

Acad. Paun Ioan OTIMAN

Secretary General of the Romanian Academy
Institute of Agricultural Economics, Romanian Academy

Sustainable Development Strategy of Agriculture and Rural Areas in Romania on Medium and Long Term

- Rural Romania XXI –

Abstract

In the present strategy draft, our concerns are the problems of agriculture and rural development in the conditions of Romania's joining the European Union. We are facing a great compatibility dilemma between the Common Agricultural Policy, with its objectives adapted to the current situation of agriculture in the European Union, and the situation of Romania's agriculture, which should have totally different objectives compared to those of the EU agriculture.

Romania needs a multifunctional, competitive agriculture, at the same time complementary to the agriculture of the other EU Member States, as well as main decisions regarding the support to different farming systems under competition, among which the most important are: food production versus biofuel production; conventional agriculture versus biotechnological agriculture; conventional farming versus organic farming; modern agriculture versus traditional agriculture; agriculture on family farms versus agriculture on very large-sized farms; semi-subsistence (subsistence) agriculture versus commercial agriculture.

The rural area can carry out its supply, recreation and equilibrium functions, much desired by the society, only if it remains an attractive and original living space, equipped with: a good infrastructure; a viable agricultural and forestry sector; local conditions favourable to non-agricultural economic activities; an intact environment with a well-cared landscape.

Keywords: *agriculture and rural development; multifunctional agriculture; conventional agriculture; non-agricultural economic activities*

JEL Classification: *Q01, Q16*

In the present strategy draft, we are concerned with the problems of agriculture and rural development in the conditions of Romania's joining the European Union. We are facing a great compatibility dilemma between the new Common Agricultural Policy, with its objectives, adapted to the current situation of agriculture in the European Union (high technical performance, increasingly higher material consumptions and costs, presence of significant stocks of agricultural products, with

important economic consequences upon the farm economy), a new agricultural support policy (decoupled from production) and a new rural development policy, the fast increase of agricultural prices, both on the European market and on the other markets and the situation in Romanian agriculture, which should have totally different objectives compared to those of the European agriculture. These objectives are the following: deep restructuring of farms, through agricultural land consolidation and adequate equipment, massive support to increase the technical and economic yields, placing the Romanian agricultural products on the EU and world markets, the establishment of producers' groups, of the cooperatives for input supply, processing and marketing of products, the establishment of agricultural chambers, etc.

The reform strategy in the field of medium and long term sustainable development of agriculture and rural areas, named **RURAL ROMANIA XXI**, is meant to be a Romanian project, designed by the Romanian Academy (Institute of Agricultural Economics from the National Institute of Economic Research in collaboration with the specialized faculties and departments and the Academy of Agricultural and Forestry Sciences "Gheorghe Ionescu Şişeşti") and assimilated by the parliamentary political parties, by Romania's Presidency, Romania's Government through the Ministry of Agriculture and Rural Development, Ministry of Environment, Ministry of Economy and Finance, employers' organizations, trade unions and professional associations from the agri-food system, etc.

As it results from most studies and from the Accession Agreement to the EU and from the National Program for Agricultural and Rural Development (NPARD), **Romania needs a multifunctional, competitive agriculture, at the same time complementary to the agriculture of the other EU Member States**, as well as main decisions regarding the support to different farming systems under competition, among which the most important are:

- Food production versus biofuel production;
- Conventional agriculture versus biotechnological agriculture;
- Conventional farming versus organic farming;
- Modern agriculture versus traditional agriculture;
- Agriculture on family farms versus agriculture on very large-sized farms;
- Semi-subsistence (subsistence) agriculture versus commercial agriculture.

It is extremely important for the Romanian agriculture that in each of the above-mentioned case the equilibrium point between different farming systems should be determined, which turns the competition into complementariness.

The new philosophy of rural area development is based upon the concept of **sustainable rural development**, which presupposes the harmonious blending of the **agricultural (and forestry) component and the non-agricultural rural economy component**, based upon the following principles:

- **harmony between the rural economy and the environment** (economy – ecology equilibrium);
- **the sustainable development programs should have in view a medium and long term time horizon;**
- **rural area naturalization, by preserving the natural environment mostly intact;**
- **the anthropized, man-made environment, should be as close as possible to the natural environment;**
- **the use of local natural resources, mainly of renewable resources, in the rural economic activity;**

- diversification of the agricultural economy structure through pluriactivity, in the first place by the development of agri-food economy, non-agricultural economy and services.

