

Usage of the European Funds for Agricultural and Countryside Development in Romanian Rural Areas

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Abstract

This paper aims to analyze the absorption of European funds designed for agriculture and rural space by Romania and one of its regions, in the context of integration in the European Union. The research was based on information collected within statistical surveys conducted at the national level and information collected by the county's institutions. The results emphasize the absorption of the European Union funded programmes designed to support agriculture, with reference to the research area and identify the factors which influenced the reduced absorption rate. Some measures to be implemented in order to increase the European funds in rural area were developed.

Keywords: European funds, agriculture, rural development, funds absorption

JEL Classification: R11, O11

1. Introduction

Following the acceptance as European Union (EU) country, the agriculture and rural issues of the new accepted countries will receive major attention from the rest of the EU. Czyzewski and Stepień (2011) sustain that the intended reforms of the Common Agricultural Policy (CAP) will be implemented under the pressure of a rising competition in world markets, an increasing concern about the environment, and the demand of some states for the reduction of the EU budget, especially in the context of the financial crisis as described by Muştescu (2012). There is therefore a need for a complex re-assessment of the mechanism of the financial support for the agricultural sector in respect of its economic efficiency, social adequacy, and ecological standards. Munch (2000) focuses his research on agricultural market and budgetary effects for the five Central and Eastern European Countries included in the first wave of accession negotiations. Bachev (2007) identifies the major environmental challenges in Bulgarian agriculture due to EU integration and CAP implementation. He evidences that the main beneficiary of various new support measures will be the biggest operators, and income, technological and environmental discrepancy between different farms, sub-sectors and regions will be further enlarged. The major conclusions drawn from a study conducted in Poland by Zawajska (2009) disclose that supply of the EU funds to Poland over the period of 2000-2006 had positive and statistically significant impact on agricultural sector (global production and gross value added in agriculture, farm investments and labor productivity) and on farm population welfare (agricultural household gross disposable income, computer possession and education-related indicators). Buchta and Buchta (2009) describe the impact of the Sectoral Operational Programme Agriculture and Rural

Development and the Rural Development Plan 2004-2006 on the rural development in Slovakia. The comparison of the socio-economic development of the beneficiaries and non-beneficiaries of investment subsidies has shown a faster growth in income of the beneficiaries, as well as a faster growth of labour productivity. Also, the subsidies significantly helped to reduce the decrease in employment and/or helped to maintain the employment in agriculture. As of 2009 beginning can be concluded that the Rural Development Programme for 2007-2013 implementations is slow and inefficient in Latvia. Only 30% of the projects were approved of the total proposed funding, paid out support were-just 9% of total funding. The best results in this area was related to axis 2 - paid 22%, while axis 4 measure has not yet been approved and paid (Pilvere, and Bulderberga, 2009).

The common characteristics of the investment efforts, and the high complexity, have determined significant mutations in the approach to the concept of investment in agriculture, from a simple expense undergone with a direct purpose to complex projects, characterized by specific phases, activities and instruments (Ioan, 2010). Concerning Romania, there is a significant gap in the implementation of European funds, compared to the developed countries, which requires a joint effort of public institutions, media, civil society, educational and health system in order to increase the level of rural development (Balaceanu and Apostol, 2012).

2. Methodology

The survey aimed at evaluating the absorption capacity of the European Union funds intended for agriculture and countryside in one of the poorest Romanian regions, which at the same time, has the highest rate of population employed in agriculture. This survey reviews the projects financed in Vaslui County as compared to those financed in Romania through measures active during 2008–2011. To this effect has been used information from the reports available on the website of the Payment Agency for Rural Development, an agency within the Ministry of Agriculture and Rural Development. Among these reports have been identified and summarized the number of contracts and funding value for the Vaslui County in parallel with the situation for the entire country, for each measure.

3. Evaluation of the Romanian Agriculture Funding in the Rural Areas of Vaslui County

Once with the integration in the European Union (EU), Romania follows, as concerns agriculture and rural development, the Common Agricultural Policy (CAP) rules. The CAP rules consist of a set of guidelines and measures addressed mainly to productivity increasing, ensuring a fair living standard of the agricultural population, markets stabilizing, guaranteeing the supplies security, providing the consumers with stores at rational prices. During the period 2007–2013, the rural development in Romania has been followed out through the implementation of the National Programme of Rural

Development (NPRD). The basis for implementing the NPRD is the National Strategic Plan for Romania. The NPRD approved in 2008 through the European Commission Decision provides for a policy of balanced rural development, which is a must for Romania, taking into account that agriculture and countryside development has important national connotations and represents a highly intricate issue. The programme addresses the Romanian rural territory with a population density lower than 150 inhabitants/square kilometre, a condition which corresponds to 93.6% of the Romanian surface, where 48% of the population lives. The programme is grounded on an integrated territorial approach by ensuring the complementarity, consistency and compliance with other EU and national funds and is structured on a definite hierarchy of the objectives as follows: General Objectives, Strategic Objectives and Specific Objectives.

