ROMANIAN RURAL DEVELOPMENT BETWEEN THE EUROPEAN UNION FINANCING SUPPLY AND THE POSSIBILITIES OF THE LOCAL ECONOMY

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For Romania, the agriculture is economically more important than in any other country in EU. Romania joint European Union in 2007 with a lot of disparities, most of them from the rural areas, and the consequence is the huge demand of European Financial Support. This paper investigates the correlation between the European Union financing supply and the possibilities of the local economy on the development rural. This research is based on the National Development Plan (NDP) and it is the fundamental instrument that Romania will use in order to diminish the social and economic development disparities with the EU as soon as possible The indicative financial programming of the National Development Plan for Romania 2007-2013 lead to a total amount of 58.7 billion Euro, distributed on the 6 national development priorities. The Romanian rural development gets 15.3 billion Euro, representing 26% from the total financing allocation in the period 2007-2013 with the following financing sources: EU funds - 43%; national public sources - 48%; private sources -9%. Romania has an important rural sector, but because there are many differences between the rural zones from Romania and the rural zones from European Union, it generates one vicious circle for the local communities: the solutions for social problems and economic diversification in rural communities needs a huge demand of Financial Support, but this economy should ensure half of necessary from co-financing or private resources. This paper presents an interaction model between the 3 categories of financing resources.

Keywords*: rural development, European financing, local possibilities.*

The rural area plays an important role for Romania regarding its dimension and its economical and social functions (1). Accordingly with the national definition (3), the Romanian rural areas represent 87.1% from the territory and 45.1% from the population, respectively 9.7 million habitants at 1st July 2005 (11). From the administrative point of view, the territory of Romania (in conformity with NUTS 5) has 2.851 villages which represented the rural area at 31 December 2005 (11). At the present moment, there are not sufficient statistical data for a definition of a rural area accordingly with the OECD methodology.

The agriculture and forestry are, by tradition, important fields of the Romanian economy, taking into consideration the dimension of the agriculture area (14.7 million ha) and the area covered by forests and other fields with forest vegetation (6,7 million ha), and also, especially, by the weights of the occupied population in agriculture and forestry (32 %). Economically, the contribution of the agriculture to the gross added value (VAB) was relatively reduced, in comparison with the used resources and had a descendant trend, thus the weight of the added value in agriculture in total VAB in 2004 was of 13.4% in comparisons with 1990 when it was around 20%.

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MATERIAL AND METHOD

This paper investigates the correlation between the European Union financing supply and the possibilities of the local economy on the development rural. This research is based on several presumptions.

First presumption is that the National Development Plan (NDP) will be deployed. The plan is the fundamental instrument that Romania will use in order to diminish the social and economic development disparities with the EU as soon as possible The National Development Plan is the fundamental tool that Romania will use in order to diminish the social and economic development disparities with the EU as soon as possible. The NDP is a tool that sets public development investment priorities.

The indicative financial programming of the National Development Plan for Romania 2007-2013 lead to a total amount of **58,7 billion Euro**, distributed on the 6 national development priorities of the NDP, as follows (6):

- Competitiveness -5.2 billion Euro, representing 8.9% from total;
- Transport infrastructure -14.7 billion Euro, representing 25% from total;
- Environment- 6.6 billion Euro, representing 11.2% from total;
- Human resources – 7.6 billion Euro, representing 13% from total;
- Rural development -15.3 billion Euro, representing 26% from total;
- Regional Development – 9.3 billion Euros, representing 15.9% from total.

Second presumptions is that the National Rural Development Program (NRDP) 2007-2013, which is derived from NPD, identified and established correctly the measures and financial allocations for the public and private expenses necessary for achieving this program. The indicative financial programming of the NRDP 2007-2013 lead to a total amount of **12.3 billion Euro**, distributed on the 2 parts, as follows (10):

- Publics expensive – 9.97 billion Euro (81 %);
- Private expensive – 2.34 billion euro (19%).

From the beginning, there was a dimness related to the fact that the in the public expenses are included amounts from EU through FEADR, as well amounts from co financing from Romania.

Third presumption considers that the deployment of the NDP and the NRDP is based on the fact that the correlation between the European Union financing supply and the possibilities of the local economy is similar with the rapport between the internal and external financing sources for every company. In fact, the non-reimbursable financing from the EU are a complementary financing source to the equity and debts for the rural communities from Romania, which create a vicious circle, because the rural communities are poor, do not have private resources and getting debts is difficult.

