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CHALLENGE OF COMMON AGRICULTURAL POLICY FOR RURAL DEVELOPMENT IN ROMANIA

ABSTRACT

At present, more than four years after the last reform, under the global crisis pressure, CAP is again facing an adjustment process. Almost at the end of the first programming cycle, the agricultural and rural development policy in Romania has to face a significantly changed context and an increased interdependence level. This paper proposes a comparative analysis of the main dimensions of the Romanian rural areas and of the experience gained in the process of accessing dedicated European funds to the level registered in the EU-27, to highlight specific aspects necessary to support Romania's future decisions in the rural development policy.

Key words: Common Agricultural Policy, rural development, Romania.

JEL Classification: P25; O10.

1. INTRODUCTION

The Common Agricultural Policy (CAP) has been under a continuous process of change during its existence. At present, more than four years after the last reform, under the global crisis pressure, CAP is again facing a process of adjustment. On the verge of concluding its first programming cycle, the agricultural and rural development policy in Romania has to face a significantly changed context and increased interdependence levels: the EU enlargement to 27 Member States has changed the outlook and sector-specific requirements, agriculture and rural areas currently including a variety of types, with differences in development. Given these realities, Romania is facing a new definition and assessment of needs and priorities based on the proposals made by the European Commission (EC) (rural development policy proposals for the period 2014 – 2020).

2. STATE OF KNOWLEDGE

A brief analysis of the Commission proposal on the support for rural development by the European Agricultural Fund for Rural Development (EAFRD) after 2013 highlights the following elements:

Agricultural Economics and Rural Development, New Series, Year IX, no. 2, p. 197–210, 2012

- the Commission Communication specifies that the rural development policy will be better coordinated with other EU policies in the case when EU wants to fulfil the objectives of Europe 2020 Strategy. A new legal mechanism, mentioned as the “Common Strategic Framework” (CSF) is proposed to guarantee this coordination;
- a partnership contracts will officialise the coordinated approach of policies at national level. The partnership contracts will represent a linking bridge connecting the challenges at EU level, on one hand, and the challenges at national, regional and local level, on the other hand. In the case of the rural development policy, these partnership contracts will replace the current National Strategic Plans and will be convened for each member state;
- the new measures will be mainly defined in relation to the types of support and beneficiaries, rather than in relation to priorities;
- each Plan will contain the general objectives to be fulfilled during its implementation, as well as series of intermediary objectives, to check up if the respective activity goes into the proposed direction;
- the new draft regulation on the rural development policy stipulates that RDP better operates if certain prior conditions are fulfilled. These are called “ex-ante conditionalities”;
- the Member States and regions will have the possibility to provide special support to certain groups, zones or objectives in the future, if they desire. However, the new draft EAFRD regulation underlines that a special emphasis should be laid on: the young farmers, the small farms, the mountain areas, the short supply chains, the special agricultural sectors;
- the Member States and regions will have the possibility to develop rural development sub-programs focusing on the needs of any theme mentioned in the regulation draft;
- EARFD will be available to cover the preparatory stage, while the Local Action Groups (LAGs) can develop a knowledge and skill base for the subsequent implementation of a local strategy. As a special provision, for the LAGs that have not been involved in Leader in the period 2007–2013, a new “start-up kit” will be introduced, to be adapted to the specific needs of a given territory;
- the network approach consolidation will continue to play a key-role in the development of rural areas;

3. MATERIAL AND METHOD

Based on Commission Communication on the CAP review, the objective of this paper is to conduct a comparative analysis on the dimension of rural development and the experience gained in the process of accessing European funds in Romania to the level registered in the EU27, to highlight specific aspects in order to identify solutions and grounding future decisions in the Romanian rural development policy.

4. RESULTS AND DISCUSSIONS

For the rural area characterization purpose, the present paper used the typology agreed by the (EC) European Commission in the year 2010, which classifies the zones into predominantly rural, intermediate rural and predominantly urban (EC, 2010). According to this classification, the Romanian rural area (predominantly rural areas and intermediate rural areas) represents 99.2% of the territory and 89.7% of the population.