The new philosophy of rural area development, in its essence, is based upon its characterization from the European Charter: **The rural area in Europe represents a precious landscape space, fruit of a long history, whose preservation is a vivid concern of the society. The rural area can carry out its supply, recreation and equilibrium functions, much desired by the society, only on the condition it remains an attractive and original living space, equipped with:**

- **A good infrastructure;**
- **A viable agricultural and forestry sector;**
- **Local conditions favourable to non-agricultural economic activities;**
- **An intact environment with a well-cared landscape.**

From the analysis of the present agricultural structures (with their underperformances), of the rural economy with predominantly primary character and of the consumption of resources by the rural population, it can be concluded that the **Romanian countryside is characterized by a high poverty rate** (over 45%, compared to 15–18% in the urban area). **The strong poverty, with the tendency to become chronic poverty, makes the rural economy shift towards the natural, subsistence economy and get isolated from the market economy.**

On the basis of the studies that have been made so far, we consider that the sustainable rural development solutions should contain concrete technical, juridical and financial elements stimulating the complex and sustainable development. **The Romanian village economy should no longer be a closed economy, it should be inserted into the business environment, and it should gradually shift from subsistence economy to a competitive, commercial economy.**

The Romanian agricultural space quality represents the natural, ecological premise for our products competitiveness. The basic agricultural products (wheat, maize, sunflower, soybean, vegetables, fruit, meat, milk, etc.) obtained under medium technical conditions, are perfectly competitive with the products from other countries, while the quality provided by the soil and weather factors to many Romanian agricultural products may be even higher.

A new rural strategy for Romania, by implementing the sustainable rural development tools, should result in the Romanian rural structures getting compatible with the EU rural structures in a short period of time. At the same time, the Romanian rural area also needs a modern infrastructure, correlated with the present needs of life in the countryside and with the complex rural economic activity.

A large part of rural Romania has a natural and/or anthropic vocation – as basic condition for agro-tourism or eco-tourism development. Starting from the special natural qualities of the rural area, Romania's rural strategy should support the sustainable rural development as an active economic growth factor, in order to alleviate rural poverty and gradually shift to an acceptable economic and social standard in the rural areas.

The sustainable local rural development issue represents the quintessence of the economic and social policies targeting the harmonious local (rural) community development, and the strategy design should start from the following realities:

- The reconstitution of the land ownership right was extremely slow, full of syncoptes, most often on an unfair and incorrect basis. After 17 years, land ownership reconstitution has not been completed yet;

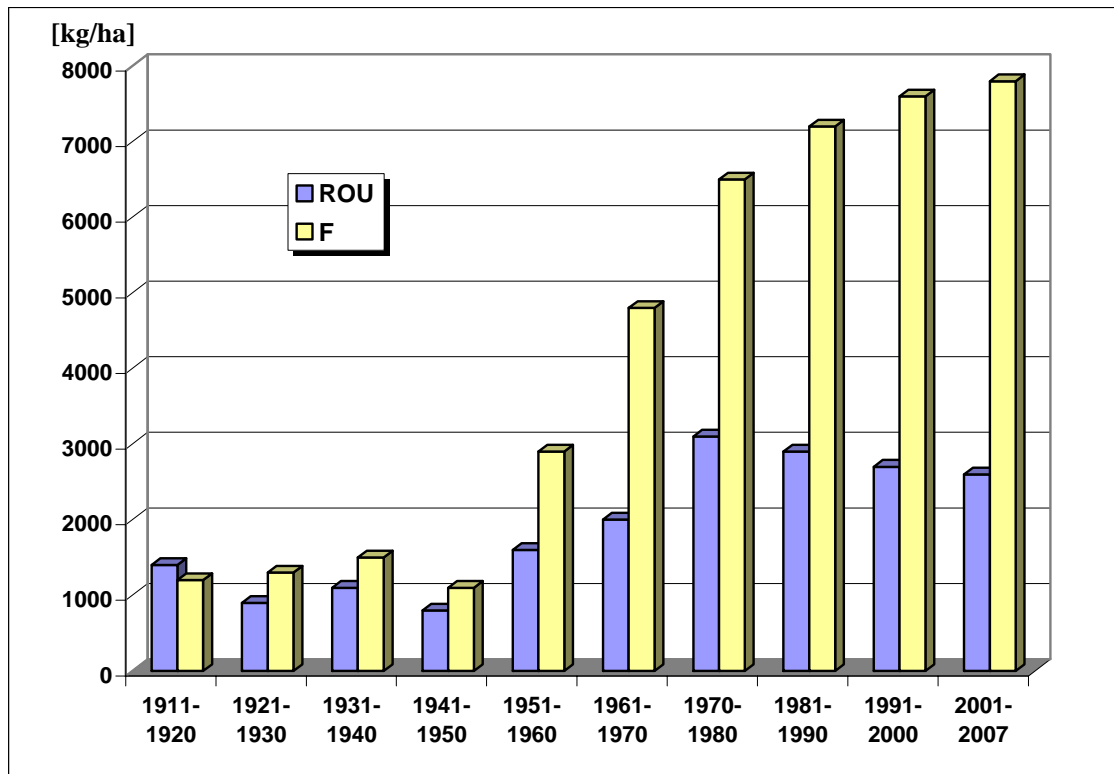
- The state agriculture privatization, through the sale of assets or packages of shares and agricultural land concession “was carried out” in most agricultural commercial companies with great doubts with regard to the accuracy of evaluation, as the value of stocks of finished products and of the unfinished production in many cases was higher than the amount paid by the “investors”. The privatization of state agriculture created a new class of farmers, that of the “great landowners” or land concessionaires that operate dozen thousands of hectares.

