

CONTRIBUTIONS TO THE OPTIMIZATION OF THE ECO-CONDITIONALITY SYSTEM IN DIRECT PAYMENTS FOR ROMANIAN FARMERS IN THE PERIOD 2021-2027

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Abstract

The paper proposes to conduct a study on the optimal use of the CAP's "eco-conditionality" instrument in the context of the revision of the normative framework and procedures regarding the schemes and support measures for farmers in the period 2015-2020 and the conditions applicable to them. Were also considered the significance of applying this instrument as well as the issues that may arise from their non-application/improper application.

In terms of eligibility requirements, declared surface, payment rights, and surface control sanctions, the results of the verification of surface payment requests for the years 2015 to 2021 reveal that a total of 7,800,417 payment requests (applicants) were made for a declared area of 9,684,116 ha (annual average), with a total payment request value of approximately €6,018,442.1 thousand. After the farmers' declared territories were verified, SAPS sanctions (unpaid amount) in the amount of €372,122.8 thousand were put into effect. The primary role of agriculture, which accords this industry a particular standing in EU regulations, is that of a supplier of agri-food goods for the general public's use. All strategies for developing, supporting, and funding the CAP are built on this role. We put forth the following suggestions in relation to the optimization of the cross-compliance mechanism within direct payments for farmers. To lessen the obligations for small agricultural holdings where the risk is lower, the eco-conditionality requirements must be designed in a way that takes into consideration the size of the agricultural holding. Farmers and their control bodies must be able to understand the mandatory requirements for farmers and their control elements. It is advisable to eliminate GAEC standards and SMR requirements that are difficult to audit and cannot be quantified. In any scenario, the quantity and nature of cross-compliance requirements must be altered. Mandatory standards for farmers and the aspects of their control must be pertinent and simple for farmers and control organizations to comprehend. It is advisable to eliminate GAEC standards and SMR requirements that are difficult to audit and cannot be quantified. In any scenario, the quantity and nature of cross-compliance requirements must be altered. Inspection quotas should be lowered if particular control bodies have risk analysis systems that adhere to Community legal requirements and information on the extent of compliance. Additionally, risk analysis models can be built for locations vulnerable to cross-compliance in order to decrease the control sample.

Key words: Common Agricultural Policy, direct payments, cross compliance rules.

The Common Agricultural Policy (CAP) is one of the first policies of the European Union, being based on the principles of the single market, community preference and financial solidarity. The main objectives of the CAP are to increase productivity in agriculture, guarantee a fair standard of living for the rural population, stabilize the markets of agricultural products and guarantee the food security of the population (Alexandri C. *et al*, 2008). These objectives were conceived in the interest of both the producer and the consumer, being gradually implemented.

The central element of the 2003 CAP reform was the introduction of the single payment scheme (SPS), accompanied by horizontal measures such

as: cross-compliance, payment modulation, financial discipline, etc., starting in 2005 (Drăghici *et al*, 2003). Romania, as a new member state, opted for the application of a simplified system of direct aid, namely the single area payment scheme (SAPS), conditioned by compliance with the national ceiling established in the accession agreement and the common rules regarding the granting of area payments.

Also, the CAP reform after 2013 aims to increase the competitiveness of the agricultural sector, the sustainable development of agriculture and the maintenance of activity in rural areas, through direct payments conditioned on the use of agricultural land, the increase of production, the

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diversification of crops, the maintenance of permanent meadows, areas of ecological interest, as well as measures regarding risk management, ecosystem conservation and sustainable use of natural resources (Zahrnt V., 2009.)

Romania applies eco-conditionality rules, starting with the 2007 payment year, according to the following calendar: good agricultural and environmental conditions (GAEC), including the maintenance of the area of permanent meadows at the national level, starting from January 1, 2007; minimum requirements for agri-environment payments, starting from 2008 and legal management requirements (SMR) regarding the environment, identification and registration of animals, starting from 2012. Thus, farmers applying for area payments (direct payments, agri-environment payments, disadvantaged areas) and other support schemes and measures from European funds or from the national budget, must comply with the rules of eco-conditionality. Non-compliance with these rules leads to the reduction of payments or exclusion from payment in relation to the gravity, extent, persistence, repetition and deliberate nature of the non-compliance.

Starting from January 1, 2015, the rules regarding eco-conditionality include SMR requirements and GAEC standards, including the maintenance of permanent grasslands at national level, defined on the basis of European legislation on the financing, management and monitoring of the CAP 2014-2020, for the following areas: environment, climate change and the good agricultural conditions of the lands; public health; animal health and plant health; animal welfare.

