

RURAL DEVELOPMENT BEYOND EAFRD - ENHANCING ROMANIAN RURAL ENTREPRENEURSHIP THROUGH COMPLEMENTARY EU FUNDS AND PROJECTS

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Abstract

The development of rural entrepreneurship in Romania is highly influenced by the European funding. The European Union provides support for different areas, including rural development and agriculture. Also, it aids people in their development in terms of education and job integration. In order to support development programs and create social and economic value in rural communities, the EU has provided funds tackling specific needs of these communities. Along with the European agricultural fund for rural development (EAFRD, there are other funds, such as the ERDF and the ESF, that have an impact on rural development. With 35.3% of the ESIF allocated budget for Romania in 2014-2020, ERDF encourages the creation of new businesses, both in the agricultural and non-agricultural industries. In Romania, ESF projects are implemented in the idea of investing in people by creating new employment opportunities and ensuring better living standards among marginalized communities. The paper aims to present the impact of the EU structural and investment funds on rural entrepreneurship development by analysing results and good practices of these funds. Methods used include literature review, as a qualitative method, and computations and graphical representations in MS Excel, as quantitative research methods. For rural development, the implementation of ESIF funds in 2014-2020 complement the support provided in the context of LEADER initiatives, funded under the EAFRD. Community Lead Local Development (CLLD) is an example of how European funds work together for a common goal. In conclusion, results of the study enhance the importance of using a connected and integrated use of funds from various areas. National strategies imply financial aid from multiple funds, in order to have a coherent overall strategy, in accordance with the competitiveness requirements at the European level.

Key words: rural development, rural entrepreneurship, EAFRD, ERDF, ESF

INTRODUCTION

Rural entrepreneurship is a very common subject referring to the business ideas developed in order to help rural communities and people living in rural areas. The rural entrepreneurs have the aim to create business models in a context with difficult economic conditions and a lot of constraints. European rural development policies respond to the needs of the communities from rural areas, as well as for entrepreneurs, and provide economic support through European funds (Romanelli, 2016) [16].

In order for the rural communities to be developed, they need to be empowered to use local resources, to embrace an entrepreneurial spirit, and to create business models for rural economic growth, and perform economic

activities and ideas financed by the European Union (Răzvanță, 2019) [15].

In this context, agriculture continues to be of great importance for the rural areas, especially in terms of rural land user. In figures, agriculture represents more than 47% of EU region's total area of land usage (Fehera et al., 2017) [9].

There is a great potential for development for the rural areas in Romania have high, with agriculture and food sectors being the main source of income for the population. The lack of rural services, poor infrastructure, utilities, healthcare services, or education services define the rural areas in Romania, and when talking about rural development these issues have to be observed. Therefore, Romania's eligibility for European funds is proven by such needs, however the country's strategy for development of the rural areas has to be in line with the European strategy for rural

development in order to access these funds, such that entrepreneurs could very easily access them to start new rural businesses (Dan et al., 2017) [2]. The main objectives of the European Union's rural development policy concern growth of the rural regions, enhancing employment, and improvement of the living standards. Through the two pillars, rural development and market policies, the Common Agricultural Policy (CAP) supports many rural areas in Europe and help them in the development of the rural economy, and life in rural areas, through the national rural development programs (Common Agricultural Policy, 2013) [3]. Under the CAP, the European Agricultural Guarantee Fund (EAGF), for the financing of market measures, and the European Agricultural Fund for Rural Development (EAFRD), for the financing of rural development programs, were created (Council Regulation (EC) no. 1290/2005, and 2698/2005) [6, 7]. The European Agricultural Fund for Rural Development was created to deal exclusively with financing rural development, to improve the effectiveness of measures under the rural development policy (Malgorzata, 2019) [10].

In this context, national rural development programs (NRDP) have been implemented, and the allocation of financial resources from EAFRD encouraged rural entrepreneurs to participate in developing new business ideas for rural development. The EU cohesion policy was created to help the European Union's rural development policy, in order to give support towards business competitiveness, economic growth, sustainable development, job creation, and improve citizens' quality of life (Cohesion Policy, 2014) [4]. The objectives of regional policy are achieved through three funds: the European Regional Development Fund (ERDF), the Cohesion Fund (CF) and the European Social Fund (ESF). Together with the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF), and the Youth Employment Initiative (YEI), they constitute the European Structural and Investment Funds (Cohesion Policy, 2014) [4]. Most of the funds available in cohesion policy are directed to less developed European

countries and regions, in order to support their growth and reduce the economic, social and territorial gaps that still exist at EU level.

