

THE IMPACT OF NATIONAL RURAL DEVELOPMENT PROGRAM ON INVESTMENTS IN THE AGRICULTURAL SECTOR

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Abstract

Investment, as a material support of economic development, is an important factor in achieving the transition to a successful agriculture. In the most common cases, investments in agriculture ensure a technical increase in production by including fixed assets. This process is a form of manifestation of technical progress in agriculture to ensure economic growth and higher productivity.

This paper aims to present the impact of National Rural Development Program (NRDP) measures on the economic development of the agricultural sector. In this sense, the net investments made on financing sources and the net investments made in agriculture, forestry and fishing in Romania in the period 2015-2019 were analyzed, using the statistical data presented by National Institute of Statistics (INS), thus noticing an increase of 23%, respectively 1,04%. Growth was supported by investments made through the European Structural Funds granted in the two operational financing periods, respectively 2007-2013, 2014-2020. From the data presented in the most recent report on the state of absorption within NRDP 2014-2020 published by Ministry of Agriculture and Rural Development (MADR), it was noted that Romania had allocated structural funds totalling 10,968 million euros, of which 60.73% were payments to beneficiaries, the degree of absorption of European funds being 57.56% of the total allocation.

Keywords

European funds, absorption, NRDP, Romania.

JEL Classification

Q13, P25, R15.

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Introduction

Investment is the premise that underlies sustainable economic development, as well as the entire socio-economic system. It is important to note that there is a two-way relationship between investment and economic development.

Rural development is the second pillar of the Common Agricultural Policy, which aims to increase the competitiveness of agriculture and forestry, sustainable management of resources, balanced development of agriculture. (Rusu, 2003)

The NRDP programs at the level of the two operational periods 2007-2013, respectively 2014 supported the realization of investments, both in the private and in the public domain, thus contributing to the socio-economic development of the Romanian rural area. The NRDP measures have proved their effectiveness, so that during the financial year 2007-2013, the absorption rate exceeded 90%, and in the current financial year, during the transition period, the absorption rate reached 57.56%. (Matthew, 2019)

For the NRDP 2014-2020, 14 measures were implemented, which focused on the development of rural areas, the amount of funding amounting to 9.333 billion euros, of which 8.013 billion are from the EAFRD and 1.347 billion from the national contribution. (Csosz, 2020)

European funds are the lever for public investment in all EU Member States, with the aim of bridging the gap between developed regions, underdeveloped regions and EU Member States. (Popescu, 2015)

The financing from the state budget has a multiple role both for the rural environment and for the inhabitants, contributing to a good development and functioning of the activities, to the sustainable management of the natural resources, but also to the possibility of setting up the business by the inhabitants. (Dumitru, 2021)

The uneven development of Romania's regions is a main feature, some rural areas having a more aromatic development due to European funds. Investment is a balance that can stabilize rural areas, taking into account, on the one hand, the development potential and, on the other hand, the needs of the inhabitants. (Dumitru, 2020)

1. Review of the scientific literature

The Structural Funds and the co-financing of the Member States add up to a considerable amount of public investment in Europe. The structural instruments of cohesion policy are the Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF). In the period 2007-2013, the budget allocated to regional policy amounted to EUR 348 billion, with the ERDF and the ESF holding EUR 278 billion and the CF 35% of the Community budget. (Matei, 2015)

The period 2007-2013 showed a low rate of absorption of European funds, the paradox of absorption of funds being based on the one hand on the fact that disadvantaged nations are the ones who encountered the most difficulties, and on the other hand, the attempt to use these funds as a way out of the economic crisis, but the determinants of the absorption rate are affected by this crisis. (Tătulescu, 2014; Dumitru, 2016)

According to Gherghinescu (2009), the absorption of European funds in the first year of Romania's post-accession to the EU it was 21.7%, a much lower rate compared to other member states such as Hungary (42.9%) or Poland (42.8%). (Balogh, 2010)

European funds have a special importance in rural areas, rural development being an objective for regional policies in Romania that seek to increase the competitiveness of sectors, reduce poverty, capitalize on cultural potential, balance economic and social opportunities between rural and urban areas. (Muntean, 2010)

The implementation of the European Funds aimed to increase the level of farms in the European Union. The management of the farm has grown in recent years, the model of the manager drawn up before 1989 still predominates Romania, which is at a disadvantage compared to other states that are oriented towards personal development and information on new technological procedures in agriculture and access to European funds. That is why the reorientation towards young people who are interested in knowledge must be considered. (Sandu, 2014; Dumitru, 2017)

