolute and relatively diverse nature of income sources. The traditional and main component of income in rural households has been income from agricultural core activities.

These may be defined as enterprises taking place in predominantly agricultural units based on primary production of food or fibre. In addition, Islam (1997) identifies five distinct sources of non-farm income: (a) non-agricultural activities within the household; (b) activities in small rural towns; (c) work in large cities (involving commuting); (d) remittances from household members in cities; and (e) remittances from household members overseas.

One of the key areas of discussion in the literature is to understand if individuals respond to new opportunities in non-agricultural rural economy – *demand-pull*, or are driven to seek non-farm employment because there is no opportunity on farm – *distress-push*. The pull factors in non-agricultural rural economy are: higher return on labour, higher return on investment, lower risk of non-agricultural rural economy compared to on-farm activities, generation of cash to meet household objectives, economic opportunities and social advantages offered in urban centers and outside the region or country, appeal of urban life to younger people. The push factors in non-agricultural rural economy are: population growth, inadequate access to fertile land, low farm productivity, low returns to farming, and lack of access to farm input markets, decline of the natural resource base, temporary events and shocks, lack of access to rural financial markets. Pull factors are at work when returns to non-agricultural rural economy are higher than to farming, or when returns to farming are more risky; conversely, push factors are

at work when farm output is inadequate, opportunities for consumption smoothing (credit and crop insurance) are missing, or input markets are absent (Ellis and Freeman, 2004).

Islam (1997) suggests that factors leading to demand-pull include increase in the income of lower - and middle - income households and increased demand from urban areas for rural products. Successive droughts that depress farm income and increase the need for alternative sources offering low-skill cheap income are identified as a distress-push factor. As evidence of distress-push, wages or incomes are likely to be lower in the non-farm rural economy. It is important that policy makers make this distinction between distress-push and demand-pull because each may require different policy responses.

The former may require policymakers to develop appropriate social safety net and interventionist policies to mitigate the short-run negative effects that sometimes accompany this type of diversification (e.g., over-rapid urbanization placing tremendous pressure on urban centers, negative environmental impacts etc.). Where demand-pull factors are driving the process of diversification, policy makers might seek to provide a suitable “enabling environment” to support the development of non-agricultural rural economy and sustainable rural livelihoods.

3. MATERIAL AND METHOD

The information existing in the present article was obtained through scientific research-specific methods, respecting, from the methodological point of view, all its stages: identification of the researched problem, delimitation of the research framework, information collection, processing, analysis and interpretation of data and drawing the conclusions. An important role for the purpose of the article is held by desk research, which consisted in identifying other studies and articles on the same theme and statistical data processing. Hence, the information sources used can be classified in governmental sources (statistical, ministerial and research institutes), as well as in non-governmental sources (independent publications).

4. RESULTS AND DISCUSSIONS

Non-agricultural activities represent an important source of employment generation in the rural area in opposition to the diminution of agricultural employment. The income concentrating function of non-agricultural activities results from the influence of different branches of non-agricultural activity, with the influence of each branch varying by region. In this respect a significant part of the resources of the Rural Development Programme (RDP) are meant to contribute

to the overarching priority of the creation of employment opportunities in rural areas in non-agricultural activities and services.

In Romania, the EU financial support for the development and diversification of the Romanian rural economy through the development of non-agricultural activities has been granted through the rural development programmes starting with the year 2000 (Table 1).

Table 1

Measures for the diversification of the Romanian rural economy, in the period 2000–2020

1	SAPARD Programme 2000–2006	
	Priority Axis 3 “Rural economy development”	Measure 3.4 “Development and diversification of economic activities that generate multiple activities and alternative incomes”
2	National Rural Development Programme 2007–2013	
	Axis 3 “Improving the quality of life in rural areas and diversification of the rural economy”	Measure 312 “Support for the creation and development of micro-enterprises” Measure 313 “Encouragement of tourism activities”
3	National Rural Development Programme 2014–2020	
	Measure 6 “Development of farms and enterprises”	Sub-measure 6.2. “Support for the creation of non-agricultural activities in rural areas” Sub-measure 6.4. “Investments in the creation and development of non-agricultural activities”

Source: <http://www.madr.ro/>

The Leader axis (axis 4) also contributes to the diversification of rural economy. Leader projects support bottom-up rural development priorities, such as business competitiveness, environmental sustainability, economic diversification and quality of life. Local development strategies (part of the Leader approach) often aim at creating new jobs in non-agricultural activities. The target groups of these interventions are members of farm households, micro-enterprises as defined in the Commission Recommendation and the population in rural areas in general.

