Greening the Common Agricultural Policy: Evidence from Romania

ANDREEA - EMANUELA DRĂGOI, PhD.
Institute for World Economy, Romanian Academy,
13 September, No. 13, Bucharest, Romania
andreeadragoi@iem.ro

ANCA - CĂTĂLINA DRAGOMIR, PhD.
SC Cepstra Grup SRL
anca.dragomir@cepstra.ro

Abstract: Over the years, the Common Agricultural Policy (CAP) has sharpened its focus on the environment and climate with success (the so called greening process), while undergoing through a series of systemic changes that have allowed it to support a resilient and sustainable growth in the European rural areas. Analysing the impact of this greening process during 2014-2020 financial framework, our paper summarizes how CAP funding supported the sustainable and ecological development in Romania, while pointing out the main achievements and challenges. We will also highlight through a quantitative analysis based on the latest available data the implications of the greening process for Romanian agriculture using two main indicators - the evolution of Direct Payments and of environmental measures. These measures belonging to the both pillars of the CAP may underline the challenges for the Romanian farmers to obtain the necessary funding while also complying with the green standards and the no backsliding principle. Based on LEADER experience we will also show the importance of CAP funding in Romania for supporting the local communities, on several objectives: increasing employment, financing renewable energies and encouraging social inclusion in rural areas.

Keywords: Romania, Common Agricultural Policy, Direct Payments, LEADER

JEL Classification: Q, Q18, Q19

1 Introduction

The term *greening* in relation with the Common Agricultural Policy has been first used in 2013, during the large CAP reform that started in that year[1] and it's involve all the climate change and sustainable development measures implemented through both pillars: Direct Payments for farmers under Pillar I and environmental measures (echo-schemes included) under Pillar II. A series of studies and assessments from the European Commission (EC) and European Parliament (EP) (EC, 2013; EP, 2015; EP 2016) have pointed out the need for a fundamental shift in CAP financing: from market oriented support towards environmental and ecological goals. The greening process of CAP has been long debated and analysed in the economic literature of the last years (Matthews, 2013; Westhoek et al., 2012; Lenschow, 1999). While a series of studies have pointed out the success of this process (Czekaj et al., 2013), there are others that have stated the existence of numerous obstacles and challenges for a number of Member States, Romania included (Drăgoi&Bâlgăr, 2015).

Greening the CAP has evolved along with all the reforms, starting with the 2013 one and finishing with the latest adopted amid the pandemic struggle and the Green Deal enforcement. Currently the greening of CAP follows several goals related to various items of EU environmental and climate legislation (on biodiversity, water and air quality, greenhouse gas emissions, energy and pesticides). The foundation of the greening process is

[1] See the following regulations: Regulation No 1307/2013 of the European Parliament and the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009, Official Journal of the European Union L 347/608; Commission Delegated Regulation No 639/2014 supplementing Regulation (EU) No 1307/2013 of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and amending Annex X to that Regulation, Official Journal of the European Union L 181/2014 and Commission Delegated Regulation No 1001/2014 amending Annex X to Regulation (EU) No 1307/2013 of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy, Official Journal of the European Union L 281/2014.

conditionality that is a system of linkage between area and animal-based CAP payments (in Pillar I or Pillar II) and a range of ecological obligations. Those obligations originate either in CAP legislation (in the case of "standards for good agricultural and environmental condition" – GAEC) or in non-CAP directives and regulations (in the case of "statutory management requirements" – SMRs). All those requirements create the new system of conditionality also named the “cross-compliance” system.

There is a growing number of studies analyzing the impact of CAP greening, but many of them have limited coverage of this process while focusing mainly on specific agricultural sectors or regions (e.g. Arfini et al. 2014 for Italian farms; Gaymard et al., 2020 for French farms; Brown & Jones, 2013 for north Cornwall in the United Kingdom; Mahy et al. 2014 for Flanders in Belgium; Czekaj, Majewski and Was, 2014 for Polish farms) while a significant lower number of studies are dedicated to an entire Member State during a whole financial framework. This is why our paper proposes a wide analysis of the greening impact of CAP on the whole agricultural sector of Romania using the available data for 2014-2020 financial framework for underlying the mutations on the direct payments system but also the impact of other environmental measures on Romanian farms.