Each of the four general objectives has been allocated a priority axis as follows: Improving the competitiveness of the agriculture and forestry sectors (Axis 1), Improving the environment and the countryside through the sustainable use of agricultural and forestry land (Axis 2), Improving the life quality in rural areas and diversifying the rural economy, and Starting and operating the local development initiatives (LEADER Axis).

The NRDP was approved in February 2008, with an initial financial allocation of Euro 13,383,689,236 of which Euro 9,970,795,600 represented the public allocation, distributed on axes and by type of financing. By 2011 additional amounts have been reallocated to the programme, the overall cost reaching Euro 13,779,691,452, more with Euro 396,002,216 than the initial cost, of which Euro 10,093,211,784 falls on the public allocation. **Table 1** shows the updated projection of the financial plan of European funds allocated to Romanian agriculture and rural areas through NRDP during the period 2007–2013, by development axes, with the separation of public costs from private costs. From the analysis information one may be noted that public expenditure is a percentage of 73.25 % of overall cost, the weights by axes being the following: Axis 1 – 39.50%, Axis 2 – 24.59%, Axis 3 – 26.22%, Axis 4 – 4.29%, Technical assistance – 1.25%, and Complementary direct payments – 4.15%.

Table 1: The Budget of the National Programme of Rural Development in Romania

Axes	Total public financial allocation	Total private financial allocation	Total allocation
Axis 1	3,986,666,997	3,026,460,387	7,013,127,384
Axis 2	2,481,465,991	34,269,395	2,515,735,386
Axis 3	2,646,193,373	470,655,118	3,116,848,491
Axis 4	433,238,254	155,094,768	588,333,022
Total	9,547,564,615	3,686,479,668	13,234,044,283
Technical assistance	126,119,793	–	126,119,793
Complementary direct payments	419,527,376	–	419,527,376
Total PNDR without complementary payments	9,673,684,408	3,686,479,668	13,360,164,076
TOTAL	10,093,211,784	3,686,479,668	13,779,691,452

Source: The information resulted from the processing by authors of data provided by the Payment Agency for Rural Development

For the period 2008–2011, in Romania 63,182 projects have been financed through the National Programme of Rural Development, having a public value of Euro 5,085,016,000, of which 1,678 projects were developed in the Vaslui County, as it can be seen in **Table 2**.

Table 2: Allocation of the projects funded in period 2008-2011 by Measures in Romania and in Vaslui County

Measure Designation	Number of Projects Funded in Romania 2008–2011	Number of Projects Funded in Vaslui County 2008–2011
Modernization of the villages	773	43
Improvement of infrastructure for agriculture and forestry	439	4
Development of micro enterprises	2,179	14
Modernization of agricultural holdings	2,043	36
Increasing the efficiency of agricultural and forestry products	593	20
Development of tourism	1,039	6
First forestation of agricultural land	16	2
Setting up groups of producers	34	2
Supporting semi - subsistence farms	47,161	1,318
Setting up of young farmers	8,162	231
The activity of Local Action Groups, acquiring skills and animating the territory	190	2
TOTAL	62,629	1,678

Source: The information resulted from the processing by authors of data provided by the Payment Agency for Rural Development

Through NPRD, during the period 2008–2011, Romania enjoyed a public financial allocation amounting 4,560,256,842 Euro, for 62,629 projects, divided by axes, as follows: Axis 1 – 93.30% of total projects representing 51.86% of the global amount allotted; Axis 2 – 0.03% of total projects representing 0.05% of the global amount allotted; Axis 3 - 6.37% of all projects representing 46.37 % of the total amount allocated; Axis 4 - 0.30% of all projects representing 1.72% of the total amount allocated. In the Vaslui County, from 2008 until 2011 have been financed 1,678 projects having a total amount of Euro 141,852,641, of which Euro 122,861,002 are public expenditure, distributed as follows: Axis 1 – 96.00% of the total projects representing 28.96% of the overall amount allocated; Axis 2 – 0.12% the total projects representing 0.01% of the overall amount allocated; Axis 3 – 3.76% of all projects which represents 70.95% of total amount allocated; Axis 4 – 0,12% of all projects, which represents 0.08% of total amount allocated.

