Romanian Agriculture and the European Financial Assistance Implications

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Abstract. Agriculture is very important for the regional economy. Despite Romania’s great agricultural potential, the agricultural products processing capacity is low because of the outdated technologies. The high fragmentation of the cultivated land in small parts is another obstacle for agricultural development. The low economical potential of small farms and their inefficient management determined the underdevelopment of the agricultural products processing sector.

Romania must quickly adapt the agricultural economy and rural development for a better integration on the Unique Market, using the European funds.

Keywords: European funds, agricultural economics, regional economics

INTRODUCTION

GENERAL PRESENTATION OF THE ROMANIAN AGRICULTURE

The year 2007, when Romania joined the European Union, marked the beginning of a new era in the agricultural and rural development economics of our country. Within this context, Romania had to adjust rapidly to the agricultural economics and that of rural development in order to join the European Union internal market and to adopt entirely the Common Agricultural Policy.

The European model of agriculture is based on a competitive, market-oriented sector, that at the same time meets the requirements of other other public functions, such as protecting the environment, providing more convenient residential estates to the people from the rural areas as well as the agriculture integration in the environment and forestry.

The Common Agricultural Policy moves its focus from the direct subsidies in agriculture (CAP’s first pillar) to the integrated development of rural economy and to the environment protection (CAP’s second pillar).

Romanian rural economy mainly dominated by agriculture, is still insufficient integrated into the market economy. In today's market economy, the welfare of the citizens of rural and urban areas as well as the welfare of the farmers depend on the market and on the way of understanding and applying the marketing techniques.

The Romanian manufacturer should act in accordance with the existing economic reality on the world and national level, to apply the technical and economic methods which should provide stability and economic efficiency. The manufacturer has to to produce in accordance with what is required on the domestic and international market and to respond promptly to the consumer needs.

Due to its favorable geographical conditions, climate, fertile soils, besides the qualified work force, the rural population’s dedication to land and animals, an appropriate institutional administrative system, can turn Romania’s agriculture into an attractive and profitable domain.

Agriculture is one of the most important branches of Romania’s economy, on national level. Agriculture, forestry, pisciculture’s contribution to the Gross Domestic Product is
about 9.7%, while their contribution in the GDP of other EU countries is approximately 1.7%.

Agriculture, forestry, hunting, fishing and pisciculture’s weigh in GDP

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<td>TOTAL</td>
<td>116,768,7</td>
<td>151,475,0</td>
<td>197,564</td>
<td>246,468,8</td>
<td>288,047,8</td>
<td>344,535,5</td>
<td>266,590,6</td>
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<td>Agriculture, forestry, hunting</td>
<td>15,612,9</td>
<td>17,301,2</td>
<td>22,835,2</td>
<td>31,030,1</td>
<td>24,277,9</td>
<td>26,898,2</td>
<td>17,806,8</td>
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<td>% of GDP</td>
<td>13,4</td>
<td>11,4</td>
<td>11,6</td>
<td>12,6</td>
<td>8,4</td>
<td>7,8</td>
<td>6,68</td>
</tr>
<tr>
<td>fishing and pisciculture</td>
<td>5,0</td>
<td>6,4</td>
<td>14,0</td>
<td>13,8</td>
<td>13,8</td>
<td>15,8</td>
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Source: Romania’s statistical yearbook for 2007

The decreasing of the agriculture weigh in GDP was due to the entry into the normal track of the market economy and development of other national economy branches, especially services, which reached a weigh of approx. 50% of GDP, industry and construction which represented about 24% and 7.4% of GDP in 2006.

The ratio of the country’s arable land area to the number of people shows that each inhabitant receives about 0.42 hectares of arable land, value which is higher than the values of many European countries and almost twice the European average which is only 0.236 ha / capita.

One third of the country's employed population works in agriculture, which places Romania over the average of 5.9% of EU’s 27 countries. All these considerations place Romania among the countries that have a higher agricultural potential.

The agricultural associations constituted according to GO no.26/2000 were supported to have access to the international forums to 75% of the contributions and the fees required for participation. Based on the law no. 150/2004 of the production credit, there were established the grants for production credits for 2007 according to which an amount of 43 million lei was granted.

