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## RURAL DEVELOPMENT POLICY IN ROMANIA – A SYNTHETIC IMAGE OF THE IMPLEMENTATION OF THE FIRST NATIONAL RURAL DEVELOPMENT PROGRAM 2007-2013

### ABSTRACT

This paper analyzes the absorption degree of funds allocated to rural development and identifies the main positive and negative aspects that occurred in the financial exercise 2007-2013. The results are mainly based on the statistical analysis of data provided by the Ministry of Agriculture and Rural Development. The conclusions reveal that the programming period 2007-2013 can be considered an important step in accommodating and gaining experience in accessing and implementing projects with European funding. NRDP generated a great interest from the rural actors, materialized into the large number of projects submitted (over 150 thousand). The predominantly rural regions were the main beneficiaries, both as regards the number (66.20% of the total number of contracted projects) and the value of projects (58.89% of the total value of contracted projects).

**Key words:** rural development policy, European funds, Romania.

**JEL Classification:** Q01.

### 1. INTRODUCTION

Both worldwide and at European level, the rural areas are facing major challenges, caused in particular by globalization, demographic change and the migration of young and skilled workers. After the accession to the European Union (EU), Romania tried to put into value its existing potential and increase the quality of rural life through the policies dedicated to the rural areas. In the ten years of EU membership, Romania has made efforts to implement the rural development policy, developing programs that targeted to harmonize the proposed objectives with the specific interventions. The learning process is underway, a process that undoubtedly will yield results in the next programming periods, too.

### 2. STATE OF KNOWLEDGE

In more than fifty years of existence, the Common Agricultural Policy (CAP) has gone through a continuous adaptation and transformation process, experiencing important reforms, in order to sustain the viability of a sector considered vital for

the society and for the farmer community. The speed of change was mainly dictated by the socio-economic dynamics, by the process of successive enlargements and by the pressures of globalization.

Thus, CAP objectives have changed from ensuring food safety and agri-food market stability (objectives of the early years) to ensuring an adequate living standard of rural communities from the member states. In particular, in the last two decades, the focus shifted from the sectoral, agricultural approach to the integrated approach. At EU level, since the 1990s, the reform of the Common Agricultural Policy (CAP) has contributed, even though only marginally, to the transfer of financial resources to new instruments that targeted rural development (OECD, 2006).

The EU had in view to develop efficient policies targeting the development of rural areas, in the attempt to guide the national and/or regional governments to reach an equilibrium between the need to preserve the values of the rural space, on the one hand, and the rural life modernization, on the other hand (Matthews, 2007; Crescenzi and Giua, 2014). Through the implementation of the rural development policy, EU has set as main objective to support the rural areas from its member states to cope with the many economic, social and environmental changes that these have been facing. The way in which the current rural development has been conceived and implemented is different across the EU member states, depending on the institutional and political specificities as well as on the type of "rurality" that characterizes their territory. In many counties, the logic of the modernization of the agricultural sector still prevails, while in others the rural policy is considered an instrument mainly oriented towards the poorly developed areas.

### 3. MATERIAL AND METHOD

The main objective of this study is to analyze the implementation of the rural development policy in Romania, in the period 2007-2013. The methodology used for this purpose included documentary and statistical analysis methods. The information presented is based on data coming from different sources and documents. The statistical information mainly came from the National Institute of Statistics (NIS) and Eurostat as well as information provided by MARD for the NRDP 2007-2013 implementation stage. The selected indicators were analyzed at territorial level – (NUTS 3) counties, classified according to the rurality level. The utilized rural-urban typology was proposed by the European Commission (EC) in the year 2010. Thus, the NUTS 3 units from the EU are classified as follows: i) *predominantly rural* - if more than 50% of the total population lives in rural grid cells; ii) *intermediate* - regions where 20% to 50% of the population lives in rural grid cells; iii) *predominantly urban* - less than 20% of the population lives in rural grid cells (EC, 2010).