From **Table 3** it may be noticed that between 2008 and 2011, in Romania, only 68.07% of the public financial funds allocated for the period 2007–2013 have been used, funds that have been distributed by axes, in the following way: Axis 1 – 63.07% from the total amount allocated to per axis, 35.30% of the total public amount assigned; Axis 2 – 0.95% from the total amount allocated to per axis, 0.03% of the total public amount assigned; Axis 3 – 79.92% from the total amount allocated to per axis, 31.57% of the total public amount assigned; Axis 4 – 65.16% from the total amount allocated to per axis, 1.17% of the total public amount assigned.

Table 3: The financial allocation of NPRD in Romania and Vaslui County by axes, until 31.12.2011

Measure	Total financial allocation for Romania (euro) 2007–2013	Public financial allocation for Romania (euro) 2007–2013	Total public financial allocation for Romania (euro) 2007–2011	Number of contracts financed in Romania 2007–2011	Number of contracts financed in Vaslui County 2007–2011	Total financial allocation in Vaslui County (euro) 2007–2011	Public financial allocation in Vaslui County (euro) 2007–2011
Axis 1							
112	337,221,484	337,221,484	165,192,035	8,162	231	5,112,547	5,112,547
121	2,190,191,612	1,168,505,603	786,475,336	2,043	36	23,070,830	10,593,640
123	2,969,338,242	1,196,538,314	571,165,689	593	20	13,685,433	8,685,519
125	666,558,520	545,746,816	483,136,705	439	4	883,469	883,469
141	476,077,390	476,077,390	353,707,500	47,161	1318	9,885,000	9,885,000
142	25,000,000	25,000,000	5,086,618	34	2	423,465	423,465
Total	6,664,387,248	3,749,089,607	2,364,763,883	58,432	1,611	53,060,744	35,583,640
Axis 2							
221	263,610,733	229,341,338	2,183,593	16	2	4,884	4,483
Total	263,610,733	229,341,338	2,183,593	16	2	4,884	4,483
Axis 3							
312	759,803,139	531,842,968	289,616,418	2,179	14	2,044,870	1,381,741
313	597,353,960	388,280,074	170,847,085	1,039	6	1,875,875	1,048,853
322	1,759,691,392	1,726,070,331	1,684,274,267	773	43	84,746,350	84,746,350
Total	3,116,848,491	2,646,193,373	2,114,737,770	3,991	63	88,667,095	87,176,944
Axis 4							
431	75,884,291	74,546,507	48,571,596	190	2	119,918	95,935
Total	75,884,291	74,546,507	48,571,596	190	2	119,918	95,935
TOTAL	10,120,730,763	6,699,170,825	4,560,256,842	62,629	1,678	141,852,641	122,861,002

Source: The information resulted from the processing by authors of data provided by the Payment Agency for Rural Development

4. The Analysis of the Rural Development Funding by Measures in the Rural Areas of Vaslui County

The proposals of the European Commission for rural development policies reform for the period 2007-2013, are focused on the restructuring of founding programmes and mechanism in order to solve the issue of particularization of the financial resources allocated for the CAP pillars which are agriculture and rural development. In the same time, in the domain of rural development, three objectives are formulated:

- the increasing the agriculture and forestry sectors competitiveness;
- the protection of the environment and the amelioration of rural landscape;
- the amelioration of life quality by the diversification of the economic activities developed in the rural areas.

These aims became the axes of the national programs for rural development, for which implementation was designed measures adapted at Romania's specific conditions. The success of the implementation of the EU rural policies in the Vaslui County was

conditioned by the matching of the local options with the EU offers, adopted by the national policies, as it follows:

i. Axis 1 Measures:

The overall balance of the axis was satisfactory: a large number of projects have been signed and financed – 1,611, representing 96.00% of the total projects, with an average weight of 37.40% of expenses within the total expenditure and 28.96 % within the overall public expenditure. Measures with impact on agricultural structures: 141, 142 and 112 have a low average budgeted financial weight and with different degrees of repercussion. Measures 121 and 123, which affect the improvement of production and conversion processes, have an average financial weight in the budget and a medium-low degree of repercussion.

