

THE EXTENT OF ABSORPTION OF EUROPEAN FUNDS TO FINANCE AGRICULTURE IN ROMANIA

NELA LOREDANA MEIȚĂ

ASSIST. PH.D, UNIVERSITY OF CRAIOVA, FACULTY OF ECONOMY AND BUSINESS
ADMINISTRATION

TITU NEȚOIU

LECT. PH.D, UNIVERSITY OF CRAIOVA, FACULTY OF ECONOMY AND BUSINESS
ADMINISTRATION

loredanameita@yahoo.co.uk

Abstract

In the present study we aimed to analyze to what extent farms were able to access European funds, and the absorption of these funds to the volume allocated by these programs, trying to identify the causes that led to the slowdown absorption or prevented direct access to these funds for potential beneficiaries.

Keywords: *absorption degree, EAFRD, agriculture, paying European funds*

Classification JEL: H75, H52, I22, I23.

1. Introduction

The paper analyzes the situation of agriculture financing in terms of the use of resources made available by the European Union investment projects materialized in contracts and payments EAFRD throughout the period since the accession of Romania to the European Union, from 2007 until perspective 2017 years. I tried to realise an analysis of the use of funds both globally by summing all payments made by the contracting authorities at national level and broken down for developing regions.

To illustrate the real absorption capacity of Romanian agricultural sector operators we offer to study and interpret the situation of contracts and payments aimed at EAFRD programs (excluding investment projects) in November 2008 when the program becomes operational - February 2015.

The first observation we mention is that the harmonization of Romanian legislation with EU legislation related to general conditions and facilities for agriculture according to the EU are still in a process of evolution and the legal framework under which operators in agriculture were forced to operate was not the same throughout the period analysed. It is understood that these factors exogenous had in turn directly affect capacity to absorb funds rough.

2. Funding of agriculture between myth and reality

Already, for the first two years after Romania's accession to EU structures, we see major gaps between the levels of development of regions, levels that are passed default on the absorption of European funds. After the first two years of membership we observed an increase in the absorption of the maximum amplitude to the level of 17.31% for 2008, when Ilfov Region and 80.21% for Ilfov-Bucharest Region in 2009 (see Fig. 1). We have, therefore, a spectacular growth of 63% for one region over a single year. The same situation is observed for the South East Constanta, rising from 1.84% to 57.75% as for South Targoviste that registered over one year increased by 68 percent. We must not forget, however, that we are only at the beginning of accession, mainly characterized by familiarizing potential beneficiaries of funding and, especially, the increasing implementation of these programs after their approval and signing contracts with central or regional authorities.

