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ROMANIAN RURAL DEVELOPMENT UNDER THE PRESSURE OF EUROPEAN STRUCTURAL FUNDS

DEZVOLTAREA RURALĂ DIN ROMÂNIA SUB PRESIUNEA FONDURILOR STRUCTURALE EUROPENE

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Abstract: *The main idea of this paper is that the rural development in Romania started to get many positive changes which can be visible under the pressure of EU structural funds. First of all, it should be noted remarkable progress in clarifying and quick and accurate identification of agricultural property. Secondly, there is a more pronounced involvement of entrepreneurs in accessing EU funds for activities in agriculture, although many of them do not own land. Thirdly, the food crisis generated an additional pressure for increased production and export of agricultural products. Romania has a chance to organize and exploit its huge agricultural sector, with effects for the entire rural development area.*

Key words: *EU funds, rural development, positive changes*

INTRODUCTION

Romania has large rural areas and there are signs of progress by accessing European funding.

Rural areas in Romania cover 87.1% of the territory, and include 45.1% of the population, in 2008, i.e. 9.7 million inhabitants (indicators of National Statistical Institute).

Relevant fact is that the country's agricultural area is 14.7 million hectares (61.7% of the total area of Romania) and 9.38 million ha is arable land (63.8% of the agricultural area). Romania is located on the 6th of Europe as an agricultural area used (after France, Spain, Germany, Britain and Poland) and on the 5th place as arable land (after France, Spain,

Germany and Poland). From another point of view, each inhabitant incumbent about 0.41 ha of arable land, a higher value of many European Union countries (the EU27 average is 0.212 ha per capita).

Then, Romania still has a large rural population, because in 2008, 2.42 million people were in Agriculture, hunting and silviculture, about 27.7% of total employed population (but the trend shows that it quickly fell by more than one third in the last decade).

Romania joined the EU in 2007 with many economic and social issues on the rural area. It must be underlined that Romania is a country with large shares for agriculture, hunting, forestry and fishing, but with 8.6% of total Gross Value Added in 2008. Also, in Romania there was a steady decline in agriculture, hunting, forestry and fishing (from 16.7% of total Gross Value Added in 2003 to 8.6% in 2008).

The share of Romanian rural population reflects the high incidence compared to the EU countries with less densely populated, smaller-scale settlements as an alternative to urban concentrations. But, majority of the Romanian rural communities make a small contribution to economic growth before and on the financial crisis period.

From another point of view, Romanian rural areas have a great potential and preserve the social fabric and the traditional way of life.

The main idea is that the rural development in Romania started to get many positive changes made visible under the pressure of EU funds and, additionally, under the food crisis on 2010-2011 period.

MATERIALS AND METHODS

The analysis in this paper is based on rural development indicators.

The definition of <rural> areas is based on population density (OECD, Creating rural indicators for shaping territorial policy, Paris, 1994). Local units (e.g. municipalities) are identified as rural if their population density is below 150 inhabitants per square kilometer.

Due to the evolution of the economic and social indicators, the contemporaneous analyze regarding to the rural development has been complicated. But, the core of the rural development is the primary sector (agriculture, hunting and forestry) and this sector becomes an increasingly important part of every economy.

Since mid-20th century, all of the countries, especially developed economies, have implemented an important rural development policy.

Romania takes into account the Rural Development policy and the Common Agricultural Policy (CAP) in EU.

Three major objectives for Rural Development policy have been set for the period 2007-2013:

-Increasing the competitiveness of the agricultural and forestry sector;

-Improving the environment and countryside through support for land management;

-Enhancing the quality of life in rural areas and promoting diversification of economic activities.

Measuring progress in the rural areas of Romania is focused on the latest reform of EU policy (The Common Agricultural Policy after 2013, Public debate, Summary Report).

Management of natural resources is one of the important problem for EU and for Romania, because is essential to ensure that natural resources are managed properly, and that the key environmental challenges are addressed. Sustainability is the key word for the future.

Young farmers/new entrants are another measure, and to promote the transfer of farms are needed, particularly for new entrants to farming.
Direct payments to farmers are widespread support for the continuation of payments to farmers, especially in less-favored areas.

Finally, the idea about rural development specifically is centered on the need for better coordination between the various EU programmes and funds that cover rural regions, involving education, health, social services, transport etc (e.g. ERDF, Cohesion Fund, ESF). There is a proposal about third pillar for non-agricultural rural development.

In this article, we insist on those of European policy measures that begin to produce positive effects on rural development in Romania.

Romania has the institutional support and intervention on the coordinates Farms European policy. This is Paying and Intervention Agency for Agriculture (APIA) - Ministry of Agriculture and Rural Development.

