

EUROPEAN FUNDS FOR RURAL DEVELOPMENT: A SUSTAINABLE VISION FOR ROMANIA

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***Abstract.** The future of rural areas requires a change of perception and a new vision, whereby these areas are seen as spaces with potential for various economic activities beyond agriculture. This new approach should also be reflected in the way the European Union funds rural areas through local and regional administrations. EU funds are particularly effective in tackling specific problems such as pollution, unsustainable agriculture, lack of essential services (such as health and education), poverty and unemployment. However, in the face of other challenges prioritized by the European Union as priorities for rural areas (e.g. ageing population, demographic decline, migration, the rise of populist movements or lack of public transport), European funding is perceived as relatively ineffective in providing solutions. Rural areas also face specific constraints in reducing greenhouse gas emissions and ecological footprint, as dispersed dwellings are often not retrofitted to make efficient use of natural resources and reduce pollution. The main objectives of the study include: identifying the research topic and funding policies in rural areas, defining the area of analysis and the capacity to identify EU policies in these areas, carrying out assessments and establishing frameworks for the analysis of EU rural policies.*

***Key-words:** sustainability, EU funds, rural environment, projects, development, efficiency*

***JEL:** O18, Q01, Q10, Q12, Q14, Q16, Q56*

***UDC:** 332.025(498-22)*

Introduction. One of the fundamental objectives of EU policy is to keep rural areas active and dynamic. According to the European Commission's long-term vision, by 2040 these areas should become better connected, resilient and prosperous communities. Recent statistics show that rural areas cover more than 80% of the European Union's surface area and are home to about 30% of its total population (Sherry and Shortall, 2019). These regions serve as natural habitats and agricultural areas, but can also provide a healthier and safer alternative to living in big cities, as well as a breeding ground for innovative and sustainable business models. However, many of these areas face common problems, such as population decline, low incomes, lack of employment opportunities, poor access to services and connectivity, low levels of education and digital skills, and low employment rates, particularly among women.

The first step towards a rural development policy under the Common Agricultural Policy (CAP) was taken in 1997 with the European Commission's Agenda 2000. Rural development actions, co-financed by European and national funds, have supported these areas in tackling economic, environmental and social problems (Anghelache et al., 2019). Over time, the budget allocated to rural development has increased and evaluations have demonstrated the positive effects of measures such as the revitalization of rural communities and local initiative-based development. These measures, although only a small part of the CAP budget, have a significant impact on addressing the socio-economic needs of rural areas (Borza, 2016).

The new rules adopted for the post-2022 CAP set out the types of rural development that should be financed through the CAP national strategy plans. Each EU Member State will have the flexibility to use CAP funds to achieve objectives such as job creation, economic growth, promoting gender equality, social inclusion and rural development (Heintel et al., 2018). The Commission's recommendations for the national strategic plans emphasize the importance of ensuring fast high-speed internet access for all rural residents by 2025, which would mean a significant increase in the percentage of rural households with access to next generation networks (NGN) from the average level of 56.40% in 2019 (Moës, 2018).

Following a public consultation in 2020, the European Commission published on June 30, 2021 „A long-term vision for rural areas in the European Union”, proposing to transform them into stronger, connected, resilient and prosperous communities by 2040 (Răzvanță, 2020). Now the specific problems of rural areas are being addressed in a broader framework that includes action beyond the CAP's traditional rural development measures. The long-term plan includes proposals for a rural deal between the European Union, national, regional and local governments, backed by flagship projects and new tools to make rural areas stronger, more connected, resilient and prosperous (Dan and Popescu, 2017). A rural observatory will facilitate the collection and analysis of data on rural areas, and a mechanism to assess the impact of EU legislation on rural areas will be incorporated into a „rurality check”. This Commission approach has increased stakeholders' interest and expectations about their role in reforming the EU's approach to rural development,

and in response the European Parliament has launched a long-term report on the future of Europe's rural areas (Feher et al., 2017).

Research methodology. The study on the sustainability of EU funds for rural development in Romania focuses on an assessment of EU legislation relevant to rural development and a literature review examining the effectiveness and functioning of EU rural development policy. This research is carried out through a detailed analysis of statistical reports and official documents issued by the EU institutions (such as the European Parliament and the European Commission) as well as by national authorities. The main data sources used include the Rural Investment and Financing Agency, the Interim Report of the National Rural Development Plan, the Ministry of Agriculture and Rural Development and the Directorate General for Rural Development (European Commission, 2021, Eurostat, 2024, Ministry of Agriculture and Rural Development (MARD), 2019).

