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To: Janusz WOJCIECHOWSKI Commissioner for Agriculture European Commission

REF.: *COM comments on Romania's National Strategic Plan 2023-2027*

Dear Commissioner,

Thank you for the observations and recommendations of the European Commission regarding the first version of the Romanian National Strategic Plan for the period 2023-2027 submitted by the Romanian authorities on 28.02.2022. I also appreciate the efforts made by the Commission's representatives in evaluating the document in a short time, as well as the willingness to participate in technical discussions in order to clarify all the issues mentioned in your letter.

I stress that the Romanian authorities take all necessary steps to clarify, as soon as possible, together with the services of the European Commission the comments received, as well as the resubmission of the consolidated version of the Romanian National Strategic Plan (NSP) for approval by the Commission.

I appreciate the possibility of communicating a first reaction on the key elements of the Commission's observations. In this respect, the representatives of the Ministry of Agriculture and Rural Development are open to discuss during the technical meetings the approach envisaged in the elaboration of the NSP and to provide more detailed clarifications and explanations regarding the arguments underlying the proposed interventions in line with Romania's specific needs.

First, I would like to stress that Romania welcomes the European Commission's efforts to identify solutions to combat the severe consequences of the war in Ukraine, including that of a possible global food crisis, as the Strategic Plans contribute in this regard to strengthening the resilience and sustainability of the agricultural sector.

Thus, one of the main concerns is finding the balance between common ambitions to achieve the overall strategic objectives agreed at EU level and the need to strengthen the capacity of Romanian farmers to face all the challenges they face.

I stress that the basis for the Romanian NSP's elaboration was the analysis of the current situation, the prioritization of the identified needs and of course the results of the debates with the socio-economic partners.

The interventions planned by the Plan aim to respond, in the most appropriate manner possible, to the reality in Romania with the preservation of the rigors of the European legislation on the Common Agricultural Policy. Thus, I believe that the National Strategic Plan of Romania submitted to the Commission for analysis identifies, properly and based on the analysis of the current situation, ways of support adapted to the national context and addressing the most urgent needs identified.

Thus, after a first analysis carried out by the Romanian authorities, we can agree with a number of Commission observations regarding the need for further justification, detail or adjustments in order to better substantiate the proposed interventions, synergies between them and the coherence of the whole Plan. However, the national policy options for directing support to the agricultural and rural development sector are the exclusive attribute of the Romanian authorities in transposing the principle of subsidiarity, of course by following the rigors of CAP legislation. From this point of view, I believe that the proposed strategic approach closely follows the conditions imposed and the MARD team will provide all the necessary arguments in this respect during the subsequent technical discussions.

However, I would like to point out that the Romanian authorities consider that a significant impediment in setting a wider range of interventions or higher targets was the insufficient financial allocation available to Romania in the programming period 2023-2027, which has, moreover, been pointed out to the Commission on numerous occasions by Romania's representatives and which has influenced the planning process for the next programming period.

Below, let me send you a series of general assessments reflecting the position of the authorities on the Commission's letter of observations:

First, it is important to emphasize that the NSP must propose solutions to the particular situation in Romania where an extremely high number of small farms coexist, which are in fact peasant households, on the one hand, with large competitive farms, on the other hand. The dual structural character of agricultural holdings in Romania, which has historical reasons, is still a challenge in the development of Romanian agriculture.

Therefore, the NSP strategy to support farmers and develop the agricultural sector takes into account the two structural levels, each of which has different objectives that require differentiated approaches, so that the congruence between them leads to increased effectiveness.

These approaches targeted both Pillar I and Pillar II CAP's support, aiming at ensuring the fairest possible distribution of Pillar I direct payments and the inclusion of forms of support appropriate to the specific needs of each farm category through Pillar II.

With regard to the Commission's comment on ensuring a fairer distribution of direct payments, we consider that the option already set out in the NSP is fully substantiated, based on the results of the SWOT analysis and strengthened following the consultations with representatives of farmers and of agricultural and research organizations. The way in which the option to redistribute payments has been planned and defined will allow direct support to be channelled much more effectively, exclusively to small and medium-sized

farms (i.e. the category of farms from 1 to 50 ha, which represents 97 % of the total number of farmers registered in IACS), by reference to the current programming (2014-2020/2021-2022).

