

## **THE IMPACT OF EUROPEAN ECONOMIC RECOVERY PLAN (EERP) ON ROMANIAN RURAL AREA**

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### **ABSTRACT – The Impact of European Economic Recovery Plan (EERP) on Romanian Rural rea**

As a response to the global financial crisis, the European Commission elaborated a European Economic Recovery Plan, which aims at the increase of the demand, generation of economic growth and creation of new jobs. Among the solutions proposed to recover the economies, investments in rural development, especially in the fields of biodiversity, water management, milk and dairy products sector refreshment may be reminded, support for application of renewable energy and development of internet infrastructure in rural areas.

By recovering economy with the help of investments in infrastructure, ecologic technologies, energetic efficiency and innovation, the package proposed by the European Commission intends to accelerate the transition to a knowledge-based society with reduced carbon dioxide emissions and environmentally-friendly agricultural practices.

**Keywords:** financial crisis, EERP, Health Check, rural development

## **INTRODUCTION**

The global financial crisis, appeared in the U.S.A. in 2007-2008, got quickly spread in the entire world. Alan Greenspan, the former president of the U.S.A. Federal Reserve, said that the current financial crisis is „the most severe crisis since the Second World War”. (GREENSPAN, 2007)

Although the European Union recorded, in 2008, a positive increase (due to a favourable beginning of the year), respectively 0.9% on the whole and 0.7% in the euro-region, in the fourth semester of 2008 it officially entered the recession (according to economists, the recession is defined as the existence of two consecutive trimesters of economic activity contraction). As a reaction, the European Commission proposed a plan of economic recovery, approved then by the European Council in the reunion from 11-12 December 2008. (DRAGAN, 2010)

## **MATERIAL AND METHOD**

At the moment, at the European Union level, the CAP Health Check and the EERP also contribute to new funds in order to solve the priority problems generated by rural development. In this viewpoint, this work deals with the impact exerted by these funds on the development of investments in the Romanian rural area.

## RESULTS

**The European Economic Recovery Plan (EERP)** attempts to offer a coordinated answer to crisis effects, by conferring priority to those measure protecting jobs and short-term purchase power. EERP is relied on an effort equivalent with a total value of approximately 1.5 % of the European Union's GDP, totalizing about 200 billion Euros, and it is covered from the national budgets (about 170 billions or 1.2% of GDP) and from the EU and European Investment Bank's budgets (about 30 billions or 0.3% of GDP). (COUNCIL REGULATION No 473/2009)

According to the European Commission's President, J. M. Barroso, the package proposed „must be big enough and bold enough to work in the short-term, yet strategic and sustainable enough to turn the crisis into an opportunity in the long-term. We also must pay attention to direct the support to those who need it most”. (EUROPEAN COMMISSION, 2008)

The President Obama classified the European plan as being too much „timid”. In comparison, the measures included by the American Recovery and Reinvestment Act in the United States involve the expenditure of about 800 billion \$ that should stimulate the American economy. (DRAGAN, 2010)

Of the EERP budget, 1.02 billion Euros are made available for the member states with the help of the European Agricultural Fund for Rural Development (EAFRD), in order to solve problems like the economic crisis, the dairy sector crisis, the climatic changes and the internet infrastructure from rural regions. To this sum, we should also add a supplementary budget of 3.9 billion Euros, as a consequence of some transfers from CAP and from CAP Health Check.

During the period October 2009 – January 2011, all the rural development programs have been modified, and the supplementary funds in a value of about 5.3 billion Euros are made available for investments in agriculture, environmental protection and wide-band infrastructure in rural regions. Most funds are concentrated in the fields of biodiversity (31.2% of total funds, respectively 1.5 billion Euros) and water management (26.9%, respectively 1.3 billion Euros). In order to refresh the sector of milk and dairy products, a percentage of 14.5% was allocated from the total budget (0.7 billion Euros), while the measures fighting against the climatic changes benefit by 14.2% (0.7 billion Euros) and the measures supporting the renewable energy represent 5.6% of the total supplementary budget (0.3 billion Euros). The development of wide-band infrastructure remains an important policy aspect for rural areas. So the member states have decided to invest in internet 35% of the EU funds for economic recovery, representing 360.4 million Euros of the available sum of 1 billion Euros.

Table 1 presents the situation of supplementary fund distribution for rural development, for each country separately.

