

FINANCING THE PROCESS OF DURABLE RURAL DEVELOPMENT

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Abstract: The durable development of the rural space has become an imperative necessity because the rural environment represents the vastest geographical space in almost all the countries of the world.

Through the Common Agricultural Policy there was established a connection that must be created in the future between the environment, rural development and durable agriculture in order to better orient the farmers towards the market, so that they would become competitive on the EU and world market.

The agricultural policy will orient itself on increasing the farmers' capacity to produce accordingly to the consumers' requests.

In order to achieve the objectives of the agricultural policy a unitary financing and administration system was created with specific mechanisms and instruments to support the agriculture.

Financing the agriculture and rural development of the EU member states is ensured through the community's budget, the national budgets of the member states and the own sources of the farms.

If the measures of rural development regarding the investments are achieved, their financing will be done through the communitarian budget, the national budget of the member states, as well as personal funds of the projects' beneficiaries.

Starting with 2007, the instruments of financing the EU agricultural budget will be represented by the two funds: The European Agricultural Guarantee Fund (EAGF) for financing the market measures and The European Agricultural Fund for Rural Development (EAFRD), for financing the development measures.

Agriculture plays an important part in all the world's countries, having a special contribution at the general process of durable economical development and of environmental protection.

Rural development has acquired a more important role in all the actions through which the rural areas are supported to face the challenges of the XXI century regarding the economy, social policy and the environment. The rural areas represent 90 % of the territory of the extended Union.

Financing the agriculture and rural development of the European Union member states is ensured as it follows:

- from the community's budget, towards which every member state contributes annually with a percentage from GDP (Gross Domestic Product).
- from the national budgets in order to adjust the agriculture to the market's demands.
- personal sources of the farmers.
- loans to complete their personal sources.

If the measures of rural development regarding the investments are achieved, their financing will have as source not only the communitarian budget, but also the national

co-financing from the national budget of the member states, as well as participating with personal funds of the projects' beneficiaries.

The main instrument of communitarian financing of the agricultural budget of the European Union until the end of 2006 for achieving the actions of the first pillar "Common Market Organizations" as well as the measures of the second pillar "Rural Development" has been the European Agricultural Guidance and Guarantee Fund, with the two sections (Guidance and Guarantee).

Starting with 2007, the financing instruments of the agricultural budget of EU will be represented by the two funds established through the reorganization of EAGGF and the union of the structural funds for rural development: The European Agricultural Guarantee Fund (EAGF) for financing the market measures and The European Agricultural Fund for Rural Development (EAFRD), for financing the rural development measures.

In order to achieve the objectives of the agricultural policy, an institutional environment as well as a unitary financing and administration system with specific instruments and mechanisms to support the agriculture were created. The institutions implicated in elaborating and administrating the measures of common agricultural policy are: the European Parliament, the European Union Council and the European Commission.

The legislative power is laid upon the European Union Council, while the European Parliament has only a consultative part.

The European Commission has two main responsibilities, the one of legislative initiative and the one CAP implementation. Marius Profireoiu.

The expenses corresponding to PAC from the European Agricultural Guidance and Guarantee Fund, created in 1962 administrates almost 50 % from the whole expenses of the Community's budget.

Starting with 1962 there were established the institutional environment, the objectives, the rules and the mechanisms to control the common market organizations as well as the ones in the financing system with specific instruments and mechanisms to support the agriculture.

The CAP mechanisms consisted of protecting the incomes of the agricultural producers by the means of two instruments: costs and subventions.

A high level of custom protection was organized regarding the foreign competence, associated with the internal costs' union for some products.

The internal costs being higher than the global ones, exports were encouraged through the assignment of subventions.

The common measures were financed from the common budget.

In this context there was a passage way from the extensive agriculture to the one of intensive type, with large farms.

Negative effects have also been identified, like: the exponential increase of agricultural expenses, global costs' distortion and dissatisfactions from the consumers and the taxpayers.

After the year 1980 and until 1991, the adopted measures have been more restrictive: introducing the production levels, that restricted the producers' right to guaranteed incomes according to a maximum level of production, stabilization of the agricultural expenses, drop of the Guaranteed prices.

After applying these measures some problems appeared, like: commercial arguments, negative effects upon the environment due to the intensive character of the production, etc.

In 1992 reform CAP measures were suggested.

