

PARTICULARITIES OF THE FINANCING OF RURAL PROJECTS IN THE CONTEXT OF THE NEW EUROPEAN CHALLENGES

Mădălina- Ioana MONCEA^{a*}, *Loredana Gabriela DINULESCU*^b, *Tong WU*^c

^{a,b,c} *Bucharest University of Economic Studies, Romania*

ABSTRACT

We are facing increasing concerns of citizens, local administrations and the European Union regarding the means of development of the rural area. This has become an important challenge for management teams regarding the development and innovation of the rural environment according to the trends, objectives and policies established at the European level and according to the changes and requirements arising as a result of the globalization process.

The purpose of our research is to identify the particularities of financing the projects for the development of the rural space depending on the directions followed and the unexploited potential of the rural areas. Thus, financing and development opportunities are identified with the help of the funds provided by the European Union and the development directions established by it according to the changes and requirements that have appeared at the global level. The solutions found followed the aspects related to economic, social, agricultural problems, sustainable development and environmental protection, and the impact of the investment projects carried out since the beginning of the programming periods was followed.

KEYWORDS: *challenges, european projects, rural development, rural revitalization, solutions.*

DOI: 10.24818/IMC/2022/01.23

1. INTRODUCTION

The financing of rural investment projects takes into account the current development trends of the European Union as well as the absorption capacity of the funds that public administrations apply. Thus, we refer to the degree by which rural areas are able to effectively spend the financial resources allocated from community funds, both governmental and non-reimbursable European funds through the institutional systems created but also through their management capacity (Oprescu et. Al, 2020).

The application of investment projects for development emphasizes the abilities of potential beneficiaries to generate suitable and acceptable projects, taking into account macroeconomic absorptive capacity through correlation with gross domestic product, financial absorptive capacity through the availability of co-financing of investment projects and through administrative absorption capacity, this being expressed by the ability of central, regional and local authorities to prepare development plans, to apply them in a timely manner and to coordinate them effectively throughout their implementation period.

The context of globalization and the development of rural areas contributes to increasing the emphasis on the links between rural areas, the interconnectivity that can be achieved between them as well as the ways in which intelligent means can contribute to the development of rural areas,

* Corresponding author. E-mail address: moncea.madalina@gmail.com.

taking into account the objectives related to environmental protection, inclusion social and sustainable development.

These directions contribute to the strengthening of the concept of social innovation, which emphasizes the adaptation of citizens in rural spaces to the changes that have occurred and to the evolution from the technological point of view through sustainable methods and with an impact on the community. These aspects contribute to facilitating the transition from traditional rural communities developed by conventional methods to rural spaces adapted to the global trends of digitization and awareness of the importance of conservation and protection of environmental factors and social inclusion to maintain the population with a high chance of migration and to facilitate an optimal living environment for them.

In the previous development period, 2014-2020, the European Union granted an amount worth 28 billion euros from the structural and cohesion funds and the EAFRD in order to carry out projects to reduce the development disparities of the regions in Romania. Of this amount, 7.5 billion euros went to the National Rural Development Program. (European Commission, 2020).

2. LITERATURE REVIEW

The implementation of the projects financed by the European Union initially aims at the clear and concise identification of the development needs and priorities of the communities at the national, regional and local level according to the thematic objectives and the recommendations made at the European level for all 27 member countries, these will be customized for each country.

Thus, through the cohesion policy, investments will gain momentum in all regions taking into account the methods of allocating funds, based mainly on GDP per capita, unemployment among young people, the level of education, climate change and changes arising from from a social point of view.

The Common Agricultural Policy (CAP) supports the development of rural areas, having a catalytic role in the strategic orientation of the sustainable development of agricultural production, of the agri-food sector, but also of the other sectors that are part of the overall rural area.

In the current context of globalization, the multi-annual financial framework supports the recovery and reconstruction of the economic development of the agricultural sector and rural areas as a whole as a result of the identification of problems arising from the point of view of natural resources that present a quantitative but also qualitative deterioration as a result of human intervention on them, but especially on economic-financial issues with an emphasis on the processes of optimizing the activities of the actors involved in the activities carried out in rural areas.