The study aims to identify the aspects of EU rural development policy that need to change in order to turn this policy into a catalyst for a fair and sustainable transformation of rural areas in the European Union. The evaluation of rural policies is carried out by applying an analytical framework based on the concepts of territorial justice and good governance principles (Buzoianu et al., 2017). The concept of territorial justice, introduced by Davis, refers to the way in which public resources are distributed and the mechanisms through which this process takes place. The policy analysis in this study is based on the principles of good governance, which are essential to create a collaborative decision-making process, a vital aspect in the transition towards sustainability.

Main results. Rural development in the European Union is a continuous process of adaptation of rural areas to respond to the needs and challenges of the European Community. In this context, the European Union has created and implemented the Common Agricultural Policy (CAP), with rural development as its second essential pillar. In the case of Romania, agriculture and rural development are priorities for economic and social growth, given the large extent of rural areas and the vast area of agricultural land in the country (Turek-Rahoveanu, 2018).

Romania's territory reflects a harmonious combination of geographical structure and agricultural potential, as evidenced by elements such as topography, hydrological network, soil types, vegetation, land use, land improvement works, local infrastructure and economic activities (Filip et al., 2019). These characteristics demonstrate the continuous integration of natural economic resources in the processes of development, valorization, restructuring and balanced organization of the territory.

Romania represents 6% of the EU's total surface area and 4% of its population. In order to stimulate economic growth and achieve levels of income convergence with the rest of the European Union, it is essential to strengthen Romania's investment and competitiveness. Romanian agriculture is characterized by a heterogeneous farming structure, with a marked duality compared to most other EU

Member States (Filip et al., 2019). Although some progress has been made, there are still many small and very small farms in difficulty, along with a few large and very large farms that have not been restructured to meet current market requirements.

According to Eurostat data, there are 10.467 million farms in the 28 EU Member States, using 173.3 million hectares, with an average size of 16.5 hectares per farm (Turek-Rahoveanu, 2019). In Romania, there are 3.422 million farms occupying an area of 12.5 million hectares, each with an average size of 3.65 hectares.

In Romania, farms with a size between 0-2 hectares represent 70.20% of all farms, highlighting a phenomenon of excessive fragmentation that negatively affects their performance and economic development (Pîrvu et al., 2019). These farms, limited in terms of material and economic resources, focus mainly on production for own consumption, without making significant investments or contributing to market demand. The fragmentation of land into small plots makes it difficult to apply modern agricultural technologies necessary for stable and quality agricultural production (Mantino, 2020). Agricultural production in Romania suffers from an excessive dependence on annual weather conditions, with irrigation systems largely damaged and non-functional. In addition, many farms use outdated farming methods with low consumption of essential inputs such as quality seeds, fertilizers and crop protection substances, and their technical equipment is outdated in terms of energy efficiency and productivity (Malgorzata and Malgorzata, 2019). Romania is also facing the absence of a solid sector of medium-sized, family and communal farms, which are the basis of the „European agricultural model” promoted by the Common Agricultural Policy (CAP) (Ошибка! Источник ссылки не найден.). After joining the European Union, Romania has benefited from support for the modernization of this medium-sized agricultural sector, through measures facilitating access to European structural funds for the purchase of modern equipment and technologies.

The European Agricultural Fund for Rural Development (EAFRD) is a financial instrument dedicated to the implementation of sustainable rural development measures in the European Union, complementing the market policies and income support applied under the CAP. The EAFRD provides funding to Member States through rural development programs geared towards achieving the Union's rural development objectives and priorities (Lupu, 2020).

The National Rural Development Programme (NRDP) 2007-2013 has played a crucial role in the modernization of Romania's rural areas, having a positive impact on increasing added value and productivity in these areas. Axis 1 of the program has directly contributed to the increase in added value and productivity in the agricultural sector and food industry and has also had an indirect effect on the growth of the national economy (Florescu et al., 2018). This axis aims to increase productivity in the agricultural sector by improving the knowledge and skills of farmers (M111), modernization of agricultural assets (M121), extension of forest areas and promotion of sustainability to improve the competitiveness of rural areas (M122), and improving the competitiveness of the food industry by introducing innovations and

adapting enterprises to EU standards (M123), also through measure M112, the renewal of farm management was facilitated.

