

THE FINANCING OF THE ROMANIAN RURAL DEVELOPMENT PROJECTS THROUGH THE EU FUNDS

Erika Georgeta KUCIEL ¹

¹ PhD, National University of Political Studies and Public Administration, Faculty of Public Administration, email: ekuciel@yahoo.com.

Abstract

This paper will outline the major importance of the pre-accession and post-accession funds received by Romania from the European Union in agricultural field by presenting the situation of European funds since 2000 to present and over. In Romania, in the 2007-2013 programming period, in order to support the farmers, European Union has awarded grants through the National Rural Development Programme. From the beginning of the NRDP in 2008, were verified 150.944 requests for funding whose value exceeded 18,5 billion euros of the total of 5,75 billion euros available for investment. The methods of research used in this paper are consultation's reports drawn up by various European institutions and the specialty literature. The application domain is agro-food economy. The result of this research is that 98.444 investment projects has received non repayable financial aid. Through the European funds grants those interested can establish a business, develop the area and increase their living standard.

Keywords:

Agriculture, European funds, agricultural development programmes, rural development, European Union.

Introduction

Agriculture is one of the economic sectors of countries with vital importance. This is the only food source, can provide raw material for the industry and it is a market for production. The question is: how the financial aid from the EU contributed and will contribute to the rural development? Who are the eligible beneficiaries of these funds? These European funds can be accessed by the beneficiaries through the submission of eligible projects. European funds provide rising living standards for rural areas, not only by developing the rural economy but also for the entire countryside.

1. Literature review

Iann Begg in Introduction: The reform of the structural funds, European Planning Studies, consider that the aim of the EU financial aid is to support economic development by stimulating the growth rate of public investment in less-favoured regions, in infrastructure, training and regions's productivity. The same author, in Reform of the structural funds after 1999, European Planning Studies, identified that, during the period 2002-2007, the funds have been organized differently, including the European Fund for Fisheries (EFF) and the European Agricultural Fund for Rural Development (EAFRD), but since 2007, the latter have their own laws and databases. In opinion of Pereira, according to his paper, Europe 2020 – The European Strategy for sustainable growth, what does it look like from outside?, at the regional level, the Europe 2020 Strategy is a first step towards the sustainable and integrated economic growth in order to reflect the commitment of Member States to work together to ensure a better future.

2. Common Agricultural Policy

The Common Market was founded by the Treaty of Rome, in 1957. The European Union is the largest agricultural importer of the world. Agricultural policy was founded on the need to include agricultural products in free circulation of goods, eliminating the national incompatible mechanisms with the common market and putting them at Community level.

This policy is one of the first common policies of the European Union, founded on single market principles, financial solidarity, favoring the consumption of products from the European Union. It consists of 2 parts: the first one is based on common market organizations and the second part – on the rural development (European Commission, Agriculture and rural development).

The Common Agricultural Policy has three main objectives (Porumbăcean, 2010), as follows: increasing of the agricultural productivity by promoting technical progress and ensuring the rational development of agricultural production and usage, through complicated of optimal factors of production, especially labor; providing a standard of living for the agricultural community, equally with other sectors; stabilize markets agricultural products and ensure security of supply.

The purposes of the EU agricultural policy are: help the farmers to produce enough food for all of Europe, to ensure that food is safe, to protect the farmers against excessive volatility of prices and market crises, help the farmers to invest in farm modernization by offering the support for viable rural communities with diversified economies, creates and maintains jobs in food industry, protects the environment and animals welfare (Janda, 1994).

At the middle of 90's, the policy focuses more on food quality by introducing new measures to support agricultural investment, training, improving processing and the placing on the market, taking measures to protect traditional and regional foods. It implements the first European legislation on organic farming.

