THE FINANCIAL FRAMEWORKS OF THE EUROPEAN GRANTS ALLOCATION AND THEIR IMPACT ON THE ROMANIAN AGRICULTURE AND RURAL AREAS

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Abstract

In Romania there have been three financial frameworks of European grants allocation until today. These funds, conducted through multiple funding programs, are available in the past and present in the context of Romania's accession to the European Union in 2007. The first financial framework was conducted from 2000 to 2006, the second from 2007 to 2013 and the third is currently running from 2014 until 2020. The grants of the funding programs intended for the agriculture sector and rural areas always have been a specific segment of the grants, contributing to Common Agricultural Policy implementation. They have had a significant impact on the development of both the rural areas in general and the agricultural production sector or the diversification non-agricultural activities in the rural areas. This paper examines the different features of the three financial frameworks. It also centralizes the specific impact of the funds on the different segments of agriculture and rural areas. As there it will be seen, each financial framework has some specific features that have been established according mainly to the previous one.

Key words: European Union grants, Common Agricultural Policy, European Union

Following the official application for membership of the European Union submitted by Romania in 1995, starting 2000 the first specific European Union grants emerge, designed to increase the competitivity of specific sectors in Romania including agriculture and rural development and making it able to join the European Union. Due also to the recorded developments in these sectors, on 1st January 2007, Romania joins the European Union. During 2007 – 2013, as a member of the European Union, Romania continues to benefit of the European grants aimed towards the most important key activity sectors including production sector of agriculture, rural development, tourism and agro tourism, health, infrastructure, education, research etc. During 2014 – 2020 the second financial framework of grants are running since Romania is a member of the E.U. (or the third since 2000), intended to minimize the specific existing gaps between the average development level of the European Union countries and Romania, including in the same activity sectors mentioned above.

Currently Romania aims at absorbing the funds provided by the current multiannual financial framework, the seven-year period established by the Council of the European Union, 2014 – 2020. The current financial framework aims the same objectives of the grants, with slight differences.

MATERIAL AND METHOD

Studies required for the preparation of this paper were carried out during 2016 – 2017 using as sources of information secondary sources as literature from Romania and abroad. Specifically, the statistics on financial frameworks, conducted in Romania, developed by the relevant institutions were analyzed: Agency for the Funding of the Rural Investments, Ministry of Agriculture and Rural development etc.

Both the statistical data from the institutions and from the literature were processed and interpreted so as to highlight as relevant as possible the effect of absorbing European grants in the rural area in general and for the agricultural production sector specifically.

RESULTS AND DISCUSSIONS

Following the submission of the application to join the European Union in 1995, Romania started to benefit from grants for agriculture and rural areas between 2000 – 2006. These grants have been designed and allocated to enhance the competitiveness of key sectors in Romania,

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including agriculture and rural development, in order to make the country capable of joining the European Union. The absorption of the grants allocated during 2000-2006 contributed to the increased competitiveness of these sectors so that Romania joined the European Union on January 1st, 2007. As a full member of the European Union, Romania began to receive post-accession grants, this time in the financial framework 2007-2013. These grants aimed at modernizing sectors such as agriculture, rural development, tourism and agrotourism, health, education, research and more. The second financial framework since Romania's accession to the European Union is currently running between 2014 and 2020. As in the previous financial framework, the ongoing one was designed to narrow the gap between the European and the Romanian development in the same key sectors. This financial framework is currently being conducted, Romania benefiting from substantial grant amounts for selected projects.

The whole E.A.F.R.D. Programme consists of several directions of development of which the most important are: 1. Competiveness development of the agriculture producers (primary production sector); 2. Competitiveness development of the agriculture processers (processers sector; process of the primary production into the next stage of the chain value); 3. Development of the rural areas and promoting non-agricultural activities (Table 1).