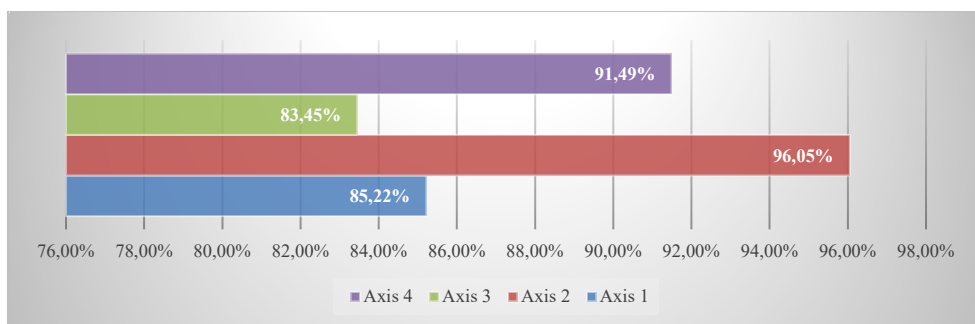


Figure 1. Percentage of execution rate on total axes

Improving competitiveness focuses on the efficient use of agricultural land through the implementation of new ownership structures (M125), the development of infrastructure, the use of a well-trained workforce and the efficient organization of farms (M141), and the promotion of the formation of producer groups (M142). Although the National Rural Development Program (NRDP) 2007-2013 has been less effective in relation to the set objectives, it has nevertheless contributed to increased productivity in rural economic activities. In particular, measures 121 and 123 had a significant impact on increasing the total value added of primary industry (Table 1).

Table 1. Budget allocation at measure level and financial implementation rates under Axis 1

Nr. crt	Measure	Total cost (thousand euro)	Value of payments made (thousand euro)	
			Total	of which: EAFRD
1.	111 - Training, information and knowledge dissemination	79.325	19.347	18.379
2.	112 - Setting up of young farmers	303.913	298.661	260.504
3.	121 - Modernization of agricultural holdings	1.531.325	716.825	614.443
4.	122 - Improving the economic value of forests	4.166	1.877	1.734
5.	123 - Adding value to agricultural and forestry products	1.786.571	552.785	478.522
6.	125 - Improvement and development of infrastructure related to the development and adaptation of agriculture and forestry	685.926	525.285	482.737
7.	141 - Support for semi-subsistence agricultural holdings	359.568	333.413	297.821
8.	142 - Setting up producer groups	22.530	5.452	4.993
9.	143 - Provision of advisory and consultancy services for farmers	12.340	5.084	4.706
Total Axis 1		4.785.667	2.458.734	2.163.844

Source: based on data from the Ministry of Agriculture and Rural Development

(Ошибка! Источник ссылки не найден.)

Axis 2 contributes directly to preserving biodiversity, maintaining high nature value agricultural land, improving water quality and combating climate change. It also has an indirect impact on improving living conditions in rural areas and supports the adoption of more efficient sustainable development practices (figure 2).

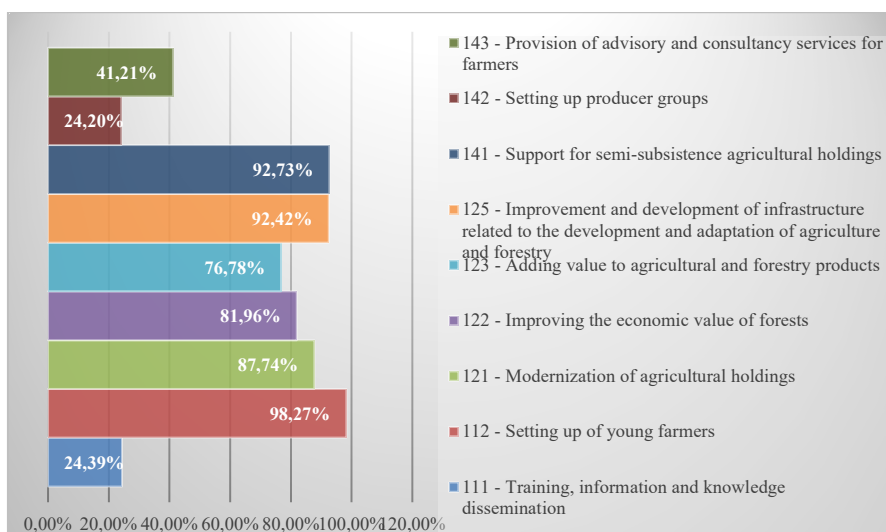


Figure 2. Execution rate percentage for Axis 1

Table 2. Budget allocation at measure level and financial implementation rates under Axis 2