The successful implementation of these measures also requires training in new and adapted skills for the economic actors in the rural areas. To this end, support is provided for *training and information for the economic actors operating in the fields covered by the axis of the rural development policy*. The supported training activities include training in ICT skills, training and coaching of starters of a micro-business in a rural area, training young people in traditional rural skills to tap into demand for tourism, recreation, environmental services and quality

products, management training for farmers diversifying into non-agricultural activities.

The National Rural Development Programme (NPRD), has financed and still finances through the European Agricultural Fund for Rural Development (EAFRD) the *development of non-agricultural activities* in the rural area, giving rural people the possibility to make investments and eligible expenses for:

- *non-agricultural manufacturing activities such as:*
 - light industry (leather goods, footwear, wool, furs, knitwear, household appliances, odorants etc.);
 - industrial processing of wood products, from timber up to furniture manufacturing;
 - machinery assembling, tools and household appliances, package manufacturing, metal processing, etc.
- *development of handicraft activities*, cottage industry and other traditional non-agricultural activities with local specificity (iron, wool processing, pottery, embroidering, manufacturing of traditional musical instruments, etc.), as well as their marketing (small shops for selling own products obtained from these activities).
- *development of services for the rural population*, such as:
 - tailoring, hairdressing, shoe repair;
 - internet connection and broadcasting;
 - consultancy, accountancy, legal services, audit;
 - mechanization, phyto-sanitary protection and sanitary-veterinary services;
 - machinery, tools and household appliances repair services;
 - agro-tourism (accommodation, recreation, food service).
- *renewable energy production* (production of pellets and briquettes).

Support for business creation and development is provided to existing micro-enterprises or to persons who plan to set up new micro-enterprises in non-agricultural businesses. This can help to promote entrepreneurship and develop the economic structure in rural areas, thus contributing to the creation of employment opportunities.

The eligible applicants for the Community non-refundable financial support for the development of non-agricultural activities in the Romanian rural area are:

- non-agricultural micro-enterprises and small enterprises already existing and newly established (start-ups) in the rural area;
- farmers or members of agricultural household farms (certified with minimum status as authorised physical persons) who diversify their basic farming activity by developing a non-agricultural business in the rural area in the already existing enterprises, included in the category of micro-enterprises and small enterprises, except for the unauthorised physical persons.

The micro-enterprises (with maximum 9 employees, which have a net yearly turnover or own total assets up to 2 million euro, in national currency equivalent - RON) and the small enterprises (with 10–49 employees with a net yearly turnover or total assets up to 10 million euro, in national currency equivalent - RON), both already existing or newly established (start-ups), must carry out their activity proposed through the project in the rural area, the working point/points for the activities related to the investment funded through the project must be based in the rural area. In the case in which the activity proposed through the project is carried out at the social headquarters, this must be also located in the rural area.

By *organization forms*, the eligible applicant categories are the following:

- authorised physical persons, individual enterprises and family enterprises (established on the basis of GEO no. 44/April 16, 2008) with subsequent amendments and completions;
- collective-name company SNC, limited partnership SCS, joint stock company SA, partnership limited by shares SCA and limited liability company LLC (established on the basis of Law no. 31/ 1990, with subsequent amendments and completions);
- private-equity firm (established on the basis of Law no. 15/1990, with subsequent amendments and completions);
- agricultural commercial enterprise (established by Law no. 36/1991) with subsequent amendments and completions;
- agricultural cooperative company of 1st degree and craft and consumer cooperatives of 1st degree (established on the basis of Law no. 1/2005), with the objective to develop non-agricultural activities provided in their constitutive act;
- agricultural cooperative of 1st degree (established on the basis of Law no. 566/2004) for farming and management of agricultural land and livestock.

