

## RURAL DEVELOPMENT IN ROMANIA. OPPORTUNITIES AND DIFFICULTIES

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### Abstract

*The basic objective of this work is to present and analyze the major difficulties faced by the economic development of rural areas. Secondly, the paper examines the opportunities that can be exploited to reduce disparities between rural and urban spheres. One of the main features of the Romanian society is a big gap between the level of economic development in urban and in rural areas. Unfortunately, this gap is a feature of a less competitive economic systems and is a great hindrance to the development of overall national economy. This is why one of the fundamental priorities of government policy should be rural development. To support our argument we will analyze and interpret available statistical data from the point of view of the methods provided by the contemporary theory of development. All considerations presented in the paper converge to the conclusion that economic disparities between the two spheres of the economic system can be reduced to a acceptable level by government policies to stimulate private investment, by improving public infrastructure and through a better allocation of resources for education and health. In these circumstances, the Romanian agricultural sector could exploit its huge potential.*

**Keywords:** rural development, economic disparities, government policy, private investment, infrastructure

### INTRODUCTION

The economic developments in the last two centuries has highlighted that, as the passage of time, in the composition of the economic system is producing enormous structural changes. In short, we can easily find that the percentage contribution of agriculture sector to national income decreased gradually but in favor of industry and services. The analysis of advanced systems in Western Europe and North America shows clearly that the oldest area of economic activities (agriculture) has an increasingly small share in the process of creating added value. The technological advances led to an increase both in the agricultural production of the centuries that the food needs of the Western world have no importance so far held two hundred years. This is why, today, most economic activities are conducted in industry and services. The increased productivity of the agricultural sector has made the prosperity of the rural environment of Western countries to know an important leap in the fact that, economically, it has never reached the level of development

of the urban environment. In parallel with the economic development of occidental village, was a phenomenon translation population to urbanize areas where opportunities for improvement in personal life are more numerous. For these reasons, the enhancing of the general welfare of the Western economies has been increasing standard of living of man of the village and the moving to a more important part of the rural population to worldwide cities. Therefore, the share of population urbanize in Western Europe and the United States has increased continuously representing today more than 90% of the total population of these countries. Thus, the low share of population that lives in villages at a level below 10% is one of the essential features of the level of performance achieved by the advanced economic systems. From this perspective, the Romanian economy shows clear signs of an backward and underdeveloped economic system. In our country, the half population lives and works in agriculture, a sector of low productivity (compared with the performance of western agriculture), lives without the

minimum offered by urban world. Without taking into account other elements, we can say that a huge share of the rural population is the most obvious evidence of underdevelopment of the Romanian society. In addition, a good part of this phenomenon is due to huge disparities between urban and rural. This is the reason that we consider absolutely necessary to radiograph the degree of development of the Romanian village.

## **MATERIAL AND METHOD**

The structural analysis of local economic system shows that, in general terms, Romania presents obvious signs of underdevelopment. One of the symptoms of underdevelopment is the major difference between the development of rural and urban. In the present work, we intend to highlight this issue to show the causes of disparities between city and village and to prove that in the medium and long term, Romania has enough opportunities for rural modernization. The conclusions of this analysis will reveal that the process of rural development in our country can take advantage of many opportunities, but may face a lot of obstacles. The working assumptions are based on comparison and interpretation of the Human Development Index (HDI) calculated for the rural sector and for the urban. In our demonstration, we gathered, analyzed and interpreted a significant volume of data able to support both hypotheses and analysis. The conclusions drawn from quantitative analysis were interpreted through the filter of modern theories of development. In demonstrating the economic and social disparities between urban and rural, we used the tools of comparative analysis, comparing, on the one hand, data from Western economies with economic data from the national and, on the other hand, comparing the specific dimensions provided the analysis of rural environment with data collected in the urban economy.

## **RESULTS AND DISCUSSIONS**

In any society, the economic system is to provide the goods and services to individuals able to cover all types of human need, from the material to the spiritual order. Given that human nature is one that seeks to continuously improve

