

SUPPORTING THE RURAL ENVIRONMENT IN ROMANIA THROUGH FINANCING FROM EUROPEAN FUNDS IN THE TRANSITION PERIOD 2021-2022

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Abstract

The continuation of financial assistance for Romanian farmers and entrepreneurs from rural areas during the years 2021–2022, which will serve as the CAP's transitional years, has been regulated at the EU level. From the standpoint of financing the rural area in Romania, the current article intends to highlight the contribution of the National Rural Development Program's initiatives throughout this period. The measures that could be accessed during the transition period are synthetically presented. The support granted to the Romanian agricultural and non-agricultural sector will increase the degree of modernization of farms, their expansion and development, will support the installation of young farmers who start an agricultural activity for the first time as holding managers and the development of farms led by young people who were installed during previously, diversifying the valorization of agricultural production as well as supporting the implementation of actions within local development strategies. The National Programme of Rural Development (NRDP) budget for the transition period 2021-2022 was approximately 3.26 billion euro, and the funds must be spent by December 31, 2025 at the latest.

Key words: : rural development; grant funding, Common Agricultural Policy, transition period 2021-2022

INTRODUCTION

For three key reasons, the Common Agricultural Policy was and remains very important for the future of rural areas in Europe. First off, as rural development today mobilizes new sources of income, that it is a response to the "pressure" applied on European agriculture [15].

In recent years, interest in strategies and policies to deal with rural regions long affected by population decline has intensified in many European countries and regions. Specific documents addressing this specific policy orientation have been developed at different scales, reflecting a wide range of concerns and proposing a variety of responses that have been integrated through different approaches to policy coherence [2].

The grounds for reestablishing the eroded rural economy are provided by rural development policy. Second, the establishment of new connections between agriculture and society

stands out as one of the main features of rural development. [15]

Rural development involves the creation of new products/services, new markets and new ways of reducing costs, which generally coincide with society's needs and expectations.

Thirdly, rural development also refers to the redefinition and reorganization of rural resources. In other words, rural development policy has the role of mobilizing new resources ensuring ecological stability and developing new, strong economic mechanisms by merging them with current ones. Additionally, new resource combinations allow for the creation of multipurpose businesses and new networks that connect urban and rural areas [15].

In Romania, these considerations transposed into good practice actions were and are being transposed both through the execution of the national rural development programs and the national rural development policies, respectively NRDP 2007-2013 and NRDP

2014-2020. The rural development programs for the period 2014-2020 start from these aspects and extend also for the transition period 2021-2022, to the CAP 2023-2027, the provisions related to ensuring the socio-economic consolidation of our country [9, 10, 11, 12].

In this sense, the two major events with socio-economic impact at European level, namely the difficulties caused by Brexit and the Covid-19 pandemic, determined that the programming period of the Common Agricultural Policy 2021-2027 be divided into the transition period (2021 -2022) and the future CAP 2023-2027.

Thus, for Romania, in terms of EAFRD allocations, if we refer to the basic rule for the transition period, this was called: "old rules, new money", that is, the use of the current implementation regulations, (Basic Regulation (EU) no. 1305/2013) - the 2014-2020 NRDP structure, for which the funds were initially allocated from the new multiannual financial framework (MFF), respectively the allocations planned for the years 2021 and 2022.

Following the negotiations at the EU level, these values were slightly increased, so that for the year 2021 Romania received 1,181 billion euro through the European Agricultural Fund for Rural Development - EAFRD (compared to the initial proposal of 965 million euro), and for the year 2022 the amount increased very slightly, reaching only 967 million euro, compared to 965 [3].

The Transitional Regulation proposal also makes some specific mentions, such as those related to climate and environmental measures, by which Member States were requested to start adapting to the new ambitions of the future CAP, allocating a minimum of 30 % of the budget for these types of measures.

Also, the allocation for the technical assistance of the member states was 4%, 5% for LEADER and local development and other mentions regarding the deadlines for multi-annual commitments, young farmers, etc.

To support the recovery following the impact caused by COVID-19, the European Union established a European Recovery Instrument

(EURI) and allocated PNDR additional financial resources MFF, which were implemented taking into account as a part of the overall amount of support from the Union for Rural Development under Regulation (EU) No. 1305/2013.

The member states had the opportunity to decide the priorities of the two types of interventions, as a result of the elaboration of the needs analysis and the SWOT analysis, but also of the new effects caused by the prolonged context of the Covid-19 pandemic on agriculture and the rural environment.

