

THE RURAL DEVELOPMENT POLICY OF THE EUROPEAN UNION FROM THE PERSPECTIVE OF ROMANIA'S INTEREST

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Abstract

The rural development component of the Common Agricultural Policy has gained increased attention after the Commission developed the strategic document Agenda 2000, thus becoming the second pillar of the CAP. There are two major reasons for an approach in this direction: firstly, the percentage of agricultural land compared to the surface of the European Union is very high - about 90%; secondly, the primary objective of economic and social cohesion promoted by the European Union, whose achievement would be utopic without due attention to the harmonious development of rural areas.

The rural development policies are designed to improve the living standards of the rural population. The development of rural economy depends both on the communities' own efforts, and on the state institutions. Government intervention is required to multiply the local creative potential, not only by providing a good strategy, but also the necessary financial means. This requirement can be achieved in the context of the following four important dimensions of the policy: quality of life, creating employment opportunities, regional balance, the population's self-confidence.

The Common Agricultural Policy must be maintained by adapting it to the new common goals set by the European Commission, which, in one of its versions, proposes the reduction of allocations in the form of direct aid. Financing rural development should be seen in the context of the cohesion policy, which would relieve pressure on CAP reserved expenditure. In this respect, it is recommended to rethink the allocations for Pillar 2 and to find co-financing methods for Pillar 1.

In this context, Romania has to negotiate within the EU the new rural development program for the 2014-2020 period, starting from the concrete situation of Romanian villages, and taking into account the interests of residents and potential investors in rural areas.

Key words: rural development, European and national funds, living standards, policy options, European market, financial support

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INTRODUCTION

The general objectives of the Strategy for Sustainable Development of the European Union are: limiting the negative effects of climate change, as well as the environmental and social costs; the assurance that our transport system meets the society's economic, social and environmental needs, and that all efforts are being directed towards minimizing the toxic damage to the environment; improving resource management and avoiding the overexploitation of natural resources; promoting sustainable production and consumption patterns; improving protection against health threats; creating a society based on social inclusion by taking into account intra- and inter-generational solidarity; ensuring the security and quality of life of citizens as a precondition for maintaining individual well-being; promoting sustainable development and ensuring that EU policies, both internal and external ones, are compatible with sustainable development and its commitments.

On the medium and long term, achieving these strategic goals will provide big economic growth and, consequently, a substantial reduction of economic and social disparities between our country and other EU countries. The synthetic indicator which measures the real convergence process offers the suitable conditions for Romania's GDP per capital in 2013 to exceed the EU average at that time, to approach the EU average in 2020, and to be slightly higher than the European average in 2030.

The main action directions, detailed by sectors and time horizon:

- Linking the rational development objectives, including investment programs in inter-sartorial and regional profile, to the potential and capacity to sustain natural capital;

- Accelerated modernization of education and training, public health and social services, taking into account demographic trends and their impact on the labour market;

- Widespread use of the best available economic and environmental technologies in investment decisions and entrenchment of eco-efficiency in all production activities and services;

- Anticipating the effects of climate change and developing early action plans for crisis situations caused by natural or human phenomena;

- Ensuring food security and safety by exploiting Romania's comparative advantages, without compromising the requirements for maintaining soil fertility, biodiversity conservation and environmental protection;

- Identifying additional funding sources for large scale projects and programs, particularly in the fields of infrastructure, energy, environmental protection, food security, education, health and social services;

- Protection and enhancement of the national cultural and natural heritage; connection to European norms and standards concerning the quality of life.

In order to accomplish the objectives and measures drawn in the Strategy, the normative act establishes implementing, monitoring and reporting mechanisms at the level of public authorities, as well as the consultation of civil society and citizens throughout the process. Since 2009 it has started the process of comprehensive review

of programmatic documents, strategies and programs, sartorial and regional in order to make it consistent with principles and practices of sustainable development and the dynamic development of EU regulations.

1. EU rural development objectives for the period 2014-2020

In this period, the European Commission is in the development and foundation stage of the rural development objectives for the period 2014 - 2020, which has already undergone public consultation. The Commission considers that the following main objectives for rural development are:

- Objective 1. Sustainable food production
- Objective 2. Sustainable management of natural resources
- Objective 3. Balanced territorial development

Objective 1, as it is defined refers to the following important components:

- to contribute to farm incomes and to limit their variability (volatility of prices and income, and natural hazards are more pronounced than in other sectors, and farmers' income and profitability levels are below those in other sectors);
- to improve the competitiveness of the agricultural sector and strengthen its position in the food chain (because in comparison to other sectors of the food chain that are better organized and involve a greater bargaining power, the agricultural sector is fragmented). Also, the European farmers need to respect the high standards of environmental protection, food safety and quality and animal welfare;
- to compensate production difficulties in areas where there are specific natural disadvantages, since in these regions there is an increased risk of land abandonment.