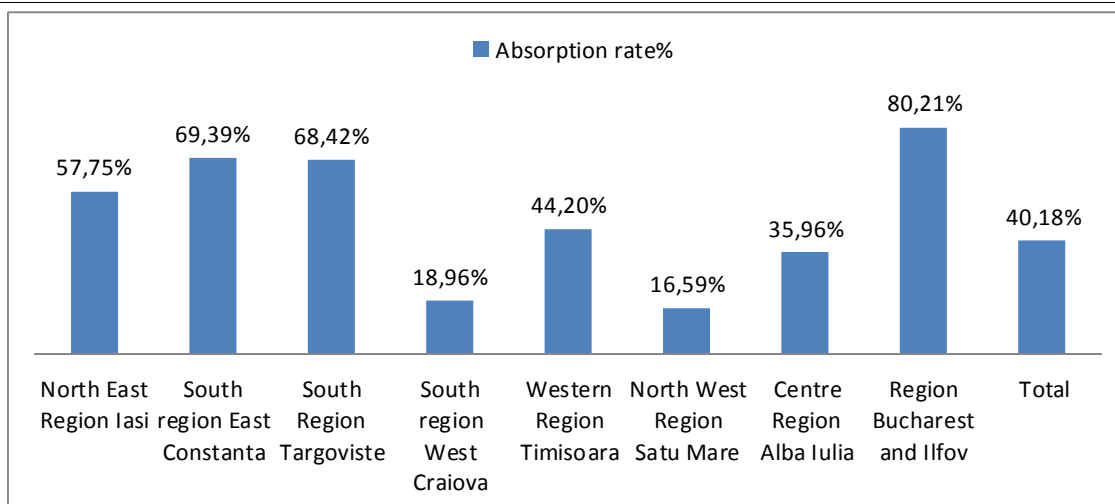


Fig. 1 The extent of absorption in 2009

Source: projection based on the data from apdrp.ro, contracts and payments EAFRD (investment projects) during the period November 2008 - February 2015

The same trend was for 2010, the year whit records the absorption levels exceeding 100% -105.6% for South East, South West- 101.22% and again, Ilfov region Bucharest 170.04% (see Fig. 2). Concern is the recording of a situation of inequality regarding the evolution of the absorbency making, especially for the northern counties under, the absorption of funds to be found below the annual average of 65%. Thus, for the North East Iasi there is an absorption rate of 0%, while for North-West, the same indicator recorded 17.61%.

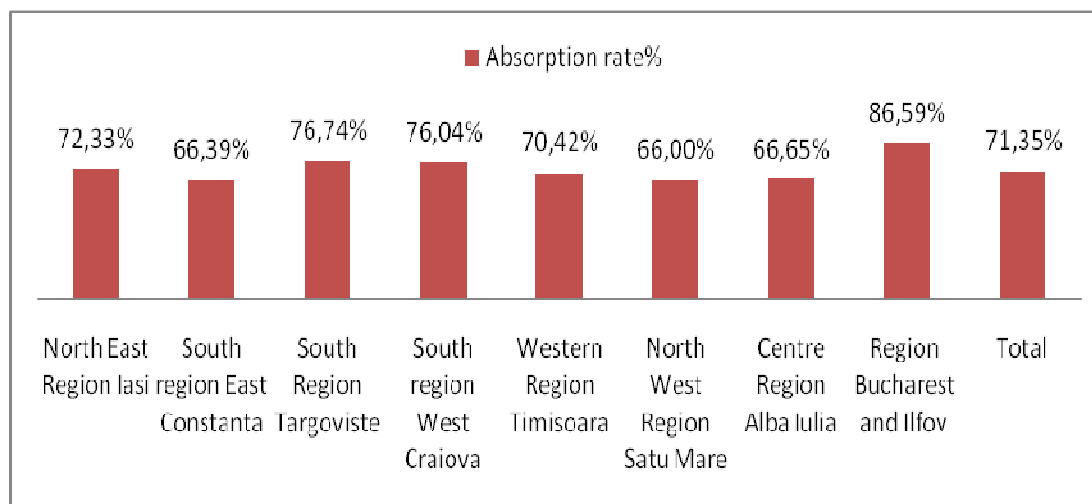


Fig. 2 The extent of absorption in 2010

Source: projection based on the data from apdrp.ro, contracts and payments EAFRD (investment projects) during the period November 2008 - February 2015

For 2011, we observed for the first time significant increases in the absorption top or around 100%, from 91.15% for South-West Oltenia and 164% for South East Constanta (see Fig. 3).

It is the fourth year after accession since Iași region recorded an absorption rate close to 100%, which increases the gap between the levels of development of the areas of the country (and it is likely that the gap is maintained in other sectors, with implications direct the standard of living of the population). The analyzes conducted by the Ministry of Agriculture and Rural Development and the structures of the European Union, resulted for the first period after accession, signals that targeted disparity between local specificities and development programs, too general and lack of adaptation to local conditions socio-economic.

