A Comparative Study of Rural Entrepreneurship Romania – Greece

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Abstract

The present study is based on statistic information regarding the key-indicators of rural development, on different country reports and recent articles regarding the development of rural entrepreneurship in the two countries which are the subjects of the study. The global economic indicators continue to present the effects of the economic crisis, as well as the differences between rural and urban areas and between the member states. The environment parameters confirm this variety between the European countries and regions, but they show general improvement in different domains.

Keywords: rural entrepreneurship; Romania; Greece; comparative study.

1. Introduction

The concept of rural development is a subject of constant debate, especially regarding the relative importance of its sectorial and territorial dimension. Rural development is seen as a primary territorial activity, in which the development of agriculture has an important role by the recognition of "the strong support that land provides in terms livelihood". It includes not only the economic, social and environmental development of those territories, but also the development of good governance in these areas[1].

The concept of rural development encompasses all actions aimed at improving the quality of life of people living in rural areas to preserve natural and cultural landscape and ensure the sustainable development of rural areas according to specific conditions of those lands. The program for rural development can contain, depending on the

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conditions and needs, the development of: infrastructure, agriculture, tourism, small and medium-sized enterprises and the creation of jobs, but also ideas regarding environmental protection, education, community development [2].

Starting from the Report "Rural Development in the European Union - Statistical and economic information" 2013 drafted by the European Union [3] structure of the analysis is organized in 3 of the 6 sections of the study and is based on lists of goals and benchmarks defined the CCME for monitoring and evaluation of Rural Development Policy for 2007-2013: socio-economic situation in rural areas, the importance of rural areas and sectorial economic indicators.

The Rural Development Policy of the European Commission is one of the two pillars of the Common Agricultural Policy (CAP). This helps in finding answers to the challenges facing rural areas for sustainable development. The guidelines were the decentralization of responsibilities, thus strengthening partnership based on 22 measures to be targeted and implemented according to specific needs of Member States in the 2014-2020 funding period.

The policy objectives have been simplified and clarified around three clearly defined economic, environmental and territorial objectives namely: (1) improving the competitiveness of agriculture and forestry; (2) improving the environment and the countryside; and (3) improving the quality of life in rural areas and encouraging diversification of economic activity. The proposed new Regulation for rural development policy after 2013 is the latest step in a series of political developments aimed at creating a coherent and sustainable framework for the future of Europe's rural areas.

The indicators presented in this analysis are developed by CCME (impact, reference, input, output and result indicators,), namely: socio-economic importance and types of rural areas - NUTS 3, economic development, economic structure and development of tourism rural areas.

2. Socio-economic situation of rural environment

2.1. Socio-economic situation of rural environment in Greece

Greece is located in the southern part of the Balkan Peninsula and its position represents an important link between East and West, Europe, Asia and North Africa. Greece has an area of 13,196,887 hectares, of which 271 090 ha are characterized by rocky areas and sea. The remaining area is covered by agricultural areas (40.9%), forests (18.9%) and natural areas (37%) [4]. According to the OECD definition of rural areas, 85% of the total area of Greece is rural, while the population in rural areas represents 27.2% of the total population (10.9 million in 2010) [5]. However, the territory and the rural population in Greece are categorized as follows: 54.4% of the territory and 19.2% of the population are found in predominantly rural areas and 36.6% of the territory and 36.5% of the population are located in intermediate rural areas. Therefore, we can say that rural areas of Greece are far more important than the average in the EU-27.

The Greek primary sector has a special social and environmental role in the global economy and provides a significant percentage of jobs (11.4% in 2011). The main industry sectors of the rural economy are meat, milk, vegetable cultivation, organic farming etc. There is a strong presence of Greek enterprises in the agro-food sector in international markets, while there is a favorable climate for agricultural production and organic livestock. Rural areas in Greece are also rich in cultural heritage and provide opportunities for diversification of the rural economy.

The weak parts of rural economy vary according to geographical areas. Mountain areas are characterized by low incomes, an aging and declining population, low level of education, low social and cultural level, and a lack of infrastructure. Islands, despite the advantageous positioning, face problems of social services and transport, leading to a reduced level of exploitation of their potential. On the other hand, the favorable climate, the demand for quality products and large amount of agricultural products exported are opportunities that can be exploited in order to improve rural environment.
2.2. Socio-economic situation of rural environment in Romania

Romania enjoys important growth potential, although insufficiently exploited. Rural areas have substantial growth potential and an important social role, their area covering 87.1% of the country, comprising 47.2% of the population, namely 8.98 million inhabitants in 2011 [6].

In relation to Eurostat data from 2012, 45.5% of the population is in rural areas, 43.9% in intermediate regions (mainly rural) and 10.6% in urban areas. The average population density of 79.88 inhabitants/km² at the national level and 43.31% in rural areas.