As such, the EAFRD budget for Romania provided for the 2 years of transition is divided according to the data presented in Figure 1.

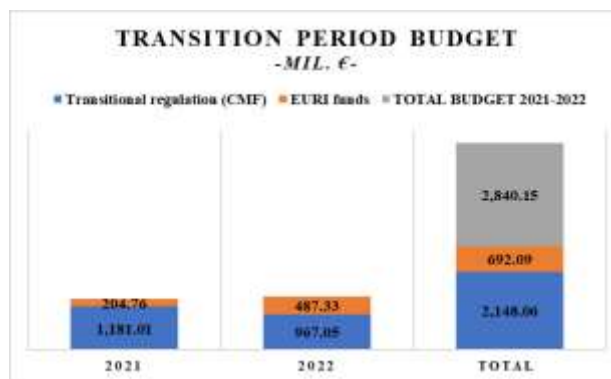


Fig. 1. Budget of the transition period, 2021-2022 (Euro million)

Source: Authors' own conception.

In this context, the purpose of the paper is to analyze the financial support from the EU funds for rural development in the period of transition 2021-2022.

MATERIALS AND METHODS

To substantiate the methodology of this case study, the classic tools of observation and examination were used. Procedures based on factual analysis were used, a documentation at the level of the specialized literature existing in this field.

The methodology of the work has as direct tools the collection of information from the specialized literature and from the existing practice at the level of the relevant public institutions in our country, respectively Ministry of Agriculture and Rural

Development (M.A.R.D.) [11, 12], Rural Investment Financial Agency, Payment Intervention Agriculture Agency, etc [13, 14]. On the other hand, the new provisions and orientation documents in this field, offered and consolidated by the new CAP post 2020, the new NSP 2023-2027, the European Rural Development Network (ENRD 2021), the European Commission, The 2030 Strategy, the Transitional Regulation, the new Regulations on the NSP 2023-2027, etc.

RESULTS AND DISCUSSIONS

In terms of financial and intervention tools, the Common Agricultural Policy remains to be the most significant EU policy that affects the EU rural sector. Farmers' income is significantly influenced by the CAP (direct support, market policy, and rural development policy) [5].

The rural population and economy are both significantly impacted by this. Through the EAFRD, the rural development strategy has provided and continues to provide a wide range of instruments to support the development of rural areas since Romania's entrance to the European Union in 2007.

Based on integrated strategic approaches that reflect EU priorities, as well as the needs of a territory, the 2007-2013 and 2014-2020 rural development programs supported a mix of measures to contribute to the achievement of the established development objectives. In the new NSP 2023-2027 [11], it is mainly proposed to support interventions aimed at achieving the environmental objectives, as established in the European Ecological Pact - "Green Deal", interventions that will fulfil the objectives of the "Farm to Fork" strategy and which will contribute implicit in the implementation of the new Smart Village Concept. These measures target the development of rural business, which also include modernization of farm, small businesses and projects of connectivity, rural area renewal, knowledge expansion, exchange of information and bottom-up efforts.

As part of the Rural Development Policy, LEADER is a bottom-up approach to local development, that serves as an instrument for

social innovation and enhancing local governance, supporting rural residents to take decisions on their community's growth by creating and putting into practice local development strategies (LDS) and projects. [6].

Rusu A. (2021) [18] said that a crucial part in this context belongs to the LAGs who at the local level can contribute directly to the mobilization of local residents, entrepreneurs, civil society and local public authorities, to identify innovative solutions that meet the needs local. The exchange of views on challenges and opportunities, facilitated by the LAG, leads to the development of rural communities from an economic and social point of view and creates the conditions for bringing the local community to the level of a Smart Village [8].

This approach can create the conditions for greater investments from rural development programs (NRDP), cohesion funds or from the national public and private level.

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The distribution of financial resources for funding agriculture and rural development programs represents one of the primary elements of the Common Agricultural Policy (Gosa et al. 2013) [7].

One of the main forces pushing Romania's rural areas toward a more sustainable future was the NRDP 2014-2020. (Dinu et al. 2020) [4, 10].

Ciobanu A. [1] considers that all of the Common Agricultural Policy's strategic plans must be ready to enter into force as soon as the transition period ends, in order to provide the stability and certainty so necessary for the agricultural sector.

Romania must take steps to increase the capacity of rural areas to absorb community funds, in order to develop farms of European size (Podaru & Rahoveanu, 2021) [16].