2 Greening the CAP – implications for Romania

In Romania, as an EU member state, the CAP represents the broad framework for financing the agricultural sector, while at national level, funding is allocated through the National Rural Development Plan (NRDP). According to the National Rural Development Plan, agreed together with the European Commission, Romania has assumed, for the previous financial framework (2014-2020) a series of climate objectives grouped in four strategic areas: competitiveness and local development; developing human capital and increasing the employment rate in rural areas while combating poverty; development of infrastructure, transport and increasing the attractiveness of rural areas for investment and sustainable use of natural resources and promoting energy efficiency.

These strategic areas have been the cornerstone of the country's long-term rural development, especially given that some major challenges for the national rural area are the following: increasing investment to stimulate competitiveness and jobs outside agricultural activities, increasing the quality of education in rural areas, reducing poverty and developing a digital infrastructure, but also "green" energies and eco-friendly agriculture. The European Commission's assessment has also identified as a key priority for Romania the ecological development of its agricultural sector, which was, at the date of adoption of the NRDP for the period 2014-2020, too focused on subsistence agricultural activities, being necessary at the same time to increase the size of Romanian farms and the shifting of labour from rural areas to non-agricultural activities.

Also, during 2014-2020 Romania has assumed as key objectives the sustainable management of natural resources, the preservation of the rich biodiversity that still exists in most of its rural areas and the promotion of actions to restore protected wildlife areas and forests.

The entire NRDP for the 2014-2020 funding period has been divided into six strategic priorities as follows: Priority 1 - Transfer of knowledge and innovation in agriculture, forests and rural areas (P1); Priority 2 - Farm viability, competitiveness and sustainable forest management (P2); Priority 3 - Organizing food production chains, including processing and marketing for original agricultural products, animal welfare and risk management (P3); Priority 4 - Restoration, conservation and growth of ecosystems in agriculture and forestry (P4); Priority 5 - Resource allocation efficiency and the transition to a low carbon economy, combating climate change in agriculture, food and forestry (P5); Priority 6 - Social inclusion, poverty reduction and economic development in rural areas (P6).

Also, the NRDP for the period 2014-2020 focused mainly on three domains: promoting competitiveness and restructuring in the entire agricultural sector in Romania, environmental protection and combating the effects of climate change and stimulating economic development, job creation and more good quality of life in Romanian villages, given that in these areas there are major gaps compared to the EU development average. In NRDP, P1, allocated funds for the modernization of almost 3,400 farms and cooperatives, but also to support the development of over 30,000 small farms while allocating funds to 12,000 young farmers. Under P4, funds were allocated for 1 million hectares of agricultural land and 900 000 forests through direct payments that support biodiversity and promote good ecological land management practices (see Table 1).

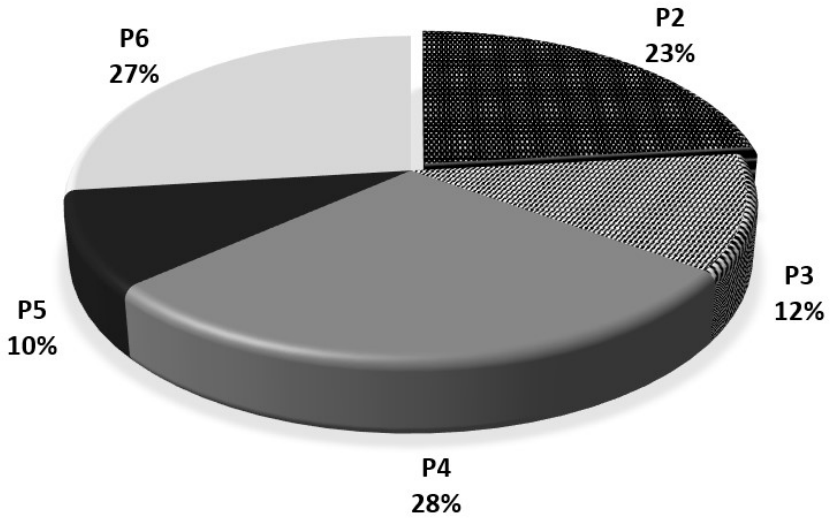
Table 1: Funds allocated in Romania through NRDP for combating climate change and environmental protection, 2014-2020

