

## APPROACHING SUSTAINABLE AND RURAL DEVELOPMENT IN THE NE REGION OF ROMANIA IN A STRATEGIC CONTEXT

Mintenica Mariana CIUȘTEA (BUTNARU)<sup>1</sup>

e-mail: butnaru\_mintenica@yahoo.com

### Abstract

The paper aimed to identify how to approach sustainable development in regional development strategies, having as a case study the North-East Region, and to evaluate how to implement strategic objectives, at regional and rural level. The paper aims to identify new strategic proposals to ensure sustainable development of rural areas, by using a system of specific, quantifiable and representative indicators that allow, through econometric analysis, evaluation of results and projection of the evolution of sustainable development. In the conditions of intensification, increase of plant production, but also of rural development, as basic links of socio-economic progress, there is the problem of achieving and maintaining the growth of agro-zootechnical production without major damage to the environment and health of humans and other living things. of the food chain. This priority task must be addressed in the light of the concept of sustainable agricultural development. Sustainable development is conceived as a necessity of reconciliation between the economy and the environment, on a new path of development that supports human progress, not only in a few places and for a few years, but everywhere and for a long future. This is in fact the only long-term alternative to the environmental crisis generated by human society. In the 2014-2020 strategy, the EU intended to spend almost € 100 billion on rural development policy through the European Agricultural Fund for Rural Development (EAFRD). One of the objectives of the EU's strategic framework for 2014-2020 was to place greater emphasis on delivering results. However, efforts in this area have been faced with the eternal problem of planning a new programming period before relevant data on expenditure and results from the previous period are available.

**Key words:** approach, sustainable development, strategies, regional, European

The national financial aids for agriculture support were reduced and directed towards the prices control for the basic products and for supporting the consumption, or towards subventions granted for inputs purchase. The use of some inadequate mechanisms of agricultural policy, lacking the performance objectives, determined the maintenance of the agriculture's subsistence character and has not allowed the formation of the sector of the middle commercial farms. In such conditions, it was aggravated the dual character of the Romanian agriculture, being developed a subsistence agriculture and large agricultural enterprises, which could not compete on the European market, and this led to the increase of self-consumption and to calling the food imports (Ungureanu G. *et al*, 2013).

In other respects, the paper aims to highlight a number of such impact assessment tools in the form of a set of indicators able to provide an overview of the direct and indirect measures stemming from the integration process on agriculture, as well as on the influence of CAP

mechanisms on agricultural performance at regional level. Impact assessment at the regional level is all the more important because, on the one hand, the agricultural policy measures implemented in our country are related to the level of the whole agriculture, without taking into account the regional particularities and, on the other hand, to be applied decentralized requires essential information to substantiate them.

### MATERIAL AND METHOD

The methodological and scientific support in this paper was based on a series of direct and indirect documentation such as: observation, analysis (qualitative, quantitative, and historical), synthesis, comparison, systemic, monographic, statistical, figures and tables in the full and complex exposure and rendering of phenomena and economic processes studied.

The theoretical support of the research focused on the study of important scientific papers in the field of economy and management, with

<sup>1</sup> Technical College Danubian, Roman

reference to the fiscal administration and the current problems in the public finances

## RESULTS AND DISCUSSIONS

Thus, Romania adhered to the European Union, with profound structural issues at the level of the agricultural sector. In our country, the number of subsistent and semi-subsistent farms is very high, predominating the agricultural exploitations led by the elder farmers, and the food industry is insufficiently developed in order to assure an outlet market for the basic agricultural products.

The integration into the European Union was one of the key priorities of Romania's foreign policies. As a substantial part of this strategy, Romania had to adopt, step by step, an agricultural policy and an institutional framework fully compatible with the communitarian agricultural policy (Cap) of the European Union. The two pillars of the Community Agricultural Policy of the European Union are to support the market and incomes and the rural development, and their funding shall be performed through EFAG, respectively EAFRD.

Estimating the GDP / Per capita disparity index: Based on the trend of the 2000-2019 data series, we are seeing a 32.2% potential increase in the indicator; based on the trend of the 2015-2019 data series, a growth potential of 12.7%. In fact, we can say that although economic growth is projected for the North-East Region, it does not contribute substantially to changing the region's contribution to national gross domestic product.

Thus, at the level of the North-East Region, the potential variation of the GDP / inhabitant disparity compared to the national average is between (42.7% - 50.1%).