- The amounts allocated to agriculture from the state budget and from the European pre-accession funds have not had the expected economic effects. The average yields in the main crops stagnated or even diminished in the 18 years, and the agricultural output value and agriculture contribution to Gross Domestic Product formation (in absolute value and per capita) remained constant. The absorption capacity of the European funds is at the lowest level in Europe, in the case of project eligibility. The effects of the socialist type of agriculture, as well as of the transition agriculture policy reform, in the case of cereal production, can be seen in the table and figure below.

Table 1

**Average yields obtained by Romania and France in the 20th century
(1910–2000) (kg/ha)**

| Country | 2 1911– 1920 | 3 1921– 1930 | 4 1931– 1940 | 5 1941– 1950 | 6 1951– 1960 | 7 1961– 1970 | 8 1971– 1980 | 9 1981– 1990 | 10 1991– 2000 | 11 2001– 2007 |
|---------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| A | 1400 | 900 | 1100 | 800 | 1600 | 2000 | 3100 | 2900 | 2700 | 2600 |
| F | 1200 | 1300 | 1500 | 1100 | 2900 | 4800 | 6500 | 7200 | 7600 | 7800 |
| Δ | +200 | –400 | –400 | –300 | –1300 | –2800 | –3400 | –4300 | 4900 | 5800 |



Average yields in cereals obtained by Romania and France in the period 1910–2007

- Overall, the rural area “stood still”, as regards both the evolution of non-agricultural rural economy and the technical equipment of dwellings, localities and territory, for almost two decades, at the communist “standards” of the ‘80s. The huge severe poverty bags covering Romania’s territory, the image of villages and houses destroyed by flooding, as a result of rainfalls over 20-25 l/square meter that could not be retained by the wildly deforested hills or mountains, by landslides or by other causes, and last but not least, the “deplorable” faces of the women who got old too early or of the men destroyed by their vices, are unfortunately realities that can be most often met in rural Romania, at the beginning of the European era.

The strategy **RURAL ROMANIA XXI** is an attempt to substantiate, on a scientific basis, certain viable, sustainable and applicable solutions on medium and longer term, which should have in view the following:

1. Romania, by its agricultural, forestry and food sectoral activities should reach competitiveness levels of average yields and quotas (if these are not removed from the European practice) comparable to those from the EU countries with similar ecological conditions and natural potential (at present, the estimations of the Academy of Agricultural and Forestry Sciences consider that the average yield levels represent 40% of their potential). In this respect, Romania should have as a priority investment axis the building up of agricultural production structures (agricultural holdings, parcels, fruit-tree and vine plantations, hydro and pedo-melioration systems) capable of ensuring agricultural yields close to the pedo-climatic (ecological) conditions.

Considering that soil is the most valuable renewable resource of Romania, the main decision-makers of the country have the political and economic obligation,

as well as the moral obligation for the present and future generations, to ensure the sustainable operation of the Romanian soil at the level of its potential productivity, through adequate agricultural policies.

2. The increase of the agri-food production and forestry economy should not be considered as an objective “*per se*”, but rather as an objective **to ensure food security for the country’s population** as well as a long-term objective for Romania, having in view the world demographic forecast estimated at about 9 billion people in the next 2-3 decades. In other simpler words, the increase of agricultural yields at the level of the natural soil potential productivity should be obligatorily correlated with the absorption potential of domestic and foreign markets.

3. The two objectives presented above: **increase of agricultural and forestry yields and market potentiality** can be obtained through (technological and managerial) educational improvement of farmers and of the staff from consultancy, extension, processing and agri-food commercial structures, with favourable economic effects upon agriculture. The requirement to improve human competence from the agri-food and forestry sector is imperious, if we have in view the fact that Romania is rich in human resources in quantitative terms, yet it is very poor as regards the quality and professionalism of human resources, compared to the competitiveness level existing in the other EU countries.

4. The strategy of agriculture and rural area sustainable development can be synthesized into several main ideas. **Romania’s agriculture and rural area, compared to the West-European countries, are now at the level of the latter in the period 1945–1950; consequently, the solutions to support agriculture must be adapted to this stage. For Romania’s integration into the EU economic structures, rural development is a priority economic, social and cultural component.** This statement is based on the need to get the Romanian agricultural structures and performance compatible with those in Western Europe, as well as on the natural and human resources of the rural area. The priority of agriculture and rural economy modernization, in our vision, should be based upon the vital economic and social functions of the agri-food system: **ensuring a balanced diet for the population (food security and safety implicitly), the necessary raw materials for the non-agricultural activities and an active and profitable export of agri-food products.** At the same time, the rural economy in general, and **agriculture in particular, represent a huge market for the upstream and downstream sectors,** directly contributing to the development of non-agricultural branches, as well as of the related sectors to rural area.