Romania opted for the redistributive payment in order to efficiently target income support, considering that this is a much more appropriate instrument for national realities compared to ceiling payments. The European Regulation grants this flexibility to Member States so that they can select the most appropriate and efficient ways of achieving the objective of fair distribution of direct payments.

In addition, the application of the ceiling may lead to an imbalance in the agricultural sector, with an impact on the market and implicitly on the possibility of ensuring food security, which is undesirable, in particular, in the current geopolitical context.

At the same time, by defining direct support for young farmers, a considerable part of the ceiling for this intervention will be addressed to the same category of small and medium-sized farms. In addition, small and medium-sized farms, due to compliance with increased environmental rigour, will also benefit from the opportunity to access eco-schemes, whose total ceiling is 29 % of the total national envelope for direct payments. Eco-schemes will shape a way to develop and focus the efforts of small and medium-sized farmers towards increasing the sustainability and resilience of European agriculture in the long term, in particular through the promotion of small-scale and environmentally friendly agriculture, as small farmers are a guarantee to preserve biodiversity and agricultural natural resources.

In the same vein, small and medium-sized farms will benefit equally with the remaining categories of farmers from coupled support interventions in both the plant and livestock sectors.

In the context of distributing direct payments in a fair way for farmers, we would also like to point out Romania's repeated request to define external convergence in a fairer way for our farmers vis-à-vis European farmers. The subject was part of the CAP negotiations and the EU's 2020 New Multiannual Financial Framework, however, the way external convergence was redefined has reduced the fairness ambition of the amounts of direct payments set in the November 2013 reform. This sensitive aspect was a factor in the design of the NSP to limit the amount of the subsidy per hectare for all farmers in Romania, regardless of the size of the farm in which they operate and to maintain the environmental benefits for the sustainable future of the European Union.

With regard to the Commission's observations on rural development interventions such as the investments provided for in Articles 73-74 of the Regulation on Strategic Plans for the agricultural sector, we appreciate the fact that Romania, through the proposed interventions, addresses the issue of structural duality at NDP level based on a differentiated approach.

Thus, small and medium-sized farms will be supported with a view to market orientation, restructuring and retrofitting, and for larger farms, which are essential to ensure products to competitive standards and ensure food safety, the focus is on the application of high-performing and sustainable technologies where digitalization and innovation are key features.

At the same time, small farms will be the subject of financing through LEADER taking into account the local specificity and the possibility of their easier interconnection with local

actors so that they can easily integrate into the local market.

On the other hand, at national level, rural development interventions are intended to strengthen farms that reach the minimum cost-effectiveness threshold so that they can become competitive in real terms. Thus, the minimum eligibility threshold of 12,000 SO is not determined randomly, but is based on economic analyses, being the minimum point of profitability of a farm in order to support the investments needed to increase competitiveness. Therefore, rural development interventions aimed at investments in agricultural holdings are aimed at supporting potential farms at sectoral level.

In addition, the integration of primary production into the food chain is essential to support farmers and the whole sector, and therefore, on this basis, intervention for the processing of agricultural products covers both associative forms and actors in the food industry.

For Romania, as it is also identified in the needs analysis, the capitalization of primary production is still deficient in certain sectors, which is why the construction of large-scale storage/conditioning units with territorial service is a sustainable and effective development goal, so that farmers with small and medium-sized farms who do not have the economic capacity to develop such facilities to be able to capitalize on their production under favourable conditions, thus integrating the cumulative support through Pillar I and II into a positive final result.

In the context of the crisis generated by the Russian invasion, which has attracted major economic disturbances throughout Europe, the inflationary phenomenon is increasingly present with a steady upward trend and with corresponding repercussions in all sectors of the economy. Therefore, it is obvious and supported with statistical data the increase in the prices of goods, including the prices of construction materials as well as services. In this context, the Romanian authorities support the maximum ceilings per project proposed in the Plan as being essential for development in the current economic reality.