4.1. Rural Romania compared to EU-27: characteristics and evolutions

In order to have a pertinent evaluation and analysis base, we present a recent picture of the Romanian rural area and agricultural sector.

The population structure by age groups does not feature significant variations by the three types of regions (Table 1). However, it can be noticed that the share of population of working age is slightly higher in the predominantly urban areas while the predominantly rural areas have a higher share of persons over 65 years of age. Except for the predominantly urban areas, Romania has a less demographically aged population than that of the EU-27.

Table 1
Structure of population by age groups and the population's ageing index by types of areas, in Romania and in EU-27

Age category	Romania		EU-27	
	Structure by age groups (2008)	Population's ageing (0-14 years/ > 64 years)	Structure by age groups (2008)	Population's ageing (0-14 years/ > 64 years)
Predominantly rural regions				
0-14 years	16.1	1.03	15.7	0.88
15-64 years	68.4		66.5	
> 64 years	15.6		17.8	
Intermediate rural regions				
0-14 years	15.1	1.06	15.6	0.92
15-64 years	70.5		67.3	
> 64 years	14.3		17.0	
Predominantly urban regions				
0-14 years	12.0	0.84	15.9	1.00
15-64 years	73.8		68.1	
> 64 years	14.3		15.9	
Total				
0-14 years	15.2	1.02	15.7	0.92
15-64 years	69.9		67.2	
> 64 years	14.9		17.1	

Source: Calculations based on the European Commission's data, 2010.

While the primary sector represented 4.6% and 2.4% respectively of the gross value added in the predominantly rural areas and intermediate rural areas in EU-27, in Romania the share was much higher: 11.2% and 6.1% respectively. Both in EU-27 and in Romania, the tertiary sector prevails regardless of the type of area. The gross value added evolution reveals a similar situation both in EU-27 and in Romania, i.e. the diminution of GVA share in the primary sector (see Table 2).

As regards the share of the population employed in the primary sector (Table 3), the data reveal a significant difference between Romania and EU-27 (30.3% and 5.2% respectively). By types of rural areas, the labour force in the primary sector has the same high values: 38.6% in the predominantly rural areas and 29.6% in the intermediate rural areas. At the same time, the employment in the primary sector decreased in all the three types of areas, this trend being also noticed in EU-27, yet to a lesser extent.

The employment rate in Romania was 62.3 %, lower than in EU-27 (Table 4). The predominantly rural areas have the lowest employment rate – 58.5%. In the period 2003–2007, in EU-27 the employment rate increased in all types of areas, while in Romania it had a decreasing trend in the predominantly and intermediate rural areas, with an increasing trend in the predominantly urban areas.

Table 2
Structure and evolution of the gross value added by economic branches,
by types of areas, in Romania and in EU-27

Sector	Romania		EU-27	
	Share of GVA (2007)	GVA evolution	Share of GVA (2007)	GVA evolution
Predominantly rural regions				
Primary	11.2	-9.4	4.6	-1.2
Secondary	37.7	4.9	31.4	0.4
Tertiary	51.0	4.5	64.0	0.8
Intermediate rural regions				
Primary	6.1	-5.5	2.4	-0.5
Secondary	41.7	0.7	29.9	0.1
Tertiary	52.2	4.8	67.7	0.4
Predominantly urban regions				
Primary	0.3	-0.5	0.6	-0.1
Secondary	30.5	-1.9	22.3	-0.7
Tertiary	69.2	2.3	77.1	0.9
Total				
Primary	6.5	-6.1	1.8	-0.4
Secondary	37.8	1.4	26.2	-0.2
Tertiary	55.7	4.7	72.0	0.7

Source: Calculations based on the European Commission's data, 2010.

