

EUROPEAN POLICIES BY 2020

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Abstract. *Shaping European Agricultural Policy at the horizon of 2020 was and still is a complicated subject both because of the highly volatile and unstable international context and growing diversity of European agricultural sector, mainly due to enlargement to Central and former communist Eastern European countries. Development and agricultural productivity gaps generate disparities in farmers income and hence the options on the architecture, tools and financial allocations of future agricultural policy.*

This article intends to show the importance of the Common Agricultural Policy and its role in our country's economic growth and budgetary outlook for the immediate future.

The high level of absorption of European funds is another attraction in reading this article. We note that although the attraction of European funds interest is present at all levels, from the company to the central bank and head of state, our country capitalize not enough opportunity.

Keywords: *common agricultural politics, rural development, economic growth.*

JEL Classification: Q18; J43.

1. Introduction

In 2007-2013, agriculture and rural areas in Romania will go through important steps towards integration into EU structures. Agricultural policy will fundamentally change by moving from production supporting system, which has not provided the expected restructuring, increase economic performance and competitiveness in the market to the CAP mechanisms in order to increase economic performance and competitiveness.

The Common Agricultural Policy (CAP) is one of the first common adopted policies among the EU countries. Its genesis was a reaction to

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food problems that followed the Second World War, and measures were adopted in the European Economic Community (EEC). It should be noted from the beginning that the term “common” fairly reflects one of the defining features of the CAP, namely that for about 90% of agricultural products, the decision no longer rests with the Member States, but the European Union.

CAP is not only one of the first common policies, but also the most important. Its special importance in community construction is reflected through several distinct features:

- ✓ It is an integrationist policy par excellence, to a greater extent than even the Internal Market, where harmonized standards have changed only in approximately 10% of the national ones. In the CAP national agricultural policies have been replaced, for the vast majority of agricultural production of common rules for the operation of markets and marketing.
- ✓ It is a big financial resources consuming policy. Agricultural Policy consumes, through its complex system of subsidies and other financial incentives, about half of the common budget, the other big spender being the regional policy.
- ✓ Finally, farmers’ organizations have taken a strong influence on governments during the war, which later have kept it, and during the development of the CAP, have strengthened it. The CAP concept itself of protecting farmers’ income had a significant contribution to strengthening the position of these organisations.

2. Financing agriculture

Direct payments per hectare will remain until 2013, payable in 2011, and since 2010 they will reach the level of 100% as European countries. After 2013 Romania will ask their extension.

Ways of providing national support in 2010:

1. State aid scheme to be notified to the Commission: livestock, research and development, investment in agricultural holdings, removal and prevention of diseases of animals and plants, supporting agricultural and livestock production, technical assistance in agriculture, restructuring and rescuing firms with problems; help to train young farmers, support for Agroecology and environment protection, aid for investments in processing and marketing agricultural production, losses to beekeeping production or adverse weather conditions or natural disasters, aid for early

retirement, the cessation of farming or closure of production capacity, support for producer groups, aid for the forestry sector.

2. State aid scheme exempted from notification to the Commission: losses caused by adverse weather conditions or natural disasters; coverage scrapping climate, granting state aid to create jobs, encourage competitiveness and improving the environment without Commission involvement; prevention and eradication of animal and plant diseases, aid for innovation, environment, enterprises newly created by female entrepreneurs in the form of risk capital and development researchers.

Romania where agriculture requires large investments in terms of competitiveness, it is outdated and fragmented. World Bank (WB) considers that Romanian farmers can benefit from the Common Agricultural Policy and its financial integration and stability.

Between 2007 and 2013, Romania receives 14.5 billion euro, due to the CAP, proved by BM Partnership with Romania's strategy for 2009-2013. Romanian farmers have an advantage due to market integration opportunities, and predictability and stability provided by the CAP. BM stated that Romania can handle competitiveness and restructuring in agriculture.

Given PAC fund attraction, Romania has made progress in the adoption of the National Programme for Rural Development, but monitoring of fund attraction by farmers and impact on rural restructuring and development still has to continue.

Government departments considering agriculture and rural development have been suggested by the World Bank as technical assistance and analytical work to be improved.

Although arable land in Romania is extended and there is a favourable climate, farming is outdated and fragmented requiring major investments in terms of competitiveness, all of which are proven in the report.