In Romania, ERDF encourages the creation of new businesses, both in the agricultural and non-agricultural industries. Moreover, ESF projects are implemented in the idea of investing in people by creating new employment opportunities and ensuring better living standards among marginalized communities. Having an overview of the European funds context, this paper aims to present the impact of the EU structural and investment funds on rural entrepreneurship development by analysing results and good practices of these funds.

MATERIALS AND METHODS

The ERDF and the ESF work together with the European agricultural fund for rural development (EAFRD), and impact the rural development and rural entrepreneurship. This paper wants to emphasize how the ESF tackle the needs in rural development, and which are the priorities of these funds regarding rural communities. The latest statistical data from trusted sources regarding the absorption of the European funds were analysed. Moreover, this study comprises references concerning the evaluation of the regional development programs implemented in the rural areas, through administrative data collection and analysis, and development indicator analysis. Finally, the methodology comprises also representation and discussions on good practices resulted from accessing the structural funds. The study was conducted using literature review as qualitative method, by defining the main concepts regarding the concerned subject. Secondly, quantitative methods were used to analyse the statistical data, by using MS Excel, for the numerical computations and graphical representations of the data.

RESULTS AND DISCUSSIONS

Rural areas face several problems, such as underdevelopment, need for job creation, lack of infrastructure, low standards of education.

The EU rural development policy is targeted at providing solutions to such problems and exploit the rural areas at their full potential. The European Union has developed the Common Agricultural Policy as a set of common rules that each member state should implement based on their specific needs. In order to support the European rural development policy, the EAFRD was implemented.

It aims to provide financing for member states in order to help them develop their own National Rural Development Programs (NRDP). The national programs have to be designed in accordance with the priorities laid down by the national strategy plans and the strategic guidelines for the rural development policy adopted by the European Council (Chirițescu, 2011) [1].

The latest statistical data provided by MARD show that Romania was allocated with more than 8 € billion from EAFRD for the NRDP 2014-2020, and it was split over the six years as shown in Figure 1.



Fig. 1. EAFDR allocation according to NRDP 2014-2020 financial plan (€ billion)

Source: Data provided by (MARD, 2019) [11].

From the data recorded at the beginning of January 2020, as we observe in Table 1, the EAFRD spending was about 4.57 € billion, with an absorption rate of 56%, for all the measures implemented in the program.

Table 1. EAFRD allocation and absorption for NRDP 2014-2020 (€ billion)

EAFRD Budget 2014-2020	Payment requests	Authorized amounts	EAFRD spending	EAFRD absorption rate
8.13	5.54	5.37	4.57	56%

Source: Data provided by (MARD, 2019) [11].

EAFRD financial aid influenced rural entrepreneurship by the allocation and entrepreneurs were encouraged to develop their business ideas for rural development.

Priorities of the EU funds concerning rural entrepreneurship were implemented through the measures defined in the national program. The main indicator showing growth was the increased number of new jobs created in the rural areas of interest, especially following the development of businesses in the non-agricultural areas. What is more, increasing the attractiveness of rural areas was another priority addresses within the 2014-2020 rural development program, through the stimulation of activities such as production, agro-tourism, and sanitary-veterinary and medical services (Răzvanță, 2020) [15].

Going beyond the common agricultural policy and EAFRD, the European Union provides other funds that support the development of rural areas as well, respectively the funds under the Cohesion Policy. This policy, also called the Regional Policy, has been developed with the aim to reduce disparities among regions and Member States by offering equal opportunities to people across Europe. The main issues tackled by this policy refer to fostering sustainable growth and innovation, and increase job creation in Europe's diverse regions. This policy provides all EU member states with support from the European Structural and Investment Funds (Cohesion Policy, 2014) [5].

In this paper, we will be referring to the following EU structural funds: the European Regional Development Fund (ERDF), the European Social Fund (ESF), which contribute to the fulfilment of the objectives comprised in the EU's cohesion policy. These funds are complementary to the measures taken by the European Agricultural Fund for Rural Development for supporting the economic regeneration of rural areas (Chirițescu, 2011) [1].