Thus, within this policy, the focus is on solving structural problems in rural areas from all directions of operation, such as increasing employment opportunities, increasing the degree of specialization in various fields of citizens in the targeted areas, creating new value chains in the view of the exploitation of rural spaces at the level of their potential.

According to a recent analysis (Dorfman, 2018), the CAP has set a series of objectives through which it aims to guarantee a sustainable agricultural production at European level, supporting farmers by responding to their needs and requirements but also consumer protection considering the increased volatility of prices and the economic-social changes that have occurred in the context of globalization. Thus, in this context, the focus is on innovation and alignment from a technological point of view with the new trends for the development of rural spaces.

The following graphic representation will show the funds allocated to the PAC in the 2021-2027 development period, broken down into the four specific development priorities - income support, market measures, rural development, next generation EU injection.

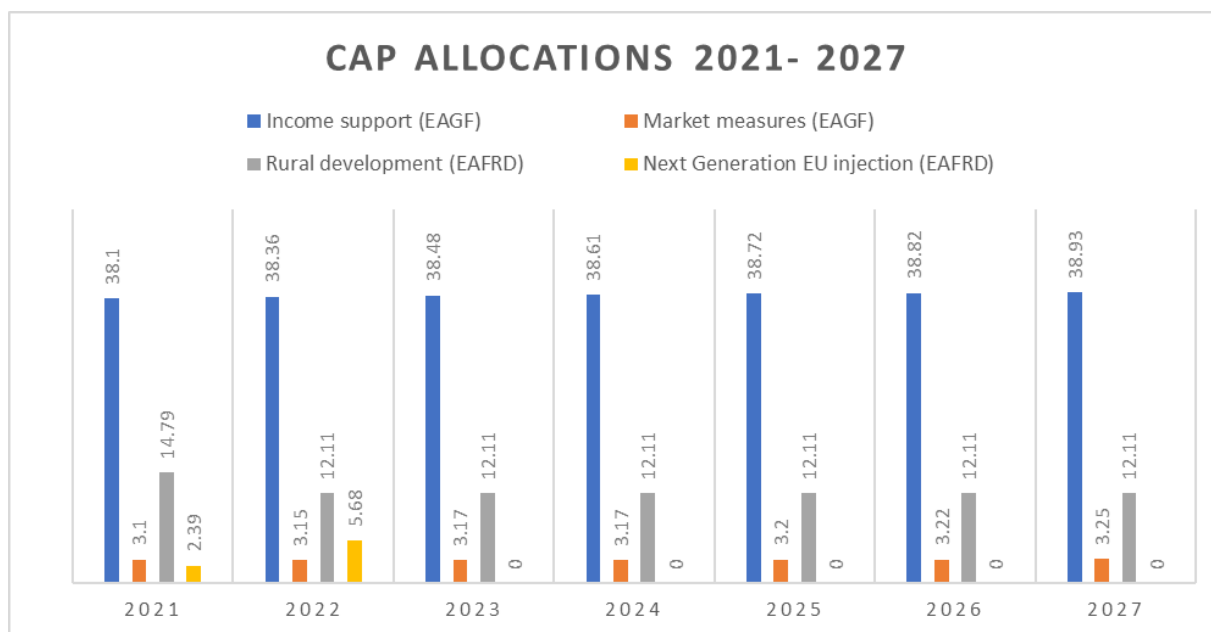


Figure 1. Common Agricultural Policy allocations 2021-2017

Source: developed by authors, based on European Commission statistics

According to the graphic representation above, the funds allocated for the development of rural spaces in Romania are divided into four subcategories. The funds allocated for income support are allocated through a gradual increase over the entire analyzed period, until the year 2027 together with market measures, which also represent an increase in the allocated funds.

The European Agricultural Fund for Rural Development starts with an allocation of 14.79% in the year 2021, followed by six years projected at a percentage of 12.11% annually, distributed equally. Thus, we can see a forecast of the distribution and allocation of development funds in stages for each targeted priority in the period 2021-2027.