Supporting the development of micro-enterprises and SMEs is an important objective of sustainable development as it allows the economic revitalization and economic involvement of resource regions. From this point of view, it is noticed that the business environment (formed by almost 90% of the micro-enterprises) was affected by the economic crisis, especially during 2017-2019.

The number of enterprises has started to increase since 2020, but their number has been under the 2000-2015 growth trends. During the implementation of the strategy (2015-2019) there is a reduction of approx. 20% of firms in industry and commerce, and especially growth in construction, agriculture and other sectors (*Table 1*), contrary to the strategic objectives of developing the processing industry in the region. However, trade firms remain predominant (about 39%), while those in agriculture account for only 4.2% in 2020 (an increase of only about 790 firms). The 2014-2020 IMF, approved in November 2014 (Council of the European Union, 2014), reveals a reduction in agricultural policy spending over the coming period. The amount allocated to the CAP amounts to 362.8 billion euro's, 37.8% of the total EU budget (less than 47.1% in 2007-2014). Thus, in 2020, the CAP budget will account for 35% of EU spending, 5% less than in 2015 (*Table 1*).

Table 1

### Evolution of enterprises active in sectors of activity during the period 2015-2020

Specification	2015	2016	2017	2018	2019	2020	2020/ 2015
Total	57168	60898	59051	53165	48591	50298	94.7
Agriculture, forestry and fishing	1863	1839	2056	2022	2004	2099	122.0
%	3.3	3.0	3.5	3.8	4.1	4.2	
Industry	7681	7555	7267	6525	5976	6088	80.9
%	13.4	12.4	12.3	12.3	12.3	12.1	
construction	4706	6047	6164	5075	4534	4642	135.8
%	8.2	9.9	10.4	9.5	9.3	9.2	
Trade	25733	26063	23580	21431	19340	19672	78.1
%	45.0	42.8	39.9	40.3	39.8	39.1	
Hotels and restaurants	2589	2813	3266	2948	2605	2755	116.1
%	4.5	4.6	5.5	5.5	5.4	5.5	
Other sectors	14596	16581	16718	15164	14132	15042	116.3
%	25.5	27.2	28.3	28.5	29.1	29.9	

Sources: INS

It is recommended that Romania support the elaboration by the European Commission, in close partnership with the Member States, of a Common Strategic Framework (CSF) for the European

Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Fisheries Fund, to establish an integrated

and coherent set of guidelines for the implementation of these instruments of the Community budget. The CCS must bring a higher level of coherence and complementarity in the planning and implementation of co-financed investments from the five structural funds, both at Community level and at national, regional and local level (Ungureanu G. *et al*, 2013).

However, this should not affect the algorithm on which the financial allocation is made on the three policies concerned (cohesion policy, the common agricultural policy and the fisheries and maritime affairs policy) nor the specificity and added value of the interventions of each fund. From the point of view of strategic programming at European level, the CSF must be closely, but not

exclusively, linked to the Europe 2020 Strategy and the Integrated Guidelines. The proposed thematic priorities will have to meet the EU's major development objectives, while retaining some flexibility in relation to the level of development, needs and challenges specific to each Member State (Henke R., 2014).

If we correlate the previous analysis with the share of subsidies, it is observed that in 2015 in small farms the most important were direct payments, while in large farms there were other subsidies (those for disasters) and subsidies for intermediate consumption (*table 2*). In 2020, direct payments became the most important, representing over 60% of the structure of subsidies regardless of the size of the holdings (*table 2*).