**Table 1. Final sums allocated to EU member states to finance the rural development measures, during 2007-2013 (million euros, current prices)**

	<b>Sums allocated initially</b>	<b>Supplementary sums from EERP etc.</b>	<b>Final sums</b>	<b>% EERP</b>
Poland	13230.0	168.9	13398.9	3.2
Italy	8292.0	693.8	8985.8	13.2
Germany	8112.5	967.2	9079.7	18.4
<b>Romania</b>	<b>8022.5</b>	<b>101.7</b>	<b>8124.2</b>	<b>1.9</b>
Spain	7213.9	839.2	8053.1	16.0
France	6442.0	1142.5	7584.5	21.7
United Kingdom	4598.7	13.4	4612.1	0.2
Portugal	3929.3	129.7	4059.0	2.5
Austria	3911.5	114.1	4025.6	2.2
Hungary	3805.8	54.3	3860.1	1.0
Greece	3707.3	198.9	3906.2	3.8
Czech Republic	2815.5	42.0	2857.5	0.8
Bulgaria	2609.1	33.1	2642.2	0.6
Ireland	2339.9	154.6	2494.5	2.9
Finland	2079.9	75.1	2155.0	1.4
Slovakia	1969.4	27.5	1996.9	0.5
Sweden	1825.6	127.5	1953.1	2.4
Lithuania	1743.4	22.4	1765.8	0.4
Latvia	1041.1	13.3	1054.4	0.2
Slovenia	900.3	15.7	916.0	0.3
Estonia	714.7	9.0	723.7	0.2
The Netherlands	486.5	106.7	593.2	2.0
Denmark	444.7	133.2	577.9	2.5
Belgium	418.6	68.9	487.5	1.3
Cyprus	162.5	2.1	164.6	0.03
Luxembourg	90.0	5.0	95.0	0.1
Malta	76.6	1.1	77.7	0.02
<b>Technical assistance</b>	<b>196.2</b>	<b>0</b>	<b>196.2</b>	<b>0</b>
<b>Total</b>	<b>91179.6</b>	<b>5260.7</b>	<b>96440.3</b>	<b>100.0</b>

Source: Calculated according to the European Commission „EU support for Rural development 2007-2013”

In concordance with the distribution of funds originating in the CAP Health Check and EERP, Romania will benefit by 102 million Euros, of which 36 millions for renewable energy, 22 millions for water management and 18 millions for climatic changes. For biodiversity, Romania will benefit by 14 million Euros; for dairy sector Romania will benefit by 12 million Euros. These financings are separately budgeted from NRDP allocations. The money available may be accessed only together with the financial support offered through NRDP for an investment project, but the beneficiary has to allocate a separate budget for what he wants to be financed within this opportunity.

The measures benefiting by the supplementation offered through EERP are:

- **Measure 121 „Farm modernisation”**

Within this measure, the operations financed through EERP are related to the improvement of Nitrogen-based fertilizers efficiency, to investments in the field of dairy production, residual water treatments, and also perennial energetic crops.

• **Measure 123 „Adding value to agricultural and forestry products”**

The applicants for non-reimbursable funds who access the Measure 123 for agricultural and forestry products processing may obtain EERP-based financing for biomass processing for the achievement of renewable energy, production techniques for water savings, and also for improvement in milk processing and capitalization.

• **Measure 125 „Improving and developing infrastructure related to the development and adaptation of agriculture and forestry”**

The EERP funds afferent to this measure are designated to the investments in water savings technologies, namely efficient irrigation systems (pumping stations, water counters, etc.)

• **Measure 214 „Agri-environmental payments”**

The EERP funds attempt to supplement the agri-environmental payments offered to farmers as direct payments for the performance of an environmentally- friendly agriculture, to extend the livestock and extensively use the pastures, to not apply fertilizers and pesticides on the land of great value, to create and preserve the hayfields.

• **Measure 312 „Support for the creation and development of micro-enterprises”**

The money available successive to EERP supplementation may represent a non-reimbursable financial support for the purchase of equipment for energy production from renewable sources, other than the biofuels.

• **Measure 322 „Villages renewal and development, improving basic services for rural economy and population and upgrading of rural heritage”**

The supplementary funds are designated for financings in investments in production and supply of renewable energy.

## CONCLUSIONS

The recent evolutions of the European financing system, through the Common Agricultural Policy (CAP) confirm the increasing trend of the complementarity of the financing process of agricultural and rural area with the financing through other policies (especially the regional one), with the essential objective of promoting a general process of economic, social and territorial cohesion.

The global financial crisis, felt in the EU since 2008, has determined an action of supplementary financial support for the member states, materialized in the European Economic Recovery Plan.

In the field of EERP-based rural development, and also through the Health Check of CAP from 2009, Romania obtained a supplementation of rural development funds with 102 million Euros, reaching the sum of 8124 million Euros for the current program period. The sums will be used in concordance with the directives set by the European Commission for investments in agriculture, environmental protection and internet network development in rural area. (FEHER, 2009)

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