Table 1

S.A.P.A.R.D. impact during 2000 – 2006 financial framework (selection)

Investment type	Unit type	Unit	Figure
Primary production sector			
Modernization & construction	Vegetal & livestock farms	Number of units	629
Modernization	Greenhouses	Number of units / Ha	16 – 1,432
Construction	Greenhouses	Number of units / Ha	71 – 16,689
Acquisition	Machinery units	Number of units	8,713
Establish and upgrading	Fruit plantation	ha	684,403
Establish and upgrading	Vineyards	ha	952,540
Total E.U. grants for primary production: cca. 470 million Euros			
Processers sector			
Modernization & construction	Meat and eggs sector	Number of units	85
	Milk and dairy sector		48
	Cereals		27
	Wine		24
	Vegetables, potatoes, fruit		17
	Oilseeds		1
Total E.U. grants for processers sector: cca. 696 million Euros			
Development of the rural areas and promoting non-agricultural activities			
Modernization & construction	Rural roads	442 financing projects	2,791 km
Water supply	Potable water in rural areas	292 financing projects	5,384 km
Construction	Sewerage network	91 financing projects	872 km
Modernization & construction	Rural agroturism	625 financing projects	9,944 beds
Construction & promotion	Traditional activities & products	18 financing projects	164 supplied craftsmen
Construction & modernization	beekeeping	213 financing projects	1,363 tones / year

Because at the start of the Special Accession Programme for Agriculture and Rural Development (SAPARD) Romania was dominated by a major lag in all the key sectors regarding its development, in comparison to all countries in the European Union, the program supported many of the specific activities towards agriculture and rural development. As we can see in Table 1, significant numbers of units were either built either modernized in order for their final products to have European standards. S.A.P.A.R.D. helped Romania and Bulgaria deal with the problems of the structural adjustment in their agricultural sectors and rural areas, as well as in the implementation of the acquis communautaire concerning the Common Agricultural Policy (CAP) and related legislation.

After the end of S.A.P.A.R.D., as a member of the European Union starting 2007, Romania started to benefit from the European Agricultural Fund for Rural Development (E.A.F.R.D.). It was developed by the European Union because of the idea that rural development is a vitally important policy area, affecting over 50% of the population of the EU and almost 90% of EU land. Farming and forestry remain central to rural economies, and rural development also focuses on revitalizing rural areas in other ways. Furthermore, issues such as climate change, renewable energy, biodiversity and water management are becoming increasingly important aspects of the EU's rural development policy. Over 200 billion Euros in funding were available to support the implementation of 94 RDPs across the European Union, for the programming period 2007-2013. Almost half of this money is provided by the E.A.F.R.D., overseen by the European Commission's Directorate General for Agriculture and Rural Development.

E.A.F.R.D. budgets in the RDPs are used to achieve a variety of rural development goals, including improving the competitiveness of farm, forest and agri-food businesses; helping protect the natural environment; supporting rural economies; and assisting quality of life in rural areas.

In Table 2 a centralization has been developed which shows how the 7.4 billion Euros were absorbed in Romania during E.A.F.R.D. 2007 – 2013.

Table 2

E.A.F.R.D. impact during 2007 – 2013 financial framework (selection)

Category	Subcategory	Unit	Figure	Total grants million Euros
Private sector				
Farmers (primary production)	Large farms	Number of farms	2,597	565.5
	Small farms, young farmers		12,954	278.9
Processers sector	Processing units	Number of units	1,011	452.7
Non-agricultural activities in the rural areas	Craftsmen, products and services	Number of units	3,133	264
Tourism activities	Tourist pension	Pension number	1,684	86.4
Public sector				
Rennovation and development of the villages	Rural roads	km	3,862	1,400
	Potable water	km	2,900	
	Sewerage network	km	4,345	
Development of the agricultural infrastructure	Agricultural roads	km	1,967	388
Forest roads	Forest roads	km	1,610	
Irrigation works	Irrigated area	ha	318,794	

Until the end of the E.A.F.R.D. 2007 – 2013 financing framework, the resort agency paid over 7.4 billion Euros for the selected and implemented financing projects. 149,888 financing projects were applied, put of which 97,135 were selected for financing. As we can see in Figure 2, of the private sector, the large farmers benefited the most of the grants available for the building of new or modernization of existing farms. Also a large amount was invested in the processing units of the second chain value of the projects. Finally, almost 300 Million Euros were invested for the replace of the old generation of farmers with young and qualified farmers.

