

## Overview of the Romanian Rural Development Policy: 2007-2013

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### Abstract

*Since 2007, Romania was given the chance to develop a system for implementing development projects by attracting substantial external funding. In the period 2007-2013 the financial intervention in the rural areas, as part of the European Common Agricultural Policy (CAP), was a very consistent one (more than 10 billion euro). National Program for Rural Development 2007-2013 (NRDP) represents the strategy which presents the main characteristics of the financial support addressed to rural areas. The paper has two objectives: to explore the main problems NPRD 2007-2013 occurred and to discuss about its matching to the socio-economic reality of Romania. It consists in a desk-research, using secondary analysis on statistical reports and official documents as the methodological background. The data sources used are: Ministry of Agriculture and Rural Development, Interim report of National Rural Development Programme; Ministry of Agriculture and Rural Development – General Directorate for Rural Development, The situation of the NPRD projects, recorded in monitoring tables; The National Rural Development Programme 2007-2013 (consolidated version, December, 2013). Main results show important differences among NRDP interventions (measures). Some of them are in a good situation, but, in the same time, parts of them are delayed, facing huge difficulties from various reasons. On the other hand, our findings show that there is not a perfect match between the financial support programs and the Romanian rural reality. For the next period, in order to maximize the impact of the public intervention, Romanian authorities have to reconsider some key aspects of the programs, according more importance to the local characteristics of the rural areas.*

**Keywords:** rural development, Common Agricultural Policy, National Rural Development Programme

### Introduction

After 1990 Romanian society has been radically modified. The socio-economical situation of the rural areas has been changed as part of the reformist processes. Thus, a new reality emerged, based on a new configuration of the social and economical relations. The state farms collapsed in a short period of time, the employment decreased rapidly and traditional agriculture became the dominant economic area. In this way, the rural areas confronted with poverty, both on personal and community levels, low employment and a lot of social problems which have emerged from the new economic characteristics of the villages.

In the '90s the main concern of the Romanian authorities, regarding the rural areas, was to assure the legal framework for the property reform. The process of land privatization has generated in Romania two major structural problems: too many small farms and too many old farmers (NRDP, 2013). As a result of the land privatization process and economical struggles of the '90s, almost half of the Romanian farms were subsistence holdings. In fact, these holdings were playing a very active role in the economic subsistence of the poorest categories of the rural population. The sector of the productive agriculture was confronting with deficient agricultural technology, poor access to the markets and high dependency for the climate events (NRDP, 2013).

Excluding the process of land privatization, no other significant policies were adopted in Romania in the '90s. No other fields of public intervention were considered a priority for the policy makers. The result of the lack of preoccupation for the real problems of the rural areas was a continuous degradation of the living conditions in villages and a permanent increase of the connections between rural population and the traditional agriculture practices. At the end of the '90s, when Romanian economy started to recover, the situation of the rural economical life improved slightly. In the next years, the number of the rural population which was employed in the agricultural sector slightly decreased and the general conditions of the rural life become more favorable. However, in this period, the Romanian authorities did not have a clear strategy for what means rural development and what priorities Romania must have. There were not been promoted any efficient development policies or any strategic directions for this kind of programs. Thus, for the period of the first 17 years from 1990 we can assume that the Romanian had not a rural development policy.

This situation was changed after the year 2007 when Romania became an EU member. At this moment, as a result of the EU regulations, Romania adopted National Rural Development Programme (NRDP). It had two main objectives: to support the agricultural sector through direct payments and to contribute to the development of the rural areas. This strategy represents the first consistent policy for the rural areas which was adopted in Romania after 1990. In terms of priorities for the rural areas, NRDP emphasizes the importance of supporting the agricultural sector and developing of the non-agricultural economic sector. In the same time, a top priority of the strategy was to increase of the quality of the life in the rural areas, focusing on investments in basic utilities and services for the rural population.

NRDP intervention was structured in four axes:

Axis 1 ("Increasing the competitiveness of the agri-food and forestry sector") aims to transform semi-subsistence Romanian farms into family holdings. A second objective is to transfer the agricultural holdings from older farmers to a new category of farmers, represented by the young persons from the rural areas. Other objectives of the axis 1 were to improve the labour force structure, to improve the management of the farms and to encourage land consolidation processes.

The second axis called "The improvement of the environment and of the rural areas" moves the accent of the public intervention from the farms and people to the environment and the quality of the natural areas. The strategy considers that a sustainable economic development model can be reached only with the preservation of the environment and with an efficient management of the natural resources. The objective of this axis is to avoid environmental problems in the process of modernization of the agriculture. The disadvantaged areas are granted with a continuous concern for biodiversity, water and soil quality, environmental preservation.

Axis 3 ("Improving the quality of life in rural areas and the diversification of the rural economy") is putting the social dimension of the rural life first. According with this perspective the main targets of the public intervention were: to increase the access to education, to increase the institutional capacity and the ability of promoting community development initiatives, to invest in health facilities in order to grant a better quality of the medical services and to develop the rural infrastructure (roads, public utilities and facilities).

Axis 4 LEADER "The launching of the local development initiatives" plans to transfer the initiatives of local development to the local actors. The first step in this action was to create and implement integrated strategies for the sustainable development of the rural areas. Local actions groups (LAGs) are the central element in this program, being responsible for the implementation of the local development plans.

## Method

This paper uses secondary analysis in exploring Romania's rural development policy in the period 2007-2013. The main objective of the research is to explore the framework of the National Rural Development Programme, focusing on the rural development initiatives. Secondary analysis is the practice of research based on analyzing data sets that have already gathered from a primary source. The specific of the secondary analysis consists in using these data for a new research, with different objectives, based on a new methodological perspective.