Nr. crt.	Measure	Total cost (thousand euro)	Value of payments made (thousand euro)	
			Total	of which: EAFRD
1	211 - Support for disadvantaged mountain areas	769.555	770.594	732.064
2	212 - Support for less-favoured areas - other than mountain areas	435.641	431.637	410.055
3	214 - Agri-environment payments	1.428.418	1.377.933	1.309.036
4	215 - Animal welfare	526.421	457.489	434.615
5	221 - First afforestation of agricultural land	3.680	522	478
Total Axis 2		3.163.717	3.038.176	2.886.249

Source: based on data from the Ministry of Agriculture and Rural Development (Ошибка! Источник ссылки не найден.)

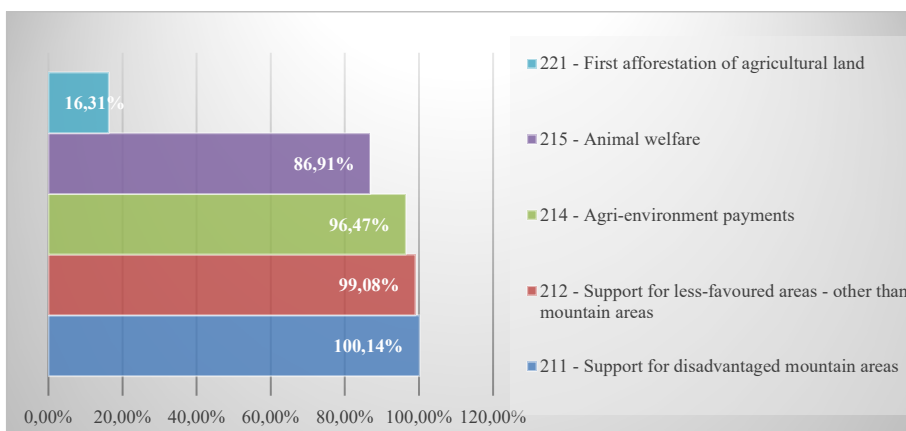


Figure 3. Execution rate percentage for Axis 2

Axes 3 and 4 play an important role in job creation in rural areas. Axis 3 contributes directly to the creation of new jobs and indirectly to the diversification of the rural economy, the development of new local services, as well as to the valorization of environmental resources and cultural heritage.

Table 3. Budget allocation at measure level and financial implementation rates under Axis 3

Nr. crt.	Measure	Total cost (thousand euro)	Value of payments made (thousand euro)	
			Total	of which: EAFRD
1	312 - Support for the creation and development of micro-enterprises	625.563	314.654	265.071
2	313 - Encouraging tourism activities	467.000	137.768	123.060
3	322 - Renovation, development of villages, improvement of basic services for the rural economy and population and enhancement of the rural heritage	1.627.359	1.498.500	1.248.530
Total Axis 3		2.719.923	1.950.922	1.636.662

Source: based on data from the Ministry of Agriculture and Rural Development (Ошибка! Источник ссылки не найден.)

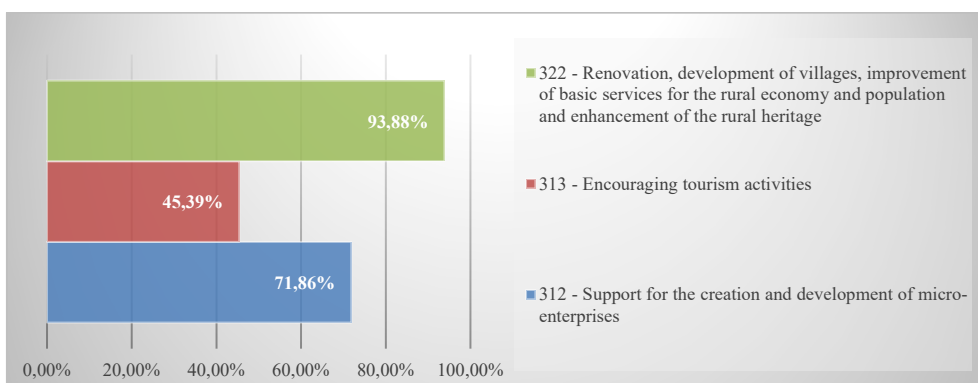


Figure 4. Execution rate percentage for Axis 3.