Implementation of the measures under axis led to the creation of jobs, maintaining the population in rural areas and to an increase in the quality of life level, thus:

- Measure 112: the measure impact was a positive one for beneficiaries, but caused little effect with regard to the structure of farms. The investments have been low, but the measure has been successful in youth participation and creation of jobs for them;

- Measure 121: the average public allocation per beneficiary was high. Important value investment projects have been managed. The measure mainly favored the medium and large commercial holdings, the measure beneficiaries' number being low and in particular those from the category of semi-subsistence farms and those located in disadvantaged areas. The reduced participation of beneficiaries in this measure is due to the difficulties to develop the required business plans and to obtain private co-financing for carrying them out;

- Measure 123: although it financed a limited number of projects, this measure had a significant share within the financial allocations. The measure successfully forwarded the industrialization businesses, introduced new technologies in the production process. The small businesses representing the majority beneficiaries group have also been supported so that it directly contributed to reducing inequalities with regard to business size. The measure has a high potential as concerns new job creation, as well as an effective positioning from the perspective of new products promoting;

- Measure 125: the impact recorded by this measure was minimal. A few projects have been funded, with low financial allocation. Potential beneficiaries showed no interest in the measure, possibly due to the financial crisis establishment and the insufficient knowledge of the conditions and positive results of the measure, or the lack of necessity;

- Measure 141: is characterized by an increased number of beneficiaries but with a low financial allocation, favouring the participation of semi-subsistence farms and beneficiaries of agricultural-environmental payments who far exceeded the percentage of participation originally scheduled;

- Measure 142: the impact recorded by this measure was minimal. A few projects have been funded, with low financial allocation. The way of financial management through returning of expenses approved and incurred by the beneficiaries is an impediment to the measure implementation, as beneficiaries need a funding prior to supporting. Potential beneficiaries showed no interest in the measure, possibly due to the financial crisis establishment and the insufficient knowledge of the conditions and positive results of the measure;

ii. Axis 2 Measures:

Under Axis 2, with a role in the reduction of territorial disparities, environmental protection and biodiversity, only two projects have been implemented, which partially explains also the very low degree of financial allocation - 0.02%. The projects have been on the measure 221 due to the unproductive purpose of the other measures within the axis.

- Measure 221: the general objective of the measure aims to improve the environmental conditions in countryside through the sustainable use and management of land through forestation, and intends to prevent the damage caused by natural pest factors, lower the soil erosion, improve the water retention, increase the air quality, and increase biodiversity. The measure impact was minimal in Vaslui County, due to the beneficiaries' low interest, due to the measure non-efficiency and the lack of an information strategy on the part of those responsible for the measure implementation.

iii. Axis 3 Measures:

The axis measures are divided into two large groups: the first group includes measures intended for boosting the productive investment and setting up micro-enterprises and in the second group, the measure 322 with the purpose of ensuring a certain level of basic services in rural areas.

The first group of measures attracted a small number of projects, namely 20 projects, and a reduced degree of financial allocation, with a weight of 2.76% in total expenses. From the second group point of view, the very high weight of Measure 322 in the budget - 59.74%, with an average number of 43 projects, showing that the advanced measures meet the needs of rural areas in Vaslui County, which have been collected through the success of projects for provision of basic services and the ability to mobilize resources, as it emerges from the measure effectiveness analysis.

- Measure 312: it is seen a medium to low interest environment for the implementation of this measure, which recommends the potentiating of forwarding non-agricultural production, with emphasis on craft production and stimulation of its capitalization. The intensity of support provided to beneficiaries in order to improve the co-financing possibilities is average, being necessary to stimulate supporting the services for population, as the majority weight is represented by the agricultural services; rural areas have been funded, especially peri-urban areas which represent an important segment of the countryside with an important development potential through relationing with the urban centres.

- Measure 313: as in the case of measure 312, the interest for the implementation of this measure was medium to low, also because the Vaslui County does not have a high tourism potential. It is needed the involvement of more agents in the sector and especially those who possess knowledge on planning within tourism strategies so as the investments have to diversify, seeking to ensure a complete tourist service.

- Measure 322: the measure is intended to equip with basic infrastructure and services the rural areas and recorded positive results as concerns the number of supported villages and the number of activities performed. The number of projects contracted through measures aimed at supporting productive investments is high, namely 43 projects, with an allocation of 68.98% of the total public expenditure. The projects funded by this measure had the effect of creating jobs, increasing the quality of living standards in countryside with important consequences on the sustainable development, which recommends

increasing the amounts allocated for this measure, due to the acute need to modernize the countryside.

iv. Axis 4 Measures:

The only measure implemented under Axis no. 4, also referred to as LEADER Axis, is measure 431, which in territorial terms is integrated into the local development strategies, creation of jobs, maintaining the population in rural areas and increasing the quality of living standards. The local strategies for development, diversification had a minimal impact on Vaslui County, the activity being indicated by the reduced financial allocation of two projects that correspond to Measure 431. The measure was effective with regard to the actions of information and professional training for drawing up the local development strategies.

