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THE ECONOMIC AND SOCIAL IMPACT OF EUROPEAN FUNDS IN THE ROMANIAN AGRICULTURE

ANTOHI VALENTIN MARIAN¹, MOGA LILIANA MIHAELA²

Abstract:

This paper aims to identify and analyze the stages undergone by the Romanian agriculture, within the context of integration in the European Union, and the transformation that occurred in the aftermath of accession. On this line, the social and economic effects of agriculture integration and the direction of the Romanian agriculture development have been forecasted through a research conducted at the rural area level of the North East Development Region. The research was based on data collected from the village book that includes reference to the village social and economic environment, on information gathered from the statistical surveys and county institutions, which were supplemented by the answers to a questionnaire designed for achieving social and economic surveys on drafting the rural development in the investigated area. The results allowed the synthesis of the main effects of integration in the European Union on agriculture, with reference to the research area. The profile of local rural development in the next period was shaped after forecasting the effects of initiatives for development projects to attract European funds.

Keywords: *European funds, agriculture, economic effects, social effects, rural development*

INTRODUCTION

While acknowledging the ability of the European Union (EU) to advance towards greater political and economic integration, Holmes (2001) put in evidence that the full scope of EU integration reveals profound limits. The different aspects of the integration of the Western Europe countries, as economic integration and the policies promoted by the EU are analyzed by Gilbert (2011). Following the acceptance as EU country, the agriculture and rural issues of the new accepted countries will receive major attention from the rest of the EU. 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 identifies the major environmental challenges in Bulgarian agriculture due to EU integration and Common Agricultural Policy implementation [1]. 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. Concerning Romania, there is a significant gap 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 [2]. After the EU accession, the Romanian agriculture was assisted by its financing instruments which induce a lot of transformation as main effects [5, 7]. The fishery, as an agriculture activity is also affected by the EU policies, which represent a component of rural development policies [8, 9]. The National Rural Development Programme (NRDP) during 2007 – 2013, sustains a balanced rural development policy, which is a must for Romania, taking into account that agriculture and rural areas development has important national connotations.

RESULTS AND DISCUSSION

The research aims to practically evaluate the economic and social effects of Romanian integration into the EU on agriculture in Murgeni area, Vaslui County. The starting point is represented by the estimation of possible financing proposals for the NPRD programme, developed in the analyzed area, whose completion, contracting and financing will generate multiple social and

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economic effects for the analyzed area. The research was based on two investigation tools. The first tool is the Village Book, which contains references to the economic and social life of each village included in the study, other than those that could be obtained from statistical sources, county institutions or from other complementary studies. The second is a questionnaire with open questions with the purpose to perform a socio-economic survey concerning the rural development in the investigated area. The target group was constituted of 139 respondents, located in the five analyzed villages. The respondents were divided into four distinct groups: people running successful business in the area, farmers with profitable farming activity, local notables involved in the village social life and local councilors, as exponents of local political life. The second part of the research compares the forecasting results with what was actually achieved in the Murgeni area during 2008 – 2011. For this purpose has been used the information available on the Payment Agency for Rural Development website, based on which has been identified and centralized the number of contracts and amounts received as financing for the Vaslui County and Murgeni development area.

Projects financed through the NRDP measures: evaluation and contracting

The ideas of projects considered feasible for being financed out of structural funds, identified following the research performed during 2007 – 2008, structured by measures, are shown in Table 1, the first column, corresponding to each locality. In the second column which corresponds to each locality are centralized the contracted projects.

Table 1: Distributing the ideas of projects identified and projects financed in the Murgeni area, during 2008 – 2011, by measures and villages