Table 3
Structure and evolution of labour employment by activity sectors
and types of areas in Romania and in EU-27

Sector	Romania		EU-27	
	Share of employed population by economic sectors (2007)	Labour employment evolution (2002–2007)	Share of employed population by economic sectors (2007)	Labour employment evolution (2002–2007)
Predominantly rural regions				
Primary	38.9	-5.1	14.2	-2.4
Secondary	29.0	2.3	29.1	0.0
Tertiary	32.1	2.7	56.7	2.3
Intermediate rural regions				
Primary	29.6	-4.7	6.3	-1.2
Secondary	32.9	0.7	28.7	-0.7
Tertiary	37.5	4.0	64.9	2.0
Predominantly urban regions				
Primary	1.1	-0.4	1.4	-0.2
Secondary	29.6	-0.5	22.4	-1.7
Tertiary	69.2	5.4	76.2	1.9
Total				
Primary	30.3	-5.1	5.8	-1.1
Secondary	30.9	0.8	26.1	-1.0
Tertiary	38.8	4.2	68.1	2.1

Source: Calculations based on the European Commission's data, 2010.

Table 4
Employment rate and its evolution in the period 2003–2007, by types of areas,
in Romania and in EU-27

Type of zone	Romania		EU-27	
	Employment rate (2007) (%)	Employment rate evolution (2003–2007)	Employment rate (2007) (%)	Employment rate evolution (2003–2007)
Predominantly rural regions	58.5	-2.20	61.6	1.20
Intermediate rural regions	65.5	-3.14	65.0	1.77
Predominantly urban regions	64.7	7.05	71.0	1.95
Total	62.3	-1.65	65.4	2.8

Source: Calculations based on the European Commission's data, 2010.

With 2840 thousand employed persons in the year 2008 (30.3%) and with a gross value added of 7193.4 million euro (6.5%), the primary sector is an extremely important sector in Romania's economy. In the period 2000–2008, a slight decreasing tendency of the population employed in the primary sector was noticed (-2.5% annually) as well as a slight GVA increase (by 1.1% annually) (see Table 5).

Table 5
Economic development of the primary sector in Romania and in EU-27

Indicators	Unit of measure	Romania	EU-27
Population employed in the primary sector	thousand persons	2840	12984
Share of population employed in the primary sector	%	30.3	5.8
Evolution of the share of population employed in the primary sector (2002–2007)	% per year	–2.5	–1.9
GVA in the primary sector	million euro	7193.4	201057.0
GVA share in the primary sector	%	6.5	1.8
GVA share evolution in the primary sector (2002–2007)	% per year	1.1	–0.1

Source: According to the European Commission's data, 2010

There are 13.7 million farms in EU-27, out of which 3.9 million in Romania (28.7%). While in EU-27 the average farm size is 12.6 hectares, in Romania the average farm size is only 3.5 ha, i.e. four times smaller. The differences are even higher if the economic size is considered: the EU-27 average is 11.3 ESU and in Romania the average economic size is only 1 ESU (Table 6).

The labour employed in the EU-27 agricultural sector totalled 2.2 million annual work units (AWU), which represented about 18.8% of the labour force employed in the primary sector. The main characteristic of EU agriculture is represented by the family farms, which on the average provide 1–1.5 jobs (EU, 2010). As it can be seen from the table above, in Romania the agricultural production is mainly based on the small-sized semi-subsistence farms, which have an extremely large share – 78% (< 1 ESU).

Table 6
Farm structure in Romania and in EU-27

	Unit of measure	Romania	EU-27
Number of farms	no.	3931350	13700400
Utilized agricultural area	ha	13753050	172485050
Labour force	AWU	2205280	11696730
Average farm size	ha	3.5	12.6
Share of farms by different size classes		%	
< 5ha		89.9	70.4
5–50 ha		9.8	24.5
> 50 ha		0.4	5.1
Average economic farm size	ESU	1.0	11.3
Share of farms by economic size classes		%	
< 2 ESU		94.0	60.8
2 – 100 ESU		6.0	36.9
> 100 ESU		0.0	2.2
Importance of semi-subsistence farms			
Number of farms under 1 ESU	no.	3064670	6389390
Share of farms under 1 ESU	%	78.0	46.6

Source: Calculations based on the European Commission's data, 2010.

In the year 2005, in EU-27, one-fifth of farmers had agricultural training, while in Romania their share was 2.7 times lower (i.e. 7.4%) (Table 7).