In the context of the revision of the normative framework and procedures regarding the schemes and support measures for farmers in the period 2015-2020 and the conditionalities applicable to them (except for the year 2014 - transition to the new CAP) and considering the importance of applying this instrument of the CAP "eco-conditionality", as well as the problems that may arise from their non-application/improper application, we proposed to carry out a study on the optimization of the cross-compliance system within the direct payments for farmers, by evaluating the application of cross-compliance rules in the period 2007-2013 (case study) and finding the best implementation model for the period 2021-2027, in accordance with the CAP objectives.

MATERIAL AND METHOD

The main goal of the doctoral thesis is to optimize the system of cross-compliance within the

framework of direct payments for farmers in Romania by finding the best model for the implementation of cross-compliance rules in the period 2021-2027 that corresponds to the specific objectives of the common agricultural policy and the economic interests of farmers.

the application of an effective system of cross-compliance will directly lead to the achievement of at least two essential objectives of the new common agricultural policy, such development of sustainable agriculture through farmers' compliance with the relevant requirements related to the basic areas of eco-conditionality (environment, public health, animal and plant health, animal welfare). Also, increasing the compatibility of the common agricultural policy in relation to society's expectations in general by orienting payments to farmers who provide basic public services (increasing the credibility of the CAP).

In order to achieve the objectives mentioned above, it is necessary to carry out specialized studies and analyzes regarding the implementation of standards and requirements in terms of eco-conditionality, which will lead to the best decisions regarding their revision, in accordance with European regulations in the field.

On this line is also our option regarding the theme of this study "Optimization of the system of eco-conditionality within direct payments for farmers", the main goal being a clearer understanding of the conditionality applicable to schemes and support measures for farmers and their effective implementation in relation to the objectives of the common agricultural policy.

RESULTS AND DISCUSSIONS

The data presented below refer to the application of the eco-conditionality rules within the support schemes on the surface in the period 2007-2013 (direct payments, support for disadvantaged areas, agri-environment payments), resulting from the processing of the existing information in the database of the Integrated System of Administration and Control (IACS) and statistical documents managed by APIA, regarding:

- verification of payment requests per area (eligibility conditions, declared area, amount of payment request, penalties regarding control of areas);
- monitoring the surface of permanent meadows at the national level (reference report);
- compliance control and the application of sanctions in terms of eco-conditionality.

1. The situation of the allocation of direct payments on the surface

The results of the verification of surface payment requests for the period 2007-2013, in

terms of eligibility conditions, declared surface, payment rights and surface control sanctions, show that a number of 7,800,417 payment requests (applicants) were submitted. for a declared area of 9,684,116 ha (annual average) with a total value of the payment request of approx. €6,018,442.1 thousand. Following the verification of the areas declared by the farmers, SAPS sanctions (unpaid amount) in the amount of €372,122.8 thousand were applied.

2. *Monitoring of the area of permanent meadows (reference report)*

The obligation to maintain the surface of permanent meadows at the national level

constitutes an eco-conditionality norm within the area payments and is fulfilled by maintaining the ratio between the surface of permanent meadows (SPp) and the total agricultural surface (SA_t) declared by farmers on January 1, 2015 (table 1).

3. *Compliance control and sanctions regarding cross-compliance*

The results of the checks carried out within the control system for eco-conditionality - notifications in accordance with the provisions of art. 84 of Regulation (EC) no. 1122/2009 of the Commission (pillar I PAC) and with art. 31 of Regulation (EC) no. 65/2011 of the Council (pillar II PAC).

Table 1

The situation of the ratio of permanent meadows - SPp/SA_t (%) in the period 2015-2020

Specification	2015 (reference)	2016	2017	2018	2019	2020
Agricultural area SA _t (thou ha)	9411.6	9394.1	9706.9	9631.1	9769.9	9894.8
Meadows area - SPp (thou ha)	229.6	2011.2	2030.7	1899.4	2389.8	2359.6
Report of permanent grasslands SA _t /SPp (%)	40.99	4.67	4.78	5.07	4.09	4.19

The results of on-site inspections carried out in application of art. 50 of Regulation (EC) no. 1122/2009 and art. 20 of Regulation (EC) no. 1975/2006, as the case may be:

- applicants for direct payments, who are also beneficiaries of some support measures for rural development;
- farmers who are only applicants for direct payments;
- beneficiaries of support measures for rural development;
- beneficiaries of support measures in the wine sector.