#### 4. RESULTS AND DISCUSSIONS

Romania's EU membership presupposes, among others, the commitment to implement development policies conceived and designed by the European decision-making bodies: CAP is one of these. Starting with the programming period 2007-2013, the rural development policy of the EU is financed through a single fund, i.e. the European Agricultural Fund for Rural Development (EAFRD). This fund has as main objective the sustainable development of rural territories, thus contributing to the Europe 2020 Strategy. In the investigated programming period, Romania received 96.2 billion euro, being one of the main beneficiaries of CAP Pillar II, under which it was allocated the amount of 8.4 billion euro (ranking 4<sup>th</sup> next to Poland, Germany and Italy).

With the accession to the EU, Romania adopted the CAP principles and objectives in agriculture and rural development, which were transposed into the design of the first National Rural Development Program (NRDP) 2007-2013: i) increasing the competitiveness of the agri-food and forestry sectors; ii) improving the environment and the countryside; iii) improving the quality of life in rural areas and diversification of rural economy; iv) support to local development initiatives. The four objectives were transposed into four axes to which 23 measures were allocated (MARD, 2015).

This program was addressed to a wide range of beneficiaries: i) natural persons; ii) agricultural farms iii) micro-enterprises and small and medium-sized enterprises; iv) local public authorities; v) non-governmental organizations and professional associations; vi) local communities.

The amount of 9.296 billion euro was allocated for NRDP, out of which 8.097 billion euro from EAFRD and EERP. The financial execution rate was high – 89.48% (at the end of 2015). The analysis of the absorption rate by the four axes indicates the following situation (MARD, 2017a): i) Axis 1 – 85.22%; ii) Axis 2 – 96.05%; III) Axis 3 – 83.45% and iv) Axis 4 – 91.49%.

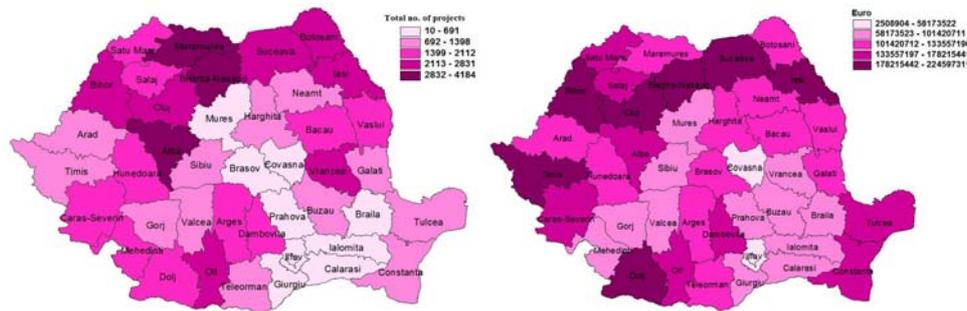
The highest absorption rate in the case of Axis 2 can be explained by the fact that the payments in the case of most measures under this axis were made directly to beneficiaries and new measures and packages were also introduced in the course of the program as compared to the ones initially foreseen. On the other hand, the absorption rate was lower for Axes 1 and 3, the measures of which implied the development and implementation of projects with everything involved in this activity (MARD, 2017a).

NRDP generated a great interest from the rural actors, although it started late and lacked the solid experience necessary to access European projects (acquired only through the SAPARD program implementation). Approximately 151 thousand projects worth 18.53 billion euro were submitted to access rural development funds. The utilized data were supplied by MARD on 18.05.2017.

However, out of total submitted projects, only half reached the contracting stage (51.47%). The value of the 78 thousand contracted projects totaled 5.40 billion euro. Most projects were submitted and contracted for support to semi-subsistence

farms (M141), yet the highest contracted value – 1.83 billion euro went to the measure for village renewal and development M322).

The analysis of the total number of contracted projects, by counties (Figure 1), reveals that the counties located in the northern and western parts of the country contracted the highest number of projects, also projects with a high value. On the other hand, the smallest number of projects were contracted in the counties from the southern and south-eastern parts of Romania.



Source: author's processing based on MARD data, 2017

Figure 1. Number (left) and value (right) of contracted projects, by counties.