Strategic Priority	Measure	Funds (Bn. EUR)
P4	M01-Knowledge M10- AEC M11-Organic farms M13-ANC M15-Forestry and environment	2.67
P5	M01-Knowledge M04-Investments M5C-Renewable energy M5D-Greenhouse gas reduction M5D-Agricultural land management M5E-Fixing carbon in the soil M10-AEC M06-Farms and business development M08-Forestry	0.72

Source: Author based on „Factsheet on 2014-2020 Rural Development Programme for Romania" February 2021.
Note: Measure 10 AEC refers to agri-environment and climate measures, and Measure 13 ANC refers to payments for areas facing natural constraints.

If we analyse the structure of distribution of share allocated to strategic priorities, we note that environmental and climate objectives have benefited from a significant allocation of total funds granted in Romania during 2014-2020 (Graph 1).

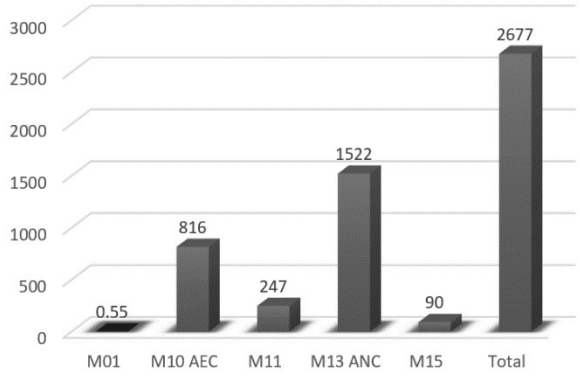
Graph 1: The share of strategic priorities related to climate and environment in the total funds from NRDP, 2014-2020 (%)



Source: Author based on „Factsheet on 2014-2020 Rural Development Programme for Romania" February 2021.
Note: For the strategic priority P1 (transfer of knowledge and innovation in agriculture), Romania did not allocate funds, according to the data from the country factsheet sent to the European Commission, therefore this priority is not included in this graph.

As can be seen from the graph above, special emphasis is placed on supporting P6, which is linked to reducing poverty and increasing social inclusion in rural areas. This is all the more important as, according to MADR data, the average size of the Romanian farm is considerably smaller than the EU average (3.4 ha in Romania, compared to the EU average of 14.4 ha). In P4 and P5, as shown in Table 1, a number of strategic objectives are pursued through various specific measures addressing the challenges mentioned above. Within these measures, the measures for areas with natural constraints M-13 ANC and the agri-environment measures M-10 AEC have the highest share for P4, while the measures for knowledge and technology transfer M01 have the lowest share (see Graph 2).

Graph 2: Funds allocated in P4 from NRDP, 2014-2020 (Ml. EUR)



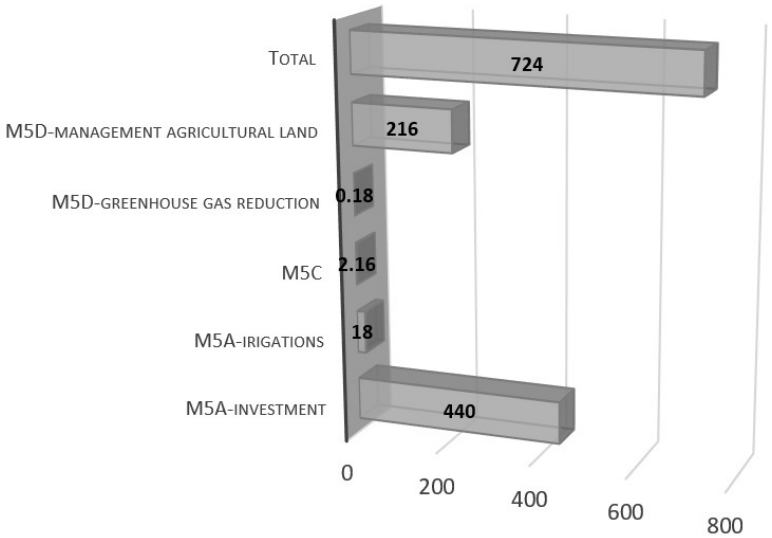
Source: Author based on „Factsheet on 2014-2020 Rural Development Programme for Romania" February 2021.

