

THE IMPORTANCE OF FINANCING FOR THE ESTABLISHMENT OF NON-AGRICULTURAL ACTIVITIES IN RURAL AREAS THROUGH NRDP

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Abstract: One of the most requested sub-measures of the NRDP 2014-2020 is the one dedicated to the financing of non-agricultural activities, namely sub-measure 6.2 "Support for the establishment of non-agricultural activities in rural areas". Its popularity is generated by the fact that it does not require its own co-financing, so, for sub-measure 6.2, a number of 6,098 applications were submitted during the analyzed period.

Sub-measure 6.2 covers a high diversity of financed areas such as: production activities, craftsmanship activities, tourism activities or services. The financed activities actually reflect the real needs of rural. Its importance is increased in the case of Romania, where rural development is an urgent process, which must take place on several levels, taking into consideration the requirements of the European level double transition, green and digital.

Key words: NRDP, non-agricultural, sub-measure, rural

INTRODUCTION

The more diverse structure the more developed and dynamic is the rural economy. The European Commission has envisaged a series of measures in order to promote the labour force employment in the rural area. They are meant to encourage the economic activities in the countryside and to support the local development initiatives. It is done by supporting the projects meant to establish the micro-enterprises and consolidate the local action groups. [8].

Currently, in Romania, the economic functions of rural areas almost entirely depend on the existence of agricultural activities. As the secondary and tertiary sectors developed from an economic point of view they attracted the active rural population towards the urban areas in the last decade. Despite the fact that the active population in the rural area has a slightly downward trend, in the context of population decline and ageing, yet there is still labour force involved mainly in the subsistence and semi-subsistence farming. That is why is necessary to create alternative jobs in the rural area, and to orient the rural households towards non-agricultural activities. [12]

The aging population, the declining birth rates are also a consequence of the low number of jobs and on the reduce quality of life. "Therefore, local authorities should be concerned about the development of their localities and improving the quality of life through the successful implementation of development programs and projects." [2]

Boosting rural investments in order to develop small and medium-sized enterprises (SMEs) in the non-agricultural economy and in the agro-processing sector must always be on the agenda of local authorities. [9]

The development of the non-agricultural enterprises sector in rural areas is a priority for Romania, as this could reduce the rural under employment, improve the use of local resources, increase the incomes in rural areas, and ensure a higher standard of living for the rural population [4]

The development of rural areas throughout the all the Member States of the European Union must be done on sustainable principles, adapted to the challenges and megatrends. We need adequate public policies, based on studies and analyses that are implemented in an adequate manner [3]

The villages of rural Romania are unable to progress without coherent and sustainable national politics. They are also dependent on the the need to maintain the biodiversity and a safe environment, all of which is money consuming. This comes on a historical background: traditionally Romania had a very disbalanced rhythm of socio-economic development which favoured and maintained the urban – rural development gap, by promoting cities development of rural development. [7]

The rural entrepreneurs are dealing with a high number of risks and therefore is needed to create the infrastructure that would allow them to access specialty consultancy concerning the financial aspects, project writing and management of the implementation of the projects while also investing in the modernization of the infrastructure

By joining the European Union, Romania met new challenges and opportunities related to the rural areas, and the rural development policy became a priority one. We have been witnessing a realisation process of the importance of the rural economy, as an economy that needs to be efficient and generate resources ment to raise the quality of life and to increase the standards of environmental protection.

How can we do that? One such answer is the one in which we create more small enterprises in the non-agricultural sector, by developing entrepreneurial competences and skills. Also we can try to improve the quality and quantity of services provided to the rural based population. If we due that we can ammeliorate the chances for creating new employment oportunites and a higher life quality.[3]

MATERIALS AND METHODS

The aim of the present paper is to present the importance of financing related to non-agricultural activities through the Sub-measure 6.2. “Support for the establishment of non-agricultural activities in rural areas”. The purpose of Sub-measure 6.2 is to support the facilitation of diversification by establishing and developing in rural areas of micro and small enterprises in the non-agricultural sector, with a view to sustainable economic development, creation of jobs, the reduction of poverty reduction and reducing the differences between rural and urban areas.

Also on the agenda are issues such as: developing services and creating jobs in rural areas; maintaining and enhancing the traditional activities; digitization of rural activities, encouragement of environmental protection actions. [13] [14]

As indicators used in the study, we mention indicators such as, but not limited to:

The value of the funds allocated for financing the non-agricultural activities;

The number of application sessions for the projects for the 2014-2020 multiannual financial framework;

The number of financing applications submitted.