Objective 2 covers the following important components:

- to guarantee sustainable production practices and ensure the provision of public goods that meet the environmental conditions since many of the public benefits generated by agriculture are not paid by the normal functioning of markets;
- to promote green growth through innovation, which requires the adoption of new technologies, development of new products, changing the production processes and supporting new consumers' expectations;
- to pursue actions to reduce climate change effects - as well as to allow agriculture to adapt to climate change.

Objective 3 covers the following important components:

- to help create jobs in rural areas and to maintain rural social component;
- to improve rural economy and to promote diversification, enabling thus local actors to express themselves to maximum potential;

- to allow structural diversity in agricultural systems, to improve conditions for small farms and local markets development, because in Europe the heterogeneous agricultural structures and the production systems contribute to the attractiveness and identity of rural areas.

The options considered by the European Commission to achieve the objectives are:

- Option 1 - Improved Status Quo;
- Option 2 - More balanced, better targeted and more lasting support;
- Option 3 - Elimination of the types of income support measures and market support.

The principles on which Option 1 is based are the following:

- With regard to direct payments, more equitable distribution of the aims of direct payments between member states (leaving unchanged the current system of direct payments).
- With regard to the market instrument it is aimed at the instruments' strengthening for risk management and rationalizing and simplifying the existing market instruments, where appropriate.
- With regard to rural development it is aimed at the orientation of the health overview in order to increase funding to meet the challenges of climate change, water resources, biodiversity and renewable energy and innovation.

The principles on which Option 2 is based are the following:

- With regard to direct payments it is aimed a more equitable distribution of direct payments between member states and a change in the way they are designed. Thus, direct payments would be made up of: a base rate that would serve as income support, an additional support required for specific public goods becoming "greener" with the help of simple agri-environmental actions, generalized, yearly and non-contractual, based on the supplementary costs of carrying out these actions, an additional payment to compensate for specific natural constraints, an optional coupled support component for certain sectors and regions. Another proposal is to introduce a new scheme for small farms, namely the introduction of capping the base rate, taking into account the contribution of large farms to employment in rural areas.
- With regard to the market instruments it is aimed the improvement and simplification of the existing market instruments, where appropriate.
- With regard to rural development it is primarily concerned with the adjustment and complementing of the existing instruments to align with EU priorities, with support focused on environment, climate change and / or restructuring and innovation as well as to strengthen regional / local initiatives. Secondly, the strengthening of the existing instruments for risk management and the introduction of an optional instrument for income stabilization compatible with WTO green box

to compensate for the loss of significant revenue. It could be provided a certain redistribution of funds between member states based on objective criteria.

The principles on which Option 2 is based are the following:

- Regarding direct payments, it is aimed at gradually giving up of direct payments in their current form and instead providing limited payments for environmental public goods and additional payments for compensation of specific natural constraints.
- Regarding the market instruments it is aimed at eventually eliminating all market measures except clauses applicable to market disturbances, which could be activated in case of severe crisis.
- Regarding the rural development measures the measures would mainly focus on issues related to climate change and environmental.

2. Romania's position on rural development policy

Since our country is a EU member with full rights, and taking into account that both agriculture and rural areas of our country have some peculiarities caused by objective and subjective conditions, Romania needs to establish realistic points of view for the Common Agricultural Policy in the period between 2014-2020. Thus, on direct payments, we consider that the following are worthy of consideration:

- to maintain the real value of agricultural support in the configuration of the two complementary pillars, it must enable and use the potential of the new member states and the attainment of convergence objectives;
- the support of active farmers will lead to reducing disparities between member states and a proper allocation of financial resources. In this respect, it is very important to define the farmer as "*active farmer*";
- Romania considers appropriate the openness shown by the Commission to support small-scale agriculture, by introducing a support system dedicated to small farms, contributing to strengthening the competitiveness and maintain the vitality of rural areas. In this regard we support the definition of new eligibility criteria easier to manage and easier to implement;
- Romania does not consider appropriate the Commission's proposal to introduce an upper limit (capping) of the level of direct payments allocated to large farms;
- EC Communication on the functioning of the food chain, the bargaining power of farmers, contractual relations, the need to restructure and strengthen the manufacturing sector, transparency and the functioning of markets for agricultural products, meets the existing problems in Romania.

As regards the rural developmental, things are more complicated, since the Romanian village is way behind the European village in terms of level of development.