During 2014-2020, P4 and P5 also directed funds to promote the association between small farms, but also for investments in the forestry sector, especially by extending the network of forest roads by 900 kilometres. The NRPD has also been able to adapt quickly to current pandemic challenges. Thus, more than 122,986 farms affected by the economic difficulties induced by the COVID-19 crisis received temporary support, including for maintaining environmental standards and avoiding bankruptcy. In addition, the NRPD paid special attention to the restoration, preservation and growth of ecosystems in rural areas, but also to sustainable land management. Given that in Romania two thirds of the funds were allocated to these priorities (P4 and P5), measures M10 and M13 received the majority of funding.

It should be noted that, since 2015, MADR has introduced a new delimitation of areas with "other significant natural constraints" which means that the total area designated with natural constraints (ANC) currently covers almost 50% of the Romanian agricultural area. During the 2014-2020 financial framework, compensatory payments were made to farmers for more than 70% of all designated areas, representing 4.7 million hectares (more than a third of total agricultural land) to prevent land abandonment and soil erosion (especially for areas affected by climate and physical constraints such as mountainous areas but also areas affected by soil erosion, drought, etc.). In terms of resource efficiency and combating the effects of climate change, the NRPD has given priority to these objectives by allocating funds for the modernization of existing irrigation infrastructure through 363 projects. These projects targeted almost 400,000 hectares of agricultural land for which water use will be more efficient and adapted to increasing water scarcity.

Under P5, most of the funds were allocated to water management efficiency Measure 5A, while renewable energies (Measure 5C) benefited from insufficient allocations in the total of this priority (see Graph 3.) A significant share of funding was granted for Measure 5D on agricultural land management, while Measure for carbon sequestration in soil (Measure 5E) has received reduced funds.

Graph 3: Measures financed in P5 through NRPD, 2014-2020 (Ml. EUR)



Source: Author based on „Factsheet on 2014-2020 Rural Development Programme for Romania" February 2021.

3 The role of CAP in supporting the green rural development in Romania

As stated by the new conditionality of CAP, Romania had to set out, during 2014-2020 financial framework, its NRDP in order to include the addition of climate to the agri-environment and forest-environment measures, along with the creation of a separate measure for organic farming.

While Romania is among the Member States with the largest rural population (Table 2), CAP financing especially through Direct Payments remains crucial in stimulating the sustainable development of these regions.

Table 2: Rural population and GDP in Romania in 2020, comparisons with other Member States

EU Member States	Population		GDP at current prices		GDP in PPS (**)	
	Total population	Rural population	Nominal GDP (million EUR)	GDP per capita (EUR)	Nominal GDP (million PPS)	GDP per capita (PPS)
	2020	2020	2020	2020	2020	2020
Belgium	11 522 440	979 680	451 177	38 438	401 800	34 800
Bulgaria	6 951 482	900 963	60 643	8 486	112 700	16 300
Czech Republic	10 693 939	2 266 457	213 660	19 444	296 500	27 700
Denmark	5 822 763	1 645 387	311 725	51 889	231 500	39 700
Germany	83 166 711	12 990 603	3 332 230	40 173	3 024 700	36 400
Estonia	1 328 976	587 531	27 167	20 324	34 100	25 600
Ireland	4 964 440	2 823 690	366 506	70 373	314 300	63 100
Greece	10 718 565	3 350 055	165 830	15 438	205 300	19 200
Spain	47 332 614	1 576 603	1 121 698	23 281	1 204 000	25 400
France	67 320 216	18 819 365	2 278 947	33 437	2 070 700	30 600
Croatia	4 058 165	1 724 293	49 283	11 987	76 600	18 900
Italy	59 641 488	5 885 082	1 651 595	27 084	1 653 900	27 500
Cyprus	888 005	:	20 841	23 660	23 800	26 800
Latvia	1 907 675	412 347	29 334	15 205	40 300	21 200
Lithuania	2 794 090	228 493	48 930	17 339	72 300	25 900
Luxembourg	626 108	:	64 143	95 670	50 400	79 900
Hungary	9 769 526	1 813 276	135 925	13 703	217 900	22 300
Malta	514 564	:	12 824	24 162	14 900	29 000
Netherlands	17 407 585	105 192	798 674	44 858	675 500	38 700
Austria	8 901 064	3 574 669	375 562	42 293	332 300	37 300
Poland	37 958 138	13 542 173	523 033	13 396	866 900	22 600
Portugal	10 295 909	3 172 862	202 466	19 222	237 200	23 000
Romania	19 328 838	10 255 681	218 166	11 097	408 000	21 100
Slovenia	2 095 861	1 218 053	46 297	21 901	55 000	26 100
Slovakia	5 457 873	2 036 437	91 555	16 424	120 300	22 000
Finland	5 525 292	2 169 107	237 467	42 283	187 400	33 900
Sweden	10 327 589	925 377	472 262	45 387	379 600	36 700