Table 7
Vocational training in agriculture in Romania and in EU-27

	Romania %	EU-27 %
Share of farmers with basic agricultural knowledge or with completed agricultural training	7.4	20.0

Source: According to the European Commission's data, 2010.

While in EU-27 there is one young farmer in 9 farmers over 55 years of age, in Romania the ratio is almost double: 1 in 17 (see Table 8)

Table 8
Farmers' ageing index, in Romania and in EU-27

	Romania	EU-27
Farmers < 35 years / farmers > 55 years ratio	0.06	0.11

Source: According to the European Commission's data, 2010.

As regards labour productivity, the differences between Romania and EU-27 are significant: in Romania, labour productivity represents only one quarter of the labour productivity in EU-27 (Table 9). Furthermore, in the period 2003–2007, labour productivity in EU-27 increased by 2.7% each year, while in Romania the labour productivity growth rate reached only 0.1%.

Table 9
Labour productivity in agriculture, in Romania and in EU-27

	UM	Romania	EU-27
GVA / AWU (2006–2008)	EU-27 = 100 Index euro	25	12719
Annual average growth of GVA/AWU (2003–2007)	% per year	0.1	2.7

Source: According to the European Commission's data, 2010.

The agri-food industry represents an important sector for Romania's economy by the share of employed population (2.3% of total employed population) and its share in the gross value added (6.3%). Labour productivity in Romania's agri-food industry, i.e. 32000 thousand euro/employee is lower than that in EU-27. For all the three indicators taken into consideration (Table 10), the annual growth rate was higher in Romania compared to EU-27.

The extensive agriculture in Romania has a much higher share than the EU-27 average: 41.3% of the arable land area and 38.6% of the land area under pastures (Table 11).

Table 10
Agri-food industry indicators, in Romania and in EU-27

	UM	Romania	EU-27
Labour productivity in food industry			
GVA/employee (2007)	thousand euro /employee	32.0	44.7
Annual average growth of GVA/employee	% per year	7.1	1.5
Employment development			
Number of employees	1000 pers.	216.5	4992.3
Share of employees in the agri-food industry	%	2.3	2.2
Employment evolution (2005–2007)	% per year	–0.3	0.1
Gross value added			
Total gross value added in the agri-food industry	million euro	6928.3	223074.4
GVA share in the agri-food industry	%	6.3	2.0
GVA evolution in the agri-food industry (2000–2007)	% per year	6.77	1.09

Source: According to the European Commission's data, 2010.

Table 11
Share of land areas with extensive agriculture

	UM	Romania	EU-27
Share of land areas under cereals with average yields by 60% lower than the average yields in EU-27 (2005–2007 average)	%	41.3	15.8
Share of extensive pastures on which livestock density is lower than 1 LLU/ha (2007)	%	38.6	22.8

Source: According to the European Commission's data, 2010.

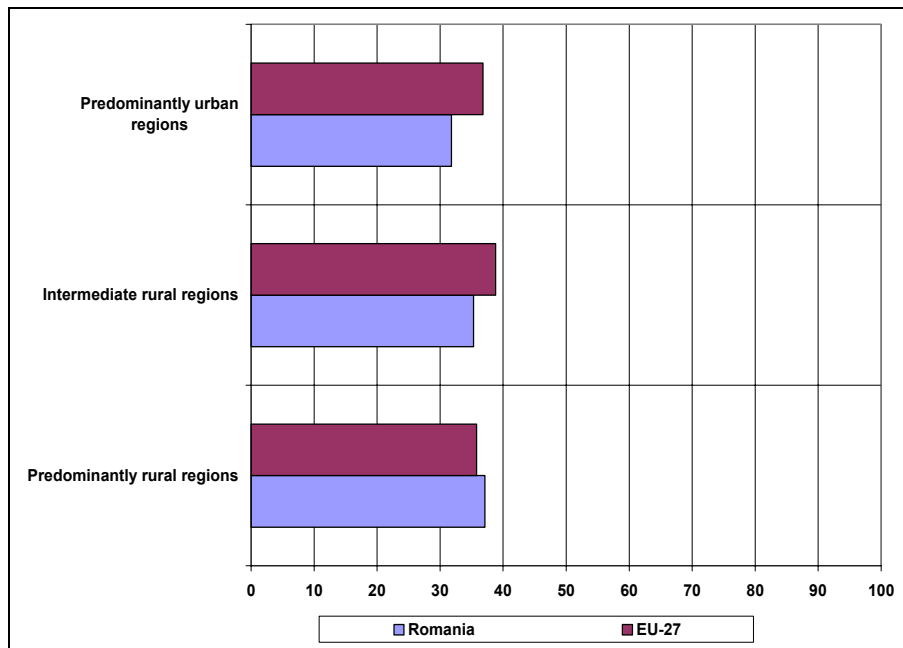
It is estimated that the areas with high natural values cover 10% of the agricultural land and 30% of the forestland in Romania (Table 12). The implementation of Natura 2000 Directive had a significant contribution to biodiversity preservation.