The method used in the present study is a quantitative one and it was intended to emphasize first of all the interest of the potential beneficiaries towards this type of activities, namely the development of non-agricultural activities in rural areas. At the same time was done a literature review concerning the speciality literature on non-agricultural activities and the importance of this type of activities in the real evolution of rural area both in Romania as an EU Member State and at EU level.

RESEARCH RESULTS

The sub-measure that was analysed in the present paper is Sub-measure 6.2, is one of the sub-measures related to PNDR 2014-2020 with the highest demand from potential beneficiaries.

Thus, if for other types of sub-measures there were extension periods for the submission of financing applications, for this sub-measure the allocated funds were

exhausted in very short periods of time, usually in the first days from the beginning of the opening of their submission period. This demonstrates the interest in diversifying rural activities as a necessity for rural development.

The sub-measure 6.2. has as main objectives:

1. The creation of new non-agricultural activities, in particular for the households of small farmers and, generally, for small entrepreneurs;
2. Varying the rural economy by augmenting the quantity of micro and small enterprises in the non-agricultural sector, by developing services and by job creation in rural areas;
3. maintaining and enhancing the traditional activities [4]

Analyzing the context of implementation of the sub-measure 6.2 the main problems were generated by the COVID-19 pandemic and its effects in the implementation of the financed projects. Thus, the premises were created for a significant percentage of beneficiaries of this sub-measure either to terminate the contracts with the recovery of the amounts granted in the first installment, or to apply financial penalties due to non-fulfillment of the specific objectives assumed by the Business Plan. [15]

Sub-measure 6.2 had a very high demand during the analyzed period, so that it is observed that in all project submission sessions, the allocated value was much lower compared to the requested value.

Thus, for the funds allocated by PNDR 2014-2020 under sub-measure 6.2, the value of the submitted projects was 224.06% higher than the allocated value, funds that were exhausted in only 5 sessions of project submission carried out during October 2015 - December 2018, of which 2 sessions were strictly for the development of the Danube Delta.

Table 1.

Submeasure 6.2. allocated values

No.	Session No.	Allocated value (euro)	Value per session/ total value %
1	sM 6.2 – 01/15 – 30.10.2015	44,164,707	31.46
2	sM 6.2– 02/16 – 30.11.2016	73,000,000	52.01
3	sM 6.2 – 01/17– 31.07.2017	18,300,000	13.04
4	sM 6.2 ITI/DD– 01/17– 31.07.2017	3,500,000	2.49
5	sM 6.2 ITI /DD - 01/18 -31.12.2018	1,400,000	1.00
6	Total value concerning sM 6.2 in accordance with the announcements of project demands	140,364,707	100
7	Total value allocated in accordance with NRDP 2014-2020	106,553,378	131.73
8	Total value of submitted projects NRDP 2014-2020	345,300,000	324.06
9	Total value of submitted projects – total value allocated	238,746,622	224.06
10	sM 6.2 – 01/ 21 – 31.01.2022 NextGeneration EU (EURI)	50,000,000	100
11	Total value concerning sM 6.2 (EURI) in accordance with the announcements of project demands	300,970,000	601.94
12	Total value of submitted project 2015-2018- total value of submitted projects 2021 EURI	44,330,000	87.16

Source: own works based upon the NRDP 2014 – 2020 Implementation Stage at 04.11.2021