Source: Directorate General for Agriculture and Rural Development, *Expenditure in commitments for direct payments and market measures; ceilings of support for rural development*, June 2021

During 2014-2020, Romania made significant changes to the funding granted through the first Pillar of CAP. The most notable of those changes was to allocate 30% of Pillar 1 to the Greening Payment among Direct Payments in order to boost agricultural activities that may contribute to environmental priorities.

In 2020, in Romania, as in other Member States, the Direct Payments accounted for most of the funds allocated through CAP, exceeding by far the allocations for rural development (Table 3). From all those Direct Payments, the green ones were very important allowing to the Romanian farmers to receive funding for a wide range of activities: crop diversification on arable land, maintenance of permanent grassland, and Ecological Focus Areas (EFA) on both arable and permanent crop land. As mentioned by some analysts (Allen, 2011), this green financing through Pillar 1 of CAP has been recognized as having the greatest potential to address a range of environmental concerns in the farmed countryside.

Table 3: CAP funding in Romania in 2020, comparisons with other Member States

EU Member States	Direct payments	Market measures	Rural development	Total
	1 000 EUR	1 000 EUR	1 000 EUR	1 000 EUR
Belgium	481 836	60 758	102 723	**645 317**
Bulgaria	781 855	18 386	338 990	**1 139 231**
Czech Republic	855 832	16 537	321 615	**1 193 984**
Denmark	814 070	12 212	151 589	**977 871**
Germany	4 768 123	117 256	1 394 589	**6 279 967**
Estonia	142 536	1 476	129 177	**273 189**
Ireland	1 201 194	59 338	312 570	**1 573 102**
Greece	1 982 609	59 445	698 261	**2 740 315**
Spain	5 125 093	599 856	1 183 394	**6 908 343**
France	6 909 823	550 551	1 987 740	**9 448 114**
Croatia	317 338	13 061	282 343	**612 741**
Italy	3 599 133	677 514	1 501 763	**5 778 411**
Cyprus	48 125	5 922	18 881	**72 929**
Latvia	277 306	3 048	161 492	**441 846**
Lithuania	480 492	3 344	264 151	**747 987**
Luxembourg	32 841	556	14 511	**47 909**
Hungary	1 266 719	40 211	486 663	**1 793 593**
Malta	5 117	344	13 859	**19 320**
Netherlands	666 190	22 583	147 976	**836 749**
Austria	691 597	22 298	567 266	**1 281 161**
Poland	3 402 201	25 553	1 187 301	**4 615 055**
Portugal	680 228	107 898	582 456	**1 370 581**
Romania	1 912 461	65 671	1 139 927	**3 118 059**
Slovenia	133 869	7 022	120 721	**261 611**
Slovakia	447 758	11 255	214 525	**673 538**
Finland	523 450	6 473	344 777	**874 699**
Sweden	686 818	11 875	249 819	**948 511**
EU27_2020	38 234 612	2 520 441	13 919 080	**54 674 132**

Source: Directorate General for Agriculture and Rural Development, *Expenditure in commitments for direct payments and market measures; ceilings of support for rural development*, June 2021.