The governmental strategies to prioritize the actions and measures have in view to remove the constraints to private initiative in the rural areas through:

- support to the private sector in the identification of investment opportunities;
- strengthening the existing labour force and supporting its re-qualification to meet the requirements of private investors in rural areas;
- adjustment of the education curricula in the rural areas to the specific conditions of the communities, so that the young people can get jobs more easily;
- enhancing the quality of public administration in rural areas;
- improving public infrastructure in rural areas;
- supplying technological assistance to communities for the identification and coordination of public investments efforts.

Governments have always recognized the problems in the rural area and the lower living standard compared to that in the urban area. At the same time, the problems generated by fewer opportunities to find jobs in the rural area have been

included on the governmental agenda, together with the support to job creation and environmental protection. Several governmental strategies existed and still exist, trying to coordinate the efforts and resources of different ministries and governmental agencies (agriculture, labour and social protection, administration and environment), so as to generate a critical mass necessary for rural area development.

Yet these strategies have not generated the expected results, not even with regard to the increase of competitiveness of agricultural activities and to rural area development. The causes of failures are, in general, the top to bottom approach of the different strategies, the non-involvement of authorities and rural communities, and the systematic non-allocation of the funds that have been initially foreseen and the absence of certain priorities to be maintained for a long time period.

The financial support for the development and diversification of the Romanian rural economy through the development of non-agricultural activities were 5.54% (for M 3.4) from the resources allocated to the SAPARD programme 2000–2006; 5.34% (for M 312) and 3.98% (for M 313) from the resources allocated to the NDRP 2007–2013; 1.18% (for sM6.2) and 1.76% (for sM6.4) from the resources allocated to the NDRP 2014–2020.

The payments made in the SAPARD programme for Measure 3.4 were 68,196 million Euros, thus absorbing 80.97% of the total of funds made available; the payments made in the NDRP 2007–2013 for Measure 312 were 315 million Euros, thus absorbing 50.30% of the total of funds made available and for Measure 313 were 138 million Euros, thus absorbing 29,50% of the resources allocated; the payments made in the NDRP 2014–2020 for sub-measure 6.2 were 92 million Euros, thus absorbing 82.84% of the total of funds made available and for sub-measure 6.4 were 104 million Euros, thus absorbing 62,42% of the resources allocated (Table 2).

Table 2

Financial support for the diversification of the Romanian rural economy, in the period 2000–2020

	Budget allocation (mii €)	Value of payments made (mii €)	Degree of consumption (%)
3.4 – Development and diversification of economic activities that generate multiple activities and alternative incomes	84,220,533.41	68,196,079.21	80.97
312 – Support for the creation and development of micro-enterprises	625,563.20	314,654.67	50.30
313 – Encouragement of tourism activities	467,000.86	137,768.25	29.50
6.2 – Support for the creation of non-agricultural activities in rural areas (inclusive ITI Delta Dunării)	111,583.30	92,435.90	82.84
6.4 – Investments in the creation and development of non-agricultural activities (inclusive ITI Delta Dunării)	166,503.97	103,938.75	62.42

Source: <http://www.madr.ro/>

According to the MARD Final Report on SAPARD programme implementation in Romania, most funds have been absorbed by investments in rural tourism (78,86%) and other types of tourism activities in rural areas (7.67%). As a conclusion, Measure 3.4 has generated a very good impact both concerning the creation of workplaces, as well as for the improvement of income in rural areas.

According to the MARD Progress Report on NDRP implementation in Romania, by the end of the year 2015, under Measure 312 the largest share of investments is in the category "Setting up micro-enterprises" with 98.46% of the public value approved for this measure, followed by the category "Development of micro-enterprises" with 1.54% of the total funds approved for this measure, and under Measure 313 the largest share of investments is in the category "Recreational infrastructure" with 72.24% of the total approved funds, followed by the category "Small-size infrastructure" with 27.28% of the total approved funds and the category "Development/promotion of rural tourism services" with 0.49% of the total funds approved for this measure.

The results obtained under all these measures are relevant to the urgent needs identified by reference to the diversification of rural activities, in particular by developing the tourism sector requiring major investments in tourist accommodation facilities, in order to meet market requests and needs, both qualitatively and quantitatively.

The rural area favours the emergence of new activities, but it is a vulnerable entrepreneurial environment, depending on legislative-normative, social, financial, technological, political and global factors (Table 3).