The EU's long-term budget is represented in the Multiannual Financial Framework (European Council, Multiannual Financial Framework - MFF, 2013 [8]. In the 2014-2020 financial period, the Cohesion Policy, together

with the Common Agricultural Policy (CAP), accounted for 72% of EU spending, with € 775 billion recorded in the MFF for this period (Fig. 2).

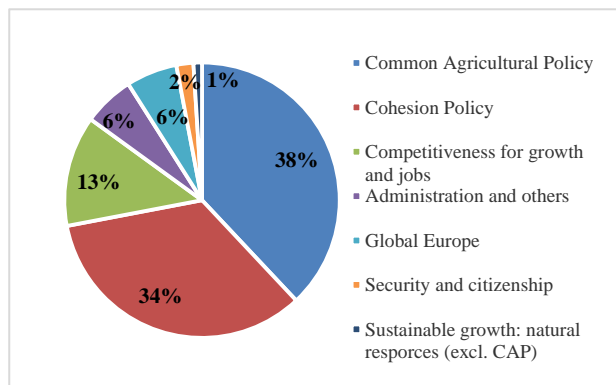


Fig. 2. EU Budget allocation in the 2014-2020 MFF
 Source: European Commission (Moës, 2018) [13].

According to the numbers provided, these two policies are the biggest components of the EU budget (Moës, 2018) [13].

Table 2 presents the budget allocation of CAP and ESIF in the 2014-2020 period. Projects funded under CAP receive € 408 billion, and for the Cohesion Policy, respectively the ESIF, there were allocated € 367 billion. These projects must demonstrate their contribution to progress to the Europe 2020 strategy.

Table 2. CAP and ESIF 2014-2020 EU budget allocation

Common Agricultural Policy (CAP)		Cohesion Policy (ESIF)	
Fund	€ 408 billion	€ 367 billion	
EAFRD	77%	ERDF	55%
		ESF	23%
EAGF	23%	CF	20%
		YEI	1%

Source: European Commission (Moës, 2018) [13].

At national level, Romania was allocated with € 30.8 billion from the ESIF funding over the period 2014-2020. According to the country data on ESIF, the budget allocation by fund for the 2014-2020 period is directed as shown in Fig. 3.

The highest amount was allocated to the regional development programs, respectively 35% (ERDF), followed by rural development with 26% (EAFRD), and on the third place with 23% for the Cohesion Fund (CF). From the remaining three funds in ESIF, the social

fund records a 15% budget allocation, being far by the YEI and EMFF, the least two being allocated with less than 1% each from the total ESIF budget for this period.

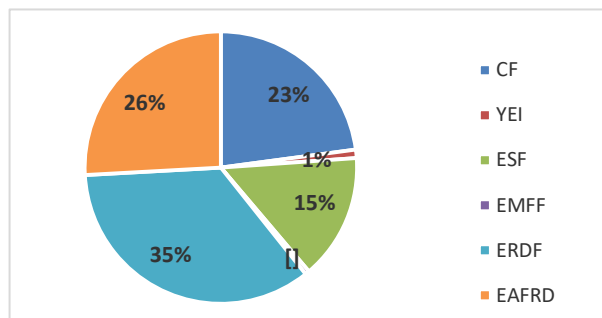


Fig. 3. Romania budget allocation by fund in 2014-2020
 Source: (European Commission, ESIF, 2020) [5].

As we can see, rural and regional development programs are the most important areas of interest and have high potential for implementation.

European Regional Development Fund

The Regional Operational Program (ROP) for the period 2014-2020 was approved for Romania, financed by the European Regional Development Fund (ERDF). Within the priorities regarding regional and urban development, the objectives defined in the ROP 2014-2020 focus as well on improving the living conditions of rural and regional communities, by supporting the development of the business environment (MEF, 2015) [12]. In the 2014-2020 programming period, € 8.25 billion are allocated to the Regional Operational Program, of which € 6.7 billion represent EU support, through the ERDF, and € 1.5 billion national contribution (state budget, local budgets).

As we can see in Table 3, the budget allocation is split also on Romanian regions, mainly underdeveloped and developed regions.

Table 3. Budget allocation for ROP 2014-2020 (€ million)

Region category	EU support (ERDF)	National contribution	Total
Underdeveloped regions	6,343.36	1,457.57	7,800.93
Developed regions (Bucharest Ilfov)	356.64	92.46	449.10
Total	6,700.00	1,550.03	8,250.03

Source: MEF, 2015 [12].