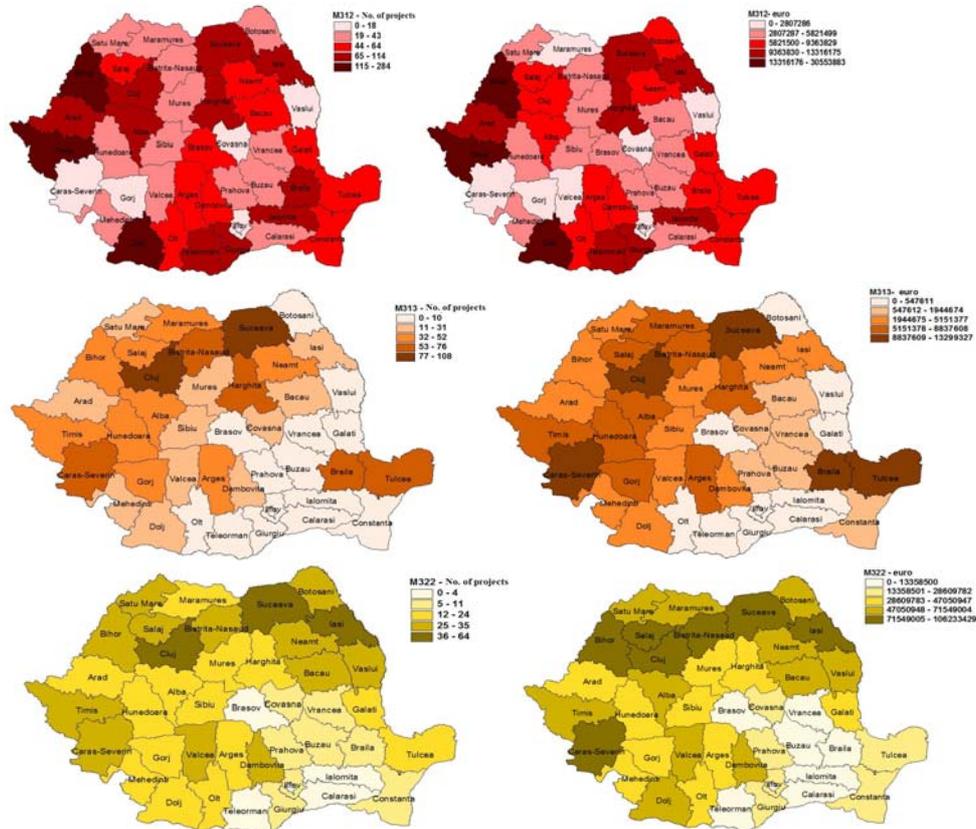
The financial support allocated to Axis 3, for improving the quality of life in rural areas and diversification of rural economy, was used by contracting 4681 projects with a total value of 2.32 billion euro. The distribution of contracted projects shows that M312, dedicated to the support to initiatives for the creation and development of micro-enterprises, had the highest number of projects, yet the contracted amount was low. The funding was received by micro-enterprises and natural persons interested in the development of productive initiatives meant to contribute to the increase of the number of jobs in rural areas in four activity sectors: non-agricultural economy, craft activities, providing services for the rural population and the production of renewable energy.

This measure, together with Measure 313, dedicated to support the tourism activities, should have contributed to reaching the objective “maintaining and development of economic activities through the increase of the number of jobs”, to reduce, practically, the “exodus” of labour force from the countryside (MARD, 2015). The analysis of the number of projects and of contracted amounts rather indicates the lack of efficiency and inadequacy in the allocation of resources in relation to the socio-economic situation existing in the rural area.

Under Measure 322 (village renewal and development), 897 projects were contracted worth 1.83 billion euro. We must specify that the selection of projects was made on the basis of a set of criteria that mainly favours the localities with a high or medium poverty level and deficient public infrastructure. The success of this measure can be mainly explained by the specificity of direct beneficiaries, represented by local authorities.

The analysis by counties reveals a heterogeneous territorial distribution (Figure 2). Under Measure 312, the most numerous projects were contracted in the counties Timiș, Bihor and Dolj (counties classified as intermediate regions). Vaslui, Covasna, Caraș-Severin and Gorj – predominantly rural counties – are found at the opposite pole. The Measure targeting the support to tourism activities (M313) had the highest number of contracted projects in the counties Suceava and Cluj – counties with a well-known tourism potential. Most counties located in the southern and south-eastern parts of the country applied less to access this measure.