The period 1988-2006 should be a lesson on how Romania should be based when it comes to structural financing. The non-uniform allocation of European funds to Member States should generate greater effort on the part of the governors to coordinate them and be based on strong measures to achieve the objectives set out in the National Strategic Plan. (Zaman, 2009; Susanu, 2008)

2. Research methodology

The research is based on data provided by the National Institute of Statistics, the Ministry of European Investment and Projects (MFE) and the Ministry of Agriculture and Rural Development.

In the research was calculated the indicator called growth rate which is calculated as follows: $R = (\bar{I} \times 100) - 100$, where: \bar{I} = average general growth index.

The aim of the paper is to identify the degree of absorption of European funds in the 2014-2020 funding period, but also to identify the impact of PNDR measures on the economic development of the agricultural sector.

3. Results and discussion

The research will present the net investments by financing sources in the period 2015-2019, the evolution of net investments in agriculture, forestry and fisheries. The implementation stage and the NRDP absorption stage in the period 2014-2020 will be also presented.

Net investments, in fact, represent those expenses that are made for construction works, for installation and assembly works or for the purchase of equipment or even means of transport, etc. (Table no. 1)

Table no. 1. Evolution of net investments made on financing sources in the period 2015-2019 (million lei)

Sources of financing	2015	2016	2017	2018	2019	Growth rate	2019/2015
	Milion lei					%	%
Own sources	70,887	75,368	72,512	79,088	94,341	7.4	33%
Internal loans	5,351	5,513	4,477	5,563	6,626	5.5	24%
External loans	1,410	1,267	520	491	848	-11.9	-40%
State budget and local budgets	9,507	8,442	9,152	10,806	13,069	8.3	37%
Foreign capital	4,934	1,010	515	1,009	1,892	-21.3	-62%
Other sources	6,799	4,564	3,869	4,746	5,217	-6.4	-23%
Total	98,888	96,163	91,046	101,703	121,993	5.4	23%

Source: INS, accessed on 04.11.2021.

In the previous table, the net investments by financing source are presented, in Romania, in the period 2015-2019.

In Romania, there is a growing trend of investments, with an annual rate of 5.4%, so that in 2019 there is a net investment value of 121.9 billion lei, representing the maximum of the analyzed period, exceeding the level of investments since 2015 by 23%.

The highest percentages were held by investments made from own sources through self-financing, about 77% of the total. In second place in terms of the source of investment financing, there are amounts from state and local budgets, about 11% of the total in 2019. (Table no. 1)

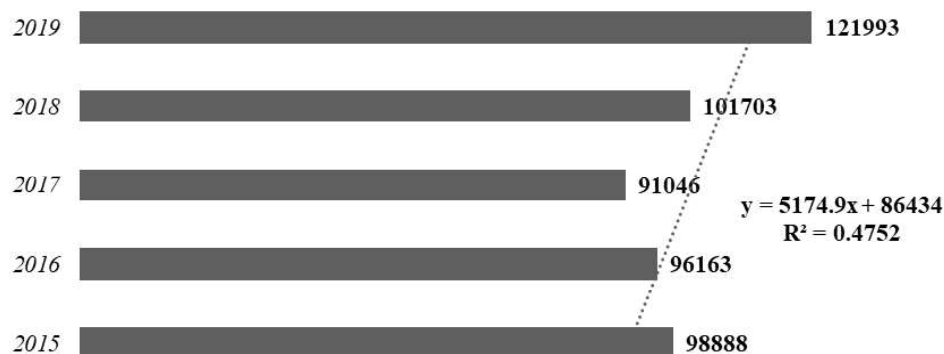


Figure no. 1. Net investments made on total financing sources in the period 2015-2019 (million lei)

Source: processing based on INS data

According to the trend line $y = 5174.9x + 86434$ net investments increased on average, from one year to another, by 5174 million lei. Also, the R_x / y correlation ratio $= 0.689$ indicates a strong link between the two variables, the variation of net investments being influenced in proportion of 47% by the time period taken into account, the rest being the influence of other factors not included in the model. (Figure no. 1)

Table no. 2. Evolution of net investments made in agriculture, forestry and fishing in Romania, at the level of the period 2015-2019 (million lei) - CANE REV.2.