3. Agricultural development during 2007-2013

Common Agricultural Policy for the period 2007-2013 focus on agricultural development through joint efforts of each member country. Its new objectives and courses of action aim at targets on farmers' incomes, production and agro-food supply, agricultural prices, training, rural development and environmental protection.

CAP reform also led to changing objectives, new objectives aiming to provide a better balance between measures to support and strengthen rural

development by transferring funds from Pillar 1, Agriculture, to Pillar 2 Rural Development.

Extending the scope of the tools of targeting rural development will lead to changing the way the European Union will support the agricultural sector. CAP will be geared to the interests of consumers and taxpayers, farmers having the freedom to produce what the market demands.

Thus during this period two funds were established, the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development aimed at achieving the new objectives of the CAP and funding of rural development measures.

EAGF finances market organization measures and price support for agricultural products, covering expenses that will be made for: export refunds on agricultural products to third-party countries, intervention measures to regulate agricultural markets, the direct payments to farmers under the Common Agricultural Policy and community financial contribution and promotion measures for agricultural products on the internal market of community and in third-party countries.

It also will make its presence felt in the financing of measures on specific veterinary measures, veterinary inspection measures, inspection measures for food and feed, animal disease eradication and Phytosanitary Measures.

Promotion of agricultural products, either directly by commission or through international organizations, establishment and maintenance of accounting systems for agriculture and agricultural survey systems, including farm structure surveys are other types of expenses that will be financed from this fund.

Most aid for various sectors financed by EAGF were allocated to the new system of direct payments, which are the result of CAP reform in 2003, changes that led to the elimination of the link between support and production, as production support system did not provide expected restructuring or increase economic performance.

The central objective of the unique payment is to guarantee farmers more stable incomes, they can decide what they want to produce knowing that they are guaranteed the same amount of aid regardless of whatever they produce and can thus adapt supply to demand. In addition to the unique payment, farmers may have other special support systems, associated to cultivated area and production (see table 1).

Table 1.*Allocation of the national budget and EU direct payments from 2007-2016*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
% Annual increase in payments from the Community budget limit	25	30	35	40	50	60	70	80	90	100
% Annual increase in payments from the national budget limit	30	30	30	30	30	30	30	20	10	0
Total	55	60	65	70	80	90	100	100	100	100

Source: Treaty of Accession of Bulgaria and Romania, the Romanian Official Gazette, 2005.

European Agricultural Fund for Rural Development is the complementary action designed common agricultural policy and aims to improve efficiency in production, processing and marketing of agricultural and forest products and local development potential of rural areas.

Importance given to this fund assumes that rural development policy should accompany and complement market policies and income support applied under the common agricultural policy and thus contributes to the objectives of this policy.

4. Budgetary outlook after 2013

According to European Commission Communication, CAP will continue in the coming years an integrated, strong policy consisting of two pillars of support. Medium-term strategic objectives behind the challenges and concerns of recent years are generous, but sometimes slightly divergent aim and means. Listed here:

- ✓ Preservation of agricultural potential on a sustainable basis, so that EU citizens have provided long-term food security. At the same time wants EU agricultural production to contribute to global food security, especially in developing countries, given that it will be threatened by instability of agricultural markets, increased climate change, pressure on agricultural prices by speculators;

- ✓ Supporting farm sector so that they provide clean and diversified quality agricultural products, made by complying with sustainable production values. Thus achieving performance agriculture is wanted, but while safeguarding the environment, water, health and welfare, plant health, in compliance with public health regulations.
- ✓ Maintaining viable rural communities where agriculture plays an important role in providing jobs and ensure economic, social and territorial balanced environment.

It brings into question the fact that agriculture is an important part of society and of the European economy and that any diminution of it can cause losses in economic terms (GDP) and social (jobs), not only in industry but also in activities upstream and downstream (vertical implications) and the rural world (horizontal implications). However we should keep in mind that agriculture is one of the sectors with the lowest productivity of capital.

The future CAP will be assigned the same as before between the two support pillars: Pillar 1, which will include increased requirements for equity funds and ecological distribution and Pillar 2, linking rural development competitiveness, innovation, environmental friendliness and implications of climate change.

The future CAP will pay farmers especially active ones and collective services which they offer society as a whole. It brings to the fore the fact that agriculture provides public goods to society, without which it could not continue to exist. And therefore the society must pay and support farmers and farming. Therefore farmers simply do not perform an economic activity, which should be subjected to the rigors of efficiency and competitiveness, but much more than that, agriculture is a more complex task overwhelming implications on environment, social and human implications in general. So the common agricultural policy is expected to ensure balanced, well-subsidized and ecological territorial development of agriculture.