According to some analyzes carried out (Hogan, 2014), increasing the level of transparency in the granting of funds for rural development implies tightening the eligibility criteria and conditions for financing rural development projects, both those in the agricultural field and the other targeted sectors. For the 2021-2027 development period, the PAC will continue the development of investment projects through an allocation of 286.2 billion EURO in the FEGA and with an allocation of 78.7 billion EURO for the EAFRD, being supplemented from the Horizon Europe program with a financing of up to 10 billion euros to support research-innovation activities in rural development projects, agriculture, food and bioeconomy.

Thus, through the funding granted for the PAC in the following period, the development and improvement of the economic, social and territorial cohesion process is aimed at through an increase in complementarity with the predominant focus on the development of agriculture through direct payments and subsidies granted to farmers. The novelty element targeted in this development period refers to the possibility of financing the development strategies of rural communities in the direction of the diversification of non-agricultural economic activities, the modernization and creation of a new infrastructure in rural areas, the creation of concepts for the promotion and preservation of heritage cultural and diversification of the tourist activities carried out as well as the promotion of education among rural communities, its importance and the facilitation of jobs.

The development of sustainable and predictable development projects according to the needs of rural communities in each separate direction within the multi-year development strategy, contributes to strengthening the links between local actors and authorities in order to increase awareness regarding the possibility and importance of the development of these rural spaces.

The European Regional Development Fund is implemented at the level of Romania through programs as part of the partnership agreement with the European Union and involves other European funding mechanisms. The European Social Fund (ESF) serves as one of its main tools to promote jobs and social inclusion, fight poverty and promote education, training and the acquisition of lifelong skills, the Cohesion Fund of the European Union provides support to disadvantaged regions in order to promote economic growth, employment and sustainable development.

The European Fisheries and Maritime Fund (EMFF) aims to help coastal populations and actors in the fisheries and aquaculture sector to adapt to the common fisheries policy reform.

3. THEORETICAL UNDERPINNINGS

Regarding the rural development programs within the Common Agricultural Policy, through the EAFRD, rural development programs can be developed at the national or regional level as long as the projects are drawn up taking into account the development objectives established at the EAFRD level.

Thus, in the period 2021-2027, it is aimed to develop and implement rural development projects (RDP) that will contribute to the improvement of environmental factors in the direction of combating climate change, an objective that should be achieved by allocating at least 30% of the value of individual financing on project, the implementation of projects through which the development of smart villages will be facilitated through the innovation of rural spaces.

Also, another determined and differentiating factor within the rural development programs will be related to the support of local actions, with a minimum allocation of 5% of the funds granted for actions within the LEADER program.

This approach targets all local actors of rural communities through the formation of action groups called LAGs, made by uniting the ideas and concepts of organizations, businesses, local authorities and individuals. By innovating in all sectors in a community and sharing experience and knowledge, local development strategies can be drawn up and projects implemented exactly according to the needs of the community in each individual sector.

The LEADER concept has existed for about 30 years and effectively manages rural development projects through which economic, social, environmental and cultural benefits are visible in already developed spaces.

Thus, through the design of rural development, it is aimed to identify the needs and particularities of individual development of each rural space, but also as a community belonging to the regional level. For the revitalization of these spaces, it is necessary to make major investments in the primary areas of interest such as agriculture, fishing or tourism, but also in related sectors so that individuals have easier access to education, health, equal opportunities, the development of the necessary infrastructure, digitization according to the latest standards of development but also the integration of more vulnerable social categories.

Next, the elements that can favor the sustainable development of rural areas will be exposed through a global approach to all the factors that contribute to the responsibility of the challenges that have arisen.