| Code | Measure | Blagești Village | | Epureni Village | | Malusteni Village | | Murgeni Town | | Suletea Village | |
|------|--|------------------|-----|-----------------|-----|-------------------|-----|--------------|-----|-----------------|-----|
| | | ** | *** | ** | *** | ** | *** | ** | *** | ** | *** |
| 322 | Village modernization | 37 | 1 | 45 | 1 | 36 | 0 | 40 | 0 | 28 | 1 |
| 125 | Improvement of the infrastructure for agriculture and silviculture | 15 | 0 | 17 | 0 | 7 | 0 | 25 | 0 | 16 | 0 |
| 312 | Development of microenterprise | 14 | 0 | 5 | 0 | 7 | 0 | 12 | 0 | 12 | 1 |
| 413 | Life quality and diversification of rural economy | 3 | 0 | 3 | 0 | 2 | 0 | 5 | 0 | 3 | 0 |
| 121 | Modernization of agricultural holdings | 6 | 0 | 1 | 0 | 4 | 0 | 7 | 1 | 9 | 0 |
| 123 | Increasing the efficiency of agricultural and forestry products | 3 | 0 | 0 | 0 | 0 | 1 | 3 | 1 | 2 | 1 |
| 412 | Improving the environment and rural area | 1 | 0 | 0 | 0 | 1 | 0 | 3 | 0 | 4 | 0 |
| 223 | First reafforestation of non – agricultural field | 1 | 0 | 1 | 0 | 1 | 0 | 2 | 0 | 2 | 0 |
| 111 | Continuous professional training | 1 | 0 | 1 | 0 | 1 | 0 | 2 | 0 | 1 | 0 |
| 313 | First afforestation of agricultural field | 0 | 0 | 1 | 0 | 0 | 0 | 2 | 0 | 0 | 0 |
| 221 | Projects of agriculture-environment | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 2 | 0 |
| 122 | Supporting semi - subsistence farms | 0 | 0 | 2 | 0 | 1 | 0 | 4 | 0 | 2 | 0 |
| 214 | Setting up the young | 1 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 3 | 0 |

| Code | Measure | Blagesti Village | | Epureni Village | | Malusteni Village | | Murgeni Town | | Suletea Village | |
|--------------|--|------------------|-----------|-----------------|-----------|-------------------|-----------|--------------|-----------|-----------------|-----------|
| | | ** | *** | ** | *** | ** | *** | ** | *** | ** | *** |
| | farmers | | | | | | | | | | |
| 224 | Functioning of Local Action Groups, acquiring skills and animating the territory | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 141 | Village modernization | 0 | 3 | 0 | 16 | 0 | 17 | 0 | 22 | 0 | 15 |
| 142 | Improvement of the infrastructure for agriculture and silviculture | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 |
| 143 | Development of microenterprise | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 2 | 0 |
| 112 | Life quality and diversification of rural economy | 0 | 5 | 0 | 7 | 0 | 5 | 0 | 5 | 0 | 2 |
| 431 | Modernization of agricultural holdings | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 |
| Total | | 83 | 10 | 82 | 24 | 61 | 24 | 108 | 30 | 87 | 20 |

* Processing after data has been taken over from www.apdrp.ro; ** Forecasted projects; *** Total of financed projects;

Using the information gathered from the reports drawn up by the Payment Agency for Rural Development have been identified and selected the projects that received funding from the structural funds of the Murgeni area, Vaslui County during 2008 – 2011. In Table 2 are synthesized the public and private financial allocations for the projects contracted, for each measure, as well as for each locality.

Table 2: The financial allocation of NRDP in the area of Murgeni, Vaslui County until 31.12.2011

| Measure | Total financial allocation in the Vaslui county (euro) | Public financial allocation in the Vaslui county (euro) | Total financial allocation in Murgeni area (euro) | Public financial allocation in Murgeni area (euro) | Weight of the total financial allocation in the area of Murgeni from the total of Vaslui County (%) | Weight of the public financial allocation in the area of Murgeni from the total of Vaslui County (%) | Weight of the total financial allocation in the total of the area of Murgeni (%) | Weight of the public financial allocation in the total of the area of Murgeni (%) |
|-------------------|--|---|---|--|---|--|--|---|
| Axis no. 1 | | | | | | | | |
| 111 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| 112 | 5,112,547 | 5,112,547 | 607,902 | 607,902 | 0.43 | 0.49 | 6.34 | 6.92 |
| 121 | 23,070,830 | 10,593,640 | 312,055 | 156,027 | 0.22 | 0.13 | 3.25 | 1.77 |
| 122 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| 123 | 13,685,433 | 8,685,519 | 1,263,314 | 638,371 | 0.89 | 0.52 | 13.17 | 7.26 |
| 125 | 883,469 | 883,469 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| 141 | 9,885,000 | 9,885,000 | 547,000 | 547,000 | 0.39 | 0.45 | 5.71 | 6.22 |
| 142 | 423,465 | 423,465 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| 143 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total 1 | 53.060.744 | 35.583.640 | 2.730.271 | 1.949.300 | 1.93 | 1.59 | 28.47 | 22.17 |
| Axis no. 2 | | | | | | | | |
| 214 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| 221 | 4,884 | 4,483 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| 223 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| 224 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total 2 | 4,884 | 4,483 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| Axis no. 3 | | | | | | | | |