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On national level, GVA (gross value added) in 2012 recorded 114,744.8 million euro, of which, if we look at GVA by sectors, the contribution of the tertiary sector (administrative and financial services, trade, transport, communications services, other services) to the national GVA recorded the largest share, with a total of 51.8% of the Romanian economy. However, the percentage is lower than the average recorded in the European Union, which is 72.8%. In the context of the relatively low share of services in the Romanian economy compared with other Member States, the close link between this sector and economic development should be remarked. The secondary sector (industry and constructions) ranks second position in terms of its contribution to GVA, first compared with other Member States, with a percentage of 42.2%. Also, if we refer to other EU countries, Romania occupies the second place (after Bulgaria, which has 6.4%) in terms of the contribution of the primary sector (agriculture, hunting, fishing) to national GVA (6.1%), although the productivity of this sector is low compared to other sectors (online database EUROSTAT 2013) [7].

In conclusion, for a balanced development of the rural economy, we must focus on increasing productivity of agriculture and industry, on the development of job opportunities in the non-agricultural sector.

3. Importance and typology of NUTS regions 3 rural - urban

Since 2010, the European Commission has used a new typology of rural regions, namely: predominantly rural, intermediate and predominantly urban. This NUTS 3 classification is used in all communications, reports and publications of the Commission. The algorithm that underlies this new typology is based on a population spread over a square kilometer and is based on a simple approach to create networking groups in urban areas with a population density of at least 300 inhabitants per km² and a minimum population of 5000 inhabitants. All cells outside these urban groups are considered rural. If more than 50% of the population lives in the rural network, region is classified as predominantly rural. The regions where between 20% and 50% of the population lives in rural cells are considered intermediate, while those with less than 20% rural cells are predominantly urban areas.

In Greece predominantly rural regions represent more than 80% of the territory, while in Romania 60% of the area is represented by predominantly rural regions. The share of population in rural areas in both countries is far above the EU average, reaching a rate of over 40%.

As for employment, in predominantly rural regions in Ireland (66.3%), Slovakia, Estonia, Romania and Greece (between 40 and 45% in all four countries) it achieved the highest level.

Table 1. Typology of regions in rural environment

<table>
<thead>
<tr>
<th></th>
<th>% Surface</th>
<th>% Population</th>
<th>% GVA</th>
<th>% Labor force</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Intermediate</td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>Greece</td>
<td>82.0</td>
<td>12.1</td>
<td>5.7</td>
<td>42.8</td>
</tr>
<tr>
<td>Romania</td>
<td>59.8</td>
<td>39.4</td>
<td>0.8</td>
<td>45.6</td>
</tr>
<tr>
<td>EU-27</td>
<td>51.6</td>
<td>38.4</td>
<td>9.9</td>
<td>22.6</td>
</tr>
</tbody>
</table>

Source: Extract from Rural Development Report, UE 2013
4. Economic development

Gross domestic product (GDP) per capita in the EU - 27 reached 24400 in purchasing power standard. On average, the predominantly rural regions had the lowest level (70% of the EU 27 average), followed by intermediate regions (87 %). Predominantly urban regions had the highest rate (123% of EU average). In recent years, the gap between the three types of regions in the EU-27 remained stable.

GDP per capita varies greatly between member states: GDP per capita in predominantly rural regions of Romania accounted for only 33% of the EU - 27 average in 2009-2012, while in Greece it showed a percentage of 73%. This variation is also maintained in intermediate regions (from 45% in Romania to 77% in Greece) is below the EU27 average. In predominantly urban regions, values between the two countries analyzed are relatively close to the EU average GDP of 123%. Comparing the differences from 2006 to 2009 there has been an evolution in all three areas in Romania (5% in the predominantly rural areas to 28% in urban areas), while Greece suffered a small decline in rural and intermediate GDP and a slight increase in urban areas.

Table 2. Gross domestic product (GDP) per capita

<table>
<thead>
<tr>
<th>GDP per capita</th>
<th>Rural</th>
<th>Intermediate</th>
<th>Urban</th>
<th>MS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>73</td>
<td>77</td>
<td>111</td>
<td>91</td>
</tr>
<tr>
<td>Romania</td>
<td>33</td>
<td>45</td>
<td>113</td>
<td>49</td>
</tr>
<tr>
<td>EU-27</td>
<td>70</td>
<td>87</td>
<td>123</td>
<td>24,400</td>
</tr>
</tbody>
</table>

Source: Extract from the Rural Development Report, UE 2013

5. Economic structure

The economy of predominantly rural regions depends mainly on the service sector. In general, the tertiary sector or the service sector is the main area of economic activity in the EU. In 2010 this sector represented 64.6% of added value in predominantly rural regions.

The secondary sector (mining, manufacturing and construction) in predominantly rural regions contributed with 30.9% of added value in 2010, slightly more than in intermediate regions and predominantly urban (29.1% and 20.8% respectively).

The primary sector (agriculture, forestry and fishing) accounted for only 4.4% of added value in predominantly rural regions of the EU27 in 2010.

The structure of the economy varies greatly depending on the type of region and country. The primary sector in predominantly rural regions in Romania is still 11% of the total GVA, while Greece, with only 7.0%, is among the last countries in the EU-27.

The importance of the secondary sector (which includes food), in predominantly rural regions of the EU, is more significant in the Netherlands (51.7%), the Czech Republic, Romania and Slovakia (40 to 45% in these three countries) while Greece recorded only 22%.