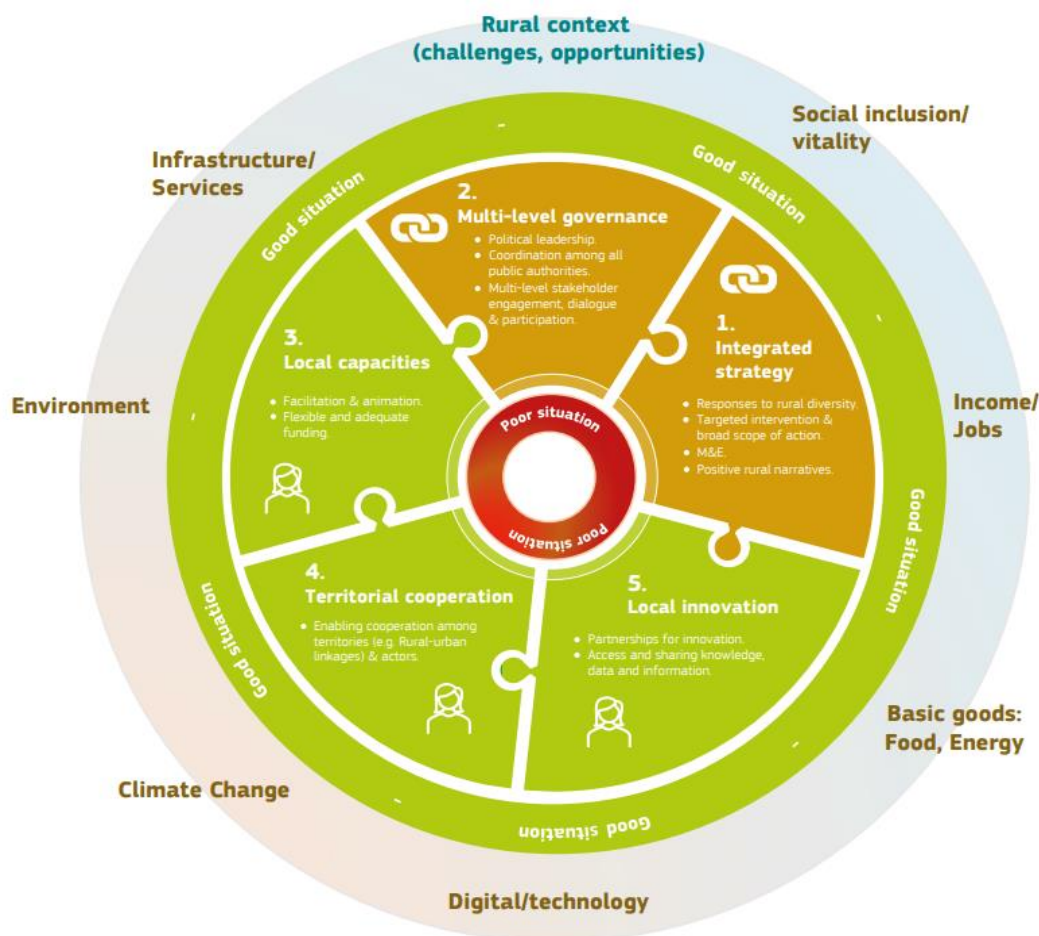


Figure 2. Enabling factors for rural revitalisation
 Source: European Network for Rural Development

According to the graphic representation above, it is aimed to develop development strategies by involving all local actors in order to make the revitalization process of the rural area more efficient. Thus, the needs for the integration of development strategies and their management and implementation on several levels of development are identified, and the emphasis on human resources and the strengthening of innovation capacities is observed.

Through the graphic represented, it is possible to identify the close connection between representatives of local authorities and rural communities, as well as the importance of projects that facilitate the development of human resources by offering employment opportunities for people and decreasing the migration rate, which contributes to attracting individuals to rural areas and implicitly increasing the flow of cash at the local level, the importance of digitization factors by adapting new trends in technology, the protection and preservation of the natural environment and protected areas, as well as the development of local infrastructure through high-quality services aligned with the requirements of the urban environment.

From the point of view of the commission's recommendations for Romania's PAC strategic plan, they are based on the analysis of the current situation, needs and priorities for rural areas in Romania. The recommendations made take into account the specific economic, environmental and social objectives of the future common agricultural policy.