| Measure | Total financial allocation in the Vaslui county (euro) | Public financial allocation in the Vaslui county (euro) | Total financial allocation in Murgeni area (euro) | Public financial allocation in Murgeni area (euro) | Weight of the total financial allocation in the area of Murgeni from the total of Vaslui County (%) | Weight of the public financial allocation in the area of Murgeni from the total of Vaslui County (%) | Weight of the total financial allocation in the total of the area of Murgeni (%) | Weight of the public financial allocation in the total of the area of Murgeni (%) |
|-------------------|--|---|---|--|---|--|--|---|
| 312 | 2,044,870 | 1,381,741 | 15,846 | 10,626 | 0.01 | 0.00 | 0.17 | 0.12 |
| 313 | 1,875,875 | 1,048,853 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| 322 | 84,746,350 | 84,746,350 | 6,781,987 | 6,781,987 | 4.78 | 5.52 | 70.72 | 77.15 |
| Total 3 | 88,667,095 | 87,176,944 | 6,797,833 | 6,792,613 | 4.79 | 5.53 | 70.89 | 77.27 |
| Axis no. 4 | | | | | | | | |
| 412 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| 413 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| 431 | 119,918 | 95,935 | 61,250 | 49,000 | 0.04 | 0.04 | 0.64 | 0.56 |
| Total 4 | 119,918 | 95,935 | 61,250 | 49,000 | 0.04 | 0.04 | 0.64 | 0.56 |
| TOTAL | 141,852,641 | 122,861,002 | 9,589,354 | 8,790,913 | 6.76 | 7.16 | 100.00 | 100.00 |

The analysis of the local impact of the projects financed through the NRDP measures

Murgeni area is a compact geographical area composed of autonomous rural areas, located in the southeast of Vaslui County and takes up 6.62% of its surface. From the administrative point of view, the area is made up of the villages Blagești, Epurenii, Malușteni, Suletea and the villages belonging to the town of Murgeni. This is located in North Eastern Development Region, a region known as the least developed Romanian region in terms of economics, agriculture being the prevalent economic activity. The North Eastern region stands, at the country level, through the largest share of population employed in agriculture. As concerns the Murgeni area, the population is relatively dense, in incipient decline and in course of aging. The rural development area falls within the areas with agricultural profile and slight availability of economic activities diversification. This can be boosted through the economic development of the Murgeni town and the higher capitalizing of the existing agricultural potential. Therefore, it needs to be attracted funds for the modernization of villages, agricultural development, diversifying the economy and promoting social programmes. The area major issues are: the need of villages' modernization, development of agricultural holdings and reducing the poverty level. The area may develop on its own through policies and local projects and by stimulating the development of a semi-intensive agricultural economy.

Following the understanding of contribution the fundraising may have for agricultural and rural development projects, as reflected by the data in Table 1, during 2008 – 2011, 106 projects have been contracted and financed, approximately 25.18% of the total of 421 project proposals identified as feasible and for which there were elaboration initiatives to and 6.32% of total of projects financed in Vaslui County. The total financial allocation in the area of Murgeni, during 2008 - 2011 was a satisfactory one: the amount of EUR 9,589,354.00, a percentage of 6.76% of the total amount allocated in the same period in Vaslui County, out of which the public financial allocation of EUR 8,790,913.00, a percentage of 7.16% of the total public financial allocation of Vaslui County. Further, it is shown the way in which the proposed projects identified as feasible and for which there was elaboration initiative have turned into contracted and financed projects, are analyzed for each measure separately, based on information from Table 1.

Within the framework of Axis No.1 has been identified a number of 135 potential projects and have been contracted and financed 101 projects, which represent 6.02% of the total projects funded in Vaslui County, 95.28% of all projects financed in the area of Murgeni, with a reduced weight of financial allocations of 1.93% in the total costs, respectively 1.59% in the total public expenses in Vaslui County, and an average weight of 28.47%, 22.17% in the expenditures total,

respectively the total public expenses of the Murgeni area. Within the measures 111, 122, 125, 142, 143, it has been identified a total of 100 potential projects, the beneficiaries interest in the area of Murgeni being minimal. No project proposal has been submitted. For the measures affecting agricultural structures – 141 and 112, although have not been identified possible proposals, 97 projects have been contracted, with an average budgeted financial weight and with various degrees of response. For the projects connected with the production and transformation process improvement: measures 121 and 123, only 4 projects have been contracted, with an average financial weight in the budget and a medium – low degree of response. The average degree of financial allocation is an indicator of the phased state of measures implementation. Axis 1 has taken into account the structural transformation and value added incorporation into food manufacturing, promoting the value added increase in manufacturing processes, introducing technical and structural improvements. Although the NRDP programming established in an appropriate manner the synergy between its axes and measures, the implementation of Phased Programme and financial crisis did not allow to completely taking advantage of these. A number of Axis 1 measures have not been implemented or had a very low degree of implementation, existing a few projects or no project, thus reducing the financial allocations weight for the Murgeni area.