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The share of services sector in predominantly rural regions economy is generally lower than the rest of the country, particularly in Romania (46.5%), due to the importance of the secondary sector. On the other hand, predominantly rural regions in Greece (70.6%) presented the greatest importance of the services sector.

Table 3 shows the evolution of economic structure in predominantly rural regions in 2010-2012.

In most countries, in rural regions, the importance of the secondary sector decreased in favor of the third sector during that period, probably due to greater impact of the economic crisis in the industry and, in particular, in construction activities in some Member States. The numbers for Greece are -3.1 +3.6 secondary sector and the tertiary sector, while the opposite trend was found in Romania (4.7 percentage points for the secondary and tertiary sector -4.5).
Table 3 Structure of rural economy

<table>
<thead>
<tr>
<th>Country</th>
<th>Economic structure (%GDP) - 2010</th>
<th>Valoarea medie / regiuni</th>
<th>Economic structure (% GDP) - 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Primary Sector</td>
<td>Rural</td>
<td>Secondary sector</td>
</tr>
<tr>
<td>Greece</td>
<td>7.4</td>
<td>22.0</td>
<td>70.6</td>
</tr>
<tr>
<td>Romania</td>
<td>11.0</td>
<td>42.5</td>
<td>46.5</td>
</tr>
<tr>
<td>EU-27</td>
<td>4.4</td>
<td>30.9</td>
<td>64.6</td>
</tr>
</tbody>
</table>

Source: Extract from the Rural Development Report, UE 2013

6. Development of tourism in rural areas

In 2013, the service sector produced 73.4% of total EU-27 GVA. The added value (in real terms) generated by this sector increased by 160.5 billion Euro in 2007-2013. While the service sector is the most important in all regions, with differences between intermediate and predominantly rural regions, the highest rate appears to be in predominantly urban regions.

In 2013, the service sector accounted for 46.5% of the economic activity in Romania, with a decrease of 4% compared to the same period in 2007, while in Greece it represents over 70% of GVA in predominantly rural regions.

For the EU27 as a whole, the share of available accommodation is higher in rural than in predominantly urban regions. From 2012, the new Regulation (EU) No 692/2011 on European statistics on tourism introduced a new classification of data, depending on the degree of urbanization, population density based on a classification of local administrative units (LAU2) [8]. The 3 main categories (densely populated, urbanized intermediate areas and sparsely populated areas) are not comparable with the classification of zones in rural-urban typology that has been used. Because of this, the change in the dimension of accommodation cannot be provided on the type of surface at this stage.

Tourism infrastructure, that is the number of available places in the tourist accommodation is not distributed equally across the EU. As shown in Table 4 for the EU27 as a whole, the share of available places is higher in predominantly rural regions (32.2%) than in predominantly urban ones (25.3%).

Greece ranks 4th place (9.1%) in terms of the allocation of accommodation in the EU-27, while Romania is among the last countries, with only 1% in the EU27.

Table 4 Tourism in rural areas

<table>
<thead>
<tr>
<th>Country</th>
<th>Accommodation places in touristic facilities in 2011</th>
<th>% din EU-27</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>Rural</td>
</tr>
<tr>
<td>Greece</td>
<td>74,1</td>
<td>17,8</td>
</tr>
<tr>
<td>Romania</td>
<td>31,3</td>
<td>61,1</td>
</tr>
<tr>
<td>EU-27</td>
<td>32,2</td>
<td>42,5</td>
</tr>
</tbody>
</table>

Source: Extract from the Rural Development Report, UE 2013

7. Conclusions

Rural areas were considered to be traditionally dependent on agriculture. In the last two decades, it was found that rural development can be induced not only by the development of agriculture. The importance of the tertiary sector has grown significantly with the need for environmental protection.

For Romania, a country with diverse natural and cultural heritage, where agriculture prevails, rural tourism is a viable alternative, yet insufficiently exploited for the diversification of activities in order to obtain additional income for the rural population.

Greece received significant subsidies for agriculture until the 1990s. However, the analysis indicates that the most dynamic areas depend not only on agriculture. Employment in the primary sector is an important factor in the
economic development of rural regions with significant agricultural potential, as well as in less developed rural regions. In developed regions with agricultural potential, agricultural modernization and economic diversification are more important. In tourism-oriented areas environmental protection is a priority, given that this is their most important resource.

Organic farming appears to be a viable alternative in disadvantaged rural areas. Therefore, organic farming especially in Greece, where the land are disadvantaged in the proportion of 82.7% and in Romania (share of 42%) could be an activity that can contribute to local development and preservation of the rural population in areas disadvantaged rural [9].

The restructuring of the agricultural sector and the encouragement of diversification and innovation in rural areas are crucial and the new policies address these needs. Developing new methods of cultivation to increase investment, adjusting to high quality standards, modernizing promotional / marketing activities of agricultural products and encouraging people to continue agricultural activities are stipulated in the National Rural development Program as practical approaches to achieve objectives.

References

[1] www.wupperinst.org