its condition, it is easy to understand why companies put an emphasis on the economic performance of the system. But economic performance is only one component of a phenomenon more complex and larger, a phenomenon that highlights the issues of quantitative and qualitative aspects of a human life. This sophisticated process is called development. It includes, in addition to issues of economic definable quantitative and qualitative aspects of nature that take into account other areas of human life such as degree of education or health. Analysis of economic and social phenomena in our country emphasize that the degree of development of the rural and the urban environment there are significant differences. Human Development Index (HDI), a tool increasingly used to highlight different aspects of qualitative and quantitative human life shows that Romania is a country that shows great disparities in this regard. If we make a comparison village-town, we find that urban areas of Romania presents a level of development that puts us in first world category (only the metropolitan area of Bucharest reach the average of Portugal country ), while rural lower than the 0800 level, indicating a specific value for the second group [1]. The situation is serious considering that in Romania, as in all underdeveloped countries, the share of population that lives in rural areas is extremely high compared with that of developed societies. Thus, in Romania, almost half of the population (44.8%) live at a level of human development specifically underdeveloped countries. Basically, the percentage of rural population in Romania is 10 times higher than in Western society. The nearly 10 million people in Romanian village living and working in an poor economic area work to a large extent in agriculture, which at 60% is for subsistence or semi-subsistence. In addition, a good part of the Romanian rural area is declared weaker (29.5% of national teritorial and 11% of the total population). But the best measure of underdevelopment of the rural environment is given by the local agriculture's contribution to Gross Domestic Product. Despite the fact that the Romanian village provides half of the workforce of the economic system, the contribution to the creation of gross value added is only 8%. [8] This size clearly

shows that the economic performance and the degree of development in Romanian rural area are far below the Western countries. These arguments reveal that economic and social development of Romania depends on eliminating major structural disparities between rural and urban. Therefore, the public authorities must devise a strategy for long term whose stated purpose must not only be eliminating disparities of development between the Romanian society and the west but also between city and local village. In designing these policies or strategies, policymakers must consider the alleged difficulties of implementing such a strategy and the opportunities that may benefit. The artisans of private and public policy must take into account that the process of rural development faces a number of obstacles or difficulties due to objective and subjective causes. The difficulty of implementing a major strategy for rural development in Romania is a poor state of infrastructure in rural areas. Unlike the Swiss or Austrian village, Romanian village lacks an adequate network of roads, many of which were constructed between 1960-1970 without having undergone significant upgrades. Because of this situation, 60% of villages can not use direct access roads. Of streets in rural areas, only 10% have been upgraded in recent years. The status of this part of the infrastructure is the main drag of rural development because the opportunity to transform agriculture into a performance is impossible without quickly and cheaply access roads. Despite the fact that Romania has very good land quality, the lack of investment makes them poor performance but this slowness is due to poor quality roads. Romanian rural lacks other facilities. For example, over 65% of rural inhabitants are deprived of access to running water and 90% of them have no access to sanitation. Meanwhile, the possibilities of using the Internet are low and the share of those who use the heat is insignificant (0.5%). [7]

Meanwhile, the number of plants required for irrigation of crops is far below that of countries in Western countries. To infrastructure deficiencies may be added the lack of a suitable conducting material in the productivity of rural activities. In Romania, unlike developed countries, the farmer lacks an adequate endowment of agricultural

machinery and the access to fertilizers and chemical substances to treat crops is limited by their own poverty. In addition, land ownership is very fragmented which prevents achievement of efficiencies of scale and reduce the average cost of production. Immediate consequence of the latter shortcomings are reflected in high price of agricultural products produced in Romania.

Another major problem that impedes development in Romania concerns the quality of human resources. Although the Romanian village encompasses half the national population and the same proportion of active employment of the nation, the quality of work force is relatively low. This is due, first, to the trend of aging of the rural population. To some extent, young and competitive work force from rural area has tended to migrate to urban centers (although not a phenomenon of great magnitude). On the other hand, the young of Romanian villages waive economic activities in local villages preferring same activities in Western economies. In terms of education, there is a clear difference between rural and urban. Firstly, the rate of incorporation in the education system is lower in the Romanian villages than in cities. In terms of education there is a serious gap between urban education index ( 0.982) and rural education index ( 0.786). The main source of these discrepancies are due in less literacy rates (the spread is only three percentage points in favor of the urban environment) and to a large extent the level of schooling. Thus, the number of urban people attracted to three cycles of education is double that of rural areas (93% vs. only 45%), where the boundless in the secondary and tertiary cycles is 1 to 3 in ones living in the village. This is because, due to poor material condition, very few families can afford the maintenance of children in following school and university studies performed, to a large extent, in cities. This should be added that many schools in Romanian villages use unqualified teachers.

Educational status has immediate consequences on economic realities. Thus, 60% of those who drive personal business in rural areas have only primary or secondary education. The entrepreneurship education is quite modest if take into account that only

13% of small companies operate in the Romanian villages. The quality human resource can be assessed after the health of the population. It should be mentioned that life expectancy in rural areas is 70.8 years versus 72.5 years in cities and infant mortality is 17.9 at thousand people in the villages and only 12.4 at thousand inhabitants in the cities. This happens primarily due to reduced quality of medical infrastructure. In villages, the number of people cared for by a doctor is 6 times higher than that of those who populate the towns. [5] Deficiencies of the educational system and medical causes human resources in rural Romania to have a lower quality than those from urban areas.