Regarding the rural development policy, in the Commission Communicate proposed integration of requirements for the economic competitiveness of agriculture and its role in environmental and rural areas conservation. Support will be structured into three areas:

- ✓ agricultural competitiveness by promoting innovation and restructuring in order to hold a more efficient use of resources.

- ✓ sustainable management of natural resources, given the implications of climate change on the environment, agriculture and rural areas and the need to maintain productive capacity of the land.
- ✓ Balanced territorial development through capacity building and community authority and improving links between rural and urban areas.

Recent reforms, climate change, environmental issues have become prevalent and we see it every day. There is no sustainable competitiveness without taking into account the fact that natural resources are exhaustible. In the long run, it will be our duty as leaders to create conditions for vigorous growth without depletion of our natural resources.

Future reform of the CAP targets convergence with Europe 2020 goals on smart, sustainable and inclusive (includes partnership between agricultural production and sustainability). This envisages a common strategic framework for European funds to be included European Agricultural Fund for Rural Development (EAFRD), European Regional Development Fund (ERDF), European Social Fund (ESF), the Cohesion Fund (CF) and the European Maritime Affairs and Fisheries (EMFF).

Commission communication on multi-annual financial framework post-2013 covers a range of innovative features:

- ✓ providing pan-European logic toward supporting the implementation of the Europe 2020 strategy;
- ✓ support the implementation of measures of economic policy coordination in the context of the European Semester;
- ✓ implementation of the principle of solidarity, in which funding will be goal-oriented towards cohesion, migration, energy security, support for third countries (by providing support to less developed regions);
- ✓ ensuring an adequate level of the EU budget, in line with the recommendations of the European Parliament and the European Council (1.05% of GNI in commitment and payment appropriations 1%), a level of 0.02% of the possible expenses outside the MFF and 0.04% possible EU expenditure outside the budget for crisis and emergency, which amounts European funding allocations to 1.11%;
- ✓ ensuring own resources for the EU budget and reduce the GNI-based contributions (tax on financial transactions, Community VAT);
- ✓ financing interventions to complete the creation of the EU single market;
- ✓ providing a response to the current challenges – environment, climate change, humanitarian aid, demographic and cultural changes.

Reflecting actual ideas from the communication “CAP horizon of 2020: future challenges related to food, natural resources and territorial balance”, i.e. keeping the two pillars architecture, the CAP budget for agriculture being at least at the level of the current one, there is a proposed mechanism for the redistribution of direct payments between Member States, market restructuring measures, CAP being ranked as one of the few truly European common. It also reiterates the fact that the CAP must support sustainable farming in Europe by improving its competitiveness through the provision of adequate and safe supply of food, by preserving the environment and the countryside, while providing fair living standards for agricultural community. As such, it replaces 27 different national agricultural policies and it basically represents “savings” for national budgets because of direct support to farmers that is provided through the EU budget, without the need for national co-financing. The new CAP should lead to a more just and equitable support across the EU, by linking agriculture with environmental policy in sustainable management of the countryside and ensuring that agriculture continues to contribute to a dynamic rural economy.

The main concrete changes proposed by the Commission are:

- ✓ Greening of direct payments: 30% of direct support will be conditioned on the implementation of agricultural practices that protect the environment;
- ✓ Convergence of direct payments to ensure a fairer distribution of direct aid. Specifically it is proposed that gradually all Member States that have a level of direct payments below 90% of average to cover one third of the difference between their current level and this level. This convergence will be financed proportionally by all Member States with direct payments above the EU average.
- ✓ Allocation of funds for rural development will be reviewed on the basis of objective criteria and better targeted policy objectives. This will ensure fairer treatment of farmers engaged in the same activities. To allow CAP to face challenges specific economic, social, environmental and geographic European agriculture and to contribute effectively to the objectives of Europe 2020 will provide flexibility between the two pillars.

- ✓ level cap direct payments by limiting the basic layer of direct income support that large agricultural holdings may receive, taking into account the economies of scale of larger structures and the direct employment these structures generate.

The second pillar will be focused more on competitiveness and innovation, climate change and the environment. Quoted document maintains the proposal that after 2013, the European Agricultural Fund for Rural Development (EAFRD) to be included in the strategic framework common to all structural funds and the European Commission contracts with all Member States thus according more attention to the territorial dimension of socioeconomic development and gathering all available EU funds for the economic development of rural areas across the EU.