Starting with 2000, the policy is focusing on rural development, on economic, social and cultural development of rural Europe. At the same time, the reforms started in the 90's are maintained in order to better target the farmers market. In 2003, farmers were more oriented towards the market (https://europa.eu/european-union/topics/agriculture_ro). Instead, they must comply with strict standards on food safety, the environment and animal welfare. In 2007 the EU's agricultural population doubles, following the accession in 2004 and 2007 of 12 new member states. A new policy's reform, in 2011, aimed at strengthening the economic competitiveness of the organic agricultural sector to promote innovation, to combat climate change by supporting employment and growth in rural areas (Bernstein et al., 1999).

As integrated common policy, the policy is funded through the EU's annual budget. Currently, the annual spending on agriculture and rural development accumulate 55 billion euros, about 45% of the total EU budget. The stake is the survival of rural areas as places for living and working.

3. Pre-accession financial instruments: ISPA, PHARE, SAPARD

Many different programs, inside the European Union and around the world, offer the support for agriculture. These programs are specified for special purposes such as the support of environmentally friendly farming or for young farmers. But a great proportion of the government money goes to general programs to finance agricultural activities.

The Central and Eastern Europe's countries (Poland, Hungary, Slovenia, Slovakia, Bulgaria, Romania, Estonia, Lithuania, Latvia), before joining at the European Union but also Turkey, Malta and Cyprus have been created grant funds in the fields of transport infrastructure and environmental services, agriculture and industry restructuring. The 3 special pre-accession programs are: ISPA, PHARE and SAPARD.

ISPA (Instrument for Structural Policies for Pre-Accession) was created by Council Regulation (EC) no. 1267 of 21 June 1999 in order to co-finance the large infrastructure projects in transport and environmental quality.

Our country has benefited from ISPA between 2000-2006 and following the accession to the European Union (January 1, 2007), by receiving funding through the Cohesion Fund. This financial instrument projects were financed as follows: 36 major investment projects in infrastructure – water and waste water; 12 major investment projects in transport infrastructure; 5 technical assistance measures in the environmental sector for which they were prepared applications for accessing funds through the Sectoral Operational Programme Environment; 8 technical assistance measures for transport; 3 horizontal technical assistance measures.

PHARE (Poland Hungary Aid for Reconstruction of the Economy) is the second pre-accession financial instrument (<http://eufinantare.info/phare.html>). Initially it was created in 1989 for the economic reconstruction of Poland and Hungary after leaving the communist regime in 2001 but was extended to all other countries to the European Union. In 1996, 13 states have received PHARE grants, as follows: Romania, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Albania, Bosnia-Herzegovina and Macedonia. After the accession of Poland and Hungary to the European Union, this program has been modified.

Since 2000, Albania, Bosnia-Herzegovina and Macedonia have been included in the program of Community Assistance for Balkans Reconstruction, Development and Stability (CARDS), as much as the management methods of the program have been rethought. They focused on projects whose objective was the implementation of the Community acquis, improving budgetary implementation, the transition from annual programming to the multi-annual and a larger projects.

The programming instrument has been Accession Partnership which represented a document signed between the acceding countries and the European Union. They have established priorities, objectives and financial resources, for each state, in order to achieve its targets in terms of economic and social cohesion. Depending on negotiations between the PHARE (<http://eufinantare.info/phare.html>) beneficiary states and the representatives of European Union, the states have adopted and implemented the Community acquis.

Starting with 2004, only Romania and Bulgaria have benefited Community aid through PHARE. The related funds were allocated through national programs, structured around 3 main areas: strengthening of administrative and institutional capacity and development, investment support for infrastructure and industrial activities align with European standards and investment in economic and social cohesion.

In 2000-2003, our country has received 1 billion euros PHARE funds, which are allocated through national programs, cross-border cooperation and nuclear safety projects.

SAPARD (Special Accession Programme for Agriculture and Rural Development) is the third pre-accession financial instrument. This program was created in 1999 by Council Regulation (EC) no. 1268 but became operational since 2000. Its aim was to provide financial aid to rural development and sustainable agriculture, the implementation period being 2000-2006. Like the two others financial pre-accession instruments, ISPA and PHARE, SAPARD (Commission Europeenne, Direction Generale de l'Agriculture, Sapard, Le programme special de preadhesion pour l'agriculture et le developpement rural) was designed to offer the financial support for the candidate countries in their preparation for future membership of the European Union. This program has been initiated for the 10 applicant countries of Central and Eastern Europe but, since 2004 when eight of these states joined the European Union, only Romania and Bulgaria have benefited from these funds.