To ensure financial support for EU farmers during the transition period 2021-2022 and to maintain vitality in rural areas, as well as to contribute to environmental sustainability, EU Regulation 2020/2020 laying down certain

transitional provisions on support from EAFRD and EAGF in 2021 and 2022, establishes the legal basis for the for the continuous use of the current CAP framework (2014-2020) until the date of application of the new legal framework covering the period starting on 1 January 2023 (Ciobanu A., 2021) [1].

The allocation from the European Agricultural Fund for Rural Development (EAFRD), assigned for the implementation of the NRDP in the period 2014-2020 in the amount of 8.13 billion euro, was supplemented based on Regulation (EU) no. 2220/2020 [17] which stipulates the extension of the applicability of the existing legal framework in the years 2021-2022, with 2.15 billion euro of resources from the Multiannual Financial Framework (MFF) 2021-2027 and with 0.69 billion euro of funds from the Recovery Instrument of the European Union (EURI) as a result of the crisis caused by the COVID-19 pandemic. Added to this is the national contribution, from the state budget, in the amount of 1.73 billion euro.

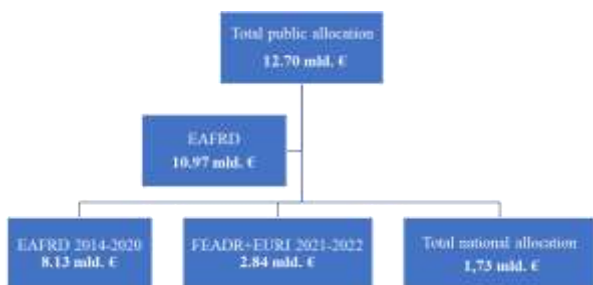


Fig. 2. Grant EAFRD

Source: The Agency for Financing Rural Investments [13].

The cumulative stage of implementation, from the launch of the Program in 2015 until now, is transposed by expressing the total number of funding requests submitted for investment measures, which is 104,136, with a public value of 12.23 billion euro, of which 68,518 requests with a public value of 6.80 billion euro were selected for financing. Also, the number of financing contracts/decisions concluded for investment measures is 80,310 with a public value of 6.12 billion euro. For the NRDP measures (from FEADR and the State Budget), public payments of 8.82 billion

Euros were made, of which 7.62 billion Euros represent funding from the European budget and 1.20 billion Euros represent national contribution. Thus, the degree of absorption of the 2014-2020 EAFRD, including the transition period, is currently 69.49%.

Regarding the investment measures launched in the transition period 2021-2022 [12], we analyzed the information on the allocations, as well as the number and value of the projects submitted at the R.I.F.A. level. A number of 35,235 investment projects were submitted, worth 2,480,896,633.03 Euro, being selected for financing 22,750 projects, worth 1,336,890,189.73 million €, over 28,000 farmers, public authorities, entrepreneurs and processors requesting European funds for agriculture and rural development.

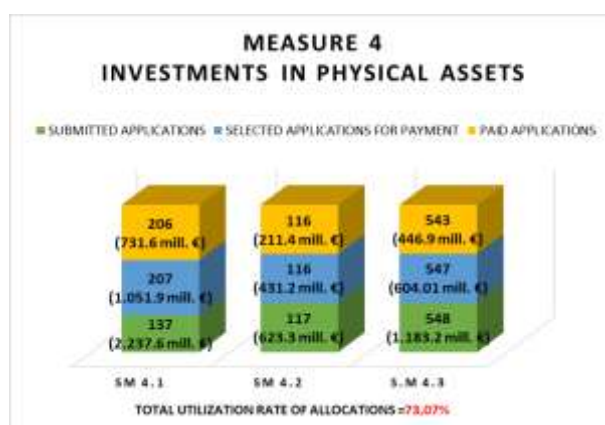


Fig. 3. Measure 4 "Investment in physical assets"

Source: The Agency for Financing Rural Investments [13].

The total degree of use of allocations for Measure 4 is 73.07%, the best access being recorded by submeasure 4.3 "Support for investments in infrastructure related to development, modernization or adaptation of agriculture and forestry", through this submeasure offering is an important support for the establishment, expansion and modernization of the agricultural access infrastructure to farms, but also for the modernization of the existing irrigation infrastructure. For Submeasure 4.1 "Investments in agricultural holdings" significant funds (€2,237.6 million) were allocated, in order to support the investments required to improve agricultural holdings' competitiveness.