Table 2

**Subsidies structure, per standard value categories, in 2015 and 2020**

Specification	Plant production subsidies	Animal production subsidies	Rural development	Intermediate consumption subsidies	Decoupled payments	Other subsidies
Total-2015	1.2	38.1	0.0	10.6	21.0	29.1
Total-2020	0.8	7.6	1.8	5.2	61.9	22.6
<b>2015</b>						
(1) 2 000 - < 8 000 EUR	0.0	14.9	0.0	1.2	42.6	41.1
(2) 8 000 - < 25 000 EUR	0.0	72.5	0.0	0.7	18.8	8.1
(5) 100 000 - < 500 000 EUR	0.9	36.6	0.0	13.3	15.9	33.2
(6) >= 500 000 EUR	3.3	14.2	0.0	24.0	20.4	38.1
<b>2020</b>						
(1) 2 000 - < 8 000 EUR	0.0	6.0	0.0	0.7	61.6	31.9
(2) 8 000 - < 25 000 EUR	0.0	8.5	2.8	3.9	61.7	23.2
(3) 25 000 - < 50 000 EUR	2.6	5.2	0.0	4.7	62.8	24.7
(4) 50 000 - < 100 000 EUR	0.0	2.0	0.1	5.5	68.5	23.8
(5) 100 000 - < 500 000 EUR	0.5	0.5	5.0	7.8	66.5	19.7
(6) >= 500 000 EUR	2.0	19.0	0.7	6.9	55.1	16.4
<b>2015</b>						
Field crops	2.0	0.2	0.0	22.1	27.9	47.8
Other permanent crops	2.9	0.0	0.0	6.1	72.5	18.8
Other animals	0.0	99.9	0.0	0.0	0.1	0.1
mixed	0.0	8.0	0.0	0.2	42.5	49.3
<b>2020</b>						
Field crops	0.4	0.0	2.5	6.7	69.5	20.8
Horticulture	0.0	0.0	0.0	0.4	76.8	22.8
Wine	0.0	0.0	0.0	33.4	64.8	1.8
Other permanent crops	0.0	0.0	0.0	0.0	97.2	2.8
Milk	0.0	0.0	3.9	0.7	34.7	60.7
Other grazing livestock	0.0	16.4	0.0	0.4	48.6	34.6
Other animals	7.6	74.8	0.0	3.0	11.2	3.4
mixed	0.0	10.4	0.0	0.5	62.4	26.7

Source: FADN (RICA)

It is imperative that the particular situation of the less developed regions of the Union be duly taken into account. A suggestive example in this respect is the level of development and the quality of infrastructure in key areas (transport, environment, energy, health, education, social assistance, broadband, etc.). These regions

continue to have significant gaps in this respect compared to the rest of the Union.

As can be seen, the Regional Development Strategy 2020-2020 does not cover all the aspects necessary for adequate monitoring of the sustainable development of the region and the rural environment, and in many cases the proposed result indicators are oversized compared to the real

evolution of the region over the last 14 years. This oversizing of results, such as reducing the disparity to 25% or the risk and exclusion rate to 3.5%, is in fact a negative aspect of the way strategies are implemented in our country.

The evaluation of the Regional Development Strategy 2015-2019 highlighted the following:

- it does not address all aspects of sustainable development pursued at national level, not taking into account a series of indicators neither in the socio-economic analysis, nor in the strategic planning;

- does not propose measurable measures and especially quantifiable indicators for the proposed

measures, this being based on a series of statistical indicators evaluated in the socio-economic analysis for the pre-accession period, which identifies the evolutionary trend of the period;

- separates rural priorities from other regional priorities, focusing on infrastructure development, the rural economy and human resources;

- the objectives for rural development are not detailed, being passed centrally which gives a confusing picture of the measures that were actually pursued for the development of rural areas, etc. (table 3).

Table 3

**Sustainable Development Objective Indicator Priorities Target 2022 General Recommendations**

Sustainable Development	Objective	Indicators	Target 2022	General Recommendations
Structural transformations and macroeconomic balances	Improving human capital Developing a modern infrastructure Supporting a competitive economy and local development Optimizing use and protecting natural resources	Gross domestic product per capita	Minimum 26857.7 RON/loc	Ensuring an average annual growth rate of 29.2%
		GDP / disparity index vs. national average	Maximum 42.7% (or maintaining the level of the year 2019)	Ensure an average annual growth rate of 8.6% or maintain disparity in 2019 (37.9%) We believe that the 25% strategy's disparity index proposed by the strategy is not feasible in the context of regional development over the last decade.
	Supporting a competitive economy and local development.	Number of active enterprises	Minimum 82207.7 companies	Ensuring an average annual growth rate of over 16.0% (supporting the establishment of over 30000 companies)
		Întreprinderi active la 1000 locuitori	Minim 22 companies to 1000 habitants	Ensuring an average annual growth rate of over 16.4% The strategy proposes only 20 companies per 1000 inhabitants, but the potential is higher.
	Developing a modern infrastructure Supporting a competitive economy and local development	Existing tourist accommodation capacity	Minimum 33662.4 places	Ensuring an average annual growth rate of over 15.0%; over 8000 accommodation places (eg equivalent to about 300-400 tourist boarding houses)

The evaluation of the Regional Development Strategy 2020-2020 highlighted the following:

- integrates the objectives for the rural environment within all regional priorities, focusing on: infrastructure development, rural economy, human resources, telecommunications and innovation;

- rural development is integrated and separated under priority 3 as a separate strategic objective with three components: local infrastructure, diversification of the local economy and SME development (entrepreneurship);

- the objectives are detailed and accompanied by result indicators for the established measures and implementation projects;

- proposes concrete and measurable measures (projects, time, funds, etc.), quantifiable result indicators; and so on.