Summary radiograph of economic and social life in rural areas shows that local major brakes on the development can be grouped into infrastructure deficiencies and reduced investment in human resources. But despite this situation, there are a lot of opportunities that can be fructificate for a radical change to the human condition in Romanian village.

The most important source of eliminating underdevelopment of Romanian village is the National Plan for Rural Development. Aware of the great inequalities between city and village, the public authorities in Romania have developed a strategy that will run during 2007-2013 funded from national and European funds of over 11 billion euros. The purpose of this plan is to increase the competitiveness of the agri-food and forestry, to improve the quality of the rural environment, to encourage diversification of economic structure in rural areas, to encourage rural development initiatives. [6]. Therefore, local authorities, private firms and individuals have provided funds (some grants) to invest in the construction and upgrading of access roads, repair schools and dispensaries community to finance education and health of the rural population, to modernize and diversify agricultural production economic activities.

One of the major opportunities in rural development in Romania is agri-tourism. Last two decades have shown that more and more and more tourists prefer to spend your free time away from noise and congestion of

large urban concentrations. From this perspective Romania has a clear comparative advantage possessing a natural landscapes covering the entire geographical diversity of the marine landscapes to mountain, which is rare on the European continent. Another big advantage for the agri-tourism is represented by the good conservation of habits and popular traditions in many rural areas (Bucovina, Maramures, Apuseni, Northern Oltenia). Data provided by specialized institutions shows that the annual rate of expansion of rural and cultural tourism amounts to 15-20%, far exceeding all other spheres of the field, bringing revenue amounted to at least 150 million euros. [2] Therefore, the opportunity for local investors and national authorities is to exploit this global trend, which started to manifest in the territory of Romania. The resources allocated in recent years Romanian rural tourism, the emergence of tourist guesthouses (especially in mountain areas) show that entrepreneurs have brought opportunities of the changing preferences of tourists today.

Until now, our country were allocated only by Sapard funding amounts of over 2000 projects related to the expansion of accommodation space. Potential investors in rural tourism have the possibility to attract grants and investment amounts between 2500 and 100,000 euros for the construction of pensions in rural areas/. Otherwise, only local rural tourism in Romania will benefit in 2007-2013 from European funds of 500 million together with a national contribution of 87 million. [3] In addition to participating in recreational needs of clients, tourist activities can produce significant effects on the Romanian village. First, in this way the policy can create employment and purchasing power in an environment much more poor than the urban area. Secondly, the development of tourism will produce itself a improving in other elements of infrastructure (roads, sewerage, communications). Obviously the latter is the condition and result of the progress of tourism projects in the Romanian village. An investment in tourism in a rural community can be an argument powerful enough to convince the authorities to consider and implement projects for expansion and improvement of

sanitation facilities, transport, methane gas etc. Often communities benefit from investments such as developing infrastructure elements because any accommodation space and recreation needs water, sanitation, construction of an access road. In other words, utilities created by the effort of the private investor can benefit the rural tourism and an important part of the community in which the investment is made. Rural tourism market is an area very little exploited in Romania. The revenues in tourism reach only half a billion euros, a quarter of Bulgaria, but the eighth part of income similar to Hungary and only 7% of revenue Croatia. The potential agri-tourism could create new jobs, would produce an income and lifting living standards for employment of Romanian villages. [4]

Another opportunity is the great natural potential of Romanian agriculture. Despite the relatively low productivity of the domestic agricultural sector, the quality of soil and natural conditions is a remarkable advantage for rural development. It is estimated that 2 / 3 of the arable land of Romania includes land of good and very good fertility. To these are added relatively low costs of labor force to use by the possible investment in rural areas. At the same time, the Romanian village can benefit fully from the large European funds granted for environmental protection and afforestation. Obviously, a significant part of labor used for seasonal and irregular rural can be employed in those activities for which funds raised are allocated. But all they can in turn benefit the agricultural sector in Romania if the investment in infrastructure, education, public health and environmental protection are becoming reality.

## CONCLUSIONS

Comparing the degree of development of urban and rural areas of Romania shows that, in terms of modern economic criteria, the Romanian village presents symptoms of underdevelopment. This is a special problem for the Romanian society because half the

national population lives and works in these conditions. Therefore, rural development must be one of the strategic concerns of national public authorities. The process of reducing development disparities between rural and urban should consider both obstacles and opportunities. Thus, the most important problems raised in the process of rural development in Romania concerns the poor quality of infrastructure and the relatively modest investment in human resources. However, these barriers can be overcome through public and private investment, by exploiting the advantage of low cost labor, the advantages of natural environment that promotes agri-tourism. Therefore, there are reasons to believe that in the medium and long term, the development of the Romanian rural area will reduce existing disparities between national areas and the development of the village in western Europe.

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