Table 4: The public financial allocation of PNDR in Romania and in Vaslui County until 31.12.2011

Measure	Total financial allocation for Romania (euro) 2007–2013	Total public financial allocation for Romania (euro) 2007–2011	Total financial allocation in Vaslui County (euro) 2007-2011	Total public financial allocation in Vaslui County (euro) 2007-2011	Weight of the public financial allocation within the period 2007–2011 in total allocation by measures in Romania	Weight of the public financial allocation Within the period 2007-2011in Vaslui County in total public allocation in Romania
Axis 1						
112	337,221,484	165,192,035	5,112,547	5,112,547	48.98%	3.09%
121	2,190,191,612	786,475,336	23,070,830	10,593,640	35.90%	1.35%
123	2,969,338,242	571,165,689	13,685,433	8,685,519	19.24%	1.52%
125	666,558,520	483,136,705	883,469	883,469	72.48%	0.18%
141	476,077,390	353,707,500	9,885,000	9,885,000	74.30%	2.79%
142	25,000,000	5,086,618	423,465	423,465	20.35%	8.33%
Total	6,664,387,248	2,364,763,883	53,060,744	35,583,640	35.48%	1.50%
Axis 2						
221	263,610,733	2,183,593	4,884	4,483	0.83%	0.21%
Total	263,610,733	2,183,593	4,884	4,483	0.83%	0.21%
Axis 3						
312	759,803,139	289,616,418	2,044,870	1,381,741	38.12%	0.48%
313	597,353,960	170,847,085	1,875,875	1,048,853	28.60%	0.61%
322	1,759,691,392	1,684,274,267	84,746,350	84,746,350	95.71%	5.03%
Total	3,116,848,491	2,114,737,770	88,667,095	87,176,944	67.85%	4.12%
Axis 4						
431	75,884,291	48,571,596	119,918	95,935	64.01%	0.20%
Total	75,884,291	48,571,596	119,918	95,935	64.01%	0.20%
TOTAL	10,120,730,763	4,560,256,842	141,852,641	122,861,002	45.06%	2.69%

Source: The information resulted from the processing by authors of data provided by the Payment Agency for Rural Development

5. Conclusions

Since it was set up, the European Union was preoccupied by the future development of the rural areas, even the first official document focused on this issue was published in 1988 (European Commission, 1988). The European Union supported the local communities in order to improve the life quality and for the economic prosperity by distinct funding programmes. The implications of Romania's accession on the funding process of the rural areas are very important during the period 2007–2013, having multiple consequences on the agriculture and rural areas development. The research pointed the measure in which Romania and one of its counties use the EU funds to fill the CAP requirements, which are focused on quantitative and qualitative achievements. It is considered that the results of the research are useful for the Ministry of Agriculture and farmers' organizations. By evaluating the results of implementation they can contribute at the improving and implementation of the funding programmes, in order to achieve the proposed goals and to contribute at the reshaping of the future funding policies.

Axis 1 pursued the structural transformation and added value incorporation in food production, forwarding the increase of added value in manufacturing processes, introducing technical and structural improvements. Even if the RDP Programme established in an adequate manner the synergy between its axes and measures, the phased implementation of programme and the financial crisis did not allow to completely taking advantage of them. A series of the Axis 1 measures have not been implemented or had a very low degree of implementation, having a low number of projects, thus reducing also the weight of financial allocations for the Vaslui County. The low degree of Axis 2 efficiency also indicates that the forecast of beneficiary support is higher than the average help obtained by each of them and therefore the resources associated with the accomplishment of objectives specific to the measures are lower than planned budgetary allocation. As in the case of Axis 1, the implementation of Axis 3 measures led to creation of jobs, maintaining the population in rural areas and an increasing the quality of living standard in communes and villages of Vaslui County, therefore, the efficiency behaviour confirms the relevance and importance of measure concerning the villages supported, still the degree of completion may jeopardize the success of the investments carried out. The reduced level of Axis 4 measures effectiveness and efficiency in Vaslui County is the result of the measure beneficiaries' lack of experience.

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