The competitiveness improvement program of food products provides the financial support from the state budget, up to 75% on investment expenses in quality but less than 50,000 Euro / project, to the following projects of the processing units in food industry:
- Implementation and certification of quality management systems and / or environmental managementsystems;
- staffing and / or improvement of testing and calibration laboratories, as well as their accreditation when required;
- Registration and protection of the Romanian marks’ external market, patents of invention, designs and industrial models.

ROMANIA’S POSITION TOWARDS THE COMMON AGRICULTURAL POLICY

In the context of globalization and of European Union’s continuous expansion, Romania advocates for the continuation of the European model of agriculture, able to produce sufficient, diversified, and good quality food products, at cost-effective prices for most consumers. Nevertheless our position is at the same time in favor of increasing the European agriculture competitiveness.

Romania considers the CAP implementation important due to its effect on the business environment of the agricultural and food sector and upon the administrative system. We consider necessary to ensure the continuity and predictability of the European agriculture as
well as its financing to enable Romanian producers to meet the CAP requirements and cope with the competition.

In accordance with the CAP principles and the European rural areas development it is necessary to ensure for Romania the following aspects: adequate income for farmers, the specificity of rural areas, employment in rural areas, avoidance of rural areas depopulation, maintaining local traditions specificity, strengthening the CAP objectives on food security.

FINANCING COMMON AGRICULTURAL POLICY

Agricultural expenses are financed by two funds that are included in the EU’s general budget, namely the European Agricultural Guarantee Fund (EAGF), which finances direct payments to farmers and regulatory measures of agricultural markets, such as interventions and export refunds, while the European Agricultural Fund for Rural Development (EAFRD) finances rural development programs of the Member States.

These two funds were created according to the Regulation (CE) no. 1290/2005 of the Committee held on the 21 iunie 2005 regarding the common agricultural policy financing, which set a unique legal framework for financing the expenses according to CAP.

According to the basic rules regarding the CAP’s financial management, the Commission is responsible for managing the EAGF and EAFRD. However, the Commission does not normally make payments directly to the beneficiaries. According to the principle of joint management, this task is delegated to the Member States acting in turn through the 85 national agencies and regional payments. Before these payment agencies can request funds from the EU budget, they must be accredited on the basis of certain criteria established by the Commission.

However, these payment agencies are not liable for the payments to the beneficiaries. Previously they should make sure, acting individually or through delegated bodies, that applications for funding are eligible. Several checks that are to be performed are listed in CAP’s various sectorial regulations and they are different from one sector to another.

Costs incurred by payment agencies are then reimbursed to the Member States by the Commission monthly in case of EAGF and quarterly in case of EAFRD. However, such reimbursements are subject to subsequent correction which the Commission may make in the checking accounts procedures.

For the rural development sector, Romania will receive financial support for 2007-2013 programming period, from the European Agricultural Fund for Rural Development (EAFRD), amounting to 8.02 billion euros.

For 2007 - 2009 the maximum amount of public financing is 1,000,000, EUR and the grant weigh will be up 50%. The maximum eligible amount of a project will not exceed 2,000,000 euros. The percentage of the non-refundable financial support of 50% can be increased by:

- 5% for the investments accomplished by young farmers under 40 years old at the time of application for funding, based on provisions of the Accession Treaty Annex VIII: Rural Development, Section II: Special provisions on support for investment);
- 10% for investments made by farmers in mountain areas that have natural handicaps, areas with natural handicaps and protected natural areas included in Natura 2000;
- 25% for investments intended to protect waters against nitrates pollution coming from agricultural sources, which provides such a support for a period of 4 years beginning with 1 January 2007.

The maximum amount of public financing can work out at 1,500,000 Euros, with a grant weigh of maximum 50% for projects that include the investments for production and use
of renewable energy. The maximum eligible amount of such a project will be of 3,000,000 Euro.

The maximum amount of public financing can work out at 2,000,000 Euros, with a grant weigh of maximum 50% for projects that include an associative partnership and serve its members. The maximum eligible amount of such a project will be of 4,000,000 Euro.