Activities of the national economy	2015	2016	2017	2018	2019	Growth rate	2019/2015
	Milion lei					%	%
Agriculture, forestry and fishing (millions of lei)	5333.5	4371.3	5878.2	5475.1	5552	1.01	1.04

Source: INS, accessed on 04.11.2021

In Romania, at the level of the period 2015-2019, investments in the amount of 26,610.1 million lei were made in the agriculture, forestry and fishing sector. There was an upward trend of materialized investments, with small fluctuations, the maximum of the period being registered in 2017 (5,878.2 million lei), and the minimum in 2016 (4,371.3 million lei). In 2019 (5,552 million lei), there was an increase in the value of investments in this sector by 4% compared to the value obtained in 2015 (5,333.5 million lei). (Table no. 2)

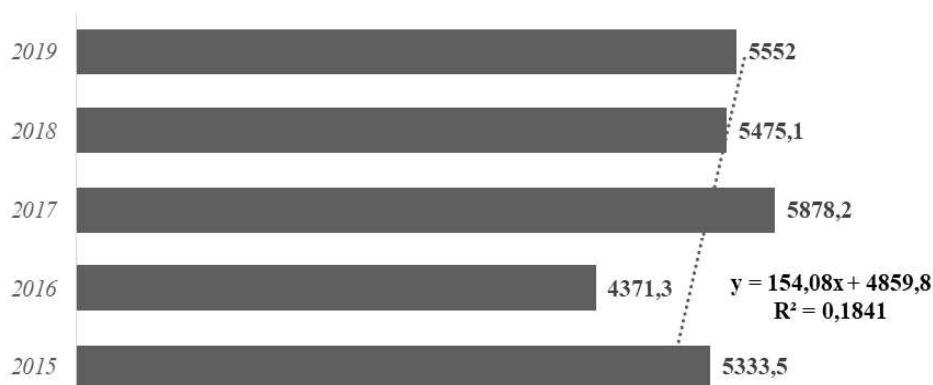


Figure no. 2. Net investments made in agriculture, forestry and fishing in Romania, at the level of the period 2015-2019 (million lei)

Source: processing based on INS data

According to the trend line $y = 154.08x + 4859.8$, the net investments in agriculture, forestry and fishing, increased on average, from one year to another, by 154 million lei.

Also, the correlation ratio $R_x / y = 0.429$ indicates a weak link between the two variables, the variation of net investments in agriculture, forestry and fishing being influenced in proportion of 18% by the considered time period.

The increase of investments during this period can mean an effect generated by the granting of financial support granted through NRDP, a program aimed at providing non-reimbursable funds from the European Union, to finance investments in agriculture and economic and social development of the Romanian rural area. (Figure no. 2)

Table no. 3. Status of absorption of funds under NRDP 2014-2020 on October 1, 2021 (million euros)

Allocation 2014-2020 (UE)	Payments to beneficiaries (EU)		Pre-financing received from the EC		Amounts requested by the EC within the EU allocation (current absorption rate)		EC reimbursements (effective absorption rate)		Total amount received from the EC	
	Value	%	Value	%	Value	%	Value	%	Value	%
10968.15	6660.57	60.73	325.12	2.96	6316.06	57.59	6313.68	57.56	6638.80	60.53

Source: Ministry of European Investment and Projects (MFE)

According to the report on the state of absorption for the programs financed by FESI, FEAD and EAGF on 1 October 2021, it was noted that in the financial year 2014-2020, under the NRDP, Romania was allocated European structural funds amounting to 10968, 15 million euros. Payments to beneficiaries amounted to EUR 6660.57 million, which represents approximately 60.73% of the total budget. During this period, the European Commission reimbursed EUR 6313.68 million, with the effective absorption rate reaching 57.56% of the EAGF allocation. (Table no. 3)

Table no. 4. The state of implementation of NRDP 2014-2020 on 28.10.2021 for the main sub-measures (the most accessed measures)

Allocation 2014-2020 (UE)	Payments to beneficiaries (EU)		Pre-financing received from the EC		Amounts requested by the EC within the EU allocation (current absorption rate)		EC reimbursements (effective absorption rate)		Total amount received from the EC	
	Value	%	Value	%	Value	%	Value	%	Value	%
10968.15	6660.57	60.73	325.12	2.96	6316.06	57.59	6313.68	57.56	6638.80	60.53