As shown by Table 3, Romania had the highest allocation of Direct Payments of all other CEE countries in 2020, while the funding for market measures was significantly lower.

Under Direct Payments, environmental and climate goals are supported through "Green Direct Payments" which are practically "rewarding" European farmers who choose to protect the environment and combat climate change through sustainable agricultural practices. This is considered to be crucial in the CAP, given that agriculture is currently severely affected by the effects of natural disasters caused by dramatic climate change.
Most Member States have allocated, as a consequence of greening of the CAP, a fixed ceiling of 30% for "green" Direct Payments. In practice, Romanian farmers can receive "green" Direct Payments for those activities considered beneficial for the environment (especially related to soils and diversity) as follows:
- Crop diversification, which means a greater variety of crops to increase the resilience of soil and agricultural ecosystems;
- Maintaining permanent pastures to help fix carbon in the soil and protect biodiversity;
- Ecological Focus Area, (EFA) in which biodiversity and natural habitats beneficial to the protection of different plant and animal species are protected (according to CAP regulations they must represent at least 5% of the arable land).

For each of these "green" objectives there are a number of specific criteria that must be taken into account in granting direct payment to farmers. Thus, as regards crop diversification, the farm in question, if it exceeds 10 hectares, must cultivate at least two types of crops and, if it exceeds 30 hectares, at least three types of crops.

Moreover, the main crop cannot exceed 75% of the agricultural area. As regards permanent pastures, their size shall be determined by each Member State according to its specific situation with a margin of flexibility of 5%. EFAs are mandatory at 5% for those farmers who have arable land exceeding 15 hectares, in order to preserve the biodiversity within their farms.

During 2014-2020, the many changes proposed by the CAP reforms also brought with them significant opportunities for Romania. For example, the inclusion of some land management actions under Pillar 1 offered the opportunity for agri-environment funding to deliver greater environmental benefits. However judging from Romanian experience maintaining a focus on environmental priorities will remain a significant challenge particularly in relation to economic and production driven pressures, while requiring to the managing authorities to engage with a wide range of stakeholders, including the farming and forestry communities in the design of their RDPs.

Given this particular challenge, LEADER[2] axis offered a better chance for green development in Romania enforcing a new bottom-up approach on sustainable rural development. While the LEADER approach offers a greater degree of local autonomy and flexibility to address both environmental and socio-economic issues than is possible with the conventional top-down delivery of Pillar 1 support, this axis has better success if is used in combination with other land management measures to deliver environmental priorities.

This can be beneficial in certain situations where top down approaches are impractical, where environmental projects are driven by local communities and stakeholders, or where it is particularly important to engage a range of local actors in the delivery of environmental benefits (see Box 1). In Romania, during 2014-2020, LEADER was implemented under the NRDP through the European Agricultural Fund for Rural Development (EAFRD).

During 2014-2020, according to ENRD LAG database (the database for all implemented LEADER projects at EU level) Romania successfully implemented a number of 26 LEADER projects many of them related to farm modernization, job creations and renewable energies. Though their cross-cutting approach LEADER projects have stimulated various actors such as farmers, researchers, advisors and businesses involved in the agriculture and food sector to implement innovative projects and disseminate the results. Hence many of those projects helped promoting a climate friendly and resilient agriculture while improving processes to preserve the environment and creating new products and processes such as high nature value (HNV) farming (which is the cornerstone for farmland diversity) or new crops for drained peatland soils. Considering the new green objectives of CAP after 2020, we believe that LEADER may be a crucial financial tool in stimulating HNV farming especially since apart from conserving wildlife, such farms provide a multitude of other services for society, including ecosystem services such as carbon storage, clean water, wildfire prevention, storage of genetic diversity and cultural values.

Box 1: LEADER projects in Romania supporting sustainable rural development – case studies

Dairy Farm with Biogas Production Unit

A Romanian company constructed of a modern dairy plant with a renewable energy production unit that uses the by-products of milk production in Nucet, Dambovita County.

