

## EUROPEAN AGRICULTURAL FUNDS, THE RATE OF ABSORPTION AND THE PREMISES OF THE FINANCIAL PERSPECTIVES IN AGRICULTURE

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### Abstract

*Agriculture represents 6% of the GDP of the country (2012), compared to 12.6% in 2011. About three million people engaged in agriculture, approximately 30% of the total number of employees, compared to only 4-5 percent in Western countries. The Romanian agriculture is far from what is practiced in Europe in terms of both production and technology (Zahiu L., 2006) Products "made in Romania" are present in small quantities on the foreign market, while imports are increasing from year to year, the former granary of Europe during the interwar period, becoming a net importer, on some segments-the most cogent examples are meat, fruit and vegetables. Major problems of agriculture in Romania are: the absence of major investment in agriculture (not so due to a lack of funds for financing, but rather from the difficulty of accessing them), and fragmentation of lands, property-related disputes and poor technology (Diaconescu, 2003).*

**Key words:** European funds, rate, finance, absorption, European Union.

### INTRODUCTION

Romanian products always do not correspond to the quality standards of the EU, which explains the lack of presence of foreign markets, while making imported goods have invaded local shelves (Zahiu, 2005). Due to the common agricultural policy (Cap), Romania is receiving funds for agriculture worth 14.5 billion Euros in the period 2007-2013, as stated by the World Bank in partnership with Romania's strategy for 2009-2013. The problem of European funds to agriculture is financing. Unfortunately, the banks do not want to finance the start-up, even if there are guarantees 80% of the guarantee fund, even if Romanian get 50-60% non-refundable amounts, banks are very reluctant in this cases. Reticence comes from the fact that it's much easier to credit the State without any risk, with good interest, than to give money in agriculture, long-term, especially as this money come back hard and we create a great discomfort to the banks (Dachim, 2010). The biggest problem is the poor organization of farmers from the economic point of view, because they do not sell their production together, they supply with individually and that means major costs. The second problem is, that it's hard for large trust and mastered by which they

make price, lack of deposit and for all kinds of gross matter, silos for fruits and vegetables, etc. Romanians who want to build a business in the field of agriculture have provided funds over 220.5 m €, as the 121 "agricultural modernization". Of this amount, 10 million Euros are awarded for support of subsistence farms. The rest is divided in three major segments: the standards for animal husbandry (50 million Euros) for the vegetable sector (64.23 million Euros) and for the animal (96.3 million Euros).

## **MATERIAL AND METHODS**

The rate of absorption of EU funds in agriculture exceeds 50%, which creates prerequisites for the 2014-2020 financial prospects as good, said the, Minister of agriculture, during the opening of the 17<sup>th</sup> Edition of the International Fair "Indagra". Only in 2012, if agriculture budget was not so good and has not reached any quilt 1% of gross domestic product (GDP), the European funds that we have at your disposal are around 1.5% of GDP. I am glad that, in a period in which we talk about a lot of negative things that happened this year tied to European funds, we can talk on a farming area level of absorption which exceeds 50%. We can talk about that, from a financial package of eight billion Euros that we have at your disposal, this year, farmers in Romania were unable to attract and even repay from the European Commission over four billion Euros.

The only solution Romania has at European level is the "prospect of the year 2014" and strengthening in Romania of the role that mutual funds will have to compensate for any losses caused by the drought. To stop being addicted to the weather, the ministry has asked the European Commission for support in 2014 to start investments which means irrigation system rehabilitation, with an increased focus on the meaning of water resource, with an important component of care, providing solutions so as to not be affected nor the environmental natural resources, but equally to talk of competitiveness in the Romanian agriculture. Crop production fell in 2012 with 30.6% and the production of agricultural services was reduced to 4.8%, while livestock production has decreased by just 0.6%. The general result obtained following these weighting fields with their total contribution of the agricultural sector was-21.9%, which led to the decrease in the share of agriculture in GDP at just 5.3%. These values express the situation of agriculture and synthetic reveals the importance of the agricultural year better or worse for the general economic growth (Diaconescu M., 2003). The first observation is that the tendency of reduction of the importance of the agricultural sector in the economy, is definite, and exceptional circumstances only confirm the rule. With about six per cent share in GDP, agriculture is lower than commonly believed to be the result of the overall