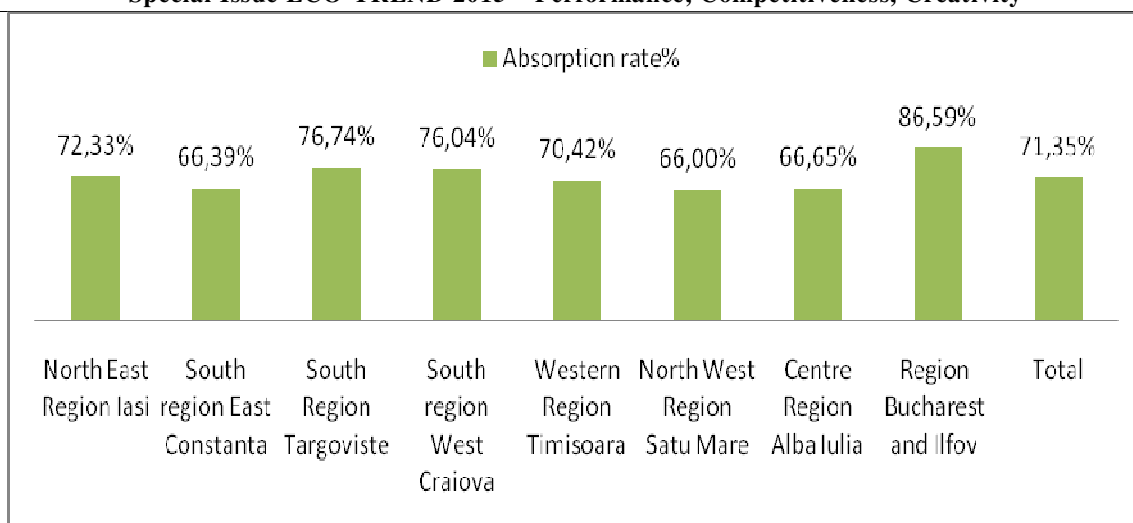


Fig. 3 The extent of absorption in 2011

Source: projection based on the data from apdrp.ro, contracts and payments EAFRD (investment projects) during the period November 2008 - February 2015

From 2013 there is a first record of increasing absorption for the North Iasi to 52.68% at the same time with an exponential increase in the absorption for South West Timisoara to 141.48% (see Fig. 4). For Ilfov- Bucharest Region, the absorption continues to remain at high levels: 74.41% decrease in the absorption ratio is explained by the relatively small agricultural surface area and somewhat one-sided nature of agricultural production, mainly vegetable.

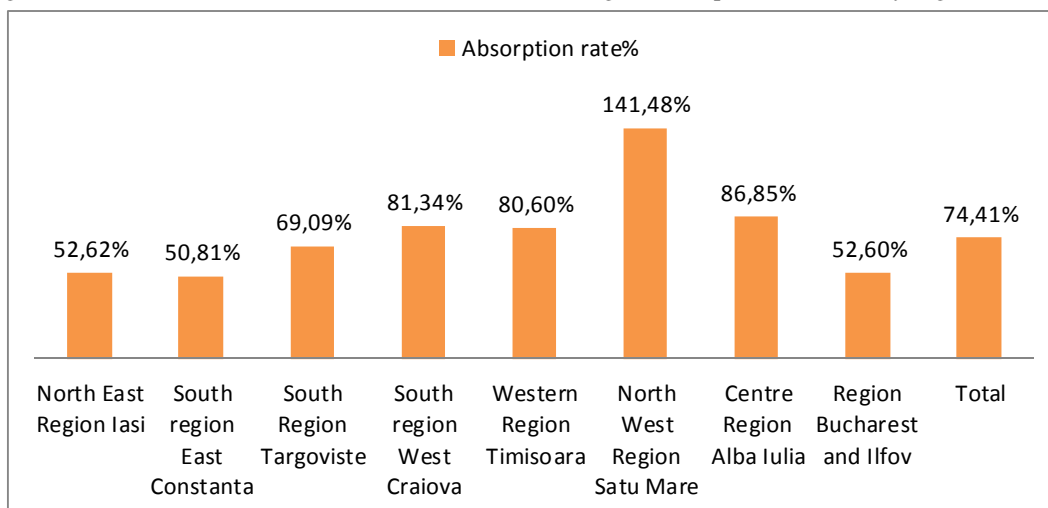


Fig. 4 The extent of absorption in 2013

Source: projection based on the data from apdrp.ro, contracts and payments EAFRD (investment projects) during the period November 2008 - February 2015