Table 3

Influence of factors on rural economy development

Type of factors	Positive influence	Negative influence
Legislative-normative factors	<ul style="list-style-type: none"> – creation and application of a normal framework for carrying out the activities of small and medium-sized enterprises, – providing benefits to stimulate entrepreneurship, – free legal and accounting advice, – training classes, – organization of events mainly addressed to the entrepreneurial community, – facilitating an easy communication with the authorities of the Romanian State and the access to European funding. 	<ul style="list-style-type: none"> – application of laws is one of the many reasons for dispute between the company and the Romanian State, – many law articles suffer from lack of documented research or of concordance between the real needs of the entrepreneurial sector and what these needs are intended to be, – a difficult procedure to start up a firm, although there have been state initiatives to simplify it.
Social factors	<ul style="list-style-type: none"> – are the "human face" of a company, – bring creative power and differentiation in the face of competitors, – advantageous contracts on long term, – can represent negotiation issues for obtaining certain facilities from the Romanian State. 	<ul style="list-style-type: none"> – require the greatest attention from the part of entrepreneurs, – need motivation, continuous improvement and monitoring resources due to their subjective character.

Financial factors	<ul style="list-style-type: none"> – significantly contribute to the increase of company's liquidity, to long-term development, to the budget for promoting the supplied products/services and to a continuous improvement in the relationship with customers, when it mainly refers to attracting funds through different modalities; – are the main support for company development and a well-managed fund increases the speed of capital turnover. 	<ul style="list-style-type: none"> – attract greater taxes, unjustified demands for sponsorship, wage claims, credit demand (a higher demand than the financial structure of the company is able to sustain will amplify the lack of liquidities and will not prove its efficiency), – represent the attraction point in the entrepreneurial environment.
Technological factors	<ul style="list-style-type: none"> – envelop the entrepreneurial activity and improve the services supplied, – support the evolution and competitiveness of the entrepreneurial environment. 	<ul style="list-style-type: none"> – are conditioned by the entrepreneurs' knowledge, by the budget allocated for modernization and technological refurbishment, and by how employees will be able to take advantage of the investment made, – are the factors with the highest degree of perishability, and out of this reason a firm decision for activity modernization is needed.
Political factors	Because they are the basis for the entrepreneurial environment, we can call them primary factors. The political regime has decisively influenced the emergence or development of the entrepreneurial sector in a given country or geographic area.	
Global factors	They treat mainly the effects of events in the developed economies of the world, the policy of the states that have monopoly on a certain market, the armed conflicts, the agreements on commodity circulation or the latest discoveries in the field.	

Source: author's processing based on www.enrd.ec.europa.eu

The negative influence of these factors can be avoided by:

- providing training courses in business management;
- providing training courses in the field of innovation, management of change, risk management and development of creativity and entrepreneurial capacity of physical persons, especially for youth and women;
- networking of entrepreneurs focused mainly on knowledge transfer and exchange of good practices;
- supply of technical support consisting of a number of initiatives developed around projects specific to agriculture, food industry, basic services and leisure activities;
- facilitating access to funding at local level, as close as possible to the place where the economic activity is carried out, to better and more efficiently respond to the business environment needs;
- reducing bureaucracy, simplifying the procedures for accessing European funds for rural development and, implicitly, improving the relations

between authorities involved in rural development programmes and applicants;

- change in attitude of the institutions on the capital market, mainly the financial-banking institutions, which associate a higher degree of risk to most entrepreneurs in the rural area, to young entrepreneurs, young farmers, small farmers, and mainly to start ups respectively;
- creation of specialised credit products for young rural entrepreneurs, to complement the financial effort supported by national and European funds;
- valorisation of local knowledge in the elaboration and implementation of rural development policies and programmes;
- synchronization of the approval of the financing contracts, of documentations and payment of projects with the schedule of businesses proposed by projects;
- facilitating, at the level of local communities, the understanding of problems that the entrepreneurs are facing in the rural area, and support to entrepreneurial initiatives by the local authorities;
- better communication between the national, regional and local actors on the needs of rural entrepreneurs.