The local authorities from the counties Cluj, Iași and Suceava were extremely interested in the access to Measure M322 aiming at village renewal and development. The smallest number of projects under this measure was found in the counties Ialomița, Călărași and Teleorman, which are well-known for their high poverty level.



Source: author’s processing based on MARD data 2017

Figure 2. Distribution of counties by the number and value of contracted projects, under Axis 3.

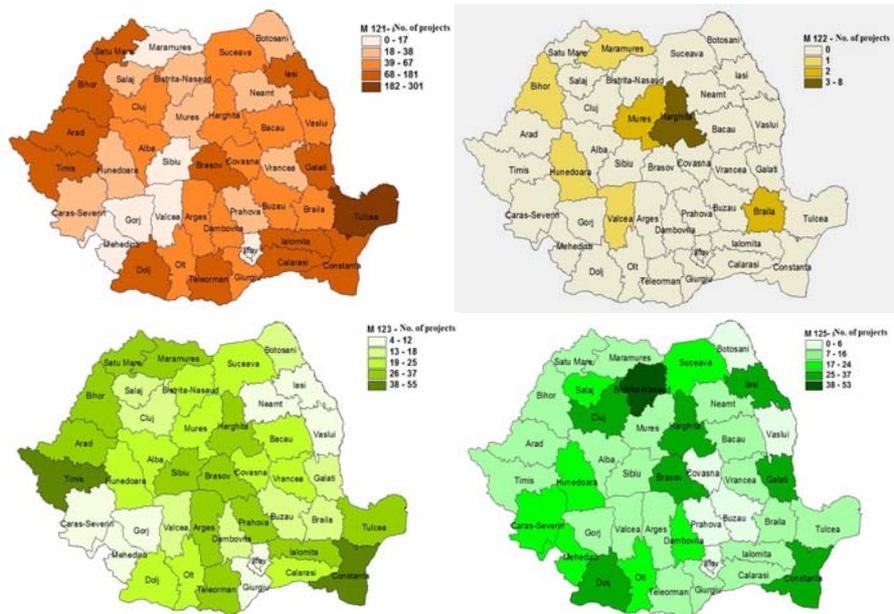
In terms of the value of contracted projects, it can be noticed that in the case of M312 the greatest amounts reached the counties located in the western and

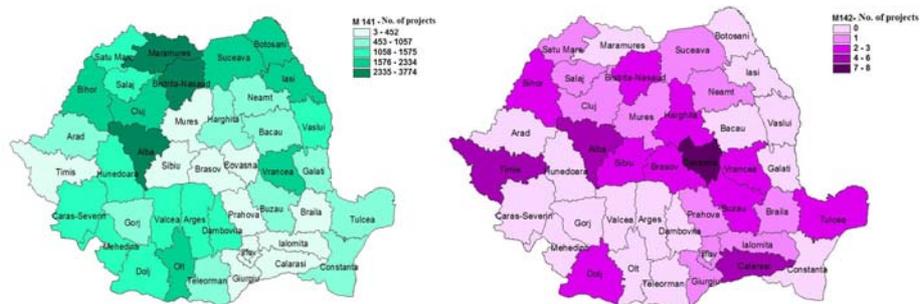
southern parts of the country. Romania is divided into two halves in terms of contracted value under M313: the western part, where the counties that accessed high-value projects are found, and the eastern part, with the counties that received smaller amounts. In the case of M322 the divide is different: counties with high contracted value in the north and counties with low contracted values in the south.

As regards the analysis of measures specific to Axis 1, which target the increase of agricultural and forestry sector competitiveness, it can be noticed that the predominantly rural counties mostly benefited from the allocated funds, per total axis and by measures. Thus, it is in these counties that 67.13% of total contracted projects under the axis were implemented (65921 projects), worth 1.6 billion euro (58.56% of total contracted funds).