Project Results:

The advanced technological solutions applied helped reduce energy consumption and wastewater. Moreover, animal welfare for the animals was improved due to improved ventilation and reduction of insects, while processing of the manure for the production of biogas reduced gas emissions to almost zero. This investment also helped create new jobs without gender discrimination since the units have separate changing lockers. Thanks to LEADER support high-quality milk and dairy products are being produced to meet the high demand in the market. At the same time, reduced production costs and greater efficiency has increased the farm's profitability and competitiveness.

Lesson learned:

The investment could not have been possible without engaging a company specialized in designing and implementing industrial construction projects, while good communication between the beneficiary, local authorities and the Agency for Financing Rural Investments helps overcome challenges. This case-study has shown that obtaining private sources for

2 The term 'LEADER' originally came from the French acronym for "Liaison Entre Actions de Développement de l'Économie Rurale", meaning 'Links between the rural economy and development actions. LEADER is a local development method which has been used for 30 years to engage local actors in the design and delivery of strategies, decision-making and resource allocation for the development of their rural areas. In the 2014-2020 programming period, the LEADER method has been extended outside CAP financing under the broader term Community-Led Local Development (CLLD) to three additional EU Funds: the European Maritime and Fisheries Fund (EMFF); the European Regional Development Fund (ERDF); and the European Social Fund (ESF).

funding from the banks is difficult for start-up companies, hence it can be necessary to repeat the procurement procedure if insufficient or noncompliant offers are received.

Modernization of a vegetable farm in Romania

A Romanian farm specialized in crop production invested in modernisation activities to expand its production capacity. As a result, it created job opportunities for the local Roma community.

Project Results:

The use of the best technology available reduced losses in production and improved performance. The new machinery made it easier for the company to adapt to EU environmental, veterinary, sanitary and phyto-sanitary standards. The project contributed to Roma integration into the labour market through training and employment. The investment created two jobs for women (secretarial and accounting) and five for youth to operate the new equipment. The company staff increased from 11 to 18 people.

Lesson learned:

The beneficiary considered that training on farm management and marketing is essential for its business development and to fully exploit the potential of this kind of investment.

LAG for renewable energies in Valea Baseului de Sus

In order to contribute more effectively to combating climate change, the Local Action Group (LAG) of Valea Baseului de Sus in the north east of Romania included energy adaptation and mitigation projects in its local development strategy. The intention was to focus on innovative and sustainable initiatives that could not be funded with other RDP measures and that would benefit the whole rural community.

Project Results:

1 county with a photovoltaic power plant: € 68 000 (near completion) +1 project of € 25 000 Stradal LED lamps (in approval phase) (both funded by LEADER)

1 town with 1 project of Stradal LED lamps (€ 70 000 funded by LEADER) + 1 photovoltaic power plant funded by Norway Grants (in contracting phase)

1 county with 1 project of Stradal LED lamps (completed by Government funds) + 1 photovoltaic power plant (LEADER € 30 000 plus local funds in design stage)

Lesson learned:

For the post-2020 programming period, it is hoped that the experience of this project will be used as a template for continuing community energy projects under LEADER. Ideally, this could be linked with Smart Villages. A relevant step-by-step manual is currently produced to share the project experience with other LAGs across Europe.

Source: ENRD, LAG database, https://enrd.ec.europa.eu/projects-practice/romania_en

As shown by the above case studies, during 2014-2020, Romania benefited from LEADER approach to sustain green rural development in several regions. However the lessons learned from those experiences have highlighted that for the post-2020 programming more actions to support this type of financing at national level are necessary, especially since such funding represents an effective integrated approach for achieving key environmental, financial and social benefits.

4 Future challenges for green rural development in Romania

There are some vulnerabilities of the Romanian countryside and as many possible impediments to green rural development: the economy of Romanian rural areas is deeply dependent on agricultural activities (in Romania agricultural activities represent about 60.5% of the total rural economy, compared to the EU average which is only 14.1%); the Romanian agricultural sector is characterized by a significant number of small agricultural holdings that mostly practice subsistence agriculture, i.e. agricultural production is mostly directed at own consumption; both agricultural land and labour in subsistence farms under-exploited in terms of their true potential, which paradoxically makes Romania, although with a significant agricultural potential and many fertile lands, or net importer of agricultural products.