Table 12
Share of Natura 2000 land areas, in Romania and in EU-27 (May 2010)

	UM	Romania	EU-27
Special Protection Areas	%	0.0	11.4
Sites of Community Importance	%	13.2	13.7
Share of Utilized Agricultural Area under Natura 2000	%	9.5	10.4
Share of forestland under Natura 2000	%	29.7	23.6

Source: According to the European Commission's data, 2010.

The share of households with other income sources than agriculture in Romania reveals a situation that is relatively similar to that in EU-27 (Figure 1): differences appear in the case of predominantly rural areas.



Source: Calculations based on the European Commission's data, 2010.

Figure 1. Share of households with other income sources than agriculture, by types of rural areas, in Romania and in EU-27 (2007).

Following the analysis of employment in the secondary and tertiary sectors, it can be noticed that Romania, compared to EU-27, has lower values in the predominantly and intermediate rural areas (Table 13). This reveals a higher dependence of these areas on the agricultural activity. While in EU-27, in the period 2000–2007, a slight annual increase of employment in the secondary and tertiary sectors could be noticed, in Romania a decreasing trend in the rural areas was noticed.

One of the development opportunities for the rural areas is the tourism activity. The number of beds on accommodation units in the predominantly and intermediate rural areas (93.6 % of total number) places Romania in a favourable position (Table 14). Yet it should be mentioned that although the yearly tourism activity development in these areas is positive, it is lower than in the predominantly urban areas.

4.2. Rural Development Policy

The integrated approach to the rural development policy in Romania took place under the EU integration pressure (since 1998). The National Plan completed in 2000, for the implementation of SAPARD program included 11 measures, marking one of the most dispersed rural resource allocations. Through this plan, Romania has allocated most of the available resources for the rural infrastructure development.

Table 13
Employment in the secondary and tertiary sectors,
by types of areas, in Romania and in EU-27

Type of area	Romania		EU-27	
	Share of population employed in the secondary and tertiary sectors	Annual employment growth rate (%)	Share of population employed in the secondary and tertiary sectors	Annual employment growth rate (%)
Predominantly rural regions	61.1	-1.1	85.8	0.8
Intermediate rural regions	70.4	-0.6	93.7	1.1
Predominantly urban regions	98.9	3.0	98.6	1.3
Total	69.7	-0.4	94.2	1.1

Source: According to the European Commission's data, 2010.

Table 14
Tourism activity indicators by types of areas, in Romania and in EU-27

Type of area	Romania		EU-27	
	Share of accommodation beds (%)	Yearly growth rate* (% per year)	Share of accommodation beds (%)	Yearly growth rate (% per year)
Predominantly rural regions	26.1	0.1	33.5	1.4
Intermediate rural regions	67.5	1.2	42.5	1.7
Predominantly urban regions	6.4	13.6	24.0	2.8
Total	294210	1.5	27362606	1.8