Obtaining good results in the development of non-agricultural activities in rural Romania imposes:

- easy access to financial instruments adequate for farmers, processors and small rural entrepreneurs;
- continuation of the process of reducing bureaucracy in setting up and running new businesses;
- a better information of the population about the governmental programs on stimulating private initiative;
- popularization to a greater extent of the successful businesses of Romanian entrepreneurs;
- improvement of infrastructure for supporting businesses through the creation and development of rural business incubators;
- orientation of the educational reform towards the development of the entrepreneurial spirit.

In the present socio-economic context, the creation and promotion of entrepreneurial initiatives has put into operation a viable mechanism for the development of rural communities. In order to obtain good results in the entrepreneurial activity in Romania, the following aspects should be taken into consideration:

- infrastructure improvement to support business through the creation and development of industrial parks and business incubators;
- continuation of the bureaucracy diminution process in the establishment and operation of the new enterprises;

- a better information of population on the governmental programs for private initiative stimulation;
- promoting the successful business stories of the Romanian entrepreneurs on a larger scale.

The business environment development in the Romanian rural area, according to the principle of activity field prioritization, contributes to:

- diversification of agricultural and non-agricultural activities and job creation in the rural area;
- increase of rural population's incomes and narrowing the disparities between the rural and the urban areas;
- fostering the maintenance and development of traditional activities.

In the future, with the continuation of the reform in education, the conditions of entrepreneurial spirit development could be changed. The success of such changes depends on how fast and how much the administrative and managerial capacity of local authorities will be improved.

The investments in the non-agricultural and food economy in the countryside, besides adding value to products through processing agricultural and non-agricultural raw products from local resources, has another great advantage, in the sense of creating new jobs, through the utilization and stabilization of the local (rural) labour force, the revitalization of the rural localities, mainly of those localities from the less-favoured and remote areas.

5. CONCLUSIONS

Rural structural transformation means increasing agricultural productivity, non-agricultural activities and production of higher-value agricultural products. Non-agricultural activities are a major driver of agricultural upgrading and rural transformation. Non-agricultural activities are generally divided into two broad groups of occupations: high-labour-productivity that leads to high-income activity and low-labour-productivity activities that serve only as residual source of income. The latter are common among the poor. But such employment may be very important from a social welfare perspective. If agriculture employment is not an option for certain subgroups of rural population, rural non-agricultural employment opportunities can make a real difference, even though they are not highly remunerative, mainly for those households that do not own farmland.

In Romania, rural economy is associated, by tradition, to agriculture. This situation explains the need to create jobs in the rural area and orient the small farmers or the members of their families towards non-agricultural activities. The statistical data reveal that agriculture, food industry and forestry are of primordial importance for the rural economy. At present, the non-agricultural activities in the

Romanian rural area, linked to the primary sector, and mainly to the exploitation of natural resources and their processing, are insignificant in economic terms.

Data on rural diversification and non-agricultural activities are very limited, and their interpretation is complicated by the multiple dimensions of diversification. However, the analysis of SMEs in the Romanian rural area reveals their low capacity to respond to the need to supply jobs for the rural population. Small-scale business development is recognized as the most important source of jobs and incomes in the European rural area. Starting from the principle that the movement of the labour force is much more expensive compared to the movement of materials and products, most countries have modified the policy of enterprises location, in the sense that they moved them towards the labour force and not vice versa. The location of small and medium-sized industrial enterprises in the rural area means the diversification of economy, labour force employment, increase of the economic power of rural localities and their overall development.

Rural development policy supports members of farm households who diversify into non-agricultural activities. There are different categories of non-agricultural activities that can be supported, for instance: service activities (such as bed and breakfast; education and social activities on farms); craft activities (such as pottery and production of local products); trade activities (such as the creation of farm stores, where artisan products are sold directly to the customer).

The experiences of the implementation of the Rural Development Programme demonstrated the need of providing the beneficiaries with co-financing facilities and taking over the risk through financial engineering operations, as well as eliminating the restrictions identified as limitative causes for the absorption of funds.

In the present socio-economic context in our country, the successful development of non-agricultural activities in the rural area depends on how fast and how much the collaboration between the rural actors will improve (public authorities, farmers, NGOs, etc.), as well as on how quickly and how much this will contribute to the improvement of the administrative and managerial capacity of local authorities.

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