Finally, the Commission proposes to restructure market measures that are currently in the first pillar of the CAP. The Commission proposes the creation of two instruments outside the multiannual financial framework, which will be subject to the same rapid procedures as emergency aid reserve (RAU): an emergency mechanism to react to crisis situations (eg food safety issue) and a new scope for the European Globalisation Adjustment Fund.

The Commission proposes to allocate € 281.8 billion to Pillar I of the CAP and € 89.9 billion to the Rural Development between 2014 and 2020. This funding will be complemented by a further € 15.2 billion as: € 4.5 billion for research and innovation in food safety, bio-economy and sustainable agriculture (the Common Strategic Framework for Research and Innovation), € 2.2 billion for Food Safety, € 2.5 billion for Food Aid for the benefit of the most deprived, € 3.5 billion in a new reserve for crises in the agricultural sector and up to € 2.5 billion from the European Globalisation Adjustment Fund.

5. The high level of absorption of EU funds

European funds are the most important policy instrument used by the European Union to promote economic growth, regional development and accelerate the convergence process in the Member States. Structural Funds absorb about a third of the EU budget.

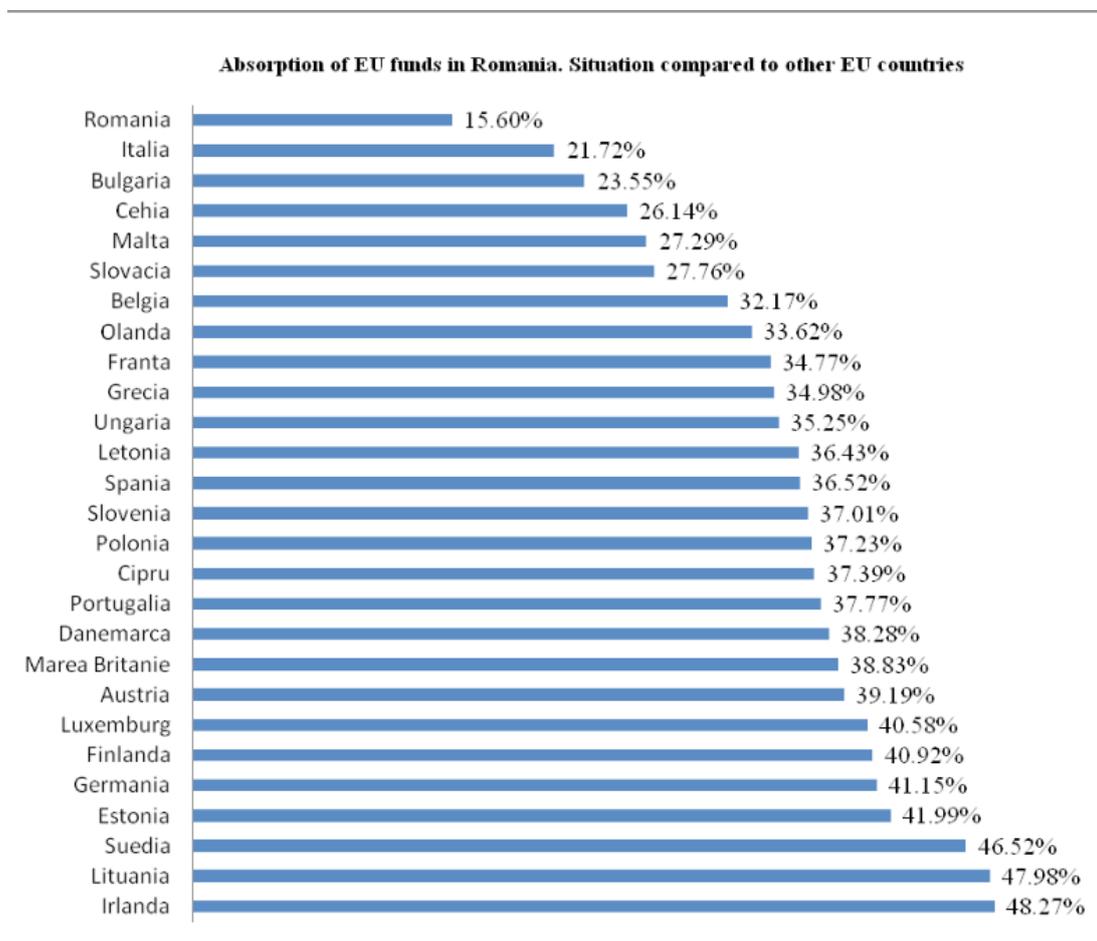


Figure 1. Status of EU funds absorption in EU Member States.