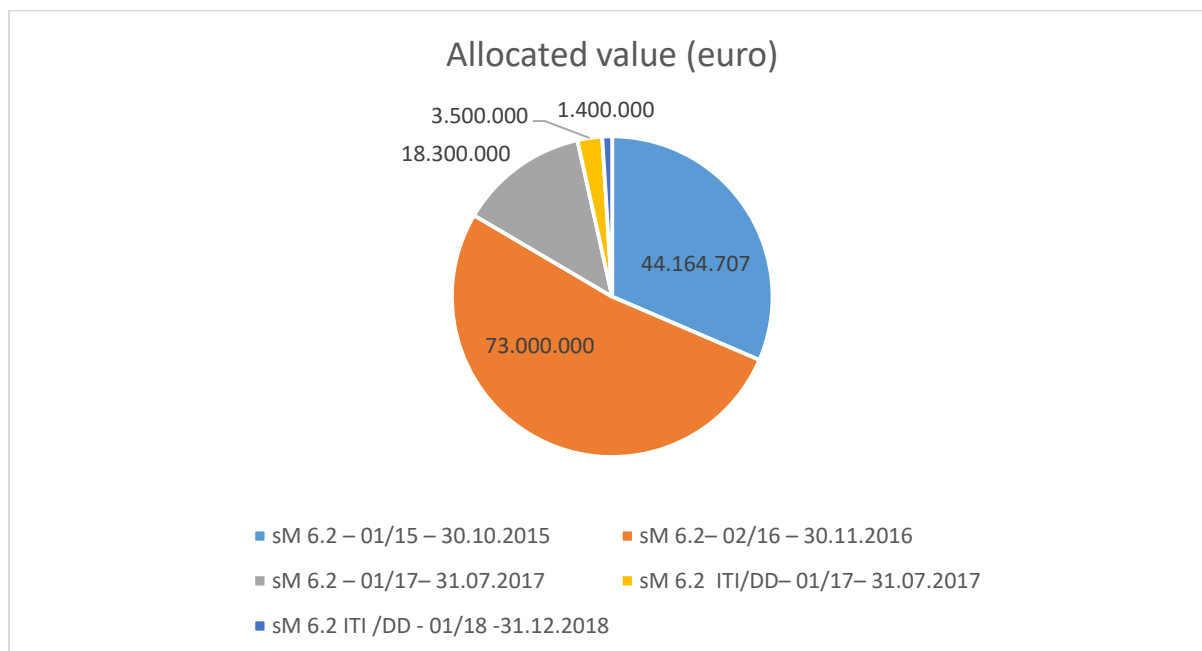


Figure 1. Allocated value in euro per session number

Source: own works based upon the NRDP 2014 – 2020 Implementation Stage at 04.11.2021

Non-agricultural investments supported by NRDP in the period 2014-2020 had an important contribution to the development of SMEs in rural areas, being financed 2 839 projects, with a value of 266.4 million euros, which created 3 699 jobs work (sub-measures 6. 2 and 6.4).

Out of the total number of 1 913 projects financed through sub-measure 6.2, a considerable number targeted, according to the analysis of the related CAEN codes (app. 100 codes), the following types of activities: Holiday accommodation facilities and short periods (CAEN 5520) - and Maintenance and repair of motor vehicles (CAEN 4520). [10]

Regarding the current transition period, sub-measure 6.2 was very requested, the filing session ending immediately after the minimum opening period according to the procedures in force.

Thus, we conclude that the value of financing applications submitted in 5 days in 2021 during the transition period for the projects related to Submeasure 6.2 represents 87.16% of the value of projects submitted under PNDR 2014-2020 in the period 2015-2018.

The particularly high interest for this sub-measure is also given by the fact that the value of 50,000 for services or 70,000 euros for production is 100% non-refundable.

It is necessary to follow what will happen with the projects selected and implemented in order to improve the living conditions in the rural environment, to diversify the economic activities and to the harmonious development of the rural areas.

Following the analysis of the official documents regarding the submitted funding applications, it was found that a particularly high interest was represented by investments in leisure, but also investments in production or those in medical, veterinary services in rural communities.

The above mentioned figures are also a proof of the fact that this sub-measure has two main advantages – it finances both very needed activities and also attracts well written projects from those interested in them. This is important as often we have heard complaints about not so well written projects and their impact on the absorption of funds. This implies both well written projects as well as good project management, that requires non-stop

attention. “A good project management is a process in continuous improvement. (...); a process of continuous learning.”[1]

CONCLUSIONS

Why does it matter? It matters because this type of financing proves itself to be one of the required in order to support the development of good living standards in the rural area. This sort of financing is vital in supporting the rural development which is crucial in the process of catching up with the other EU Member States.

This sort of investments stop the population loss in the rural area by creating job opportunities and improvind the infrastructure. This is one of the solutions if we want to have a reverse of the population mobility – having young people coming to the rural area for developing the area.

In mid-November this year, the European Commission launched the Forum for Newly Established Rural Enterprises to gather information on the challenges and potential of newly established rural enterprises. As part of the EU's long-term vision for rural areas announced in June 2021 and the Commission's Action Plan for Rural Areas, the Annual Forum on Newly Established Rural Enterprises contributes to stimulating research and innovation in rural communities and creating a more innovative entrepreneurship, which will attract more young people and more talented people.[11]

We are thus, from a conceptual and practical point of view in an optimal position, as the rural development is now firmly link to the idea of financing non-agricultural activites. This sector is going to become more and more important in the future. We need to make all the necessary efforts to have it included in all the financing programs, both national and European as some authors stated.

„Having it maintain in the new CAP is a priority of many Central and Eastern European Members States, Romania included, as the above mentioned advantages and trends are what the EU needs in reducing the West and East discrepancies and rebalancing the continent from the socio-economic point of view, in a time when the global competitions is becoming more and more intense and affects us all.”[5]

This is also important in the context of the EU debate on conditionalities for funding the projects. The projects written here must be very well done from a technical point of view and be integrated in a broader vision of things to be done in order to rise up the rural areas to better living standards.[6]

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