
THE EUROPEAN RURAL DEVELOPMENT POLICY DURING 2014 - 2020

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Abstract:

The common agricultural policy has generated contradictory discussions between Member States. Several successive reforms, due to the continuous changing of funding instruments within the common agricultural policy have lead to several changes within the policy. Since the 2000s, the reform policy was reorganized into two complementary pillars, funded through entirely different funds. Thus, the rural development policy becomes separate and specific, rather than common. The current reform, in place starting since 2013 is to bring new several new challenges: maintaining competitiveness of European agriculture within global markets and the promotion of organic farming and creating new jobs. The E.U. Rural Development Policy is aligned with the Europe 2020 strategy, helping to transform the EU through a smart, sustainable and inclusive growth. The National Rural Development Policy 2014 - 2020 is aligned with the overall objectives of the common agricultural policy and the strategy "Europe 2020" and aims to contribute to the development of agriculture and rural areas in Romania. As a new element, the rural development policy is financed by the European Agricultural Fund for Rural Development together with other funds of the Common Strategic Framework. It will mention the aim of the paper, research goals and expected results.

Key words: *direct payments, rural development, absorption of EU funds, the European Agricultural Fund for Rural Development, the European Agricultural Guarantee Fund*

1. Introduction

The Common Agricultural Policy (CAP) is one of the first common policies and one of the most difficult chapters in the European integration process for the 28 members of the European Community today.

The CAP's objectives were formulated in the constituent treaties of the European Union (EU), even in the Treaty of Rome (1957), where it was stated that, "the Common Market shall extend to agriculture and trade in agricultural products", which reflect the needs of European society in continuous changing. (N.Sută, 1992, p.143). Following the evolution of the CAP, we deduce that the objectives of increasing food production and food security have been met, but the prices are too high due to the share of agricultural expenditure within the EU budget.

Since the first expansion, differences emerged between France, Germany and England considering the financing of the CAP. Successive reforms of the CAP have led to changes in financial instruments so that a share of two thirds of the common budget, as was originally established now reached about one third of the budget, for CAP financing. The influence exercised by the Member States developed economies is also to be considered.

We believe that support for the CAP that comes from countries with developed agricultural sectors such as France is not sufficient; this support is needed for the new member states in Central and Eastern Europe, who have difficulty in the structural transformation of economies. Also, the CAP is facing new challenges such as internal and external pressures related to price volatility to maintain competitive European agriculture in global markets; environmental threats, creating a solid ecological agriculture by improving soil and water quality and creating new jobs.

Farmers in the countries of Central and Eastern member states are not competitive in all shapes and use outdated working methods; also, agricultural education is ineffective here. To meet the needs of increased number of objectives of the CAP, financing of the common budget should've considerably been increased, yet it was reduced - this means that agriculture will become a less efficient sector of the economy.

A radical CAP reform took place in 2000 when it was reorganized into two complementary pillars; the first pillar covers direct payments and market measures and the second pillar relates to rural development multiannual measures. (P.Prisecaru, 2004, p 46).

2. Rural development policy in line with the Europe 2020 Strategy

In this context, it appears that the Rural Development Policy of the European Union CAP is distinctively financed by the European Agricultural Fund for Rural Development (EAFRD) supported by other European funds: the European Regional Development Fund (ERDF); European Social Fund (ESF); Cohesion Fund (CF) and Fisheries Fund (EMFF).

The European Commission has proposed, for 2014 – 2020, to improve coordination between EU funds through a Common Strategic Framework (CSF) by assisting the operation of all issues related to rural development (Short Guide on European Commission proposals for rural development policy after 2013, pp. 3).

The European Rural Development Policy is aligned with the Europe 2020 strategy for growth. Europe 2020 Strategy has been formulated to meet the current challenges and to transform the EU into a smart, sustainable and inclusive economy delivering high levels of employment of labor productivity and cohesion. The strategy has three priorities: smart, sustainable and inclusive growth. (Commission Communication 2020 Brussels 2010).

The National Rural Development Program is aligned to contribute to the Europe 2020 strategy for smart growth, by providing support for cooperation between

research institutions and agricultural workers but also to developing the training, skills and information dissemination.

Sustainable growth focuses on lowering carbon emissions and supporting agricultural practices that protect environmental degradation. Financing investments in rural infrastructure contributes to poverty reduction and job creation in rural areas, contributing to inclusive growth.