Source: <http://epp.eurostat.ec.europa.eu>

As shown in the figure above (see Figure 1), Romania ranks last among EU Member States in the absorption of funds, with a share of 15.60%. To stimulate increased absorption of EU funds there is a need for concrete and viable solutions that can be implemented in a short time.

Achieving a higher absorption of EU funds is crucial to ensure growth target in the coming years but also an accurate reflection of Romania's interests in the European Union's financial future (2014-2020). In order that attraction of European funds to grow, it is better for a country to attract capital flows generating no foreign debt than those that generate external debt. The latter are government debt and private debt, while

European funds, foreign direct investment and private transfers are those that do not generate foreign debts.

Importance of achieving a higher absorption of EU funds is supported by the fact that it contributes to economic growth. The importance of this is underlined by the fact that Romania has ongoing commitments to the IMF and other international financial institutions and the theoretical situation in which structural and cohesion funds would be absorbed at 100% then this would mean an increase of 1.8 percentage points per year. This allows Romania to negotiate the higher allocations in the next EU budget perspective, namely 2014-2020, though there is no legal or official about this.

Both Polish and Czech models require decentralization of the administrative-territorial units. Poland has centralized funds management by focusing Managing Authorities and the Czech Republic examines option to re-centralize some of the powers of local authorities in this matter. Any administrative reorganization by granting legal personality to the regions, would allow the creation of regional operational programs (like the Czech Republic and Poland) with specific objectives of each region, which would lead to an implementation tailored for the respective communities.

Importance of technical assistance from consulting and international quality firms, feasibility studies for the opportunity, work simplification and better communication among stakeholders can lead to higher absorption of EU funds.

Romania's strategies must be aligned to the priorities of the Europe 2020 strategy. Romania must turn to substantial improvements in terms of spending to have a firm position regarding negotiating the next financial years (2014-2020).

6. Conclusions

European funds are financial instruments created by the European Union for public and private sector in member countries in order to eliminate economic and social disparities between regions. European funds are a form of grant, from which benefits a variety of fields and activities, designed, therefore, for development and modernization. Although interest is present at all levels, from companies to the central bank and the head of

state, our country capitalizes not enough opportunity. Romania benefits from EU funds since joining the European Union. Although Romania was among the first Member States whose operational programs have been approved by the European Commission in the implementation of projects and there are still numerous and complex problems of which the most important are: human resources involved in this process are insufficient and weakly motivated, difficulties in preparation of project portfolio and launching calls for proposals, evaluation and selection delays, difficulty of the beneficiaries in starting project implementation, regulatory barriers and institutional issues.

The first relevant conclusion is the realization that economic development will not be uniform across economic sectors in any one of the possible scenarios of development. There will always be relative losers and winners. One of the key issues for policymakers will be to find solutions and socio-economic policy measures required to mitigate losses (costs) where they appear or are given, or, in the best case, to find ways to transfer all sectoral differences in a global growth. How well are we after accession, if we can infer the overall situation of Romanian agriculture, rural specific which currently is limited to subsistence?

Given the specificities of each region and contrasting position of countries regarding agricultural policies, the Commission has developed a reform of agricultural policy coordinates, which we consider moderate (but offering more flexibility for different types of agriculture) especially in the current economic and financial context, which is becoming increasingly unstable, putting pressure on any future financial planning.

Considering the state of Romanian rural areas, early experience in implementing EU programs and the Commission proposal on support for rural development which has many innovative elements in the development and implementation of rural development policy after 2013, special attention will have to be given to the following:

- ✓ need to identify and correct hierarchy of priorities for rural development – to avoid dispersion of support to a large number of measures and thus reduce future program effectiveness;
- ✓ joint evaluation of implementation constraints – including eligibility conditions, the intensity of Community involvement and intensity of institutional functioning;
- ✓ assessing the compatibility of the measures proposed in the Community menu and the real needs of the Romanian rural areas;
- ✓ precise definition of the object of intervention and determining the amount of intervention – exploiting the opportunity of "flexibility".

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