The underdeveloped regions could become more attractive for living, tourism, investments and labour market, thus the ROP objectives implements a differentiated financial allocation in coordinated with the actions under other operational programs by regions, based on their development level. This strategy prioritizes the regions lagging behind and puts a special focus on them, by allocated a higher budget for their development.

The ROP 2014-2020 comprises priority axes intended to direct financial interventions in certain investment areas. The ROP operates simultaneously in rural and urban areas, so it is therefore difficult to determine exactly what proportion of the expenditure goes to rural development. However, out of the 11 priority axes, we can define some specific action that impact the rural areas.

Priority axis 2 (*“Improving the competitiveness of small and medium enterprises”*). One of the objectives of this priority is to support new business ideas to be implemented in the rural areas, and to encourage initiatives of rural entrepreneurs and not only. Another objective is to provide the necessary support for developing advanced production capacities and new services. These priorities facilitate non-agricultural SMEs and business incubators implemented in rural areas.

Priority axis 5 (*“Improving the conservation, protection and sustainable use of cultural heritage”*). Beside the urban regions, Romanian rural areas are also considered very rich from the point of cultural heritage, and the preservation of such resources has become a priority for ROP 2014-2020. Thus, the objective under this priority axis is to promote local development by conserving and protecting natural heritage and cultural identity of both urban and rural regions.

Priority axis 6 (*“Improving important regional road infrastructure”*). Rural areas in Romania lack infrastructural opportunities and this leads to losing entrepreneurial development. Through this priority axis, ROP tries to solve economic discrepancies and underdevelopment of rural areas by developing urban-rural linkages and road infrastructure,

mainly facilitating access and connections between cities and rural areas.

Priority axis 7 (*“Diversification of local economies through the sustainable development of tourism”*). There is a high tourism potential in the rural areas, thus prioritising local development in this way is favorable for growth. Actions taken under this priority axis promote development of infrastructure for balneary tourism, creation and expansion of leisure infrastructure, reconditioning natural attraction objectives, supporting marketing activities and tourism promotion.

Priority axis 8 (*“Development of health and social infrastructure”*). Investing in health and social infrastructure helps rural areas benefit from reducing health inequalities, promoting social inclusion, and combating poverty by increasing the accessibility for health, services in local communities, as well as by improving access to social, cultural and recreational services, especially for poor and isolated areas.

Priority axis 10 (*“Improving the educational infrastructure”*). In the context of rural and social entrepreneurship, many entrepreneurs go towards the idea of investing in educational development of rural communities, but they often face infrastructure barriers. Thus, the opportunities of accessing funds through the ROP 2014-2020 in the direction of improving the educational infrastructure comes in hand for the entrepreneurs and their business ideas. The objective of this priority axis tackles the necessity of increasing participation in early education and compulsory education, especially for children at high risk of early school leaving, and increasing the degree of participation in vocational and technical education and lifelong learning.

European Social Fund

The European Union is committed to create a socially inclusive environment and enhance job creation for the European citizens. The European Social Fund (ESF) contributes to ensuring fairer job opportunities and helping people get better jobs. It invests in human capital, by offering financial support for local, regional and national employment-related projects.

The challenges that the Romanian labour market faces are visible and problems related to employment and poverty are issues to be resolved in the context of decreasing disparities between member states. For the 2014-2020, Romania implemented the “Human Capital” Operation Program (OP) that aims at investing in employment, education and fight against poverty and social exclusion. In this respect, around € 5 billion (of which € 4.3 billion from the EU budget) were allocated for ESF. The objectives and priorities are to help youth, Roma and rural population, to find a job, and also to learn more about their skills and opportunities. The aim is to reduce poverty and social exclusion.

The OP “Human Capital” comprises 7 priorities, with the EU allocations from the European Social Fund described in Table 4, for the 2014-2020 period. These priority axes follow the nation strategy in line with the EU objectives.

Table 4. Budget allocation for OP “Human Capital” 2014-2020 (€ million)

Priority axis	EU support (ESF+YEI)	National contribution	Total
PA 1	3,022.37	266.68	3,289.05
PA 2	3,171.24	570.63	3,741.87
PA 3	11,001.99	1,956.15	12,958.14
PA 4	9,405.05	1,696.87	11,101.93
PA 5	2,011.00	108.78	2,119.78
PA 6	12,525.90	2,260.46	14,786.36
PA 7	2,582.07	466.60	3,048.67
Total	43,719.63	7,326.17	51,045.80

Source: MEF, 2015 [12].

