

THE ROLE OF EUROPEAN FUNDS FOR THE SUSTAINABLE DEVELOPMENT OF ROMANIAN RURAL AREA IN THE PERIOD 2014-2020

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Abstract

This paper aims to analyze the accessing degree of the European funds allocated to Romania for the period 2007 - 2013, in order to achieve an efficient use of funds for future programming phase. From the analysis it is found that the National Rural Development Programme has a good degree of access compared to other operational programs implemented in Romania. To enhance the competitiveness of the agricultural sector and the quality of life in rural Romania, it is important to allocate funds for the next programming period that contributes to equitable and sustainable development of rural areas.

Key words: rural development, European funds, competitiveness.

JEL Codes: Q1, Q18

Introduction

Common Agricultural Policy is one of the most important policies promoted by the European Union, with the creation of the European Fund for Agricultural Orientation and Guarantee in 1962, which initially included measures to encourage market. Since 1999, with the creation of the document entitled Agenda 2000, was introduced the second pillar, rural development, which has as main objective increasing the competitiveness of the agricultural sector; increasing the quality of life in rural areas; diversification of activities in rural areas; improving the environment in rural areas.

Table no. 1 – The share of rural population in the total Romanian population in 2014

Regions	TOTAL	RURAL	Share
TOTAL	19947311	9198308	46.11
North-West	2590220	1226659	47.36
Center	2355312	994086	42.21
North-East	3273367	1912201	58.42
South-East	2509094	1170176	46.64
South	3085095	1866022	60.49
Bucharest-Ilfov	2282968	236203	10.35
South-West	2033360	1097027	53.95
West	1817895	695934	38.28

Source: calculation National Statistics Institute

In terms of demographics, in Romania there are differences in the degree of rurality among the 8 regions. Regions with a significant rural character, both in terms of number of rural population and the agricultural area are South region, Northeast and Southwest. Also, between the 8 regions there are large differences in living conditions caused by different socio-economic conditions. Thus, the objectives of the Common Agricultural Policy, the implementation of rural development programs are to ensure a fair standard of living for rural residents and obtain quality products at reasonable prices for consumers².

1. Accesing the European Funds in Romania in the period 2007 – 2013

In the period 2007 - 2013, Romania has benefited from structural funds amounting to 19,058 billion Euro for the financial support of the following sectors: regional development; environment; transport; economic competitiveness; human resource development; development of administrative capacity and an amount of 170 mil. Euro allocated for technical assistance programs. The highest amounts were allocated for environmental and infrastructure projects that have received funding through the European Regional Development Fund and the Cohesion Fund.

Table no. 2 – Stage of operational programs implementation at 28-th of february 2015

Programme	Allocation	Submitted projects		Approved projects		Contracts	
	mil. Euro	No	Value	No	Value	No	Value
			(mil. Lei)		(mil. Lei)		(mil. Lei)
Regional Development	3966	10070	63145	5142	22684	4630	20336
Environment	4413	705	37908	526	22506	476	22247
Transport	4288	257	74498	137	20702	120	14327
Economic competitiveness	2537	17089	90121	8248	16489	5557	12980
Human Resources	3476	15419	70065	4390	21437	3883	19265
administrative capacity	208	1371	3691	456	1174	456	1128
Technical Assistance	170	191	1363	168	936	161	773
TOTAL	19058	45102	340791	19067	105928	15283	91056

Source: Ministry of European Funds, stage of operational programme implementation, 2015

² Istudor N. – Dezvoltarea rurală și regională a României în perspectiva integrării în Uniunea Europeană, editura ASE, București 2006.

Table no. 3. Absortion of structural funds at 28-th of February 2015

Programme	Internal payments		Payments sent to EU		Internal payments made by EC	
	EU Value		to EU		mil Euro	%
	(mil. lei)		mil Euro	%		
Regional Development	10447	59.32	2323	58.57	2266	57.14
Environment	9229	47.1	1866	42.28	1755	39.78
Transport	10087	52.98	2507	58.47	2432	56.72
Economic competitiveness	6837	60.7	1454	57.33	1249	49.24
Human Resources	9222	59.74	1617	46.53	1158	33.3
administrative capacity	687	74.41	162	77.54	150	72.02.
Technical Assistance	404	53.39	94	55.3	77	45.09
TOTAL	46913	55.44	10023	52.59	9087	47.68

Source: Ministry of European Funds, stage of operational programme impementation, 2015

By February 2015, the degree of access to structural funds is 55.44% (calculated based on payments made to beneficiaries of projects) and 47.68% (calculated on the amount of reimbursements from the EU).

Programs that have the highest levels of access are aimed at developing administrative capacity (with a degree of absorption of 77.54%, respectively, 72.02%). The program also aimed at balanced development of the 8 development regions of Romania, recorded a relatively high degree of access (to 59.32% and 57.14%). It supports social infrastructure, transport, SMEs, tourism.