Following all the Commission services' key requests and comments, the MARD analyses, on a targeted basis, the appropriateness of concentrating support for the consolidation of medium-sized farms in order to ensure the restructuring and competitiveness of this type of holdings. At the same time, in order to better integrate farmers in the short chain, the possibilities of supporting separate operations for cooperation between farmers and other agro-hub entities are explored. As regards non-productive investments such as green curtains, we understand the Commission's position, but we consider it necessary to clarify further as regards the classification of these types of stand-alone activities within the scope of State aid.

As regards the sectoral interventions targeting the wine, beekeeping and vegetable-fruit sectors, they contribute to achieving the CAP's objectives by ensuring a level playing field in the internal market, contributing to their cooperation and competitiveness. The inclusion of EGF funding interventions for other sectors requires significant allocations in the context of a limited budget and would jeopardise the balance in the distribution of financial resources for direct payments.

With regard to the Commission's observation on the targets proposed by the Plan, we would like to point out that more appropriate indicators shall be added and certain targets shall be revised where necessary. However, it should be noted that the low level of certain result indicators such as R5 — Risk Management, R8 — Targeting towards farms in certain sectors, R9 — Farm Modernization, R10 — Better organization of the supply chain, is directly linked to budgetary constraints, i.e. the limited budget for various interventions

and to the high values of context indicator C12, which represents the total number of farms and which, in the case of Romania has a value of 3.4 thousand farms (of which over 3 thousand less than 5 ha). We specify out that out of the total number of farms registered statistically mentioned above, the number of beneficiaries of direct payments is 781.246. When establishing the budget for the interventions, both the identified needs and the expenditure thresholds laid down in EU legislation for the different objectives and types of support have been taken into account. More detailed clarifications will be provided in the context of further technical discussions with the Commission services on how to set targets and the link of allocations to the proposed interventions and estimated output and result indicators, based on the methodologies made available by the Commission.

With regard to environmental and climate interventions, as it can be understood from the information included in the SWOT analysis, the environmental components in Romania generally have a good conservation status. For this reason, the proposed objectives are mainly aimed at maintaining this good status and are addressed through instruments used successfully also in previous programming periods.

Thus, the EAFRD interventions contributing to the specific environmental and climate objectives respond effectively to a wide range of identified needs, ensuring an appropriate level of consistency for the strategy, in the context of available financial resources, diminished compared to the previous programming period. The hierarchy of the different integral elements of the green architecture and the complementary mode of action established by the specific conditions (intervention areas, eligibility conditions and basic and specific requirements) which complement the general framework given by the conditionalities, provide the necessary prerequisites for achieving the objectives set.

In order to reflect more clearly the contribution of these interventions to the proposed objectives, further clarifications and more detailed information can be provided regarding their correlation with the intended results, including from the perspective of established indicators or from the perspective of the relevant targets under European or national environmental legislation. At the same time, in view of the current situation reflected by the analysis and the way in which environmental and climate interventions financed by the EAFRD have been developed, it is expected that the implementation of the NSPs will ensure the contribution during the entire implementation period to all current issues, including those recently introduced on the EU agenda and for which the relevant implementation elements are to be established in the next period at the level of the Member States.

Through the proposed environmental and climate interventions under rural development and the related financial allocations, Romania proposes a consistent contribution to the targets set by the Green Deal. It is important to specify that not only the efforts supported under the NSP are contributing to meeting these targets. On the other hand, quantifying the contribution of interventions to the achievement of these targets is not a mandatory element to be included by the Member States in the Strategic Plans.

At the same time, we consider that the setting of national targets must be carried out in a common exercise, to which all Member States must contribute, so as to ensure that the proposed European targets are met, based on the reference levels and factual situations specific to each Member State. In the light of the above, Romania does not intend to provide separately in the Plan the values for these targets.

As regards Natura 2000, the NSP supports actions in the framework of interventions aimed at achieving Specific Objective 6 on biodiversity and conservation of habitats and

landscapes, while contributing significantly to the objectives pursued by the Priority Action Framework (PAF). Thus, compensatory payments granted to users of agricultural and forestry land are also addressed to Natura 2000 areas, environmental and climate interventions making a significant contribution to the maintenance of wildlife habitats and species in those areas as a result of the implementation of the commitments proposed by the NSP.