APIA follows:

- What type of support it can receive;
- What is the content of Annual Aid Application;
- What are the requirements for one farm;

- How to correctly identify the parcel with IPA Online;
- What the rights and obligations are.

The article is based on information and statistics from APIA.

RESULTS AND DISCUSSIONS

When joining the EU in 2007, Romania had the following situation in agriculture presented in Table 1.

Table 1. Agricultural holdings, by legal status and average agricultural area

Legal status	Agricultural holdings-total	Average agricultural area in use (hectares)
Total	3 931 350	3.5
Individual agricultural holdings	3 913 651	2.29
Units with legal status	17 699	270.45

Source: Statistical Yearbook of Romania, 2009, pp.660-661.

Agricultural property, particularly the land was not legally and finally determined and therefore there is no land registration. The National Agency of Cadastre and Real estate Publicity (ANCPI) was founded in 2004 and gathers the cadastre activity and activity of the real estate publicity (the Land Book) and it represents the unique system of registration for the real estate proprieties. But, Romania is confronted with numerous bad consequences caused by the fact that after 1990, the property laws were issued before this law.

Agricultural property in Romania after 1990 was the crumb too, so that in 2007, when Romania joined the EU, there were over 3.9 million agricultural holdings, with an average of 2.34 ha agricultural area. In addition, agricultural areas are dispersed, so that a farm is spread over several very small plots.

All these features are many barriers to the implementation of measures for direct payments, but this <vicious circle> starts to be limited just by the pressure of European funding.

Overall, in 2009 Romania has managed to attract more European funds (EUR 2,777 million) compared with payment made (EUR 1,364

million) (Romania' Balance of Payments and International Investment Position, Annual Report, 2009, National Bank of Romania).

The European funds granted to Romania in 2009 include:

- pre-accession funds -22.3 percent of total EU funds (PHARE, ISPA and SAPARD);
- structural and cohesion funds – 31.4 percent of the total (European Regional Development Fund-ERDF, Cohesion Fund-CF and European Social Fund-ESF);
- ***funds for agricultural and rural development – 41.1 percent of the total EU funds*** (European Fund for Agriculture and Rural Development-EFARD, European Fund for Fishing- EFF and European Fund for Agricultural Guarantee-EFAG);
- for Schengen and others funds- 5.2 percent.

Structure of European funds shows the importance given to agriculture and rural development, because Romania has a large rural areas and a great potential, but the Romanian rural has many economic and social issues.

The degree of absorption of funds in the National Rural Development Programme has increased to 17.72% in 2010 against 7.4% in 2009 as it was. In terms of payments made through the mechanisms European Fund for Agriculture and Rural Development (EAFRD) in 2010 were absorbed 26% of the funds, totaling approximately 556 million euros, from a total of nearly 2.097 billion euros. Funds in this category are used to support disadvantaged areas on three axes: support for disadvantaged mountainous area, support for disadvantaged areas - other than mountain areas and agri-environment payments. (Ministry of Agriculture and Rural Development, HotNews.ro, 01/25/2011).

First of all, because accessing EU funds required certain clarity on the property of agriculture, it should be noted remarkable progress in clarifying and quick and accurate identification of agricultural property.

In order to administrate and to control the farmers' declarations, the EU decided to establish an Integrated Administration and Control System (IACS) in 1992. Finally, the process of declaration is a Land Parcel Identification System (LPIS).

Since the 2007-2008 agricultural campaign, APIA has tried to support farmers in the identification of parcels, by providing farmers

LPISWEB farmers through which they could view their plots. This application is used in Romania under the abbreviation IPA online and allows identification of agricultural plots owned by farmers through the Internet.

Importance of IPA system follows from the fact that in Romania there are many and scattered plots of land. In 2011, farms are eligible to pay at least ***one hectare area***, comprising agricultural plots with an area of at least ***0.3 hectares***. In the case of vineyards, orchards and crops hops, fruit tree nurseries, nurseries growing trees or shrubs, minimum surface parcel must be at least ***0.1 hectares***.

Secondly, there is a more pronounced involvement of entrepreneurs in accessing EU funds for activities in agriculture, although many of them do not own land.

They are interested in schemes/measures of support surface, comprising:

- single area payment scheme (SAPS) – EUR 80.34 per hectare, and for Campaign 2011, Romania has a financial allocation of EUR 907,473,000 EAGF single area payment;
- complementary national direct payments (PNDC) – EUR 50.64 per hectare.

Increasing involvement of Romanian farmers to access EU funds is shown in Table 2.