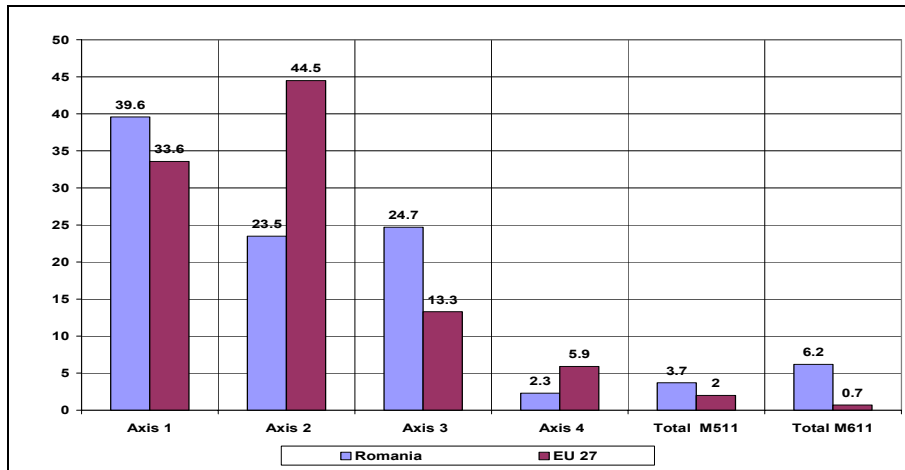
Source: According to the European Commission's data, 2010.

The same tendency is noticed in the National Rural Development Plan 2007–2013, under implementation, in which a significant number of measures (21) were proposed for funding with the following distribution of funds by the four axes: Axis 1 – 39.6%, Axis 3 – 24.7% and Axis 2 – 23.5%. In Romania, the situation is different from that in EU-27, as the most significant funds were allocated to Axis 2 (44.5%) and Axis 3 received the least funding (13.3%).

At the end of the year 2009, the share of declared expenditures indicated a difficult situation for Romania, which had spent 626 million in total, representing 7.70% of the planned expenditures¹. Compared to EU-27, the declared expenditures

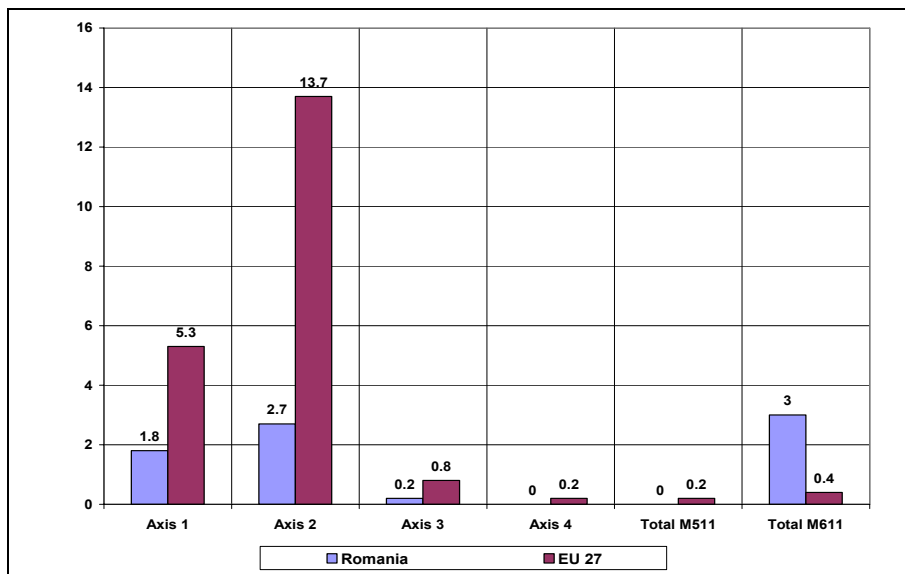
¹ According to Agrimedia (www.agrimedia.ro/8/archives/08-2011/1.html), the “Agency for Payments for Rural Development and Fisheries (APRDF) had effectively paid, until August 24 2011, an amount of 2.52 billion euro from the funds allocated through the National Rural Development Program 2007–2013 (NRDP). Besides this, Romania also absorbed 561 million euro, representing the advance payments granted by the European Commission at the moment of the initiation of the National Rural Development Program. By cumulating the advance and effected payments, it results a total amount of over 3 billion euro attracted by Romania through NRDP, which represents an absorption level of the EU funds that exceeds 30% of the total available funds for rural development”.

were almost three times lower: the distribution of expenditures by the three axes reveals that 2.70% of funds were spent under Axis 2, 1.80% under Axis 1 and 0.20% under Axis 3. The same hierarchy is noticed in EU-27.