The data I use for this paper are the ones reported by the Payment Agency for Rural Development and Fishery (PARDF). The most important objective of the Agency is to implement the financial scheme of the European Fund for Rural Development and Agriculture (EFRDA). In line with this objective, PARDF provides the statistical data regarding the implementation of the Common Agricultural Policy in Romania and offers full access to a vast category of information.

## Results

From the analysis of the data we can conclude that National Rural Development Programme offers a great opportunity for rural transformation in Romania, being the only efficient instrument of intervention in the rural areas. The financial support which is in the middle of the NRDP represents a very important tool for promoting the rural development initiatives. Although Romania has not succeeded to absorb properly the entire amount of money in the first years, after 2012 the absorption degree has significantly increased. These aspects show that Romania has a good chance to use the biggest part of 10 billion euro by the end of 2015, when the National Rural Development Programme 2007-2013 ends.

Until March 2013 almost 50 percent of the total amount of money was distributed to the beneficiaries. The biggest problem for the beneficiaries was the bureaucracy and the standardization. Accessing the financial support involves many

procedures, being a very complex process form most of the Romanian farmers or entities. in these conditions, many of the possible beneficiaries were not able to develop a viable project. Another issue which had a negatively influence was the lack of expertise of the public structures which were involved in the project evaluation and control. This issue was obvious especially in the period 2007-2010 when the new created institution started the specific activities. in time, this aspect seems to be solved or it is radically improved.

A structural problem which is persisting from the beginning of the NRDP implementation is the impossibility for the beneficiaries to co-finance the projects. This barrier is mainly a problem of the banking system. It is very difficult for a farmer or an entrepreneur to access a credit for financing a project in the rural areas according to the actual banking procedures. The majority of the banks are reticent in supporting this type of investments because they are not protected in case of failure.

Every of the NRDP axes are directing the financial support to the beneficiaries through some specific instruments, called "measure". in the table below it is presented the situation of those measures as it is reported for the moment of March 2013. The higher absorption degrees were reported for M 322 ("Village renewal and development"), M121 ("Modernization of agricultural holdings"), M 125 ("Improving and developing infrastructure related to development of agriculture and forestry") and M 141 ("Supporting semi-subsistence agricultural farms"). These financial instruments were dedicated to local authorities and to small farmers. These two categories were the most active because the NRDP was the single efficient form of public support dedicated to them. On the other hand, the statistics below show that there were some significant problems with two other different categories of measures. First, there was some delay in implementing the programs for professional training and setting up the producer groups. Secondary, the measures which are consisting the axis 4 (LEADER) have started only recently, more late than it was initially decided.

**Table 1. Situation of NRDP projects (03.2013)**

Measure	Public contribution (mil. euro)	Applications	Selected Projects	Value (mil. Euro)
111 "Professional training, information and dissemination of knowledge"	119		12	16
112 "Setting up young farmers"	337	22494	9522	211
121 "Modernization of agricultural holdings"	913	7851	1995	756
123 "Adding value to agricultural and forestry products"	999	1762	572	534
125 "Improving and developing infrastructure related to development of agriculture and forestry"	483	1701	462	511
141 "Supporting semi-subsistence agricultural farms"	476	88846	46872	352
142 "Setting up producer groups"	138	60	42	7
143 "Supplying counselling and consultancy for agriculturists"	158		7	12
211 "Support for disadvantaged mountain areas"	607			513
212 "Support for disadvantaged areas, other than mountain areas"	493			275
214 "Agri-environment"	996			956
312 "Support for the creation and development of micro enterprises"	358	9499	2838	205

313 "Encouragement of tourism activities"	543	3703	955	154
322 "Village renewal and development"	1570	3225	789	1710
431 "The functioning of Local Action Groups, developing skills and animating the territory"	235	606	229	6
431.1 "Building public-private partnerships"		112	109	6
431.2 "The functioning of Local Action Groups (GAL), developing skills and animating the territory"			139	60
511 "Technical assistance"	376			6
611 "Direct complementary payments"	625			
TOTAL	10.097	140.808	56.127	4.810

Source: Ministry of Agriculture and Rural Development, Payment Agency for Rural Development and Fishery

## Discussion

According to its potential, rural areas must play a central role for the Romania economy. The dimension of the rural population shows that rural areas presents an important human capital (more than 45 per cent of the total population is living in rural areas - National Statistical Institute, 2012). Although the vast majority of the rural areas are underdeveloped, the last years have brought slightly improvement for the rural areas and for the rural population. The recent implementation of the National Program for Rural Development represented the most important factor for the progress of the rural areas. This program, consisting in direct payments and investments in rural development, has generated forms of social change and created some new economic relations, being the seed which can radically change the Romanian villages at a medium horizon of time.

Major opportunities for the rural areas arise from continuing the process of rural reorganization. The agricultural sector must be sustained for a deeper reformation of the economic relations. in the next years, the priority of the public intervention has to be focus on sustaining the associative forms of the small landowners. The biggest problem of the Romanian agriculture is the persistence of the land fragmentation, which negatively interferes with the productivity of this sector. in this context, Romania has to support the process of land consolidation, according with the landmarks of the Common Agricultural Policy (CAP). The National Program for Rural Development 2007-2013 has created the institutional context for this process. It is important that the next period to consolidate this initiative through the system of the direct payments.

Rural development, financed by the second pillar of the CAP, must continue after the year 2014. The progresses in this direction are important, but it is necessary to be sustained through new investments. Romania still has to do steps forward for a better quality of life in the rural areas. in the period 2007-2013 more than 800 communities obtained financial support for increase the level of the rural infrastructure. in the same time, National Program for Rural Development supported many other entrepreneurial projects in the rural areas.

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