Source: Ministry of Agriculture and Rural Development (MADR)

Until 28.10.2021, through NRDP 2014-2020, 90,458 financing applications were submitted with a value of 10,206.86 million euros; 53,487 funding applications were selected, their value being 5,634.31 million euros. Regarding the contracted investment projects, it was noted that until this date there were project contracts worth 2,264.11, their number being 36,412. Payments made to PNDR beneficiaries amounted to 6,914.37 million euros. (Table no. 4)

Table no. 5. State of implementation of NRDP 2014-2020 on 28.10.2021 for the main sub-measures (million euros)

Submeasure	PNDR public allocation (mil. Euro)	Funding applications submitted		Selected funding applications		Completed contracts / financing decisions		Payments made (mil.euro)
		Nr.	Valoare (mil.euro)	Nr.	Valoare (mil.euro)	Nr.	Valoare (mil.euro)	
Sub-measure 4.1 "Investments in agricultural holdings"	1,601.90	4,071	2,240.20	1,886	1,051.91	1,388	429.54	668.79
Sub-measure 4.1 of "Investments in fruit holdings"	419,38	1,182	677.77	564	310.82	179	73.67	171.09
Sub-measure 4.2 "Support for investments in the processing / marketing of agricultural products"	526,75	758	625.18	467	431.24	139	88.36	180.65
Sub-measure 6.1 "Support for the installation of young farmers"	466,72	15,144	622.60	10,878	446.42	9,745	400.10	430.97
Sub-measure 6.3 "Support for the development of small farms"	241,59	20,618	309.24	13,916	208.74	10,383	155.75	193.78

Source: Ministry of Agriculture and Rural Development (MADR)

Through NRDP were submitted a number of 90,458 applications for financing, respectively 20,618 related to Sub-measure 6.3 "Support for the development of small farms" with a value of 309.24 million euros and 15,144 applications for financing related to Sub-measure 6.1 "Support for the installation of young farmers" with a value of about 622.60 million euros.

Most projects were contracted for the development of small farms, respectively 10,383 completed contracts, their value being 155.75 million euros. Also, a large number of contracts were completed for the installation of young farmers, respectively 9,745 contracts completed with a value of 155.75 million euros.

Regarding the payments made to the beneficiaries, it was noted that the most significant payments were granted to the beneficiaries under sub-measure 4.1 "Investments in agricultural holdings", respectively 668.79 million euros, payments that ensured the endowment with high-performance machinery and equipment, investments in modernizing farms and improving fixed assets, thus supporting increasing the competitiveness of agricultural holdings. Sub-measure 6.1 "Support for the setting up of young farmers" also recorded a significant number of payments made to beneficiaries, amounting to EUR 430.97 million. (Table no. 5)

Conclusions

Analyzing these data on net investments by source of funding and net investments in agriculture, forestry and fisheries, we can see that it has an upward slope, representing an effect of providing financial support through the National Rural Development Program. The main priorities of the Program are to modernize, improve and increase the viability of farms as well as to attract and encourage young farmers, etc.

Thus, analyzing the absorption stage within NRDP 2014-2020 and the implementation stage of NRDP 2014-2020 we can see that Romania had allocated structural funds totalling 10,968 million euros, of which 60.73% were payments to beneficiaries. The degree of absorption of European funds being 57.56% of the total PNDR allocation.

The most accessed were sub-measure 6.3 "Support for the development of small farms" and sub-measure 6.1 "Support for the installation of young farmers", with a total of 20,618 and 15,144 applications for funding, respectively, while for sub-measure 4.1 "Investments in agricultural holdings" and sub-measure 6.1 "Support for the setting up of young farmers", the most significant payments to beneficiaries were noted, amounting to a total of EUR 668.79 million and EUR 430.97 million respectively.

Currently, the degree of absorption has reached 57.56%, which means that more than half of the value allocated by NRDP has been absorbed. It is worth mentioning that Romania is still in the transition period, so by the end of 2022 an increase in the degree of absorption from the total allocation of the program is expected. Among the main causes that led to this absorption of European non-reimbursable funds are: delays in announcing eligible projects and signing contracts with selected beneficiaries, bureaucracy, lack of financial capacity of beneficiaries to ensure co-financing of projects, and lack of information on funding opportunities under the program.

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