We also consider that rural development, by the share of rural population and area, has acquired a national importance. Starting from this dimension, we reaffirm that the **rural area is an important visit card for Romania.**

The sustainable rural development is one of the most complex contemporary issues, as in essence it presupposes **reaching a balance between the need to preserve the rural economic, ecological and cultural countryside,** on one hand, and the **“modernization” tendency of the rural economic activity and life,** on the other hand. At the same time, the rural development lies at the confluence between the **expansion tendency of the urban area, the (sometimes aggressive) development of industry on the basis of rural area and the requirement to maintain the rural area, as far as possible, at its present value, characteristics and dimensions.**

The sustainable rural development, with modernization tendencies along the European coordinates, has as main objective **maintaining and preserving the**

national character of rural area and culture, and its integration into the European area; where serious ecological, economic and socio-cultural destructions have been produced at local, regional or national level, a solution is proposed to reconstruct or restore these zones, i.e. to bring them back to the rurality standards.

Taking into consideration the agrarian structures of the European countries, it can be noticed that the rural problems are not the same everywhere. The specificity of the Romanian rural areas is determined, in the first place, by the economic and social phenomena of the period, by **the situation of the countryside after half a century under communism**, and secondly, by the economic and social phenomena of the period of **transition to the market economy, by agriculture restructuring**, by the shift of agriculture from the state-controlled and collective structures to private-family structures, **by the rehabilitation of institutions and bodies necessary to rural area development**. As it results from the 15th orientation of the **European Charter for Rural Areas** and from the Common Agricultural Policy, the assistance, development or rural infrastructure construction initiatives and projects should be multiplied. In order to solve up the particular problems of agriculture, Romania needs strategies and specific agricultural policy measures, mainly to facilitate the access to the European and world agricultural markets.

The sustainable rural development issue at the beginning of this new millennium, **in its essence, remains a fundamental matter of rational rural space management**, of its best use for economic-social, habitat and recreational purposes.

As it results from most studies, a change of concept, of vision is imposed, **a new philosophy of rural area sustainable development**, correlated with the local and regional autonomy and the subsidiarity principle.

4.1 Agriculture development. Agriculture, and in many rural areas, forestry, represent the backbone of the rural area. In general, no rural development program can be conceived in the absence of an essential role played by agriculture. Although deep changes have been produced recently with regard to the role and functions of agriculture, this remains a **main component** of any rural development program. At the same time, the problem of a new philosophy in agriculture development emerged, which leads to the idea of a shift of focus from the **productivist agriculture concept to the multifunctional agriculture concept**.

Multifunctional agriculture, although less performing from the strict point of view of production and profit, is preferred from other points of view (tourism, landscape, ecological, social, etc.). In principle, multifunctional agriculture carries out the same economic functions as the super intensive and specialized agriculture, yet it takes over new functions, such as:

- Production of energy raw materials – bioenergy, as a new and extremely important function in the areas with surplus production of agricultural raw materials with food destination;

- Increase of tourism potential by the preservation and improvement of the landscape heritage;

- Conservation of vital elements and biodiversity (soil, air, water, flora, fauna), through their sustainable use in an environment-friendly agriculture that should ensure agro-eco-system stability;

- Harmonization of the social and cultural functions of the rural area in close connection to a healthy and diverse agriculture.

Multifunctional agriculture growth presupposes the use of an increased number

of people, for longer periods of time throughout the agricultural year, compared to the conventional, intensive and highly specialized agriculture. At the same time, organic farming implies the increase of the production technology components, and consequently the attraction of additional labour in agriculture. The development of the agricultural holdings practicing multifunctional and organic agriculture cannot take place above the agri-food market solvency limit. It is estimated that in the rich countries the area under organic farming accounts for about 4–5% of the arable land. It is obvious that as the prices of organic products are much higher than those of the products from conventional agriculture, the demand of such products is limited to the demand of families with high incomes, featuring a slow growth rate in time. In these conditions, we cannot consider a “massive organic farming development” in the following 2-3 decades, and as a result the increase of the population working on organic farms will not be significant, yet it will be relevant for the new farming concept and for the philosophy of organic farms.

As agriculture has multiple functions, it seems obvious that the society, as their beneficiary, should pay not only for the agri-food products, food respectively, but also for the **indirect services** that contribute to the improvement of habitat or **landscape quality**, etc. The present price system, as well as the removal of subsidies so as to produce cheaper food, without using any financial compensation forms for the subsidiary services of agriculture, will adversely impact the farmers on the medium term, and will indirectly have negative consequences with regard to food security on longer term. We consider that it is necessary to evaluate these compensations (for tourism, for maintaining the less-favoured areas into economic and social “operation” conditions, for organic production, environment protection, diminution of chemical fertilizer and pesticide application, etc.) and it is the government’s duty to find funding sources for these.