The results of the administrative controls carried out in the application of art. 49 of Regulation (EC) no. 1122/2009 and art. 20 of Regulation (EC) no. 1975/2006, as the case may be:

- applicants for direct payments, who are also beneficiaries of some support measures for rural development;
- farmers who are only applicants for direct payments;
- beneficiaries of support measures for rural development;
- farmers who are beneficiaries of support measures in the wine sector.

The results of administrative and on-site controls carried out in application of art. 28 and 30 of Regulation (EC) no. 1122/2009 and art. 11 and 12 of Regulation (EC) no. 1975/2006 – eligibility

control, as the case may be: applicants for direct payments, who are also beneficiaries of some support measures for rural development; farmers who are only applicants for direct payments; beneficiaries of measures for rural development.

The results of the other controls: applicants for direct payments, who are also beneficiaries of some support measures for rural development; farmers who are only applicants for direct payments; beneficiaries of support measures for rural development, as the case may be.

Compliance with eco-conditionality - on-the-spot checks for beneficiaries of support measures for rural development, cf. art. 20 of Regulation (EC) no. 65/2011.

Amounts resulting from the application of cross-compliance - financial information regarding reductions/exclusions from payment.

Payment reduction sanctions are established depending on the type of non-compliance and the causes that led to it (table 2), according to the procedures in force, as follows: out of 18,851 cases of non-compliance, 18,648 cases of non-compliance due to negligence were reported in a field (80.98% of total violations), of which: 6,425 farmers were sanctioned with 1%, 1,847 farmers were sanctioned with 3% and 10376 farmers were sanctioned with 5% of payment rights; 29 cases of non-compliance due to negligence in several fields, farmers sanctioned with 1-5% of payment rights (0.13%); 103 cases of repeated non-compliance

due to the farmer's negligence, sanctioned with 3-15% of payment rights (0.50% of total violations) and 59 cases of intentional non-compliance,

farmers sanctioned with more than 15% of payment rights (0.27% of total deviations).

Table 2

Application of sanctions in relation to the type/cause of non-compliance, 2015-2020

Specification	Application of sanctions by category of non-conformities (number)						
	Total penalties, from which:	1% off	3% off	5% off	1-5% off	3-15% off	over 15% off
2015	3542	3300	242	0	0	0	0
2016	1819	1638	159	22	0	0	0
2017	1527	280	228	995	0	6	3
2018	946	107	96	663	12	65	3
2019	2779	481	240	2007	0	15	36
2020	6372	14	546	5772	13	9	17
Total period	16985	5820	1511	9459	25	95	59

To improve the existing situation, the following measures are proposed.

Maintaining direct aid systems and support measures for farmers who apply beneficial practices for the climate and the environment, the effective decoupling of production payments, the application of the cross-compliance system, as mechanisms that ensure the promotion of sustainable agriculture and the provision of an increasingly large for their financing within the common agricultural policy.

Simplifying the system for granting direct payments, adjusting some market measures, progressively reallocating funds to rural development measures and conditioning them on the use of agricultural land, increasing production and sustainable agricultural practices to respond to new challenges regarding climate change, food security, biodiversity protection, etc.

Improving the eco-conditionality system by applying a set of standards and requirements that strictly target the agricultural activity of the farmer and the land areas he manages, informing farmers about the obligations in terms of eco-conditionality, as well as applying a control system and sanctions effectively.

Revision of the rules on cross-compliance, so that they meet several objectives of the CAP (water quality, soil quality, biodiversity, landscape features, food safety, animal and plant health, animal welfare), but without leading to the amplification of bureaucracy or to the increase in administrative costs and unjustified expenses for farmers. The review considers the elimination and modification of some standards that do not meet the purpose for which they were introduced, based on a cost-benefit analysis.

The use of existing monitoring and control systems in the fields subject to eco-conditionality,

with the involvement of specialized control bodies, having the effect of increasing the degree of feasibility of the controls carried out, avoiding subjective findings and erroneous decisions regarding the reduction of payments or the elimination of payments from some farmers.

The expansion of the regulatory area of the eco-conditionality system, by including the directives on water quality and the use of pesticides in the scope of the eco-conditionality, to be carried out only after identifying the operational obligations of farmers, in relation to the requirements of the mentioned directives.