Axis 4 contributes directly to job creation and improved local governance, and indirectly to the diversification of the rural economy and the increased involvement of private partners in local development strategies through the implementation of the LEADER approach.

Table 4. Budget allocation at measure level and financial implementation rates under Axis 4

Nr. crt.	Measure	Total cost (thousand euro)	Value of payments made (thousand euro)	
			Total	of which: EAFRD
1	4.1 Implementing local development strategies	451.874	298.576	283.202
2	4.21 Implementation of cooperation projects	3.749	1.121	1.065
3	4.31 Running local action groups	68.470	53.615	49.379
Total Axis 4		524.094	353.314	333.647

Source: based on data from the Ministry of Agriculture and Rural Development
(Ошибка! Источник ссылки не найден.)

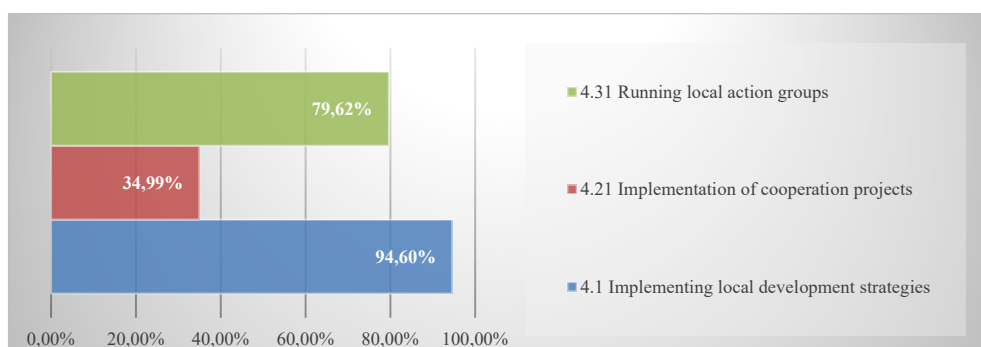


Figure 5. Execution rate percentage for Axis 4

For Axes 1 and 3, the level of capital absorption is lower than for Axes 2 and 4, mainly due to the difficulties encountered by beneficiaries in securing co-financing from their own resources or loans. The National Rural Development Program (NRDP) 2007-2013 focused on economies of scale and the need to improve competitiveness, protect land, water, natural resources, rural areas and increase quality of life. The NRDP 2014-2020 continued this approach, addressing weaknesses and capitalizing on opportunities identified on the basis of the progress made during the NRDP 2007-2013, focusing on agri-food processing, modernization of agricultural assets, rejuvenation of farmers, infrastructure development and diversification of local economies.

In the NRDP period 2014-2020, particular emphasis has been placed on sustainable development in rural areas through local action groups, aiming to maximize impact and solve structural problems of farms. The total funds allocated exceed 9 billion euro, of which the European Agricultural Fund for Rural

Development (EAFRD) contributes 8.1 billion euro and the state budget 1.3 billion euro. These funds are directed towards business and farm development, rural revitalization, environmental conservation, actions and knowledge transfer and LEADER initiatives.

Discussion and conclusions. In the current planning period and in the future, Romania must focus on increasing the capacity of rural areas to absorb EU funds in order to facilitate the creation and consolidation of farms in line with European standards. The results indicate a mismatch between the planned financial support and the rural realities in Romania during the two previous programming periods. In order to maximize the impact of the support, some aspects of the financial planning for the next intervention period (2021-2027) need to be reconsidered.

The contribution of local communities to strengthening rural areas is fully recognized. It is proposed to create a „one-stop” platform for information on existing projects and funding opportunities. Rural-oriented research and innovation activities under Horizon Europe will support innovative development in rural communities. It also mentions the organization of an annual forum dedicated to village development and the role of LEADER initiatives and „smart villages”. New programs such as Erasmus+ and the European Solidarity Corps will also target people in rural areas through inclusive measures. In terms of connectivity, it is essential to improve existing transport networks and reach the target of high-speed internet coverage for all rural areas by 2025.

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