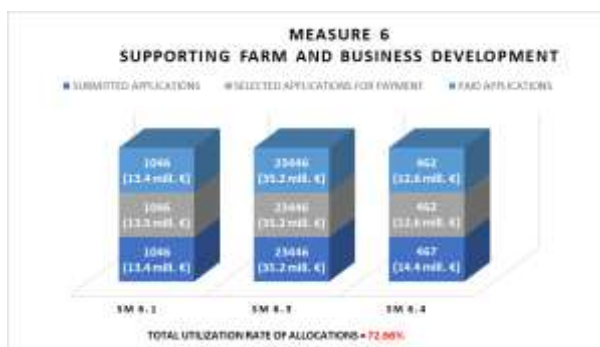


Fig. 4. Measure 6 "Supporting farm and business development"
 Source: The Agency for Financing Rural Investments [13].

Due to the large number of projects submitted under sub-measure 6.3, "Support for the development of small farms," there is an increasing need for financing investments for the development of small farms, including investments to modernize the farm and enhance the quality of fixed assets. These investments should also be made to supply small farms with high-performance machinery and equipment respecting to the current agricultural structure.

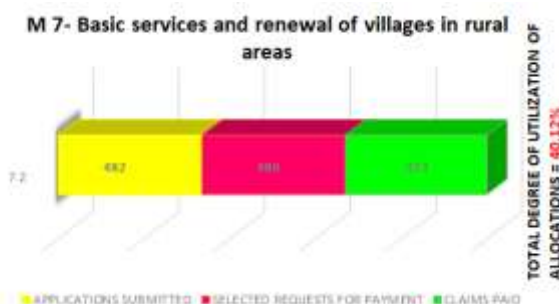


Fig. 5. Measure 7 "Basic services and village renewal in rural areas"
 Source: The Agency for Financing Rural Investments [13].

For Submeasure 6.4 "Investments in the creation and development of non-agricultural activities" important sums were allocated to stimulate the business environment in the countryside, the non-agricultural sector attracting 467 entrepreneurs who submitted funding requests to R.I.F.A. in the amount of approximately €14.4 million. The total percentage of allocations that have been used of Measure 7 is 40.12%. In Romania, rural depopulation started to be a problem, its

negative effects being stronger and stronger. To stop this social development and make sure that rural regions continue to be attractive to future generations, concrete measures are required. The long-term improvement of the quality of life in rural regions is intended to be facilitated by development of services for the general interest, the provision of infrastructure, the promotion of environmentally friendly mobility solutions, the building of low-level road networks, as well as the development of broadband infrastructure.

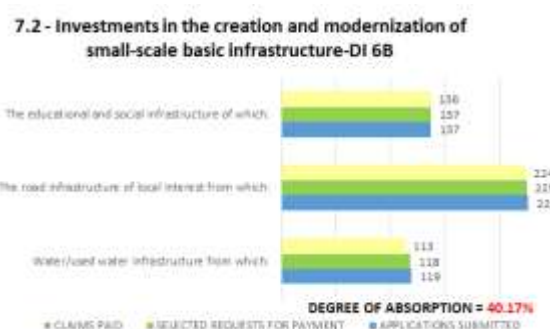


Fig. 6. Sub-measure 7.2 "Investments in the creation, improvement or expansion of all types of small scale infrastructure"
 Source: The Agency for Financing Rural Investments [13].



Fig. 7. Measure 9.1 "The establishment of producer groups and organizations"
 Source: The Agency for Financing Rural Investments [13].

The creation of road infrastructure of local interest will contribute to diminishing social and economic decline trends and improving the standard of living in rural areas. 226 claims have been submitted, of which 224 have been paid to date. For a better joint valorization of the members' agricultural products, important requests were also

allocated for the establishment of producer groups, 76 requests in the amount of €2.69 million being submitted and selected for payment. Also, in order to ensure the continuity of the implementation process of the Local Development Strategies (LDS), additional funds were granted to the Local Action Groups (LAG) during the transition period to the next programming period, in the amount of 123 million Euros, of which 9.5 million EURO EAFRD and 2.8 million EURO EURI. Following the distribution of these funds, the budget of each LDS was supplemented on average by over 500,000 EURO. At the same time, 5 million EURO are reserved for the financing of the preparatory support for the development of future strategies that will be implemented in the period 2023-2027.