The extension of eligible HNV areas in relation to the corresponding commitments of the 2014-2020 NRDP and the application of the conditions laid down by the intervention dedicated to high nature value grassland (e.g. reduction of the use of organic fertilizers, prohibition of the use of chemical inputs, regulation of livestock loads and periods where agricultural activities are not permitted) ensure that HNV areas are maintained at the same time as the conditions necessary to achieve the objectives related to habitat conservation and protection of wild species (including birds and butterflies), taking into account the degree of overlap with ICS/APS, respectively 68% of SPA area and 67% of SCI.

At the same time, Romania considers that support for areas with natural constraints ensures the continued preservation of agricultural habitats by avoiding the abandonment of agricultural activities in areas with agricultural potential affected by unfavourable natural conditions, contributing to the achievement of the specific objective. At the same time, avoiding the abandonment of agricultural activities also contributes to the conservation of environmental factors (biodiversity, soil, water, air) in the targeted areas by addressing this type of support on a large scale.

As regards the next fine-tuning exercise of areas facing significant natural constraints, in addition to the criteria relating to the extension of permanent crops or the assessment of average yields, both the areas served by the secondary irrigation infrastructure modernized by the finalized projects under the 2014-2020 NRDP and the areas irrigated at the level of Local Administrative Units (LAU2) reported by the National Agency for Land Improvement, validated with the results of the study on the mapping of irrigated areas carried out in the context of the programming process, will be taken into account.

Through the rural development intervention aimed at animal welfare, Romania continues to promote the widespread adoption of high animal welfare standards in pig and poultry farming. It is important to recall that since 2012 such commitments have been implemented, which have proven to be a determining factor in improving animal health and welfare. Thus, the analyses carried out by the National Sanitary-Veterinary and Food Safety Authority showed that following the implementation of these commitments, the incidence of tail-biting decreased and the mortality rate decreased, competition between animals for food and space decreased, the incidence of respiratory diseases, podal lesions decreased, production parameters improved and the quantities of antibiotic products administered to animals were reduced.

At the same time, the efforts undertaken by Romania during the last two programming periods to encourage sustainable management of natural resources, conservation of biodiversity and reduction of agricultural emissions, increasing access to environmental and climate measures and improving the quality of their implementation, were accompanied in a natural way by increasing the awareness of the users of agricultural and forestry land on environmental and climate issues, but also by improving the understanding of the manner the agricultural activities can be adapted to reduce their impact on the environment.

The financial dimension of addressing environmental and climate objectives is also not to

be overlooked. From this perspective, it is important to note that the interventions and financial allocations were established on the basis of the SWOT analysis, the identification and prioritization of needs, but also following an intensive consultation process with the social partners. It is clear that budgetary constraints in relation to identified priorities and financing needs in all areas covered by the NSPs also need to be taken into account in the end.

In a complementary way, for the period 2023-2027, addressing the European Commission's recommendations and giving particular importance to the environmental, climate and animal welfare issues, Romania opted for 29 % of the ceiling for direct payments for eco-schemes, thus, the budget allocated to the first pillar schemes was 2.8 billion euro, the planned amount varying according to the identified needs specific to the Romanian agriculture.

The financial allocation for eco-schemes, granted as an additional payment to basic support, provides the possibility for farmers to attach significant importance to environmental issues, in order to encourage the cultivation of protein species, the use of conservative agricultural technologies, nutrient management, optimal fertilization, promotion of small-scale environmentally friendly agriculture, all in order to ensure a sound management of natural resources in agriculture, as well as to maintain biodiversity and halt the depopulation of villages. Please note that the Romanian authorities have taken note of the Commission's comments to include all the necessary details in the revised form of the Plan, so as to ensure that farmers and other beneficiaries comply with higher standards relating to the environment, climate change, public health, plant health and animal welfare.