Priority Axis 1 (“*Youth Employment Initiative*”). The actions planned under Priority axis 1 are to be implemented in the less developed regions, respectively three eligible regions, where the youth unemployment rate exceeds 25%, namely: the Centre region (31.7%), the South-East region (31.3%) and the region South Muntenia (30.2%). The groups targeted here are unemployed young people, as well as people not participating in educational programs or trainings. The financial support helps project that are oriented towards providing counselling, job orientation, trainings for these groups of people.

Priority axis 2 (“*Improving the situation of young people in the NEETs category*”). Given the fact that the need to support young people on the labour market has been identified in all regions of Romania, the aim of PA 2 is similar and complementary to the actions provided under PA 1, targeting unemployed young NEETs from the regions of Bucharest-Ilfov, North-East, North-West, West, South-West Oltenia, who are not eligible for PA 1, but who face similar problems.

Priority axis 3 (“*Jobs for all*”). The motto of this priority axis shows the desire to provide jobs for people from all categories, focusing mainly on unemployed and inactive people. The projects funded within this priority axis refer also to helping people setting up their own businesses, or enhancing their qualifications or experience.

Priority axis 4 (“*Social inclusion and the fight against poverty*”). The objective here is to help marginalized and disadvantage groups to be employed, and to improve their working skills. Also social enterprises are provided with funding in order to develop their business ideas in these communities.

Priority axis 5 (“*Local development under the responsibility of the community – CLLD*”). This priority axis is complementary to the support for rural areas and smaller cities under the Rural Development Program.

Priority axis 6 (“*Education and skills*”). Supporting the participation in pre-school and pre-school education, especially of groups at risk of early school leaving, with a focus on children belonging to the Roma minority and those from rural areas.

Through the Operational Program “Human Capital” 2014-2020, the European Social Fund (ESF) is encouraging entrepreneurship and setting up new businesses. The measures envisaged aim to increase employment by **encouraging entrepreneurship and business start-ups**, with a focus on those with a non-agricultural profile in urban and rural areas.

The implementation of this OP is aimed to provide financial support to individuals for starting a business, as well as financial support to already established SMEs (with a history of up to one year of operation) to create new jobs.

CONCLUSIONS

The increasing competitive pressure of global markets on regional and rural development, on growth, on job creation and the societal challenges have imposed the need for synergies and complementarities between European Funds, in order to enable the European Union to maximize the impact and efficiency of the developed strategies.

Member States are required to define their local development strategies in accordance with the European requirements and ensure that there is coordination between funds in their implemented development programs. In this context, their strategies imply financial aid from multiple funds they will receive from the European Union, in order to have a coherent overall strategy that keeps up with the competitiveness at the European level.

Community Lead Local Development (CLLD) is an example of how European funds work together for a common goal. Local development under the responsibility of the community can be funded from various ESI funds, and develops a link between urban, rural and fisheries areas. In this project, local action groups create CLLD strategies able to target operations for one or more funds, with the condition that there must be consistency and coordination between the funds.

This methodology for ESI funds will allow the connected and integrated and multisector use of funds, considering the implementation of local development strategies elaborated by taking into account the needs and the local potential of the target communities. The main characteristics of such a program imply local innovative features, network collaboration and, where appropriate, cooperation.

In Romania, the CLLD tool will be used to implement interventions aimed at promoting social inclusion and combating poverty in marginalized communities. Given the complex needs faced by affected communities, in the context of limited access to quality social, health and education services and low labour market participation, an integrated approach is needed to ensure the effectiveness and sustainability of implemented interventions.

For rural areas, interventions within the Operational Program “Human Capital” 2014-2020 complement the support provided in the context of LEADER initiatives, funded under the NRDP. The approach used in the OP “Human Capital” will aim to increase the effectiveness/sustainability of the measures implemented, by setting up a coordination and monitoring mechanism, in order to correlate the different interventions and ensure the transfer of good practices and successful replication. interventions in several areas. Actions at local level will be implemented in compliance with the provisions of local development strategies developed by Local Action Groups (LAGs).

ESF actions will aim to improve the skills of the workforce, as well as to improve access to and participation in education (both compulsory and lifelong learning) and to reduce early school leaving for children in rural areas.

In conclusion, cooperation between EU funds are defined at national level, and there is proved that in the context of rural and social development, these funds are complementary and integrative.

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