The analysis by measures (Figure 3 and Figure 4) shows that, although the greatest number of projects were contracted under Measure 141 (support to semi-subsistence farms), the most significant funds were contracted under Measures 121 (modernization of agricultural holdings), 125 (improvement and development of agricultural and forestry infrastructure) and 123 (adding value to agricultural and forestry products).

On the other hand, for three measures, the data reveal an unfavorable situation, represented by low values of contracted sums. The following measures are included in this category: M 112 (setting up of young farmers), M 122 (improvement of the economic value of forests) and M 142 (setting up producer groups). In these cases, the timetable for the implementation of funding programs was negatively influenced, both through the dysfunctionalities that emerged in the management capacity of contracting institutions and by the decisions made at their level with regard to the priorities of the program launching the NRDP measures.



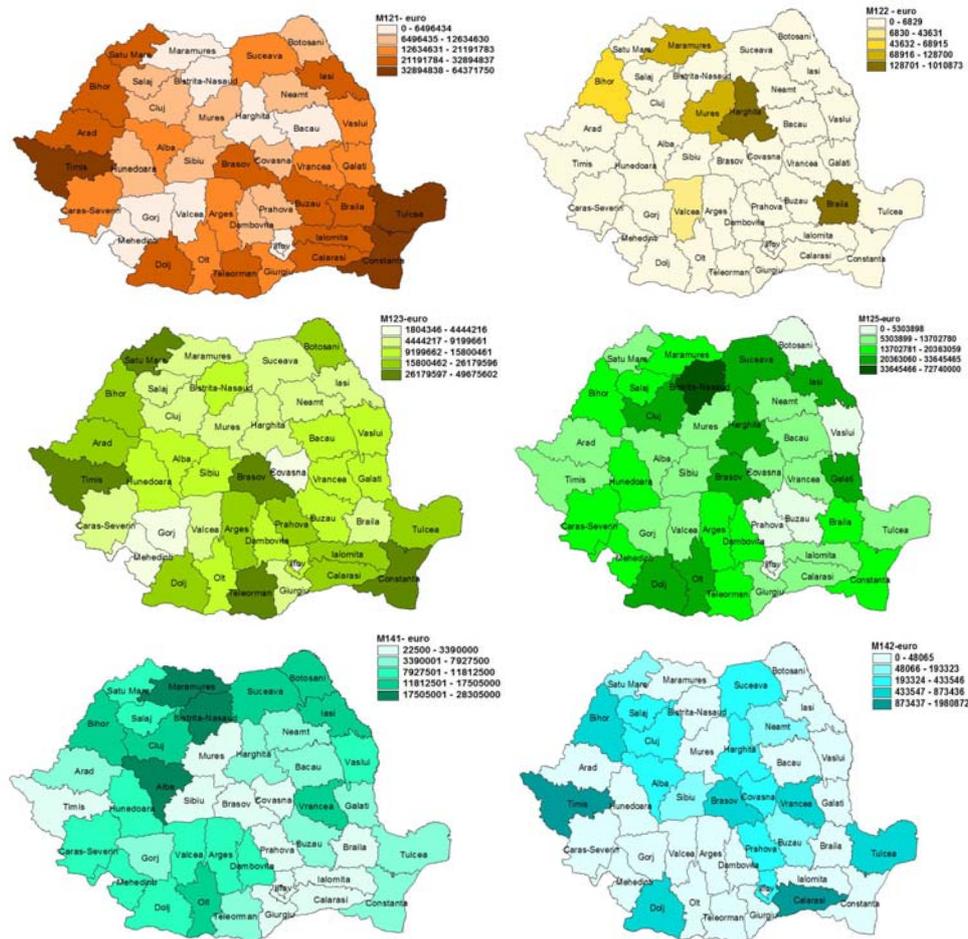


Source: author's processing based on MARD data 2017

Figure 3. Distribution of counties by the number of projects contracted under Axis 1.