2. Accesing of european funds for rural development in Romania in the period 2007 – 2013

In the period 2007 - 2013, Romania has received significant amounts allocated rural development policy, both from European Agricultural Fund for Rural Development and the Romanian budget funds to support the National Rural Development Programme measures divided into 4 axes, and namely³:

Axis 1 - Increasing the competitiveness of agriculture and forestry.

Axis 2 - Improving the environment in rural areas.

Axis 3 - Improving the quality of life in rural areas and diversification of the rural economy.

Axis 4 - Leader.

The analysis table no. 4 shows that the programming period 2007-2013, the funds allocated to rural development policy showed a high interest to farmers in Romania. Measures that have recorded the highest demand are those that identify needs facing

³ National Rural Development Programme 2007 – 2013.

Romanian rural areas, such as modernization of farms, village infrastructure, encouraging entrepreneurship, young farmers. By November 2014, the degree of accessing funds was 84.79% calculated on the value of contracts and 68.75% calculated on the value of payments to beneficiaries. High interest for accessing these funds is demonstrated by the very high number and value of projects submitted (double the value of contracts submitted to the financial allocations of the period). Of all the projects submitted in this period than 59.6% were contracted (representing about 44% of the projects submitted).

Table no.4 – Accessing degree of NRDP, November 2014

Measure	Allocation	Submitted projects		Selected projects		Contracts		Payments	Degree	
		No	Public Value	No	Public Value	No	Public Value	Public value	contract s	payments
111	119,019,349					29	19,170,420	15,482,431	16.11	13.01
112	337,221,484	22,494	630,074,066	13,446	339,118,514	12,982	326,241,035	264,691,569	96.74	78.49
121	991,827,895	8,154	3,008,189,083	3,375	1,250,133,509	2,702	860,537,694	531,621,182	86.76	53.60
122		20	3,011,934	18	2,513,937	17	2,445,741	784,242		
123		1,762	1,771,015,955	923	908,484,590	606	531,008,926	297,753,600	49.57	27.80
Schema XS	1,071,174,126	247	113,706,025	215	101,626,174	148	56,870,783	48,236,053		
Schema XS		177	78,896,763	157	67,450,879	88	33,881,683	27,047,902		
Schema N578/2009		453	311,099,775	292	216,093,918	200	112,934,187	60,970,325		
125	476,077,390	1,701	1,789,032,854	555	611,012,899	544	560,752,529	322,849,462	117.79	67.81
141	476,077,390	88,846	666,345,000	63,544	476,580,000	59,157	391,048,233	268,057,696	82.14	56.31
142*	138,855,905	86	16,870,702	80	15,560,049	62	12,350,816	3,546,061	8.89	2.55
143	158,692,463					7	12,415,223	5,084,766	7.82	3.20
211	607,754,544						653,578,607	653,578,607	107.54	107.54
212	493,083,876						374,859,203	374,859,203	76.02	76.02
214*	PNDR 996,408,184						1,229,346,741	1,229,346,741	123.38	123.38
221*	PNDR 263,610,733	52	4,354,839	40	3,775,661	28	2,142,657	179,633	0.81	0.07
215								153,499,618		
312	383,429,681	9,499	1,317,172,809	4,187	535,514,693	3,284	423,674,453	255,326,270	110.50	66.59
313	544,222,774	3,703	569,890,748	2,584	392,089,882	1,791	254,780,551	74,860,921	46.82	13.76
322	1,546,087,425	3,317	7,646,850,036	886	1,943,039,631	879	1,744,507,852	1,345,953,427	112.83	87.06
4.1		8,066	414,972,949	5,898	301,189,221	5,781	296,184,394	59,502,405		
421		142	4,825,209	21	700,029	21	409,767	0		
431.1	faza 3 14,161,138	112	4,920,162	111	4,827,533	98	4,097,403	3,205,795	28.93	22.64
431.2	fazele 1+2					8	1,704,000	1,657,317		
511	376,119,793					163	66,907,378	30,757,865		
Schemele de						133	68,828,972	73,937,895	18.30	19.66
611	625,136,100					2	115,313,453	115,313,453		
TOTAL	9,618,960,250	148,831	18,351,228,909	96,332	7,169,711,121	88,730	8,155,992,703	6,613,116,562	84.79	68.75

Source: calculation with data from the Agency for Financing Rural Investments

Analyzing the interests of applicants for each rural development measure, we find that measure 322, aimed at the renovation and development of villages, recorded the highest values of projects submitted (five times higher than the financial allocation), the only beneficiaries being the public institutions and financial support can be 100% of the total eligible costs.

Measure for SMEs, namely the extent 312, which financially supports the diversification of activities in rural areas experienced a high demand being submitted projects with a value exceeding 3.4 times the allocations. To encourage entrepreneurship in rural areas have been allocated amounts up to 200,000 euros, as the first, with no need for beneficiaries to allocate co-financing.

Regarding the measure aimed to encourage the young farmers, namely measure 112 were submitted projects worth nearly double the amount of allocations, the support being given as the first installation a function of economic size (6 to receive minimal support) .