The implementation of measures within the axis framework led to the creation of jobs, keeping the population in rural areas and increasing the life quality level, as follows:

- Measure 112 - the measure impact was positive for beneficiaries, but produced little effect as concerns the farm structure, the maximum level of support was not enough to finance the farms structural transformation, most of the achieved investments were small, but the measure has been successful in youth participation and creating jobs for them;
- Measure 121 - average public allocation was a beneficiary reduced to a single investment project managed the average value measure favored mainly a commercial medium, low participation of the beneficiaries of this measure are due to difficulties to develop business plans required and obtain private financing to carry out their;
- Measure 123 – although only 3 projects have been financed, it had a significant weight within the financial allocations; the measure is successful in promoting the businesses engineering, in this way beneficiaries introducing new capabilities within the production processes, engineering them and improving their quality, small businesses that represent the majority beneficiaries group have been supported, so it directly contributed to reducing the inequalities with regard to business size;
- Measure 141 – attracted a large number of projects, but with a low financial allocation, favoring the participation of semi-subsistence farms and beneficiaries of agriculture – environment payments, which exceeded by far the participation percentage initially planned; therefore, it is deemed necessary resizing of the amount for supporting the measure, in order to directly promote the farm structural transformation, considering the participation degree of persons under 40 years old and women among the beneficiaries group is high;

Within the Axis No. 2, playing a part in reducing the territorial disparities, environmental and biodiversity protection, there have been identified 22 potential projects, a forecast which resulted in no financing. Cause is the nonproductive purpose of the measures in the Axis. Also, the low degree of efficiency indicates the fact that the forecast of support on the beneficiary is higher than average aid each of them gets and, consequently, the resources associated with the specific objectives achievement of measures of are lower than the planned budgetary allocation. For the measures intended for boosting productive investments and setting up microenterprises: 312 and 313, has been identified a number of 53 projects, which was financed only one measure 312 having a reduced financial allocation - 0.17%. For the measure 322, which has the destination of ensuring a certain level of basic services in rural areas, there has been identified a large number of potential

projects - 186, out of which only 3 projects have materialized that have benefitted from a high financial allocation - 70.89% of the total expenses incurred in the Murgeni area. It is considered that the measure responds to a low extent to the needs identified in the Murgeni rural area.

As within the Axis no. 1, the measures implementation under Axis no. 3 has led to the creation of jobs, keeping the population in rural areas and increasing the life level quality in the villages of Murgeni area, as follows:

- Measure 312 – it is noticed a very low interest for the implementation of this measure, which recommends the potentiating of promoting non-agricultural production, with emphasis also on handcrafted production and stimulation of its development, intensity of the support provided to beneficiaries in order to improve their possibilities of co-financing is average, being necessary to foster the support of services for population, whereas the majority weight is represented by the agricultural services;
- Measure 322 – a measure intended to equip with infrastructure and basic services in rural areas has recorded positive results concerning the number of supported villages and the number of activities undertaken. The number of projects contracted through the measures with the purpose of supporting productive investments is reduced – 3, taking into account the investments capacity and extent, of more than 77.27% from the total public expenditure, as well as the number of jobs created, the increase of living standard quality in rural areas, with significant effects on sustainable development, it is recommended to enhance the amounts assigned for this measure, due to the acute need for modernization of the rural area.

Under the Axis no. 4, 25 projects have been identified, the only measure financed within Axis no. 4 is measure 431, which from the territorial point of view has integrated through the local development strategies, creation of jobs, maintaining the population in rural areas and increasing the living standard quality levels, on a single project and the following localities relating to the area of Murgeni: Blagesti, Malusteni, Murgeni.

The local development, diversification and development strategies had a minimal impact on Murgeni the area, the activity being indicated by a limited financial allocation of a project, as follows:

- Measure 431 – the low level of effectiveness and efficiency derive partly from the lack of experience they have, particularly the measure beneficiaries, implementation is in its infancy, and measure 431 was effective as concerns the information and training actions for the elaboration of local development strategies.