The analysis of contracted amounts shows that Axis 1 measures provide limited financial support to farmers and small-sized commercial companies. These are mainly addressed to those categories of farmers and commercial agricultural companies that already have a well-established development level. The conclusion that can be drawn is that a great part of available funds for Axis 1 are directed to the support and development of the competitive sector, while the measures supporting the development of new initiatives and the production of small family farms are less developed. Thus, in relation to the available resources under NRDP, the restructuring of the Romanian rural space through capitalization, transformation of semi-subsistence farms into commercial farms, setting up of young farmers and early retirement was addressed to a relatively low number of beneficiaries who benefited from a relatively minor financial support. This situation yields negative signals in terms of rural economy restructuring. Thus, the generational replacement takes place slowly, the human resources are less trained, while the highly competitive large-sized commercial farms are systematically encouraged.

The distribution of counties by Axis 1 measures reveals the following aspects: i) in the case of Measure121, the greatest number of projects were contracted in counties well-known for their significant agricultural potential, located in the western, southern and south-eastern parts of the country; ii) improvement of the economic value of forests (M122) had a low territorial distribution, depending on the presence of areas under forests; iii) in the case of M123, the counties located in the west, center and east contracted the largest number of projects; iv) the counties located in the central part of the county were mostly concerned with the improvement of the agricultural and forestry infrastructure; v) M141, which targeted the support to semi-subsistence farms, was in the attention of counties where a large number of such farms are operating, while the counties in the south of the country were less interested in this measure. At the same time, the distribution of counties by the value of contracted projects by measures under Axis 1 has the same territorial pattern that is found in the case of the number of projects.



Source: authors' processing based on MARD data, 2017

Fig. 4. Distribution of counties by the value of contracted projects under Axis 1 measures.

Axis 2, with the main objective to improve the countryside, was allocated the amount of 3.16 billion euro, out of which payments worth 3.04 billion euro were made in the period 2007-2015 (96.14% absorption capacity). The greatest part of its component measures (M 211- Payments for less-favoured mountain areas; M212 - Payments for less-favoured areas – other than mountain areas; M214 - Agri-environment payments; M215 - Payments for animal welfare) were delegated to the Agency for Payments and Interventions in Agriculture (APIA, 2015).

The institutions responsible for the evaluation of NRDP implementation consider, on the basis of result indicators, that the impact of this program was positive for agriculture and rural area, and that the EU funds contributed to the

improvement of the rural people's living standard (MARD, 2017a). Experts' analysis was more reserved. Şerban and Juravle (2012) consider the impact was low, as the main objectives established at EU level that mainly target the increase of the competitiveness of rural and agricultural economy rather correspond to the specific needs of the EU Old Member States and that they prove inadequate in addressing the challenges of the Romanian rural economy. Mihalache (2013) considers that the impact of NRDP implementation is unsatisfactory in the conditions in which serious structural problems are maintained in the Romanian countryside, such as the lack of integration of most Romanian farms on the market, under-employment and absence of a diversified rural economy.

Having in view the program's novelty and amplitude, the programming period 2007-2013 can be considered an important stage of accommodation and experience accumulation in accessing and implementing projects with non-reimbursable funding approved under NRDP. The applicants and beneficiaries learnt and accumulated knowledge that will be used for the next programming periods.

## 5. CONCLUSIONS

With the accession to the EU, Romania adopted the CAP principles and objectives in agriculture and rural development, which were transposed into the design of the first National Rural Development Program (NRDP) for the period 2007-2013.

The institutions responsible for the evaluation of NRDP implementation, on the basis of result indicators, consider that the impact of this program was positive for agriculture and the rural area, and that the EU funds contributed to the increase of rural people's living standard.

The experts' opinion was more reserved. These consider that the impact was low, as the main objectives established at EU level, mainly targeting the rural economy growth and agriculture competitiveness, rather respond to the specific needs of the EU Old Member States and they prove to be inadequate in addressing the challenges of Romania's rural economy.

Having in view the program's novelty and amplitude, the programming period 2007-2013 can be considered an important stage of accommodation and experience accumulation in accessing and implementing projects with non-reimbursable funding, as NRDP generated a great interest from the rural actors, translated into the large number of projects submitted (over 150 thousand).

The predominantly rural regions were the main beneficiaries, both in terms of the number (66.20% of the total number of contracted projects) and of the value of projects (58.89% of the total value of contracted projects).

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