For 2010 – 2013, the maximum value of public financing is 800,000 EURO, and the grant weigh will be up to 40%. The maximum eligible amount of a project will not exceed 2,000,000 euros. The percentage of the grant of 40% can be increased by:

- 10% for investments made by young farmers aged under 40 years old at the time of application for funding;
- 10% for investments made by farmers in mountain areas that have natural handicaps, areas with natural handicaps and in natural protected areas included in Natura 2000 network;
- 25% only for 2010, for investments that aimed at protecting the waters against pollution caused by nitrates coming from agricultural sources, which provides such a support for a period of 4 years from 1 January 2007.

The maximum amount of public financing can work out at 1,200,000 Euros, with a grant weigh of maximum 40% for projects that include investments for production and use of renewable energy. The maximum eligible amount of such a project will be of 3,000,000 Euro.

The maximum amount of public financing can be work out at 1,600,000 Euros, with a grant weigh of maximum 40% for projects that work in partnerships and serve its members. The maximum eligible amount of such a project would be of 4,000,000 Euros.

Before signing the financing contract by the Payment Agencies for Rural Development and Fishing they check thoroughly the compliance with the grant’s maximum requirement.

CONCLUSIONS

Over 991 million euros are available for the agricultural holdings modernization due to grants that can be accessed beginning with this year.

Despite the fact that the applicants have submitted enough projects until 2013 to cover twice the available amounts, due to the complicated procedures, bureaucracy, lack of information and communication, unqualified advice agencies only 241 projects have been approved, out of which only 190 received the finance signature.

The programs initiated after 1 January 2007 should bring 35 billion euros to Romania during 2007-2013 community budget period. They are structural and cohesion funds - totaling some 19 billion funds for rural development, agriculture and fisheries – working out at around 14 billion euros, and several smaller programs for the so-called Schengen facility or transition facility for the money left. Moreover, Romania received in 2007, 2008 and is expected to receive in 2009 from the community budget funds through programs that began before Romania’s access to the famous PHARE, ISPA and SAPARD.

If a member country does not spend the money from the Structural Funds mentioned in the Community budget within a year, the money can be spent in the coming years. The projects accomplished due to European money can be carried out in several steps which may take 2 or 3 years. Therefore, a project approved in 2008 receives the money until 2011.

However, it seems that it was not a shortage of projects, as the authorities feared at first, was the main cause of spending only 6% of the Structural Funds. In 2007 and 2008, 7235 projects were submitted that covering two and a half times the 3.1 billion. But only 423 projects had been approved by December 2008 and only 190 were signed contracts for funding.
Therefore the main problem is because the authorities delay procedures, otherwise very complex and the project applicants who did not succeed but in very small proportion to meet the requirements. The fact is that 2007 was a non-existent year for companies or local authorities who would want to submit projects for structural funds. Most projects were submitted in 2008.

If the pace of raising Europe money will be maintained, amounts of hundreds of millions of euros could be lost by Romania over the last years of the European budget 2007-2013. If the projects we were allowed to finance themselves on a great extent, they would have no chance to recover the huge discrepancy that separates them from the old countries.

The official figures show that since the European Union joining, Romania was the net beneficiary in relations with the European Union. According to the Ministry of Finance, Romania’s contribution to the Community budget in 2007 was of 1.15 billion euros and an amount of 1.56 billion was received, therefore the Romanian budget won 418 million. The statistical studies for 2008 show that Romania received 1.1 billion euros more than it spent on the Community budget.

The programs initiated after 1 January 2007 should bring Romania 35 billion euros in 2007-2013 Community budget. There are structural and cohesion funds - totaling some 19 billion fund for rural development, agriculture and fisheries – working out at around 14 billion euros, and several smaller programs for the so-called Schengen facility or transition facility for the rest of the money. Moreover, Romania has received from the Community budget funds through programs begun before joining the EU in 2007, 2008, 2009 the famous PHARE, ISPA and SAPARD.

The seven Sectorial Operational Programmes, which share the money from the Structural Funds have registered substantial delays and the way projects have to follow is full of various hindrances. In other words, no Romanian project of the 2834 submitted in this program was funded in early 2009 from European money.

The best results are however achieved by the Environment, where, due to previous experience, the projects that have already been approved are to draw on almost 90% of the money in 2007 and 2008, contracts already covering 77% and payments already made at the rate of 7%, that is more than average on the seven areas. In the seventh program, and the lowest at the same time, the technical assistance, projects have been approved that cover almost half of the available money, but by 2009 any money has not been spent yet.

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