For 2014 we can see the best that implementing programs undifferentiated national or setting ceilings limit for programs and measures which ignore the weight of different agricultural activities specific to the agricultural sector finally lead to the impossibility of accessing European funds for some areas there are no programs to interested farmers and agricultural producers, while in other areas they are granted taking into account directly exploit the potential productive capacity. There is a lag, already chronic zone North East Iasi issues inability to access European funds (as shown by the absorption approaching zero) should be subject to thorough analysis of those responsible in the Ministry of Agriculture and Rural Development, and the European Commission level. Perhaps this is the explanation for that, in the absence of an industrial sector developed, but also due to a chronic shortage of financial resources leading to the agricultural potential of the area, we are dealing with an increase in the phenomenon of human migration areas having a low absorption degree of European funds in respect to other countries in the Community area (see Fig. 5).

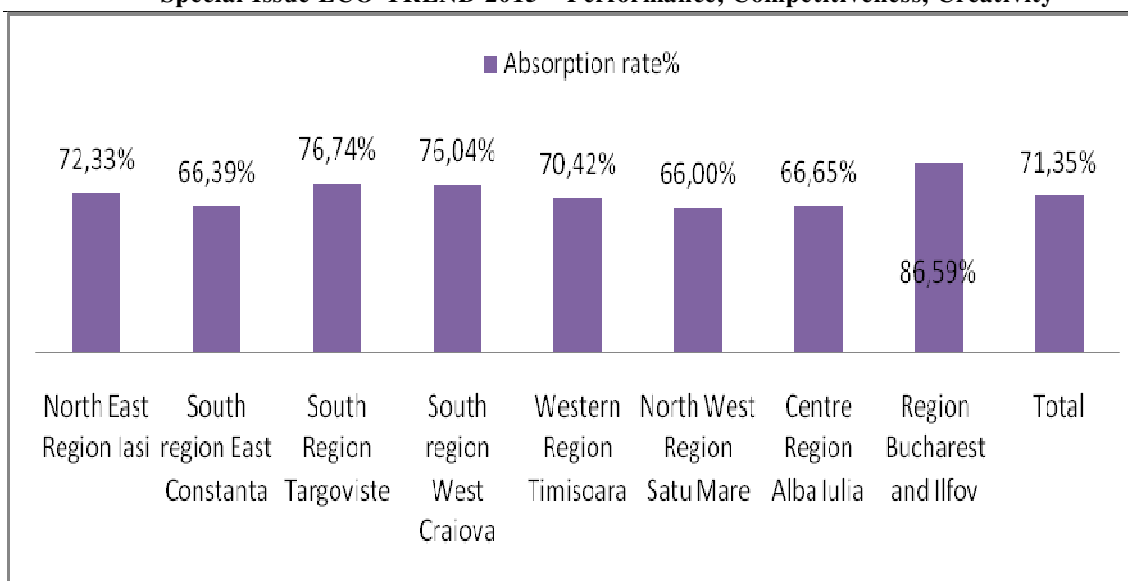


Fig. 5 The extent of absorption in 2014

Source: projection based on the data from apdrp.ro, contracts and payments EAFRD (investment projects) during the period November 2008 - February 2015

The extent of absorption calculated at the end of period share value representing the total value of the contract payments made by the EAFRD program in February 2015 is 71.35% (see Fig. 6).