According to the specific objectives of the "From farm to consumer" strategy and the "Biodiversity strategy for 2030", the following recommendations are established:

- The promotion of an intelligent, resilient and diversified agricultural sector, which guarantees food security, which represents a challenge for Romania, due to the extremely polarized structure of farms;
- Stimulating the care of the environment and combating climate change and contributing to the fulfillment of the Union's objectives related to the environment and climate, these being particularly relevant, but also difficult for Romanian agriculture. This is due to the fact that in Romania organic agriculture represents a very small proportion of the total agricultural area, as well as the intention of this member state to develop the livestock sector;
- Consolidating the socioeconomic structure of rural areas and addressing societal concerns by building a resilient and robust food system that also requires paying special attention to new societal requirements, including reducing the use of antimicrobials and pesticides and improving the quality of life in rural areas;
- Modernizing the sector by promoting and sharing knowledge, innovation and digitization and encouraging their adoption, the system being considered weak and fragmented, which leads to insufficient links between its different actors. Deficiencies in perception and operation can limit the ability to transition to a "greener" and more digital agriculture, as provided for in the "From farm to consumer" strategy.

It is recommended to develop innovative solutions by capitalizing on the possibilities offered by the viable integration tools of all sectors with potential.

4. CONCLUSIONS

The agricultural sector, but especially the rural sector, represents a major point of interest in terms of uniform development at all levels - business, education, cultural, social, economic. Regarding the main Funds adopted at the level of the European Union, they are adopted according to the strategic guidelines regarding rural development adopted by the council but also according to the priorities established in the national strategic plans of each country, according to the specific needs and development of each sector of activity.

The use of these financial instruments represents a sustainable way of developing the rural environment, bringing a series of benefits that extend both nationally and internationally. Starting from the development of the agricultural system, the implementation of ecological management measures, the creation of jobs, the development of farms, the support and encouragement of new farmers to take the first steps in the field, the correction of imbalances in terms of the number of entrepreneurs in rural areas compared to the urban ones, the development of integrated crop and farm management systems, protection against natural disasters, all of these contribute significantly to the development of a rural environment in harmony with European policies, which determines a much higher absorption rate of funds, so as I mentioned before.

The financial instruments used for the development of the rural environment represent a real opportunity, which is why the budgets allocated both at the European Union level and at the national level are getting bigger and bigger from one year to the next, determining new Operational Programs and Rural Investments to open up and finance as many business ideas as possible to contribute to the established thematic objectives.

REFERENCES

- Dezvoltare rurală (2022). Retrieved 2022 from https://agriculture.ec.europa.eu/common-agricultural-policy/rural-development_ro.
- Edinburgh Policy Statement on Enhancing Rural Innovation (2018).

- Enabling factors for rural revitalisation & a self-assessment tool for policy design, European Network for Rural Development (2022).
- Kluvankova, T., Nijnik, M., Spacek, M., Sarkki, S., Perlik, M., Lukesch, R. & Lenykovych, M. (2021). Social innovation for sustainability transformation and its diverging development paths in marginalised rural areas.
- Oprescu, G., Constantin, D., L., Ilie, F. & Pîslaru, D. *Posibilități de creștere a absorbției fondurilor nerambursabile în mediul rural*.
- REGULAMENTUL (UE) 2021/1058 AL PARLAMENTULUI EUROPEAN ȘI AL CONSILIULUI (2021). Fondul european de dezvoltare regională și Fondul de coeziune 2021-2027 long- term EU budget & NextGenerationEU.
- Regulamentul (UE) nr. 1301/2013 al Parlamentului European și al Consiliului din 17 decembrie 2013 privind Fondul european de dezvoltare regională și dispozițiile specifice aplicabile obiectivului referitor la investițiile pentru creștere economică și locuri de muncă și de abrogare a Regulamentului (CE) nr. 1080/2006 (JO L 347, 20.12.2013, pp. 289-302).
- Regulation (EU) 2020/2220 laying down certain transitional provisions for support from the EAFRD and EAGF in the years 2021 and 2022.
- RURAL, D., S. (2005). COORDONATE ALE DEZVOLTĂRII RURALE: ROMÂNIA ÎN PERIOADA DE TRANZIȚIE. *Analele Universității Spiru Haret Seria Geografie* nr. 6, 2003, 65.
- Slee, B. (2019). Delivering on the concept of smart villages – in search of an enabling theory *Eur. Countrys.*, 11 (4) (2019), pp. 634-650.
- Smart Villages Portal (2022). Retrieved 2022 from https://enrd.ec.europa.eu/smart-and-competitive-rural-areas/smart-villages/smart-villages-portal_en.