The allocation through SAPARD funds for our country, during 2000-2006, was 972 million euros.

In order to achieve the objectives set, each candidate state has adopted a National Plan for Agriculture and Rural Development to identify the priorities of each state, according to specific problems, respecting the provisions of SAPARD rules (European Commission, Enlargement Directorate General). Under this Regulation, the national plan includes measures, such as: investment in agricultural holdings, investment in improving the production and marketing of agricultural and fishery products, improving the quality control standards of animal and vegetable products and consumer protection, production methods to protect the environment, formation of producer groups, improving the quality of land and re-parceling, development and modernization of rural infrastructure, village renewal and development, the effective management of agricultural water resources, forestry measures including afforestation of agricultural areas, investment in private forest holdings, processing and marketing of forest products, creating and updating land registers, creating support services and farm management.

In our country, during the period 2000-2006, the National Plan for Agriculture and Rural Development (<http://www.pndr.ro>) has set the directions for SAPARD interventions.

The strategy proposed by the plan was the better connection of agriculture markets needs with environmental requirements, creating the possibility of new jobs in rural areas; were funded projects in the following areas, structured on priority axes, such as: Priority Axis 1- improving the access to markets and competitiveness of agricultural processed products in order to improve the production and the marketing of agricultural and fishery products, to raise quality standards of animal and vegetable products; Priority Axis 2- improving the infrastructure for rural development and agriculture to modernize infrastructure and water resources management; Priority Axis 3- rural development for investments in agricultural holdings, formation of producer groups, production methods to protect and preserve the environment, forestry; Priority Axis 4 – development of human resources training for studies that will contribute to the preparation and monitoring of the program, information and publicity (<http://www.madr.ro>).

In order to be effectively implemented, each state created Sapard Agency responsible for administrative and financial management, tendering, contracting and advertising program.

The most important socio-economic impact of SAPARD was the positive impact that their investments had on revitalizing the labor market in rural areas by creating jobs. Another key aspect of socio-economic contribution of the Programme was improvement of standard and living conditions of rural population. Also, have taken a significant saving transportation time to beneficiary areas, an increase of the population served by sewerage infrastructure, improving the general living conditions of the population including health conditions and overall comfort. From the political point of view, the legislative implementation of SAPARD Programme gave an important impetus to adapt the existing framework for Romania's accession to the European Union.

In particular, 2000 marked the beginning of the integration decade, characterized by reforms to the adoption of the Community acquis, the status of market economy and support for commercial farms.

Concerning the impact of the SAPARD Programme on environment, should be considered two separate issues: on the one hand, the program had no negative effects on the environment but rather contributed to environmental protection. On the other hand, the SAPARD contributed directly to improving environmental conditions in rural areas by financing specific actions.

4. Post-accession financial instruments

Since 2007, Romania is a member state of the European Union. For this reason, our country respects the principles of agriculture and rural development of the Common Agricultural Policy, which is a set of rules and measures targeting the productivity increase, ensuring a fair standard of living population agriculture, to stabilize markets, safeguard supplies. According to the Council Regulation no. 1290/2005 on the financing of the common agricultural policy, have been created two European agricultural funds: EAGF – European Agricultural Guarantee Fund to finance marketing measures and the EAFRD – European Agricultural Fund for Rural Development – to finance rural development programs.

The European Agricultural Guarantee Fund was established in 1962 to finance the EU's common agricultural policy and consumes most of the Community budget. This fund support rural development, improving agricultural structures and it has two sections: orientation which finances the rationalization schemes, modernization and structural adjustment of the agricultural sector in rural areas; the second is the guarantee section which finance measures of common organization of the markets and price support for agricultural products. The section of guarantee has the following areas of intervention: investment in agricultural associations, assistance for the young farmers and training in the field, support for less favored areas, measures for environmental protection interacting with agriculture, processing and promote marketing of agricultural products, development and optimum use of forests, development of rural areas by providing services, supporting local economies, encourage agro-tourism and craft activities.