Regarding the optimization of the cross-compliance system within direct payments for farmers, we formulate the following recommendations:

a) The obligations regarding eco-conditionality must be established in such a way as to take into account the size of the agricultural holding, in order to reduce the obligations for small holdings where the risk is reduced.

b) Mandatory requirements for farmers and their control elements must be relevant, easy to understand by farmers and control bodies. GAEC standards and SMR requirements that cannot be easily audited and are not quantifiable should be eliminated. In any case, the number of cross-compliance requirements must be reduced, and their scope revised.

c) If certain control bodies have risk analysis systems that comply with the requirements of Community legislation, as well as information on the level of compliance, the inspection quotas should be reduced to a lower limit. Also, in order to reduce the control sample, risk analysis models can be established for areas subject to cross-compliance.

d) It is necessary to coordinate the control activities carried out by the responsible bodies with the control regarding compliance with the eco-conditionality rules, as well as reducing the number of inspections at the level of the agricultural holding.

e) The establishment of a system of indicators and the application of two or more sanctions in the case of committing a single violation, with the aim of simplifying the way of assessing compliance, as well as streamlining the control activity.

f) If for certain requirements there are very few violations in recent years, the annual controls for those requirements could be reduced or replaced by a control system by sampling, the purpose of the field controls being to encourage farmers to comply with them.

g) The obligation regarding the verification of non-conformities (farmer monitoring) as a result of the non-application of sanctions in case of minor deviations, should be reduced to random samples.

CONCLUSIONS

1. The analysis of the PAC evolution highlights the continuity of the European Union's policy in the field of agriculture and rural development in an evolutionary way, establishing the objectives to be achieved in a certain period, the instruments and mechanisms of implementation, as well as the financial resources. The mechanisms that ensure the promotion of sustainable agriculture at the level of the European Union are based on two pillars: pillar 1 - market policy and pillar 2 - structure policy, with an increasing emphasis on pillar 2.

2. Until 2005, payments made under the CAP were linked to agricultural production. It was appreciated that this mechanism distorts the markets and has negative consequences on natural landscapes and the environment. The CAP reform of 2003 aims to solve these problems, mainly by eliminating the link between direct payments and "decoupling" agricultural production, as well as by introducing the cross-compliance system.

3. The CAP reform from 2003-2008 was completed by the so-called "health check of the CAP" and led to the radical simplification of the system for granting direct payments, the adjustment of some market measures, the progressive reallocation of funds to development measures rural to respond to new challenges (climate changes, food security, biodiversity protection, energies from renewable sources, etc.). The system of cross-compliance, modulation of

support, financial discipline, decoupling of payments, support for disadvantaged areas and rural development measures are key elements of the CAP reform.

4. The work agenda of the European Commission had the following priorities: the revision of cross-compliance rules so that the producers themselves can benefit from their effects, the continuation of efforts to make the CAP more efficient after 2013, the search for a simplified model for the allocation of direct payments and the achievement of a consensus regarding the fair distribution of direct payments, in the context where some countries (the northern ones) are too conservative, and others (the eastern countries) too little committed in this regard. The main concerns of the "Barroso II" Commission were the maintenance of direct payments with an emphasis on environmental objectives, climate change, biodiversity, animal welfare and rural development; limiting payments for large farms; support for farmers in crisis situations; income assurance schemes, the consolidation of producer organizations and the establishment of a crisis fund.

5. The post-2013 PAC reform (the "Ciolos" reform) aims to increase the competitiveness of the agricultural sector, the sustainable development of agriculture and the maintenance of agricultural activity in disadvantaged areas, by applying direct payment schemes conditioned on the use of agricultural land, increasing production, diversifying crops, maintaining permanent meadows, areas of ecological interest, landscape elements, increasing competitiveness, preserving ecosystems and efficient use of resources.

6. Eco-conditionality is the basic instrument of the CAP that ensures the connection between the payments granted to farmers and compliance with certain requirements in terms of the environment, public health, animal and plant health, animal welfare, as well as the maintenance of land in good agricultural conditions. Thus, the application of the eco-conditionality system can lead to the achievement of at least two important objectives of the PAC, such as: the development of sustainable agriculture, through farmers' compliance with relevant requirements in areas of public interest and increasing the PAC's credibility in relation to society's expectations in general, by directing payments to farmers who provide basic public services.

7. The main function of agriculture, which gives this sector a special status in the policies of the European Union, is the function of supplier of agri-food products for the consumption of the

population. This function is the basis of all approaches regarding the development, substantiation and financing of the CAP.

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