In conclusion, we consider that the environmental and climate interventions proposed by the NSP to be financed by the EGF and the EAFRD ensure that the potential to achieve the objectives pursued is maximized, in the context of the available financial resources and the balanced address of a wide range of identified needs, while contributing to the achievement of the objectives of the Green Deal and helping farmers to implement the green transition.

Moving towards the objective of socio-economic development of rural areas, Romania considers that the joint effort of the CAP and structural policies leads to an adequate coverage of the needs of rural areas, including in the field of non-agricultural activities. During the bilateral discussions the Romanian authorities shall provide additional information regarding the complementarity with other European funds.

With regard to the Commission's findings on the LEADER approach, we would point out that the types of operations set out in the intervention fiche give LAGs the possibility to select from a wide range of eligible operations so that measures can be implemented to address locally identified needs in a manner specific to the LEADER approach respectively 'bottom-up'.

As regards broadband infrastructure, such interventions will not be activated through the NSP, as the National Recovery and Resilience Plan (NRRP) provides for the implementation of a scheme to support the use of communication services through different types of tools, with a focus on white areas. The objective of this investment is to ensure coverage of very high-speed internet access in areas where the market cannot provide these services on its own (villages, including disadvantaged areas) with two priorities:

- i) an absolute priority targeting completely white rural municipalities that are not served by fixed networks, but where there is latent demand or socio-economic factors; and
- ii) a priority for fixed networks where speeds need to be improved and the market fails to meet these needs.

We would point out that the level of ambitions under the NSP for rural development was set in direct correlation with the budget allocated to Romania from the EAFRD. As regards the budget allocated to rural infrastructure development, it was divided between the two planned interventions, following the consultation of the social partners.

The need for basic infrastructure development in rural areas will be addressed both within the NSP and other European policies, benefiting from funding from the National Recovery and Resilience Plan (NRRP), the European Regional Development Fund (ERDF) but also from national funds (Anghel Saligny National Investment Programme). At the same time, agricultural access infrastructure continues to represent a need in rural areas with positive and complementary effects in achieving the objectives related to increasing the competitiveness of farms without having at its disposal another source of public funding.

For the cross-cutting objective on promoting knowledge, innovation and digitalization in agriculture, Romania has addressed the chapters related to AKIS and digitalization, knowledge transfer and advice in agricultural affairs, through the proposed measures, aiming to provide targeted services to target groups, in order to improve their professional knowledge and results.

In this respect, the transfer of knowledge and information, as well as advisory activities, will create the premises for farmers, including young farmers, to increase their competitiveness, to use innovative technologies and processes, to make more efficient use of resources, to improve environmental performance and to acquire knowledge for efficient management at farm level.

Training courses will also include practical activities, and the provision of advisory services will lead to diversification of activities in rural areas.

As regards the reduction of the budget associated to these two interventions, as compared to the previous programming period, or the non-inclusion of a specific intervention for the interconnection of AKIS actors, it should be noted that the interventions proposed in the Strategic Plan are not a single instrument to support this area. During the technical discussions we shall provide additional information regarding the Romanian approach on the matter.

As regards the Commission's comment on proposing actions to support Ukrainian refugees, the Romanian authorities consider that the issue is of major interest, making particular efforts with non-government organizations in managing the transit to other destinations or as appropriate, facilitating the establishment in Romania, access to work, education, health and income. An important role, in this respect, will be the CARE programme implementing the provisions of Regulation No 613/2022. Specifically, at the level of the NSPs through the Local Action Groups, the option of financing Ukrainian refugees will be opened in line with the needs identified at local level through specific strategies.

In view of these general considerations summarizing the most important issues identified following the European Commission's letter of observations, I consider that through a

constructive dialogue at technical level, all the specific issues included in the Commission's letter can be clarified so that, as soon as possible, the entire programming, analysis and approval process can be completed, thus allowing the implementation of the NSP to be successfully started from the following year.

As regards the Commission's initiative to publish their comments on the strategic plans of the Member States and their replies, I would point out that the Romanian authorities agree with this approach that guarantees an increased degree of transparency at European level regarding the process of analysing these programming documents.

Yours sincerely,

Adrian-Ionuț CHESNOIU

MINISTER