The first great energy crisis in the eighth decade of the 20th century made agriculture face new problems. Among the energy alternatives to the crisis of fossil fuels, which will be exhausted sooner or later, **the agricultural bioenergy production** is worth mentioning, agriculture acquiring a new function: **producer of energy raw materials**. The oil and alcohol production from agricultural raw materials make the present Diesel engines, with small adjustments, use the rapeseed, soybean or sunflower oil or the alcohol from different plants, as fuel. At present, even though the vegetable fuels have still higher prices than the fossil fuels, they began to be demanded by more and more users, as they do not pollute the environment. The EU Directives provide for the increase to 2% of biofuels in total fuel consumption in the year 2007, with the tendency to increase up to 10% in the next ten years and to 20% after 2020.

With regard to the energy function of agriculture, we consider that we should also highlight the significant impact of biotech agriculture upon the economy of agricultural farms. The accelerated evolution of biotech research had as direct effect in agriculture the unprecedented assimilation of the scientific results materialized into the increase of areas under genetically modified crops (GMO crops).

The global agronomic, ecological and economic impact of GMOs use is unprecedented in the history of world science and agricultural practice. The fact that, in only one decade, the growth of GMO crops from the experimenting-testing stage on several dozens hectares to almost 114.3 million ha in 2007, tells everything: **an annual increase of areas under GMO crops by about ten million ha.**

4.2 Sylviculture and forest economy. The forest economy is the sector that, similarly to agriculture, has multiple functions in the forest ecosystems. Sylviculture, in correlation with agriculture, can have a complementary economic function or even a basic economic function in certain zones.

In the enlarged **forest economy** framework, two aspects should represent objectives of the rural development programs. The first aspect refers to **the increase of land areas under forests by new forest plantations, shelterbelts**, maintenance of present forests; the second aspect covers **the rational forest exploitation and the processing of timber** into highly processed finished products with value-added.

The increase of land areas under forests is an ecological reconstruction priority for Romania in many zones of the country. There are many hilly areas (Transylvania Plateau, Dobrogea Plateau and Moldova Plateau) with low forest coverage. In the plain areas, the excessive deforestation resulted in excessive aridization, steppization and even desertification in certain areas, and in the hilly areas in massive soil erosion. For these agricultural areas, the reforestation on certain land areas is imperiously necessary out of ecological re-equilibration reasons. In the conditions of private land ownership, the afforestation should take place under long-term programs, with economic advantages for the owners. The projects targeting the afforestation and planting shelterbelts cover the local or regional (zonal) communities. The contribution to the ecological re-equilibration of properties should be paid by all its beneficiaries, i.e. either by the local or regional communities or, in case of larger-scale works, through the state budget.

The devastating flooding that has been recently produced in the northern part of the country (counties Suceava, Maramureș, Botoșani, Iași, Satu Mare) makes it imperiously necessary to formulate an afforestation objective by the year 2030, as follows: in the plain zone, 80% agricultural area, 20% forests, in the hilly area, 50% agricultural area, 50% forests, in the mountains, 80% forests, 20% agricultural area, pastures in particular. In this way, the land under forests at national level will reach about 40%. It is obvious that this objective implies a certain schedule that covers about a quarter of a century, with an afforestation rate of about 80000-100000 ha/year, i.e. 2000 ha/year/county on the average.

The second great rural development issue in the predominantly forestry areas is represented by the forest economy (exploitation and processing of harvested timber, harvesting and processing the forest products: wild berries, mushrooms, medicinal herbs, etc., the zone-specific traditional trades related to the processing of forestry products, etc.).

The Romanian forest economy is far from being an important component of rural economy from the mountain areas. The rural development projects in the mountain areas should obligatorily include solutions for the development of small and medium-sized enterprises for timber and other forest products processing.

In the case of mountain areas, the **mountaineous agricultural economy**, the forest economy and the rural tourism are intimately intermingled. The mountaineous agricultural economy, largely ecological or organic, focusing on the pastoral economy (raising of dairy cows, veals and sheep) can be mixed on pluriactivity basis with the harvesting and processing of wild berries and medicinal herbs from the wild mountaineous flora, both connected to winter or summer rural tourism activities based upon the pastoral and ethno-folkloric customs, all these largely contributing to rural economic growth in the mountaineous area.

Sportive hunting and fishing economy represents an important component of the rural economy in the mountaineous area; these activities are extremely demanded

and well paid. Yet, these two activities, due to the absence of infrastructure, mountain equipment and boarding houses with necessary comfort, represent constraints that make the sportive hunting and fishing economy still non-competitive. Suffice it to say that our neighbouring country, Hungary, with a mountaineous area covered by forests by 7–8 times smaller than Romania's, gets by 5.5 times more incomes from the mountaineous hunting than Romania.