Table 2. Total payments and total hectares in 2010

Schemes / measures of support surface	**Total payments EUR**	**Total agricultural area - hectares**
SAPS	267 849 406.22	2 782 560
PNDC	223 606 517.86	5 289 285
Total	491 455 924.08	8 071 835

Source: APIA, http://www.apia.org.ro/

If you compare this area with a total agricultural area in use of 13,753,046 hectares, then it follows that 58.7 percent was covered by EU funds.

For 2010, APIA shows that they were authorized to pay the 825,745 farmers, with the amount of 2,247,681,415.54 lei (EUR 526,167,295.75). Stands out that over half of the agricultural area in use is practically given

up 825,745 people, compared with the huge number of agricultural holdings, especially the individual agricultural holdings - 3,913,651 units. This can be considered a positive process of merging the agricultural areas as a prerequisite for more efficient use.

Thirdly, the food crisis has resulted in additional pressure for increased production and export of agricultural products.

The European Commission, the European Parliament and many member states have proposed food security as a key theme for the post-2013 CAP, and for instance, highlight the need to preserve the EU's food production potential, so as to guarantee long-term food security for European citizens. All this has turned food security into the most pervasive and powerful argument of those calling for the protection of EU agriculture. If food prices rose dramatically, the EU could increase the agricultural area used for growing cereals; in particular, by cutting back on biofuel and livestock production. Furthermore, agricultural labor and capital input could be multiplied. An additional measure would be to enhance investments into agricultural productivity (Valentin Zahrnt, ECIPE , 2011, Food Security and the EU's Common Agricultural Policy: Facts Against Fears).

That is a chance to organize and exploit its huge Romanian agricultural sector, with effects for the entire rural development area.

Romania responded increasingly better directions CAP, so that a part of the increased number of projects submitted and selected for European funding (Table 3), and secondly there has been an influence through rural development measures (Table 4).

Table 4. Projects submitted and contracts approved under the Romanian National Rural Development Programme 2007 – 2013 since 11 February 2011

Year	Projects submitted	Contracts approved projects	% contracts approved projects/ projects submitted
2008	6232	2369	38.0
2009	15312	11349	74.1
2010	37918	13034	34.4
Total	***59462***	***26752***	45.0

Source: Ministry of Finance, Romania, State absorption of Community Founds in Romania, 11 February 2011.

So, increased ability to submit projects for EU funding, but increased the percentage of contracts approved.

Table 4. Measures of the Romanian National Rural Development Programme 2007 – 2013, since 11 February 2011

Measure	Projects submitted
112-Setting up of young farmers	6572
121-Modernisation of agricultural holdings	5545
123-Adding value to agricultural and forestry products	1504
125-Improvement and development of agricultural infrastructure and forestry	870
141-Supporting semi-subsistence agricultural holdings	36416
142-Setting up of producer groups	18
312-Support for the creation and development of micro-enterprises	3980
313-Encouragement of tourism activities	1400
322-Village renewal and development, improvement of basic services for the economy and rural population, conservation and upgrading the rural heritage	3039
431.1-Public-private partnership building	112*
511- Technical Assistance	6*
Guarantee Scheme for SMEs and agriculture	
211-Support for Disadvantaged Montana Zone	
212-Support for disadvantaged areas, other than mountain areas	
214-Agric-environment payments	
221- First afforestation of agricultural land	
611- Complementary direct payments	
Total	**59462**

*For these measures are other ways to finance, some projects without.
Source: Ministry of Finance, Romania, State absorption of Community Founds in Romania, 11 February 2011.

The biggest payment made until February 2011 were for measures 611, 214, 121, 322 and for Guarantee Scheme for Small and Medium Enterprises (SMEs) and agriculture. But, the highest amounts of contracts on projects approved until February 2011 are for measures 322, 121, 123, such as course structure will change and will continue to impact on the real economy.

CONCLUSIONS

The efforts done at the EU level start to indicate signs of progress for the chain of the European structural funds financing in Romania. But, the most important trends refer to the impact of European funding in the real situation in rural areas of Romania.

Romania needs to access all European rural development policy measures.

The EU's role in agriculture has always been to help in the following directions:

-Ensuring a stable supply of affordable and safe food for its population;

-Providing a reasonable standard of living for EU farmers, while allowing the agriculture sector to modernize and develop;

-Enabling that farming could continue in all regions of the EU.

(The Common Agricultural Policy Explained European Commission Agriculture and Rural Development, 2011).

The food crisis has resulted in additional pressure for increased production and export of agricultural products.

Romania has a chance to organize and exploit its huge agricultural sector, with effects for the entire rural development area. All insist that Romania should reform its administration and reduce red tape, to create a depoliticized and transparent system.

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