As for the E.A.F.R.D. during the 2014 – 2020 financial framework, most of the grants are currently available and running taking into account the progress made during the previous financial multiannual frameworks as it was outlined in this paper. This means that the sectors which have a certain number of units which benefited of the grants already, like the tourism units in most of the rural areas or agricultural machinery are funded only by 40% - 50% instead of 70% - 85% in the previous frameworks. The financing schemes are currently mostly oriented towards those sectors which lagged behind in terms of competitiveness and rural development (potable water networks, irrigation systems, rural roads etc.). The first grants became available in the 3rd quarter of 2015 and all investors, town halls, local administration offices are welcomed to submit financing projects.

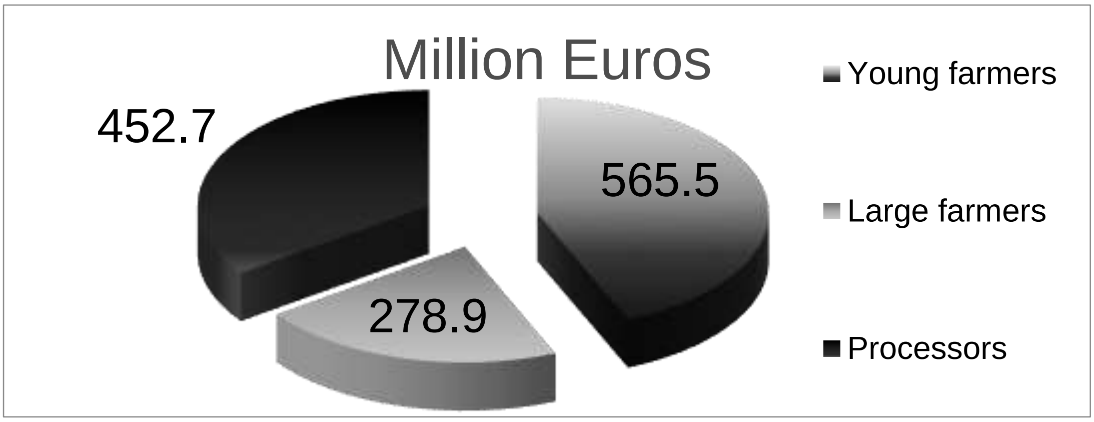

Figure 1 **Figures of the E.A.F.R.D. 2007 – 2013 financial framework regarding the private sector beneficiaries**

CONCLUSIONS

After two multi-annual financial frameworks consisting of 7 years each (SAPARD during 2000 – 2006 and E.A.F.R.D. during 2007 – 2013), Romania significantly developed its agriculture and rural areas sectors. Thousands of producing units in vegetal, livestock and processing sectors benefited from the grants in terms of machinery and the newest and most advanced technology was implemented in all these units. Moreover, several rural areas are now connected to sewage networks and potable water networks along with new or modernized rural, farm or forest roads. Also the old irrigation systems were modernized by a special measure of the E.A.F.R.D.

Most of the grants of the third financial framework, 2014 – 2020 are currently available and running taking into account the progress made during the previous financial multiannual frameworks. This means that the sectors which are already developed like tourism units in most of the mountain side rural areas or agricultural machinery development are funded only by 40 – 50% instead of 70 – 85% in the previous frameworks.

The financing schemes available today are mostly oriented towards those sectors which lagged behind in terms of competitiveness and development (potable water networks, irrigation systems, rural roads etc.).

The first grants became available in the 3rd quarter of 2015 and all private investors, town halls, local administration offices are welcomed to submit financing projects.

All the submitted and selected financing projects are expected to end their implementation by the end of 2023.

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