Romania's EU integration has direct effects, with a high impact on the development of agriculture and rural development, which is mainly due to the punctual financial support that the Romanian agriculture and rural areas benefitted from. Based on research carried out, there has been performed an analysis of how forecasts have been fulfilled regarding the projects application, contracting and financing through the NPARD programme, between 2008 – 2011. In the first part of research, 421 feasible projects ideas have been identified in order to obtain funding through the NRDP. This priority addresses the following measures:

- 186 project proposals are intended to finance through the measure 322 – Village renovation and development, improvement of basic services for the rural economy and population and putting the rural heritage forward;
- 80 project proposals are aimed at financing through measure 125 – Improvement and development of the infrastructure related to the development and adaptation of agriculture and silviculture;
- 50 proposals for projects are intended to finance by measure 312 – Support for the creation and development of microenterprises;

- 27 project proposals are aimed to finance through measure 121 – Modernization of agricultural holdings;
- 16 project suggestions are destined to fund through measure 413 – Quality of life and rural economy diversification;
- 9 project proposals are meant for financing by measure 122 - Improving the forest economic value;
- 9 proposals of projects have the purpose to finance by measure 412 – Improvement of environment and rural areas;
- 8 project submissions are meant for funding through measure 123 – Increasing the added value of agricultural and forestry products;
- 8 project proposals are intended to finance through measure 223 – The first afforestation of non-agricultural lands;
- 6 proposals of projects are designed for funding through measure 111 – Professional training, information and knowledge distribution;
- 6 project submissions are aimed to funding by measure 214 – Agriculture-environment payments;
- 6 project suggestions are meant for financing by measure 221 – The first reafforestation of agricultural lands;
- 3 proposals of projects are intended to finance through measure 143 – Provision of guidance and consultancy services for agriculturalists;
- 3 project submissions are designed to finance by measure 313 - Encouragement of tourism activities;
- 2 proposals are meant to fund through measure 142 - Establishment of producer groups;
- 2 project proposals are aimed at financing by measure 224 – “Natura 2000” payments per forestry land.

As it results from the information centralized in Table 1, the 421 potential projects identified for the Murgeni area are distributed, on average, by 84 projects per village, respectively by 19 projects per village, which indicates the existence of a development potential on multiple plans of the local village that has never been seen before. This is due to the identification, by local authorities and business environment in the rural area, of the opportunity to finance the objectives they proposed, through the funds made available to Romania by the EU following the accession. From the same table, we notice that, for the same period for which the forecast has been elaborated, 106 projects have been financed in the Murgeni area, on average 21 projects per village or 5 projects per village, representing 25.2 %. For the Murgeni area has been allocated EUR 9,589,354, representing 6.76% of the total amount allocated to Vaslui County. As regards the public expenditure, for the Murgeni area has been assigned EUR 8,790,913.00, respectively 7.16% of the total public expenditure in Vaslui County.

CONCLUSIONS

Analysis of the agricultural and regional policies promoted by the EU indicates that the weight of allocations for agriculture will yearly increase by about 16.5%, while the coverage degree of EU funds allocation will increase to the detriment of national budget funds, from 57.1% in 2007 to 100% in 2016. At the analyzed area level, it is estimated that additional development sources will have an average annual growth rate of 3-5% with coverage from bank loans or 2-3% with the coverage of farmers' own funds. Under these circumstances, in the next ten years, the local farmers' own capacity for development will enhance by 50-80%. Also, within the same ascending trend enters the evolution of own development efforts of local public authorities and, partly, of the county council. With regard to the structure of funded projects, it is found that 68.87% are meant for

supporting the semi-subsistence farms, 0.94% for the farm modernization, 22.74% for setting up young farmers, 0.94% for increasing the added value of agricultural and forestry products, 2.83% for the villages renovation and development. The remaining proposals are intended for the other four measures and represent 3.68% of the total. On analyzing the contracted amounts structure, it is noticed that 70.72% of the funds are directed towards the villages renovation and development, 13.17% for increasing the added value of agricultural and forestry products, 3.25% for the agricultural holding modernization, 6.34% for establishing young farmers, 5.71% for supporting the semi-subsistence farms. The difference is allocated to the other measures.

Among the major effects of these projects implementation on the local village, the most significant are: modernization and development of the main rural infrastructure, improvement and development of agricultural holding infrastructure, agricultural holding modernization, consolidation and development of trading agricultural holding, raise of agriculture competitiveness, diversification of non-agricultural activities, enhancement of life quality in rural areas, development of agriculture-environment programmes, silviculture development, development of social programmes and improvement of labor resources efficiency. Also, it is outlined a series of very important side effects of the economic development, as follows: improvement of the institutional system, improving the social framework, diminishing the poverty, natural environment protection, change of mentality, development of civic spirit and strengthening of private property.

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