We cannot complete the presentation of the forestry economy, as rural economy component, without making a few comments on the conservative vision of etatist origin of the national and territorial forestry bodies. It is necessary to highlight, from the very beginning, that in the period between the two World Wars, only about 1.8 million hectares of land (about 27%) out of over 6.5 million hectares of forestland from Romania were forests into state property. Regardless of the forestland owner, this forestry ownership structure did not have a negative impact upon forest management under silvicultural system, but on the contrary.

4.3 Local rural tourism and eco-tourism. The extremely diverse and well-preserved rural landscape, life in the countryside, with significant traditional components, Romania's agricultural and forestry potential, the specific architecture of the rural area are all factors favouring rural tourism. The rural tourism, unlike the other forms of tourism, must be "diffuse", imperceptible from the point of view of the habitat component, based upon the natural, folkloric and ethnographic (cultural in general), architectural and gastronomic heritage specific to the agro-tourism zones.

At present, although there are certain positive signals referring to rural tourism growth, there are certain constraints to rural tourism enlargement at the capacity provided by the landscape and traditional culture. The constraints are the following: **infrastructure** (highways, railways, fast and safe banking, mail and telephone services), **living conditions** that are modest or unacceptable even for the less demanding tourists, which are provided on most peasant households, **insufficient training** of household members (minimum tourism-related knowledge, not knowing a foreign language) as well as tourists' **personal unsafety and insecurity**, etc.

The fact that only 0.1% of Romania's rural economy comes from agro-tourism, compared to 4.4% in the EU countries is a relevant economic indicator for the Romanian agro-tourism situation. Significant investments are necessary in agro-tourism in relation to the allocated resources (educational, financial, infrastructure, etc.).

The agro-tourism has the function to economically potentiate the peasant household capacity, by the "internal" agri-food consumption on the household where the respective products have been produced. In the case of foreign tourists who spend their vacation in the agro-tourism boarding houses, agro-tourism represents an "internal" form of agri-food export. As most foodstuffs consumed during the agro-tourism activity come from the food production on the household, it results on one hand that the tourism activity is highly profitable and on the other hand that the prices of agro-tourism activities are lower than in other tourism forms. From the calculations made by the specialized tourism services, it results that the price of an agro-tourism dinner, in all the boarding houses, is by 40–50% lower than the price of a dinner served in a restaurant from the tourism hotel network (from the same category). The explanation for this price difference is simple. The price of agricultural products obtained and consumed on the agro-tourism household does not include VAT, excise taxes, transport and storage costs, etc. The meat, eggs, cheese, milk, butter, jam, pickles, wine, plum brandy, sherry, etc. go from the household production directly to

the tourist consumer's table, being processed according to the traditional methods from the agro-tourism farms. At the same time, the agro-tourism services (accommodation, services) are not carriers of additional indirect costs, overhead charges, commissions, etc., economic aspects that make the agro-tourism product price be much lower compared to the competition tourism product. The agro-tourism policies should stimulate the rural tourism advantages, in the direction of tax and fee exemption, fiscal pressure diminution, in general, in order to reduce prices and maintain the traditional customers (town people with more modest incomes, foreigners willing to get familiar with the rural traditions of the area, town children, etc.).

Rural tourism support and development has also an educational component, which in the first place refers to knowing the cultural traditions, the landscape or historical values of the rural areas. The educational component is mainly addressed to the town children, who, we must admit, from the point of view of knowing the agricultural and natural values, suffer from the "concrete space complex". The participation, for two weeks, to activities on the agricultural household, combined with hiking, bathing in clean waters, horse riding, etc. contributes to the enlargement of the town children's knowledge horizon. In fact, in many EU countries, the urban schools curriculum provides for holiday periods and/or practical activities in the rural boarding houses. It is the case of Austria, Switzerland, Sweden, etc., the educational results being successful in this case.

4.4 Small and medium-sized enterprises. The pleading for the growth of the small and medium enterprise (SME) sector in the rural area starts from the need for rural economy complementarization and diversification.

The rural economy is more developed and more dynamic if it has a more diverse structure, and if the share of non-agricultural economy (extractive and processing industry, food and light industry, wood and forest products harvesting and processing, cottage industry, agro-tourism activities and services) is higher. In a modern economy, the horizontal economy distribution lies in the rural area, the SMEs being generally located around the industrial poles. Modern industry is based upon the movement of raw materials and finished products rather than upon labour force movement. Starting from the principle that **labour movement is much more expensive than the movement of materials and products**, most countries modified their policy with regard to SMEs location, and they moved the enterprises towards the labour force and not inversely. The displacement of labour implies massive investments and complex social phenomena. On the contrary, the location of small and medium-sized companies in the rural area means economy diversification, labour employment, increase of the economic power of rural localities and their overall development.

Except for two branches, food industry and the timber industry, there are no other industrial activities in the proper sense of the word in the rural area. Only about one quarter from the communes of Romania have non-agricultural economic activities on their territory, organized under the form of SMEs in the extractive, processing, cottage industry and agro-tourism activities.