For the efficient use of EU funds, Romania proposed a Partnership Agreement to ensure convergence with the European strategy for smart, sustainable and inclusive growth.

The Partnership Agreement includes five challenges in development of which only three are fully addressed in the National Rural Development, i.e. competitiveness, resources, people and society (Rural Development Strategy of Romania from 2014 to 2020, page 2).

In line with the Europe 2020 strategy and overall objectives of the CAP, the main mission of the Rural Development Policy in Romania for the period 2014 -2020 is the development of rural areas due to urban disparities and to other rural areas in Europe.

Romanian agriculture has major structural deficiencies related to the large number of population employed in agriculture, about 3.8 million people with 11,000 agribusinesses and agro-food businesses.

The structure of exports of food products shows that more than half are low value-added raw goods such as grains, oilseeds, livestock, etc.

The existence of large number of firms decreases subsistence agriculture productivity and increases labor efficiency. Romanian farmers have access to credit to develop entrepreneurship and investment in research.

Due to favorable weather conditions, Romanian agriculture has contributed to economic growth over the last three years, but for those conditions, much of the rural population is at risk of poverty and social exclusion.

For the financial period of 2007 – 2013, the absorption rate of funds from for agriculture reached 4.9 billion euros, almost half of the money available. Although absorption is good, the results are not satisfactory, since regional disparities have widened.

To manage rural development policy after 2013, the European Commission proposed six priorities and areas of intervention with which shared goals, 'encourage innovation' contribution to "climate change mitigation and adaptation" and "increased attention to environmental "(Short Guide on European Commission proposals for rural development after 2013, page 4).

To meet the objectives of the Europe 2020 priorities of rural development policy, it must be applied together with other E.U. common policies such as regional development policy, social policy and cohesion policy. The coordination of these policies is made through a new legal mechanism, the Common Strategic Framework (CSF), which helps European funds to work together to complement and aid territorial cooperation; also, to establish links between rural and urban areas.

The European Commission proposes measures to implement the Rural Development Program after 2013, and aims for the old measures to be upgraded and for the new ones to reflect the priorities of its rural development policy.

A new element as improvement is given by the implementation measures that establish "necessary specific priorities," which are up to each Member State (European Network for Rural Development).

The National Rural Development Program 2013 - 2020 included three major challenges from the five included in the Partnership, and the last one is a document that describes how Romania intends to use European funds to fulfill the objectives of the European Union (Rural Development Strategy Romania from 2014 to 2020). Increasing competitiveness is a priority for agriculture and rural development in the medium and long term. This includes the need for action to improve the economic performance of farms and grant them market access; increase agricultural output quality; modernization of the processing and marketing of agricultural and food promotion with high added value, etc.. (Rural Development Strategy 2014-2020, p.4). Increasing the competitiveness of the sector can be achieved through the classification of farmers and adaptation of modern expertise to improve information and training to work in agriculture.

Another priority of the rural development strategy 2014 - 2020 is the sustainable management of natural resources whose needs identified include: environmental quality and biodiversity in high nature value areas; sustainable forest management; maintaining soil and water quality; reduction of greenhouse gas emissions and adapting to climate change. These needs can be implemented through the transfer of knowledge, stimulating innovation and research to adapt to the real needs of each corner of nature. Sustainable management of natural resources is adopted within the Operational Program for Infrastructure (transport, environment, energy) which has the largest financial allocation for the period 2014-2020.

A third priority that is found in Europe is inclusive growth, i.e. promoting an economy with a high rate of employment, ensuring social and territorial cohesion (2020, p.21).

This priority is included in the National Rural Development Chapter entitled People and Society; local development is a necessity for reducing the risk of poverty and social exclusion by creating jobs and supporting businesses.

Local development is another priority, encouraged and strengthened by the Leader Program.