For the financial exercise 2007-2013, the implementation of the National Rural Development Programme in Romania is based on the National Strategic Plan for Rural Development, prepared by the Ministry of Agriculture and Rural Development through the General Directorate for Rural Development – Managing Authority for the National Rural Development Programme (<http://www.madr.ro/dezvoltare-rurala.html>). So, the National Strategic Plan for Rural Development of Romania covers the period 2007-2013 and has been developed in compliance with the Council Regulation (EC) no. 1698/2005, supporting the rural development by the European Agricultural Fund for Rural Development (EAFRD) and the Community Strategic Guidelines which refers to rural areas. The European Agricultural Fund for Rural Development was accessed after the approval of the National Rural Development Programme. EAFRD is an instrument of European Union through which the member states receive funds for the implementation of the Common Agricultural Policy. The allocation of 7,5 billion euros granted by the EAFRD represent a real opportunity for financing rural area of Romania. EAFRD funding is given 50-70% of the eligible project. The projects must respect specific conditions to qualify for grants awarded by the EAFRD (<http://www.afir.info>).

The four directions of financing by the EAFRD, established by the National Strategic Plan 2007-2013 (<http://www.madr.ro/pndr-2007-2013/programul-national-pentru-dezvoltare-rurala-2007-2013.html>) are, as follows: the increase of the competitiveness of the agricultural and forestry sector by restructuring and development of agricultural and forest products. Specifically, will be awarded grants for: vocational training and information actions, use of farm advisory services by farmers and forest owners, modernization of agricultural holdings, increasing the added value of agricultural and forestry products. The second axis refers to improving the environment and rural areas – emphasis on maintaining and improving environmental quality in rural areas of Romania by promoting sustainable management. Objectives of maintaining biodiversity and nature conservation is achieved through supporting forest conservation and development, ensuring a balanced occupation of the territory and the development of sustainable management practices of agricultural land and forests. The third axis refers to the improvement of the life's quality in rural areas and

diversification of the rural economy- aim to manage and facilitate the transition of labor from agriculture to other sectors, to ensure adequate living standards. The fourth axis – LEADER – develops rural strategies.

In Romania, the institution authorized with the technical and financial implementation of the EAFRD, through the National Rural Development Programme, is the Agency for Rural Investment Funding. The impact of NRDP in rural areas and agriculture is important. For the programming period 2007-2013, until July 2016, the beneficiaries of European funds have received 7,4 billion euros after the repayment of expenditure incurred. Due to the eligible expenditures, the absorption rate is over 86% of the funds allocated to our country in the abovementioned period. Since the beginning of NRDP (<http://www.madr.ro/pndr-2007-2013/programul-national-pentru-dezvoltare-rurala-2007-2013.html>), 75.000 farmers have benefited from the EU funds and 2.787 farms in vegetal and animal sectors were supported. 44.794 of hectares were protected by flood and 335.650 hectares were rehabilitated in terms of irrigation infrastructure. Through this financial aid, in rural areas were created more than 100.000 jobs, 3.606 km of agricultural and forestry roads have been rehabilitated and 3 million people benefited of rural infrastructure. Also, 7.245 km network of water supply and sanitation were built, 1.861 projects for tourism activities helped the creation of new jobs, 3.862 km of country roads have been rehabilitated, 272 projects have stipulated the establishment, expansion and modernization of 2.900 km of water supply network and 4.345 km of sewerage network. The main objective of 3 projects was the modernization and reconstruction of cultural and social infrastructure. Another 723 km of roads damaged by floods in 2010 were restored. A special interest in getting European funds have shown young farmers. Thus, 12.669 young farmers have signed contracts of 320 million euros, the payments exceeding 305 million euros. The eligible expenditures were spent, also, for modernization of agricultural holdings in projects of 756 million euros. 1.625 beneficiaries have applied for European funds concerning the adding value to agricultural and forestry products, the value of signed contracts being 610 million euros. For the first afforestation of agricultural land, they were submitted 52 applications for funding, of which 20 projects were contracted with a non-refundable amount of 1.38 million euros. Rural tourism and agrotourism in Romania owes its development to the implementation of the EU financial aid. In order to continue the success of SAPARD, were contracted 1.244 projects in total value of 174 million euros. For renewal and development of the villages, were submitted over 3.317 applications for funding in value of 7,65 billion euros, the amount allocated in 2013 for this measure being 1,6 billion euro, the amount being exceeded 4 times. They have been contracted 891 projects in value of 1,83 billion euro of which were paid more than 1,52 billion euros. The financial support for the creation and development of micro-enterprises: there were 9.499 applications for funding submitted, being contracted so far 2.616 projects, in value of 325 non-refundable million euros and the payments about 315 million euros (www.afir.info). Based on these results, the rural economy was relaunched and will be continued in the next financial exercise 2014-2020.