economy. In practice, the variable part, with higher volatility of results is crop production, located somewhere at 4% of GDP. Therefore, a substantial variation of +/-25% of vintages results is +/-1% of GDP. Fluctuations are much lower animal production segment, actually quite easily visible in the evolution of the value of production of agricultural sector in the past five years (Toncea, 2010).

Table 1

Absorption Rate until 2013

Program Operațional/Fond pentru agricultură, dezvoltare rurală și pescuit	Stadiul absorbției la data de 31.08.2013				Stadiu Program Operațional/Fond pentru agricultură, dezvoltare rurală și pescuit	Corecții financiare conform HG/Decizia CE (euro)
	Alocări UE 2007-2013 cumulat (euro)	Sume rambursate de la CE (euro)	Pre-finantare primită de la CE (euro)	% Sume rambursate/Alocări UE 2007-2013		
1	2	3	4	5=3/2*100	6	7
Programul Operațional Regional (POR)	3.726.021.762	1.450.597.997	335.341.959	38,93	La data de 31.08.2013 PO nu este întrerupt/presuspendat (plăți deblocate la 22.04.2013)	14.932.819,05
Programul Operațional Sectorial Mediu (POS Mediu)	4.512.470.135	877.943.501	520.775.940	19,46	La data de 31.08.2013 Axa 6-Asistență Tehnică este întreruptă	10.865.086,70
Programul Operațional Sectorial Transport (POS Transport)	4.565.937.295	655.352.851	525.615.534,52	14,35	La data de 31.08.2013 PO nu este întrerupt/pre-suspendat (plăți deblocate din data de 21.06.2013)	21.848.070,76
Programul Operațional Sectorial Creșterea Competitivității Economice (POS CCE)	2.554.222.109	172.914.330	229.879.990	6,77	La data de 31.08.2013 PO este pre-suspendat	2.116.947,69
Programul Operațional Sectorial Dezvoltarea Resurselor Umane (POS DRU)	3.476.144.996	614.619.658	451.898.849	17,68	La data de 31.08.2013 PO nu este întrerupt/suspendat, fiind deblocat condiționat. PO a fost întrerupt în perioada 20.02.2012-07.08.2012 și pre-suspendat în perioada 07.08.2012-12.02.2013	79.760.091,55
Programul Operațional Sectorial Dezvoltarea Capacității Administrative (PODCA)	208.002.622	62.415.467	27.040.341	30,01	La data de 31.08.2013 PO nu este întrerupt/pre-suspendat	0,00
Programul Operațional Asistență Tehnică (POAT)	170.237.790	32.727.009	15.321.401	19,22	La data de 31.08.2013 PO nu este întrerupt/pre-suspendat	0,00
Programul Operațional pentru Pescuit (POP)	230.645.644	55.376.542	32.154.402	24,01	La data de 31.08.2013 PO nu este întrerupt/pre-suspendat	0,00
Fondul European Agricol pentru Dezvoltare Rurală (FEADR)	8.124.200.000	4.019.900.000	561.600.000	49,48	La data de 31.08.2013 plățile nu sunt întrerupte.	35.620.000,00
Fondul European de Garantare Agricolă (FEGA)	6.227.869.619	4.573.807.184	0	73,44	La data de 31.08.2013 plățile nu sunt întrerupte.	87.920.098,00
TOTAL	33.795.751.975	12.515.654.539	2.699.628.417	37,03		253.063.113,75