Overall in the rural area there are about 54 000 active small and medium-sized enterprises (from total 320 000 SMEs in Romania), out of which about 10 000 are agricultural enterprises, while the non-agricultural enterprises (industrial, providers of services) average one SME per rural locality. Although the natural and cultural heritage represents the most important asset of rural areas, agro-tourism farms

(boarding houses) are found only in 182 localities, from more than 2 685 communes, 13 000 villages of Romania, respectively.

The development of a viable network of private small and medium-sized enterprises (agri-food, industrial, local processors, handicraft, providers of services, etc.) in the rural area also has, besides the important economic function, a significant social component, related to the rural population “stabilization”, commuting elimination and use of complementary labour force from the village. At the same time, these enterprises also have the role to potentiate the rural economy, contributing, by the taxes they pay to the local budget, to the economic and social development of localities. It is known that a significant labour supply exists in the rural area, largely unused or partially used, which can be activated through requalification and integration into the small and medium sized enterprises.

We consider that the urban-rural economic equilibration, in the absence of a real policy for economic and social support and facilities to rural SMEs, will continue to remain an illusion for the Romanian rural area.

An important role in the rural and urban economic equilibration, by a more accelerated development of rural economy, of non-agricultural rural economy in particular, is played by the scientific research. The alternatives of sustainable rural development, developed by the scientific research, should represent the economic base of the rural development programs at national, regional, county, zonal and local level.

4.5 Habitat, rural dwellings. The rural area, regardless of its geographic position (plain, hills, mountains, seashore), can be defined (or should be defined) as a healthy natural geographic area for residence, due to environmental conditions and landscape, as well as from the point of view of a socially peaceful life. The natural landscape and the complementary activities are mostly demanded by the people who want to relax after their work or who are looking for a weekend getaway.

In the rural area, habitat is an important economic and social component both for the rural people who have their residence in the countryside and for the town people who have their residence or a house in the rural area. The habitat represents, in its turn, more than a mere residence, house or dwelling matter. The habitat obviously implies, besides the dwelling, an adjacent space generating the necessary psychical comfort and recreation. The complementary of on-the-house activities, compared to the activities on the job, the natural and social environment, and last, but not least, the social integration (and acceptance) in the local activity are aspects that make the rural area attractive for the town people. While for the village people the habitat is permanent, a daily matter, it is the rural family’s living place, for the town people who have a residence in the rural area, it is either a dwelling matter, as mentioned above, or a weekend getaway.

The dwelling or habitat in the rural area (in the countryside) is one of the most important functions of the rural area. From the point of view of its coverage, we consider that dwelling has the largest coverage, compared to all the other activities (functions) of the rural area (economic, cultural, ecologic, administrative, etc.).

4.6 Rural culture. It is more and more considered that the most important component of the rural heritage is the folk culture (ethnography and folklore), as this gives the true dimension of local creation, it provides authenticity, local specificity, in a word, **it is culture that truly represents the local collectivities.**

The local creations, be they material or spiritual, must be protected, preserved, and where the degradation process is present, this should be stopped, and, as far as possible, the lost cultural areas should be restored. The highly modernized technologies, the industrialization of agro-processing and of the constructions, the

aggressive urbanization of certain rural localities have an unfavourable impact upon the material culture. Many folk traditions were lost in time. The traditional activities, such as sheep breeding or grazing, with their ritual, agricultural works such as planting and harvesting of crops, of vine and fruit trees in particular, with a wide range of rituals specific to different zones of the country, the miller's trade, etc., were lost in time or they are under degradation, due to their replacement by mechanized, modernized technological processes. As Romania joined the EU, the efforts for the revitalization of certain traditional occupations should be intensified.

We have good reason to wonder many times: **what do we bring with us when we join the EU?** The answer is clear and simple: Romania comes to the European Union, on a competitive basis, with everything it has valuable in its economy, culture, science, etc., the traditional culture in particular having a core position. It is necessary to promote the quality traditional products, as these provide for the Romanian specificity.

4.7 Environment, nature and landscape. The environment issue has gone beyond the local, regional or national dimension for a long time, this becoming one of the most significant far-reaching (continental and world) global strategy. The environment is a common good of global interest that cannot be partitioned, according to isolated, particular interests. Due to the impact upon human and animal health, to changes in the natural and anthropic environment, the far-reaching rural development and management projects, as well as the economic or social projects with effects upon the eco-system, should be obligatorily submitted to a rigorous "ecologic filter".

The protection of the natural environment and landscape comprises a series of rural area preservation components, among which the most important are the following:

- the initiators, developers and executors of rural development and territorial planning projects, the rural authorities should have in view the rational and sustainable use of local resources, such as forests, plantations, shelterbelts, natural pastures, waters, stone quarries, etc.;

- the renovation projects of rural localities, buildings, mansions, castles, palaces and of certain traditional technique elements (water and wind mills, workshops and archaic processing of agricultural products) should put into value the local architecture, preserve their specificity and rehabilitate certain components of the traditional material culture where these have been degraded or destroyed, out of different reasons;

- the programs targeting biodiversity preservation, the protection of waters, natural parks and reservations of local or national interest, etc.