Target indicators must be based on a realistic and concrete estimate in order to be monitored and thus allow the impact of strategic objectives to be measured. In this context, we consider that the proposed and substantiated result indicators starting from the previous trend of the region, for all strategic priorities 2020-2020, can

be much better materialized in projects with major impact on sustainable development both at regional

and international level. rural environment. (Table 4).

Table 4

**Evaluation of the results of the implementation of the 2015-2019 strategic objectives**

Priority	Sustainable development	Rezultats	Impact
Business environment Human resources and social services Rural development	Gross Domestic Product per capita	Real GDP growth per inhabitant by 24.9%	+
		Increase of the disparity index compared to the national average of GDP / place cu 4,2% (o pondere de 62,1% din media națională, ultimul loc)	-
		The slight increase of GDP / place in Botosani county, disparity (-18.6%)	+
		The slight decrease of GDP / place in Suceava County, disparity (-3.7%)	-
		The strong decline in GDP / place in Vaslui County, disparity (-32.7%) (last place at regional level)	-
Business environment	Increase in the number of active enterprises	Decrease in the number of active enterprises by 5.3%	-
		Discount approx. 20% of companies in industry and commerce, and especially growth in construction, agriculture and other sectors Reducing the number of enterprises in the processing industry (considered a priority sector)	-
		Growth by 19.9% of the number of enterprises per one thousand inhabitants	+
		The growth rate of new businesses has fallen by almost 30% (88% of the national average)	-
		The number of newly created businesses in rural areas was about 30% Increasing the share of companies in agriculture, commerce and other sectors in predominantly rural regions	+

The different methodology for implementing the two strategies determined us to identify quantifiable outcome indicators in order to evaluate the implementation of these strategic measures at the regional level and especially for the evaluation of sustainable development at regional and rural level.

## CONCLUSIONS

The Community Agricultural Policy proved to be one of the most successful communitarian policies, having also a high degree of complexity. Exactly this success shall determine the difficulty of the reform, considering the changes in the initial conditions that represented the fundament of its elaboration. The need to increase the competitiveness on the European Agricultural Market, the creation of an integrated rural development program to accompany the reform process, the simplification of the legislative framework at the European level and the substantial decentralization in implementing the measures shall lead to a reform in phases, whose effects shall mark the entire European construct.

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The European model was often compared with the agriculture supporting system from other countries, being emphasized the weaknesses and the advantages of such an organization model. United States of America were often considered the benchmark, the profound reforms from this country allowing a reduced number of farmers to ensure sufficient production at equitable prices.

The design of the evolution of the selected strategic indicators, for the period 2014-2022, based on the trend of the periods 2000-2014, allowed us to compare the results obtained with the result indicators proposed within the Regional Development Strategy of the North-East Region.

The conclusions drawn from this analysis allowed us to observe that for the period 2014-

2020, the sustainable development objectives are partially pursued in implementation, through selective result indicators, which led us to develop new performance indicators or to change the values proposed in the current strategy. Our approach led to the redefinition of the general objective, to the reshaping of the results for 9 specific strategic objectives, the modification of the target values of 11 achievement indicators and the introduction of 23 new indicators for monitoring the strategic objectives of farms concerning the discomposure on income sources showed us that the value of the agricultural production leads to 68.8% of inequity, the remaining ones being under the influence of subventions. Among these, the most important contribution was of the free payments (20,8%) and the subventions for the intermediary consumes. The assessment of the effect generated by the modification of the income sources on the total income:

- incomes from the agricultural production, other subventions and subventions for breeding, lead to the increase of the inequity between the specialized farms; the increase with 1% of the incomes from the agricultural production leads to the increase of inequity with 6,85%;

- the subventions generally lead to the decrease of the inequity between them, especially in regard to the subventions for breeding (decrease of 4,1%) and direct payments (with 3,04%).

In conclusion, the subventions granted based on Pillar I present the highest level of importance in obtaining the incomes and therefore influence more and directly the inequity between farms. The obtained results show us that a modification with 1% of the subventions granted through Pillar I: they have a negative effect leading to the increase of inequalities between different size farms; they have a positive effect leading to the reduction of disparities between the farms from different sectors or specialized on certain products.

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