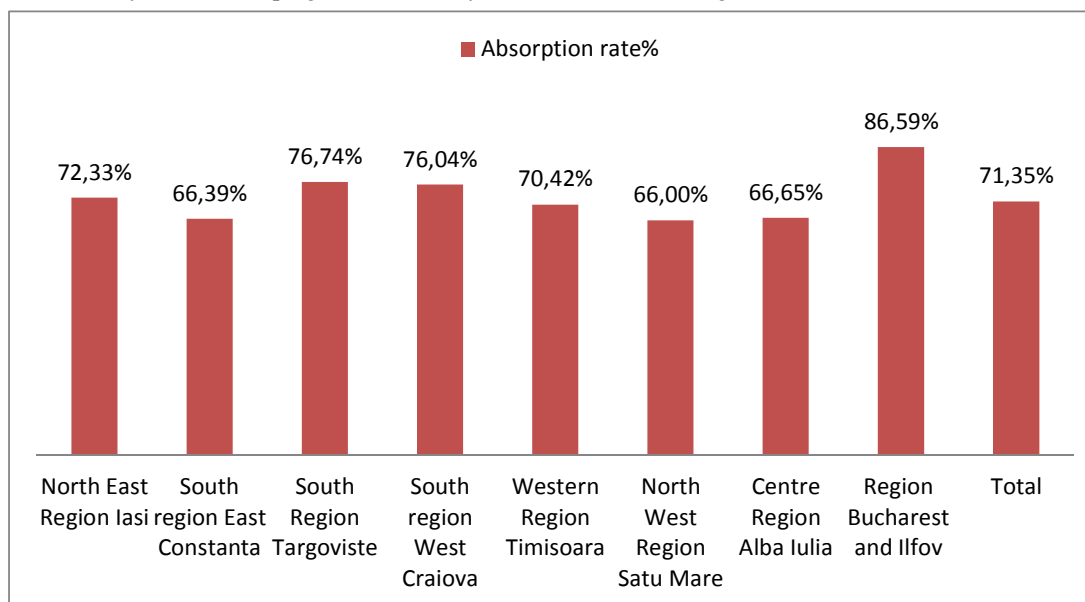


Fig. 6 The extent of absorption until February 2015

Source: projection based on the data from apdrp.ro, contracts and payments EAFRD (investment projects) during the period November 2008 - February 2015

For the 2015-2017 forecast horizon, changes in contracted funds is expected to have an increase equal to the average growth rate in the period 2012-2014, that's mean the period in which we have again an increase in the contracts, plus an index Updated annually, corresponding to an increase of 5% annually, on the grounds of increased value purchases, strictly observe the estimates for investment works contracted customary for documentation and recommended concluded to request European funds. Regarding payments, which are calculated as a share by applying the absorption of the total value of contracts in progress at the end of each reporting period, the absorption calculated, in turn, for 2015 the average grades annual absorption in the period 2012-2014, plus the rate of growth of 7% the amount of funds used for projects contacted.

Table. 1 shows the evolution of indicators in the coming years.

Table 1 Evolution of indicators

Year	Funds contracted (in Euro)	Payments (in Euro)	Absorption rate
2008	79.067.121	1.747.947	2,21%
2009	488.625.433	196.332.330	40,18%
2010	922.860.946	645.535.221	69,95%
2011	730.612.461	902.048.030	123,46%
2012	1.197.091.467	838.906.547	70,08%
2013	1.070.288.092	796.440.043	74,41%
2014	1.144.955.412	696.522.962	60,83%
2015*	1.286.357.505	880.383.076	68,44
2016*	1.445.222.545	1.058.336.470	73,23
2017*	1.623.787.529	1.272.237.529	78,35

Source: projection based on the data from apdrp.ro, contracts and payments EAFRD (investment projects) during the period November 2008 - February 2015

In Fig. 7 and 8 are the evolutionary trends for the coming years, registering a growth trend, which is a good thing.