- the programs for waste storage and recycling should be based upon the principle that each rural or urban zone, locality or region must be responsible for the management of waste, hazardous materials and polluting emissions. **The rural areas must not be a place for urban waste storage or for urban waste recycling.**

Environment protection in the rural areas cannot be reduced to a few principles and left (only) to the local, regional organizations or NGOs. **Environment protection must be integrated into a global ecological strategy that should embrace a strict and at the same time unitary legal framework, at regional and European level.**

Environment protection, as practical action in the field, starts from the clear definition of the **environment policy**. The main elements of this policy should target biodiversity protection, the protection of soil, water, air, forests, plantations, farms and habitats, by delimiting the areas where the implantation of activities affecting the environment are limited or forbidden. At the same time, the environment policy

should constantly and permanently have in view the international problems in relation to the legal framework, environment monitoring and the practical collaboration actions in order to prevent and where the case to limit and stop the harmful effects of pollution.

4.8 Intercommunity, interregional and cross-border international cooperation

In the process of rural development and territorial planning, many intercommunity, interregional and cross-border international cooperation areas can be found. Several cooperation areas have been mentioned, mainly those related to environment protection, which have lately acquired a lawful international obligativity. But, besides the defined fields, some other fields of intercommunity, interregional and cross border cooperation interest can be found. Without focusing upon the importance of cooperation at economic level (in agriculture, food industry, forestry, pisciculture, handicraft, etc.), as this represents a well-known field, we shall highlight the importance of the intercommunity social, cultural and tourism relations. We consider that the spiritual aspects of cooperation are those that make the communities and regions of different countries draw near, these representing communication bridges that connect the local communities from different countries. The partnership-based relations, starting from the mutual knowledge, can be extended to other fields, in the commercial field inclusively.

The international cooperation can also cover the scientific, university and academic research in rural development and territorial planning. Each neighbour country, through its institutes of scientific research and universities that are concerned with the rural development problems, has acquired its own experience that can be useful to its partners.

4.9 Rural community management (administration). The subsidiarity principle

The sustainable rural development is one of the essential prerogatives in the management of rural communities. It is the rural collectivities themselves that best know their rural development and territorial planning problems. The brutal, authoritarian involvement of the central administration in the rural problems may result either in actions of the communist type of “planning of rural localities”, or in hindering the local initiatives and imposing certain unitary patterns from the architectural and social point of view.

The Romanian administration has not significantly changed after 1989. Except for the free election of mayors and of the county council president, everything was left unchanged, highly centralized, like in the communist period.

The sectoral administrations: education, health, agriculture, finance, police, judicial administration, territorial agencies, etc., continue to have a pyramid-like structure, with a military type of hierarchy. The job interviews organized for being appointed on the manager positions at the county directorates and for the managers (administrators) of the decentralized structures in the territory are rather a political formality, yet they take a lot of the time of ministers and state secretaries. At the beginning of a new political mandate, the ministers and state secretaries assigned in the above-mentioned departments, instead of dealing with reform strategies and the development of sectors for which they have been appointed, they are rather concerned with the “selection” and “appointment” of the (political) clientele on jobs.

Naturally, as in all the other EU Member State, the public administration is decentralized at regional, county and local level, each level having its competences in

appointing people (on the basis of job interviews) on positions in the respective structure. In this way, the administrative authority gets stronger and the responsibility of decentralized structures increases compared to the reference level authority. At the same time, together with the managerial decentralization, a financial decentralization can also take place, each administrative structure (level) having its own budget, resulting from its own formation sources.

The decentralization is justified by the subsidiarity management in the first place. According to the subsidiarity principle, the decisions must be made as close as possible to the place where the respective phenomenon takes place, as it is considered that on that very location the data of the problem are best known. In consequence, the decision must be made by the lowest competent authority and not by those who are found at the top of the hierarchical (structural) levels.

In the EU, the decisional-administrative and financial decentralization increased through the transfer of tasks from the national to the regional level and from here to the local level. The national laws of each country have different decentralization levels. In Germany, Austria, Finland, Belgium, the decentralization process is stronger, while in other countries, the most typical example being France, there are still certain “centralizing” legislative elements in place, characteristic to socialist governance.

The decentralization process has recently increased. Thus, a new type of **decentralization** appeared which goes beyond the administrative framework, into the political area. It is the **devolution** process. Part of the national prerogatives in the legislative and executive areas is transferred to the regions, provinces, Lander.

The management of rural localities, defined, in its essence, as a local autonomy element, represents the right and effective capacity of local collectivities to solve up, on their own responsibility, and in the favour of population, a part of the public matters (European Charter, *Autonomous Exercise of Local Power*). The competences entrusted to the local collectivities should be normally **full and complete**.