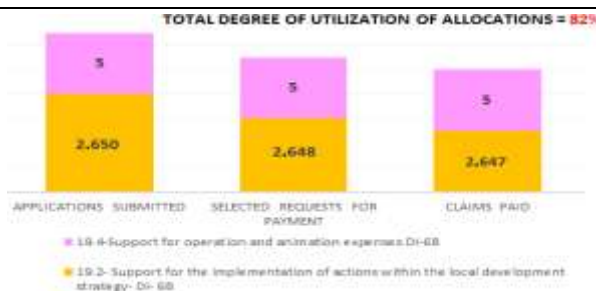


Fig. 8. Measure 19 LEADER

Source: The Agency for Financing Rural Investments [13].

Ensuring operating costs and those achieved with the animation activities of Local Action Groups, as well as stimulating innovation, creating and keeping jobs in LEADER areas, improving the quality of life and the attractiveness of the local area are just some of the objectives that will be achieved by implementing the projects accessed through the LEADER axis.

Table 1. P.I.A.A. area compensatory payment measures (Euro Million)

Measure	NRDP allocation of which				Payments made, of which:			
	Total	NRDP 2014-2020	Transition MFF 2021-2022	EURO	NRDP 2014-2020	Transition MFF 2021-2022	EURO	Total payments
Measure 8, Investments in the development of areas and improving the viability of forests"	21.18	21.18	0.00	0.00	0.00	6.27		0.00
Measure 10, "Agro-environment and climate"	1,124.16	835.40	142	146.76	125.40	732.79	0.00	0.00
Measure 11, "Ecological agriculture"	479.35	247.07	129.63	102.65	12.72	240.07	91.91	0.00
Measure 13 "Payments for areas facing natural constraints or other specific constraints"	2,182.84	1,522.72	660.12	0.00	0.46	1,527.97	269.82	0.00
Measure 14, "Animal welfare"	1,066.09	792.49	273.60	0.00	477.73	311.92	121.75	0.00
Measure 15 "Silvo-environmental services, climate services and forest conservation"	115.15	115.15	0.00	0.00	0.00	51.51	0.00	0.00
Measure 21, Specific measure of grant of exceptional temporary support within the EAFRD in response to the COVID epidemic"	182.50	182.50	0.00	0.00	0.00	180.28	0.00	0.00

Source: R.I.F.A., Authors conceptualization.

Direct payments in Romania during the transition period 2021-2022

In the transition period 2021-2022, the EAGF continue to supports farmers through a variety of payment plans, such as a basic payment plan, a payment for young farmers, and payments for sustainable agricultural practices (also known as "green direct payments"). The EU's regulations on food safety, environmental protection, and animal welfare must be followed in order for any compensation to be made.

Through the EAGF, farmers generally receive income support based on the size of their farm in hectares.

All EU countries must offer a basic payment, a payment for sustainable farming methods ("greening") and a payment for young farmers.

As it is mandatory for EU countries to provide these payments, they are often referred to as mandatory payments.

In Table 1, it is presented the situation of compensatory payments per area for the transition period 2021-2022, with annual submission, the implementation of which was delegated to P.I.A.A.

CONCLUSIONS

Regulation (EU) no. 2220/2020 (Regulation for the transition period of the Common Agricultural Policy) provides for extending the applicability of the current legal framework for rural development, in 2021-2022, and supporting the NRDP budget with funds related to the years 2021 and 2022 in order to guarantee the continuity of the support provided to farmers and other beneficiaries under the CAP in 2021 and 2022.

These financial resources come from the new Multiannual Financial Framework (MFF 2021-2027) and, besides them, the Member States benefit in the current rural development programs (RDP) 2014-2020 from additional funds from EURI funds, the Next Generation EU instrument, as a consequence of the crisis generated by COVID-19.

An important allocation is intended for environmental and climate measures, keeping the percentage of expenses intended for these measures at the same level as in the NRDP in force, as well as financing the application campaigns until 2023, inclusive.

The budgets of the current NRDP were supplemented for most of the measures aimed at private investments, but other relatively new measures within the NRDP intended for cooperation or insurance premiums were also considered.

The availability of new funds for sM 6.1 (young farmers), sM 6.2 (non-agricultural start-ups), sM 6.4 (non-agricultural investments), Measure 14 (animal welfare), but also the correction of funding imbalances regarding different sectors agricultural or the stimulation of investments in certain deficit areas from the point of view of the trade balance. At the same time, the additional funds intended for LEADER ensure the maintenance of reasonable support for local development, which provides an easier transition to the next programming period.

The transitional period ought to give EU nations enough time to draft and get ready for putting their own CAP strategic plans into action. According to the European Green Deal goals, the transitional regulation will direct

the EURI's additional resources toward funding a sustainable, resilient and digital economic recovery.

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