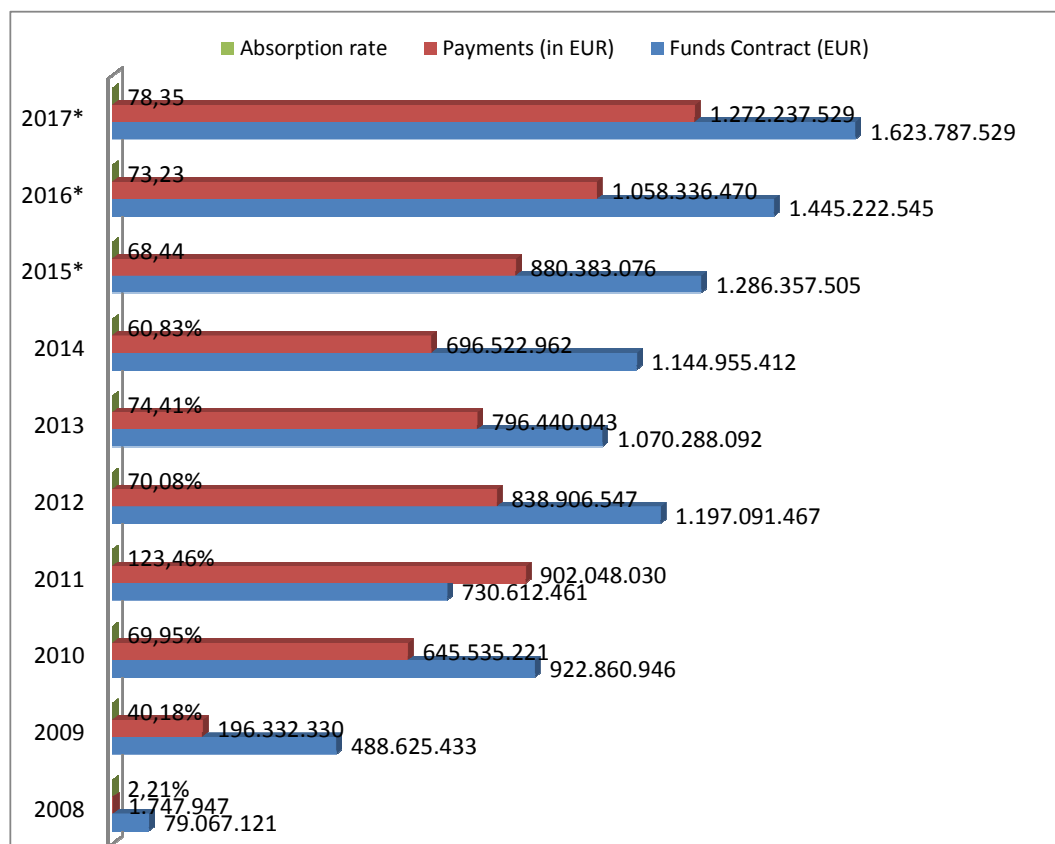


Fig. 7 Trends of evolution of structural and cohesion funds absorption devoted to agriculture

Source: projection based on the data from apdrp.ro, contracts and payments EAFRD (investment projects) during the period November 2008 - February 2015

Evolution of contracted funds or payments corresponding to the absorption chunk is shown in figures that highlight evolutionary trends of absorption of structural and cohesion funds devoted to agriculture, and the degree of absorption and cumulatively for the period 2008-2014 forecasts for the period from 2015 to 2017. It is expected such an

increase in the volume of contracted funds from 1,144,955,412 to 1,623,787,529 Euro 2014 Euro 2017, corresponding to an increase in the absorption rate of 17.52% (60.83% in 2014 to 78.35% in 2017), which would produce a corresponding increase in withdrawals at the end of period payments of 1,272,237,529 euros, compared to 696,522,962 euros represented as payments in 2014.