Source: Calculations based on the European Commission's data, 2010.

Figure 2. Importance of the three thematic axes, programming period 2007–2013, in Romania and in EU-27 (%).



Source: Calculations based on the European Commission's data, 2010.

Figure 3. Composition of expenditures declared by axes, in Romania and in EU-27, programming period 2007–2013.

The analysis of declared expenditures until the end of 2009 reveals a different hierarchy from the planned hierarchy. The following measures have the highest share of declared expenditures: agro-environmental payments (1.50%), modernization of farms (1.20%) and support to the less-favoured mountain areas (0.90%).

Table 15

The main rural development measures in the programming period 2007–2013, Romania

Code of measure	Measure	Allocated funds (euro)	Share in total (%)
322	Village renewal and development	1256102105	15.50
123	Adding value to agricultural and forestry products	874145927	10.80
214	Agri-environmental payments	817054711	10.10
121	Modernization of agricultural farms	816404482	10.00
211	Natural handicap payments to farmers in mountain areas	498358726	6.10
313	Encouragement of tourism activities	435378219	5.40
212	Payments to farmers in areas with handicaps, other than mountain areas	404328778	5.00
125	Infrastructure	386597453	4.80
141	Semi-subsistence farming	380861912	4.70
312	Support for the creation and development of enterprises	316118102	3.90

Source: Calculations based on the European Commission's data, 2010.

The strategic approach implemented in the current period under NRDP had a positive impact, as Romania made significant efforts to develop strategies so as to match the interventions with the proposed objectives. However, certain inadvertences existed in the programming process, as well as a lack of capacity to use the rural development funds (although the final expenditures for the period 2007–2013 are not known yet). In this respect, the system structured by axes provided a general guarantee for the allocation of resources for the proposed objectives, which was based on a simplified intervention rationale, and maybe misleading, as sometimes a single measure served more than one objective.

However, significant steps have been made for a better targeting of resources, progress monitoring and evaluation of results. A learning process is under way, which undoubtedly will yield good results in the next period.

5. CONCLUSION

Having in view the number and severity of problems that the rural area is facing as well as the low absorption level of the allocated EU funds up to the present moment, in our opinion, the main challenges with regard to the post-2013 rural development policy are the following:

- The need to identify and accurately hierarchize the rural development priorities represents an important challenge for Romania: on one hand the number and severity of problems in the Romanian rural area must be taken into consideration,

and on the other hand the relatively poor experience in the implementation of rural development plans can lead to the dispersion of support to a great number of measures and thus, to the diminution of the general efficiency of the future program;

- The conjugated evaluation of the implementation constraints presupposes taking into consideration, for the future rural policy, the following aspects with regard to accessibility: eligibility conditions, intensity of Community intervention and intensity of institutional functionality. All these aspects finally determine the absorption of the EU funds. In the field of rural development, for Romania, the Community pressure was much higher than for the Old Member States, due to the lack of experience in rural development and institutional construction programming and management, in the first place;

- The evaluation of compatibility between the measures proposed at EU level and the real needs of rural Romania is also a challenge. We must see whether the Community menu contains those measures that can contribute to the correction of rural problems and then to identify to what extent these measures can be applied under their current form. The rural development measures are different with regard to both the complexity of eligibility criteria and the intensity of Community intervention;

- The accurate definition of the object of intervention and the establishment of the value of intervention are as important as the establishment of priorities. In the new Commission proposal, the rural development policy is characterized by an increased flexibility, the member states having the possibility to exercise their own options within certain agreed limits. A diminution of the rural development menu under the aspect of measures in its componency can be noticed. Considering the structural differences existing between the rural sector from Romania and from the EU-27, the flexibility could represent a key to a more efficient rural development policy.

The experience acquired by Romania in the pre-accession and post-accession period will become an important benchmark so that in the future Romania should not repeat the same mistakes and the rural development policy should reach the proposed objectives.

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