The reform of agricultural policies mechanisms consisted of:

- redefining the intervention mechanisms;
- improving the offer's control, following the disconnection of the cost policy from the income policy, through a system of direct payments and the optional withdraw from the cultivation of some areas;
- introducing the Integrated Administration and Control System (IACS);
- reducing the valorized exports and the subventions in the export;
- reducing the budget costs by means of a better administration of the financial resources allocated to the markets, etc;
- introducing the measures of rural development and of environmental protection.

Letitia Zahiu.

In 1999 the European Union Council in Berlin has assimilated the strategic document "2000 Agenda";

In 2002 the European Commission has analyzed the CAP stage and has suggested new reform directions.

According to the Agenda within CAP the accent was drifted towards supporting the rural economy and continuing the reforms introduced in different market sectors in favor of competitive multifunctional agriculture, based on a global strategy of integration with rural development.

The reform measures in the 2000 Agenda were focused on three main action directions:

- modernizing the European agricultural model by promoting durable agriculture and increasing the competitiveness in order to liberate the market;
- reducing the economical disappearances in the EU regions, regarding the countries offering themselves as candidates for the agreement, by managing the structural funds towards the economies that greatly need to be revitalized, towards balanced regional development, fundamental improving the rural policy and the social and economical cohesion.
- ensuring and better administrating the necessary budget resources, respecting the priorities settled for 2000 – 2006.

In March 1999 there was decided the consolidation of rural development and the orientation of agriculture and the rural environment towards a durable development.

The 2000 Agenda introduced measures of integration for the environment objectives in the agricultural policy.

If the environmental demands are not fulfilled by the EU member states, the direct payments given within CAP will be reduced.

The main instruments of support, implementation and consolidation of Common Agricultural Policy are:

- the Costs;
- the Subventions;
- the Levels of Production;
- the Custom protection.

The cost policy was introduced to ensure the guarantee of the agriculturalists' incomes.

With the help of the cost, the public organisms have intervened by taking over from the agricultural producers the excess of products in order to store them and to sell the deposited products when the market was favorable.

The intervention cost is the minimum guaranteed price that could have been obtained for the production commercialized in the internal market. When the prices of some products reached the minimum level, or else the offer was bigger than the demand, the community could intervene by acquiring and storing that product, in order not to allow the market price to fall under the intervention cost ensuring the farmers the guarantee of some minimum incomes. When CAP was first founded, the level of the intervention cost was highly superior to the one on the global market.

After the reforms in 1992 and 1999, the intervention cost was brought towards the level on the global market, especially for excess generating products, while at the same time the farmers were given financial supports to compensate their losses.

The level price is the price under which the agricultural products imports could not enter in the European Union.

Its level was obtained by applying the custom taxes at the level of the global price.

The agreement for agriculture, negotiated within Uruguay Round of WTO (World Trade Organization), has foreseen the transformation of all nontaxable barriers into custom taxes.

The subventions represent another category of instruments of agricultural financial support: Subventions for production, direct payments, bonuses and other financial aids.

For supporting the agriculture the subventions were used as financial instruments in order to act upon the production by protecting the internal market and the imports.

The subventions' system comprised: subventions for production, subventions in lump sums, facultative subventions, subventions for export, etc.

Since 1992, in order to compensate the farmers' losses following the drop of the intervention price's level for the alignment with the prices on the global market, a part of the financial efforts to valorize the agriculture have passed from consumers to taxpayers. The compensatory sums were given either like an annual fixed sum or for unit of product, or for hectare, or for animals.

The direct payments' system was an alternative to valorize the agriculture and has had some advantages compared to the price subvention, like:

- using the direct payments' system has lead to the increase of the transparency level;
- the consumers have paid big prices, without knowing what percent from these ones was used to valorize the agriculture.

In the new system, part of the financial effort for the valorization has passed from the consumers (through the reduction of costs) towards the taxpayers, through the fiscal system.

Within the bonuses system the beneficiaries were the following categories:

- the agricultural producers, in order to cover the difference between the higher internal production cost and the lower sale price on the global market;
- the agricultural undertakers, who have agreed for at least 5 years (20 years for withdrawing the lands from cultivation), with one or more of the following obligations:
 - expanding the vegetal production or maintaining the extensive production already done or even transforming the arable lands in pastures and hays.
 - reducing the livestock for bovines and ovens on the unit of fodder surface;

- using some production practices compatible with the demands regarding the protection of the environment, of the natural resources, of the natural space, etc;
- maintaining the agricultural or forest lands;
- withdrawing the agricultural lands for at least 20 years.
- the agricultural producers, for establishing biological cultures, as long as the lot is in conversion.