Given these realities, there was a need for specific tools and actions that not only increase the real convergence of the development of the Romanian agricultural sector with the EU average, but also contribute to providing specific solutions to different specificities in rural Romania. Naturally, most of the funding needed for rural funding came from the European Agricultural Fund for Rural Development (EAFRD), with priority given to the following objectives: a more innovative and competitive agricultural sector, increasing the added value of agricultural products, assistance to farmers to and develop small businesses and to diversify their economic activities in order to reduce the co-dependence between farm incomes and agricultural activities.

As shown by the previous financial framework, Romania may benefit greatly from the new greening of CAP especially in some niche fields as HNV farming. While the European Forum on Nature Conservation and

Pastoralism data are showing that Romania has the potential to become a key player in HNV farming giving its landscape characterized by a rich variety of natura habitats and species, much progress is necessary in order to make the Romanian farmers to support this type of eco-friendly farming, especially since many Romanian farms are struggling with poverty and lack of modern infrastructure.

In Romania, subsistence and semi-subsistence farms (which count for the majority of Romanian farms) are poorly equipped technically and do not have market orientation strategies which could help them to better integrate in the markets. Access to agricultural credit and insurance is difficult for the entire agricultural sector, but especially for small farmers. Agriculture still provides about 30% of total jobs in Romania, the largest share in the EU, six times higher than the EU average. Another 2% are employed in the food industry. Faced with an unfavourable age structure (only 7% of farmers are young farmers), those working in the agricultural sector have a low level of formal education and skills. There is a great need to improve professional skills in agriculture, while promoting economic diversification in rural areas (only 18% of non-agricultural SMEs in Romania are located in rural areas) - to provide new jobs, to reduce excessive dependence on agriculture and increasing rural incomes. Basic infrastructure and access to services in rural areas continue to be of poor quality and underdeveloped. Currently over 40% of the rural population is at risk of poverty and social exclusion. Regarding the sustainable and environmental component of rural development, it should be mentioned that, currently, more than a fifth of agricultural land in Romania is located in areas with great biodiversity.

Therefore, key challenges related to environmental priorities and land management for the 2021-2027 financial framework include dual pressures on the risk of abandonment of agricultural activities in some areas and the need to comply with stricter ecological rules. Large agricultural areas are affected by soil degradation phenomena (erosion, landslides and desertification) and those risks are expected to intensify as the effects of climate change increase. Irrigation systems are largely degraded and poorly functioning and therefore the allocation of new funding for their restoration should also be a priority for funding through the new CAP strategic plan enforced in Romania for the period 2021-2027.

5 Conclusions

Sustainable financing of the rural area in Romania involves paying more attention not only to Green Direct Payments, but also to various environmental and climate measures in the NRDP. Like other Member States, Romania has substantially allocated payments under the first pillar of the CAP, in terms of the greening component (30% of total Direct Payments), but through strategic priorities P4 and P5 from NRDP has also stimulated biodiversity through EFA.

However, there are still substantial challenges regarding the sustainable development of the Romanian rural sector. Greening obligations must be combined with investment in infrastructure (physical and digital) and the reconversion of labour to reduce subsistence agriculture and poverty in rural areas, because without increasing economic development it will not be possible to increase environmental protection and combat climate change in the rural space in Romania.

Increasing the level of human resource education in rural areas is all the more important as in order to benefit from the “rewards” of the “greening” of the CAP during 2021-2027, while Romanian farmers will have to prove the necessary skills to implement environmental and climate commitments. Romanian farmers must also obtain the necessary knowledge and information in the field of implementation of organic farming commitments through advisory or consultancy services, covering at least aspects related to the identification of agricultural parcels, completion and submission of commitments and payment claims, while management measures applicable at farm level must comply with the new requirements imposed by the greening process of CAP.

The experience of 2014-2020 financial framework regarding green rural development in Romania has proven that although the first pillar of CAP remain crucial in financing sustainable development at national level, LEADER bottom-up approach may boost environmental protection in rural areas, while creating jobs and stimulating innovations and social inclusions. However, while LEADER can support the cross-cutting environmental priorities, it is important to underline that this financing should also be coherent with other support provided through the EAFRD measures.

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