5. The future of the European financial aid in Romanian agriculture

National Rural Development Programme 2014-2020 (<http://www.madr.ro/docs/dezvoltare-rurala/2016/PNDR-2014-2020-versiunea-aprobata-25-octombrie-2016.pdf>) respond to 3 challenges of development: competitiveness and local development, people and society, resources. 14 rural development measures will be financed through NRDP, the financial allocation is 9,362 billion euros of which 8,015 billion by EAFRD and 1,347 billion national contribution. NRDP (financed by the European Agricultural Fund for Rural Development) supports the strategic development of the rural area through the strategic approach of the following objectives: restructuring and increase the viability of farms,

sustainable management of natural resources and combating climate change, diversification of economic activities, job creation and improving infrastructure and services for a better quality of life in rural areas. For the first strategic objective will be funded the following categories of intervention: the establishment, expansion and modernization of facilities at farm level (buildings, roads, irrigation technologies to reduce pollution and energy production from renewable sources, storage facilities, marketing and processing, including in the context of short chains); investments in processing and marketing, including energy efficiency, marketing, storage; support for restructuring, particularly smaller ones and rejuvenating generations of farmers; risk management in agri-food sector; mentoring and training activities realized by producer groups. Through the second objective will be funded: shares of afforestation of agricultural and non-agricultural and forest belts carrying on such land; compensatory payments to farmers who voluntarily assumed the agri-environment commitments; compensatory payments to farmers for maintain organic farming practices and methods; compensatory payments to farmers to continue working in areas designated as areas facing natural constraints or other specific constraints. And the third strategic objective will finance support for investments for small and medium non-agricultural enterprises in rural areas; improving local infrastructure, educational infrastructure, health and social care; restoration and preservation of cultural heritage; support for locally generated strategies that ensure integrated approach to local development.

The main priorities for rural development programming period 2014-2020 are: modernization and increase the viability of farms by strengthening their market-opening and processing agricultural products; to encourage rejuvenation of generations of farmers by helping young people; development of basic rural infrastructure as a pre-condition for attracting investment in rural areas, creating new jobs and the development of countryside; to encourage the diversification of the rural economy by promoting the creation and development of small and medium enterprises in non-agricultural sectors in rural areas; promoting fruit growing sector as a sector with specific needs; encouraging the local community development through LEADER approach.

Conclusions

In the pre-accession period, our country has received european funds through the 3 financial instruments, ISPA, PHARE and SAPARD. All of them have contributed to the development of transport infrastructure, environmental services, agriculture and industry restructuring. After the accession at the European Union, Romania has spent over than 7 billion euros for development and modernization of agriculture and rural infrastructure, providing increased living standards for those living in rural areas, not only by developing the rural economy but also for the entire countryside. The need for modernization of Romanian villages is very high, relative to the financial resources that were available in the 2007-2013 programming period. The financial support obtained so far by rural communities has led to positive results on the life of rural residents. For the period 2014-2020, the EAFRD has a total budget of over 96 billion euros for agriculture, forestry, environment and development of rural economy.

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