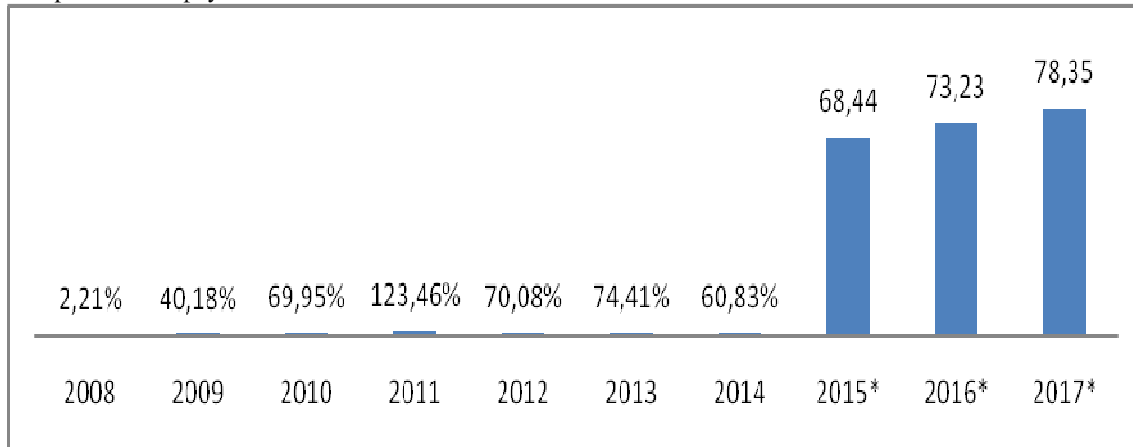


Fig. 8 The extent of absorption for 2008-2017

Source: projection based on the data from apdrp.ro, contracts and payments EAFRD (investment projects) during the period November 2008 - February 2015

In the event that these forecasts will identify with economic reality by the year 2017, the situation of the funds used in the total value of contracts concluded with the source European funds devoted to agriculture would increase by 82% over the level recorded in 2014, the rate absorption of 78.35% being close to the average level of absorption of the European namely 85%.

3. Conclusions

Actual capacity to absorb European funds for agriculture through programs run pursue the investment, therefore we analyzed the light indicator "absorption rate" calculated by dividing the actual payments made during the current total value of the contracts. The conclusions of the analysis leading to the need to allocate resources or the contracting of projects differently, depending on the specifics of each development region in part but also different degrees of development, materialized in particular in rural infrastructure and technological equipment. Comprehensive approach Romanian agriculture, and thus the allocation of resources and programs without distinction, will result in the best case, preserving the existing gaps between the different parts of the country, regionally appropriate development, instead of contributing to a harmonization it's ability to exploit the agricultural potential of each area.

4. Bibliography

- [1] Firescu V., Popescu J., The valences between theory and practice performance audit, Publishing House Sitech, Craiova, 2014;
 - [2] Ispas R., *Consequences of the Adoption of European Fiscal Pact in Romania*, Ovidius University Annals, Series Economic Sciences; 2013, Vol. 13 Issue 1, pag. 1309-1314, Source Academic Journal;
 - [3] Ispas R., Tendencies of direct European Union Taxation of corporation, Annals of University of Oradea, Economic Sciences Series, TOM XVII, Vol. III, Banks, Finances, Accountancy, ISSN 1582-5450, pp. 296-304, 30 to 31 May 2008;
 - [4] Lobonț O.R., New alternative possibilities for measuring poverty in Romania, Cross-Cultural Management Journal, Volume XV, Issue 3 – Special Issue: Collaborative Structures Vs. Competition Between Organizations – Multidisciplinary, ISSN-L: 2286 – 0452 (English), ISSN-L: 1454 – 9980 (Romanian), pag. 188-196, Alexandru Ioan Cuza University of Iasi, 2013;
 - [5] Nețoiu L.M., Training methods of bank credit in the modernization of agriculture, Universitaria Publishing House, Craiova, 2004;
- *** www.afir.info;
*** www.pndr.ro;
*** www.madr.ro.