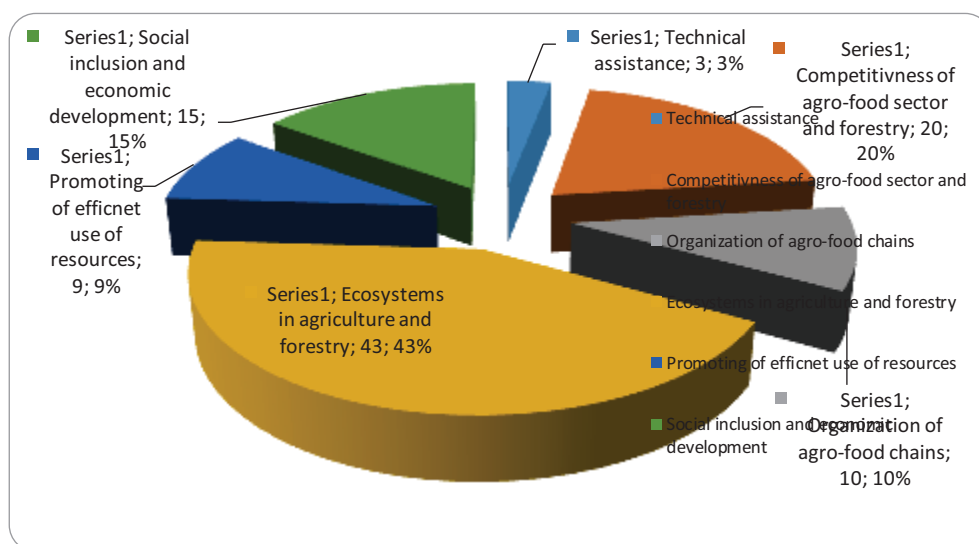
While accessing measure 121, the modernization of agricultural holdings require co-financing from the beneficiaries, however, interest was very high (recorded values of projects submitted 3 times greater than the allocations). The importance of this measure to

increase the competitiveness of Romanian agriculture is high because finances one of the main weaknesses of the agricultural sector is the small number of tractors and agricultural machinery (even the existing record wear and tear).

3. Rural development policy in Romania for the period 2014 – 2020

In the programming period 2014 - 2020, EU rural development policy allocates about 99 billion. Euro. Unlike the previous period, greater weight is given to improving the environment by directing large sums to the sector, according to the schedule no. 1. Also, a high importance is given to increasing the competitiveness of the agricultural and forestry sector by allocating 20% of the total amount.

Graph no.1 – Financial allocation for each priority in European Union for the period 2014 – 2020



Source: DG AGRI

Romania has higher amounts compared with the previous period of about 8.1 billion. Euro, divided into the following priorities:

No	Measures	Financial allocation Mil. Euro
1	Investments in assents	2057.028
2	Developing farms and businesses	800.3575
3	Group of producers	5000
4	Basic services and village renewal	1100.595
5	Counseling Services	25.3861
6	Transfer of knowledge and innovation	25.3861
7	Afforestation and forest plantations	105.6952
8	Agri-environment and climate	849.9649

9	organic farming	200.6862
10	Areas which are faced with natural or other specific constraints	1230.796
11	Cooperation	28.0211
12	Risk management	200
13	LEADER	624.932
14	Technical assistance	178.3681

Source: National Programme for Rural Development 2014 – 2020

Although Romania has allocated for 2014-2020 European funds higher compared with the previous period in order to best use, not neglected a number of issues, of which the most important are:

- Clear definition of the term active farmer to guide production by the market and to participate in GDP growth.
- Create a globalization fund or reserve for crises in the agri-food sector to be given financial support to cover the difference in interest on loans to farmers.
- Create specialized marketing chains for products made in classical terms, with the allocation of pollutants in low or no allocation of such factors.
- Given additional support for young farmers is needed to ensure that these young people really act in rural and agricultural activities, contributing to the rejuvenation of rural farmers and rural vitalization.
- Prepare carefully research organizations to be able to access EU funds that are allocated consistent expected for the next period of research and able to conduct applied research whose results contribute to increased efficiency in the food sector.
- Provide the necessary funds for pre-financing rural development projects to no longer call burdensome loans.

Conclusions

Romanian agri-food sector and the quality of life in rural areas still face significant delays to the European Union. Competitiveness gaps are caused by many factors, including: the low yields of the main crops; poor technical equipment to farmers; land fragmentation, etc. Reduction or elimination can be achieved through programs aimed at balanced development of all regions of the country.

Analyzing European funds in the period 2007 - 2013 indicates that the program has funded rural development has relatively good degree compared to other operational programs, this being determined by previous experience from the pre-accession to the EU, the implementation of SAPARD program. In addition to a high degree of access, this program helped reduce competitiveness gaps compared to other EU countries, with high efficiency, measured by gross value added growth project beneficiaries.

The next stage of programming, ie 2014 - 2020, gives Member States greater flexibility in the allocation and distribution of amounts, so it is very important to implement a program that contributes to equitable and sustainable development of rural areas.

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