In these circumstances we consider that the following points of view should be considered:

- Regarding the actions aimed at the revision of the CAP, Romania supports the importance of maintaining a consistent level of the budget allocated to Pillar II.
- For Romania, the growth of competitiveness, the sustainable management of natural resources and balanced territorial development are important. Financing must meet the specific needs of the member states, including through providing a greater flexibility.
- Romania welcomes the Commission initiative to create measure packages for the new programming period, by interconnecting the already existing ones, as a response to the needs of some areas or specific groups.
- Romania supports the inclusion of a package to support small farmers in order to avoid some phenomena present in Romania, as depopulation, abandonment of agricultural land and increase of their economic capacity in order to provide public goods.
- With regard to the risk management package, we support the continuation and development of financial engineering measures, through instruments to ensure access to loans, guarantees, share capital, etc., these representing essential aspects for increasing the competitiveness of agriculture sector, taking into account the particularities of this sector.

We believe that in order to implement measures consistent with achieving the envisaged objectives, the CAP budget (pillars I + II) for 2014-2020 must be consistent and remain at least at the current level. So, it is worthy of consideration the following:

- Pillar 1 budget, responsible for providing the direct income to farmers, for maintaining the agricultural production in the EU and for support to cope with excessive price volatility must provide:
- for the Direct Payment component: increasing the cap for the new Member States so that the direct payments to reflect a more equitable distribution between old and new Member States;
- for the market measures component: maintaining the current market intervention instruments to act as a safety net in crisis situations, as well as searching for new tools to preserve EU agriculture in a competitive level in relation to third-party countries; the continuation, after 2013, of the sectorial programs (wine, beekeeping, disadvantaged persons, etc.) with a great impact for Romania, as well as of the specific support granted under Art. 68 of the Regulation no.73/2009;
- Pillar 2 budget, responsible for rural development, should provide an allocation similar to the current one (current allocation key for Romania is 9.8%; it must be at least maintained).

The European Commission's position, given that the above aspects are not taken into account, can have a number of hotspots for Romania, of which the most important are:

- for Romania it is essential the level to be determined for direct payments.
- Introduction of a higher cap for allocation of direct payments to large individual farms.
- Introduction of multiple payments may involve complication of the direct payments current system, which contradicts the CAP simplification process.
- Introduction of a volunteer component - additional to LFA payments in pillar I; although the text does not specify from where the funds for those payments come, from discussions with the Commission it resulted that it is wanted their framing under the cap which the Member States have allocated for direct payments.
- Introduction of support for small farms, to avoid phenomena present in Romania, such as depopulation, abandonment of agricultural land and the increase of their economic capacity, in order to provide public goods and also, attracting young people to agriculture.
- Inclusion of the Water Framework Directive in eco-compliance, for achieving the wishes concerning the environmental improvement and the protection of human health.
- The possible redistribution of funds for rural development between Member States (under policy option 2) based on objective criteria. At this stage we have no detailed information on defining future objective criteria.

Conclusions

Rural development policies are designed to improve the living standards of rural population. The development of rural economy depends both on the own efforts of rural communities, and on that of state institutions. Government intervention is required to multiply the local creative potential, helping it not only with a good thought, but also with the necessary financial means. This requirement can be achieved in the context of the following four important dimensions of the policy: quality of life, employment generation, regional balance, self-confidence of the population.

Simplifying the CAP is one of the main priorities of the European Commission, which can have major implications for reducing administrative burdens on the farmers and at administration level. Also, currently, the public authorities (and not only) focus on taking a set of measures to help increase access to European funds for rural development.

In this context, we consider that the most important proposals to streamline the implementation process of rural development projects that help raise the living standards of rural residents through accessing the European funds for agriculture and rural development are the following:

- Strengthening the monitoring and evaluation procedures of EAFRD, through which the EU spending will be better controlled. Transparency in EU funds absorption, the national management and control system and auditing requirements are essential prerequisites for successful implementation of Cohesion Policy's objectives;
- Granting the local and regional support for increasing government and public services effectiveness for the development of new forms of cooperation between regions and between partners in a region in order to improve the activity.
- Continuing to promote and disseminate good practices in Member States should provide additional motivation for potential beneficiaries for accessing these funds and for closer cooperation between EU partners.
- For less developed rural areas, strengthening the capacity of absorption through all available tools as well as guidance of available resources to sectors with growth potential represent essential prerequisites to promote their sustainable development.
- The improvement of overall performance of enterprises in the processing and marketing of agricultural and forestry products will be achieved by developing new products and technologies and food safety standards, which will be directed mainly to comply with Community requirements in all stages of production, of processing and of products' distribution.
- The introduction of technical progress, of innovation through the production and use of renewable energy and investment in corporal assets of businesses. Thus, there will be introduced clean technologies that will ensure food quality and will have a small impact on the environment.
- The involvement of banks with more openness and supporting farmers in managing applications in exchange for CAP funds management.
- Creation by the European Commission of an appropriate institutional framework for the exchange of information and ideas, taken into account the experience of old Member States.

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