The agricultural producers have also benefited from other financial aids, given either from the common budget, either individually by the member states, in both situations following the conditions set by the Community.

In order to prevent and restrict the overproduction, in the '80s the instrument of production levels was introduced.

The levels represent the maximum admitted amounts for the production of some products.

The levels of production have been established annually at the level of the community, and afterwards they were negotiated and distributed by countries, and after on farms, at national level. For the excess production, either the farmers were penalized or the intervention price was reduced for the next agricultural year.

The import of agricultural products in EU was achieved only with the condition of obtaining some import licenses and the payment of custom taxes.

In EU, for all the agricultural products there is a unique system of enforcing to import, the level of custom enforcement can be found in the communitarian custom price. The presented financing instruments were not applied unitarily for all the agricultural products.

Within the Common Market Organizations combinations of these elements were used, according to the specific features of the offer and demand for each product.

Through the Common Agricultural Policy there were established objectives and priorities with which to support the individual farms, as well as the connection that must be created in the future between the environment, rural development and durable agriculture, as it follows: a better orientation of the farmers towards the market, so that they would become competitive on the EU and global market.

The agricultural policy will not valorize through direct payments of production, it will focus upon the increase in the farmers' capacity to produce according to the consumers' demands.

The farmers will benefit from an income support at a reasonable level, they will have to obtain rewards for their agricultural activity which follows environment criteria, they will have to produce high quality aliments, to obtain an added value in order to increase their incomes.

In this context, the farmers can choose those measures which bring them bigger incomes, and allow them to run an activity for which they have the conditions to be competitive.

The main measures for using the financing instruments and mechanisms of agriculture aim at:

- reducing the intervention prices, in average with 25 %;
- new approach for the direct support given to agricultural producers.

The financing mechanisms for agriculture are:

- the unique payment diagram on workings;
- cross – compliance (rules of conditionality or eco - conditionality);
- modulating the financial support or discipline.

In the new phase of CAP reform, a new unique payment diagram on workings is introduced that will gradually replace the larger part of the direct payments system. The unique payment, as support for the income of some workings, integrates all the given direct aids and simplifies their administration. The allocated sum will be totally disconnected from the obtained production.

Starting with 2007, the agricultural budget of EU will be carried off by means of two European funds for agriculture that will be constituted according to the stipulations of the European Union Council Regulation (EC) no. 1290/2005, regarding financing the common agricultural policy:

- The European Agricultural Guarantee Fund (EAGF), instrument for financing the measures regarding the Common Market Organization, which will be composed of EAGGF – Guarantee;
- The European Agricultural Fund for Rural Development (EAFRD), instrument for financing the rural development. This fund will be composed of EAGGF – Guidance, but also the section Guarantee; the Cohesion Fund; sources from the EU pre-agreement funds; sources from the modulating mechanisms, etc.

EAGF and EAFRD will be carried off through the European Community general budget.

According to the stipulations of the Council's Regulation no. 1605/2002 regarding the financial Regulation applied to the European Community general budget, the communitarian financing will be done at central level or in the context of common administration, together with the EU member states.

According to the EC Regulation the European Agricultural Guarantee Fund will finance in the context of common financing between the member states and community, according to the communitarian legislation, the following expenses:

- reimbursing at export for the agricultural products towards third countries;
- intervention measures for adjusting the agricultural markets;
- direct payments towards farmers according to the common agricultural policy;
- the financial contribution of the Community to the measures of informing and promoting the agricultural products from the internal communitarian market to the third countries;

According to the communitarian legislation, EAGF will finance in a centralized way, the following expenses:

- the Community's financial contribution towards specific veterinary and hygiene measures;
- promoting the agricultural products;
- measures adopted according to the communitarian legislation to ensure the preservation, characterization, collection and the use of genetic products in agriculture;
- founding and supporting of accountancy informational systems for agriculture;
- agricultural surveillance systems, including investigations regarding the structure of agricultural workings;
- expenses regarding the fish products' market.

EAFRD contributes in promoting durable rural development in a complementary way together with the European Agricultural Guarantee Fund, the Cohesion Fund and the European Fisheries Fund.

The financial support for the rural development will have the following objectives:

- increasing of agriculture and forestry competitiveness by supporting the reorganization, development and innovation;

- improving the environment and the rural areas by supporting the land administration;
- improving the life quality in the rural areas by encouraging the diversification of economical activities.

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