In rural areas of Romania, there are many disadvantaged groups living in subsistence farming, owning land but no access to finance. Reduction of poverty in these areas can be achieved through the transfer of persons employed in subsistence agriculture into non-agricultural activities, from specialized training and attracting qualified young people in tourism activities. Tourism activities become attractive through village renewal, improvement of infrastructure, protection of water resources, air, and waste water treatment. Rural areas also face other challenges such as school dropout, obsolete agricultural education system, lack of a functional cadastre

and land registry system, which should be operational and transparent; these are not expected to be financed from the EAFRD, but from other funds within the Common Strategic Framework, such as ROP. EAFRD funding measures led to the creation of credit guarantee schemes, guarantee schemes for agriculture and guarantee scheme for SMEs. In addition to these schemes a Loan Fund - Guarantee scheme was proposed to support the National Program for Rural Development (2014-2020). (Source: Strategy for Rural Development of Romania from 2014 to 2020, p.10).

3. The Market – Direct Payment Measures

The first pillar of the CAP, called the Common Market Organizations, includes common measures of market regulation of agricultural goods. Common rules relate to prices, market intervention, financial aid, international trade and customs policy. (LC Andrei p. 60). This pillar is financed by the European Agricultural Guarantee Fund (EAGF). The criterion that aids for granted direct payments is that "these are not the same for all Member States. For example, in Europe of 15 there is a "practice a system based on the Single Area Payment Scheme, which includes historical references to production when it was subsidized or payment per hectare or a combination of both.

Part of the new Member States apply a Single Area Payment Scheme, which is a lump sum payable per eligible hectare, calculated on accession. The new Member States must undergo a transitional period until they receive in full the Single Payment Scheme.

For Romania, the transition period ends in 2016. According to the upcoming CAP reform on direct payments, a set of reforms was proposed. These reforms apply to the CAP after 2013, so SPS is replaced with the basic payment scheme. It however remains subject to cross-compliance criteria. By the end of 2018 all EU Member States will have to apply a uniform payment per hectare at national or regional level. The CAP reform after 2013 additionally provides other payment methods: Additional payments; payments to small farmers; Payment for young farmers; coupled payments related to certain cultures, etc. Additional payments are granted for specific agricultural practices beneficial environment.

The Small Farmers Scheme applies to recipients of direct payments granted to any farmer a fixed payment regardless of farm size, unconditional sustainable agricultural practices and simplified procedure for cross-compliance.

This scheme will encourage a polarization of agriculture, i.e. shift from subsistence farms (less than 5 hectares of land) to medium farms (5-49 ha) totaling 15% of the existing ground.

At a European level, subsistence farms are almost non – existent, as there are modern methods of work of the earth which cannot be applied in small and very small farms, like the ones in Romania. In addition to the basic scheme, it is proposed to offer payment schemes for young farmers. They will be given an additional financial bonus for a period of five years. Other proposed schemes are part of the European policy of

subsidizing agriculture and the implementation of environmental protection measures at European level.

4. Common agricultural policy

Through the multiannual EU budget for the current financial period, Romania was given over 18 billion Euro, and managed to increase its absorption rate to 27%, as compared to the over the previous financial year allocation of 13.8 billion Euro. The amount of 18 billion Euros is unevenly distributed among the two pillars of the CAP 'direct payments' and 'Rural Development'.

Although the Community budget allocated to agriculture fell to one third of the total number of goals, CAP's budget significantly increased following the inclusion of rural development policy supporting the diversification, restructuring and rural development at national and regional level.

For the first pillar of direct payments in financial year 2014 - 2020, Romania was allocated 10.3 billion, and Euro 5.6 billion in the previous financial year, and for the second pillar - rural development - 7.1 billion were allocated, as compared to Euro 8.2 billion previously. Euro in the financial year, as this pillar will be supported by other funds included in the Common Strategic Framework.

During 2007 - 2013 the greatest degree of access to European funds were in rural areas: the renovation and development of villages, upgrading the rural heritage; development of agriculture and forestry; modernization of agricultural holdings; investment management activities; adding value to agricultural and forestry products. These specific activities in rural areas are maintained in the current financial year 2014 - 2020, as rural areas are the most vulnerable; they need to deepen regional disparities, both nationally and regionally.

5. Conclusions

The two pillars of the CAP are equally financed by the Community budget and are complementary to each other. The first pillar supports agriculture to become as competitive as possible in global markets and to ensure long-term food security in the European Union. The second pillar of the CAP develops a new component, integrated rural Europe growth, intelligently "promoted as sustainable and inclusive Europe 2020 (Commission Communication 2020. Brussels 2010) and its implications for Romania are major because it contributes to reducing disparities between rural and urban development between different regions of Romania.

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