This consistency has mitigated the variations caused by the weather more or less favorable development of vegetable crops. Far from developing as modernising working methods in agriculture, agricultural services went down under a percentage of the total production. what confirms the problem of agricultural structure and the need to increase the weights on the area and the services that have added value and more substantial. In this context, it should be noted that would be newly created, the amount remaining after deduction of production costs, remained under half the agricultural branch production, including the leading edge of this sector, 2011 (Anghelache C., 2012). In 2012, the value brought to the GDP of agriculture was even lower than that in 2008, both in nominal value and in the value of agricultural production (48,4% from 48,6%, which expresses a stagnation in the efficiency with which it works). In return the European 7 operational programs supervised by the Ministry of European funds and the three programs from the Ministry of agriculture has accumulated over 12.5 billion euros, which represents a rate of absorption of 37,03% of allocation of European funds for Romania, nearly 33.8 billion Euros during the period 2007-2013. The absorption of European funds is significant, however, financial corrections 253.063.113, 75 Euros, according to the findings of the Audit authority up to 31 august 2013. In percentage terms, corrections means 0 .74µm percentage points of total absorption rate. Financial corrections applied, in particular for the public procurement irregularities, have been accepted by the Government in the conciliation procedure with the European Commission, as a result of irregularities in procurement procedures for European projects. Payments are allocated through decisions of the Government, following the European Commission's decision on the penalty (Stoian M., 1998).

## **RESULTS AND DISCUSSION**

At present the rate of absorption is 24.3% and that by 2015, until funds can be attracted for this financial year Romania could "swallow" even 80% of Community funds. At the moment Romania is at 24.3%, but they intend to greatly simplify the way in which the European funds access, so that by 2015, until they can attract money from 2007-2013, the legislature to reach a ratio of 80% funds raised. A few days ago the European Commission unblocked and last, the operational programme Competitiveness and Economic this year Romania has managed the actual entries in reimbursements from Brussels of 2.3 billion Euros, which represents a higher value than what it was received in the period after accession, 2007-2012 (Jaliu D., 2012).

Romania ranks the 1<sup>st</sup> place at European level the percentage of increase in payments by the European Commission during the first nine months of this year, an increase of 75%. That says a lot about what was done in these months in the system. It was also pointed out that the Government has approved this year's hearty Treasury loans to secure payments for all European projects, reaching over 7 billion lei. It has also issued an order that private beneficiaries of European funds will no longer be required to have three offers for goods or services they obtain with the help of European funds accessed. So if they get the offer with the highest value will lose some money that they can use in the project. Romania is much delayed with regard to the absorption of EU funds because so far were employed in the central administration many incompetent. In the future they want all those 2.000 employees from the EU funds to be tested more often, not like now (Chirica, 2010). They want a test every three months, and those who do not face either will have low wage, either broader measures will be taken against them. The leadership of the institution which is part began to prepare for the 2014-2020 budget and held a series of meetings with potential beneficiaries, so as to identify the needs of each zone separately. Authorities admitted that being a farmer is not easy to access Community funds for business development, but noted that efforts are being made for debureaucratisation and facilitates access to European funds. In turn, young people who want to settle in rural areas and to develop a business could receive funding through next year's 50,000 Euro, APDRP compared 40,000 Euros in the current programme, 2007-2013. However, it also said that the institution is preparing a series of bonuses for investments which will be implemented in mountain areas. Both those who will begin business in mountain areas, as well as young people who will move into these areas to become farmers could receive bonuses of 20% of the amount paid in the normal manner.

## CONCLUSIONS

European funds are the most important element for its strategy of Romania's economic growth in 2012-2013, because of the very uncertain economic context, these investment projects financed from European funds, could be an important engine of growth. In the midst of these negotiations, Romania is struggling to absorb European funds and seek to maintain the subsidies in the new budget of the EU (Nastase, 2008). Romania's priorities in budget matters are clear, we focus on the verge of a remarkable economic comeback, once during the economic crisis turned to the economic support of the IMF and the European Union. The first priority of Romania is

declared directing the european budget in two directions: improving competitiveness and creating jobs in the agricultural field (Leonte, 1998).

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