Forth presumption is that the interaction model between the 3 categories of financing resources can not function only through the increase of the state and local public debt, as a modality to escape from the vicious circle of the rural area from Romania.

RESULTS AND DISCUSSIONS

Rural development 2007 to 2013 focuses on three key areas: the agro-food economy, the environment and the broader rural economy and population, around four axes, namely:

Axis I, on improving the competitiveness of the agricultural and forestry sector; under axis 1, a range of measures will target human and physical capital in the agriculture, food and forestry sectors, promoting knowledge transfer and innovation and quality production; Axis I has a level of allocation of 5.88 billion Euro, from which 67.5% are public expenses and the rest of 32.5% are private expenses;

Axis II, on improving the environment and the countryside; axis 2 provides measures to protect and enhance natural resources, as well as preserving high nature value farming and forestry systems and cultural landscapes in Europe's rural areas; Axis II has a level of allocation of 2.36 billion Euro, from which 97% are public expenses and the rest of 3% are private expenses;

Axis III, on the quality of life in rural areas and diversification of the rural economy; axis 3 helps to develop local infrastructure and human capital in rural areas to improve the conditions for growth and job creation in all sectors and the diversification of economic activities; Axis III has a level of allocation of 2.81 billion Euro, from which 88% are public expenses and the rest of 12% are private expenses;

Axis IV, on Leader; axis 4, based on the Leader experience, introduces possibilities for innovative governance through locally based, bottom up approaches to rural development; Axis IV has a level of allocation of 0.26 billion Euro, from which 90.3% are public expenses and the rest of 9.7% are private expenses.

At these are added the expenses with technical assistance - 0.38 billion Euro and complementary direct payments - 0,63 billion Euro, these two categories being supported totally from the public expenses.

The European Union Financial Structural consists of:

- Structural Funds
- Cohesion Fund
- European Agricultural Fund for Rural Development (EAFRD)
- Financial Instrument for Fisheries (now part of EAFRD, after 1st January 2007)

Briefly, the financial allocations for 2007 – 2013 are:

- Structural Funds and Cohesion - about 16 billions Euro;
- Funds for Rural Development - about 14 billions Euro, witch of 8 billions for non-agricultural rural development and about 200 millions Euro for fishery

The Romanian rural development gets about 26% from the total financing allocation in the period 2007-2013 with the following financing sources (6):

- EU funds - 43%;
- national public sources - 48%;
- private sources -9%.

The program SAPARD and its continuer, EAFRD, has the highest allocations through which are achieved and implemented important projects for the private sector (vegetable and animal farms and units for meat processing, vegetables-fruits) as well as for the local public authorities. But even in this field are more difficult to be achieved correlations between the 3 categories of financing sources: EU funds, national public sources, private sources. Even the main assets, which is the land continue to be under evaluated in comparison with the EU states.(5)

A first measure was a legislative modification regarding the public finance. Thus, through the OU for completion of the Law nr. 273/2006 the loans contracted or guaranteed by the administrative-territory units for ensuring the pre-financing or co-financing of the projects which beneficiate by the non-reimbursable funds for pre-adheration and post-adheration from the European Union will be accepted from the debt limit established by the Law 273/2006 regarding the local public finance, thus they can overtake the limit of 30% from the total incomes.

The direct consequence will be the increase of the budgetary deficit. The deficit of the state budget in 2007 will be with 25% higher than the forecasting of the Ministry of Finance and it will reach 12.53 billion lei, and the local budgets will register in this year a deficit of 823 million lei, with 27% higher than the planned one (11). Even it is in the limits of the Maastricht Treaty (3% from PIB), the deficit of the general consolidate budget has an increasing trend from 0, 8% in 2005, to 1.7% in 2006 and it is estimated 2.5% in 2007 and it will continue to increase because the contracting of some loans which will permit the co-financing in the projects financed by the EU.

An important issue is the fact that the financing is not sufficient for starting the ,,engines,, of the local economies. Some estimations consider that the amount of about 8 billion Euro from EU for the program of state development will bring just 25%-30% from the necessary of the development funds in general, starting with the farms, till the infrastructure. Therefore there is the risk as the efforts of getting debts to not produce positive effects, and even to enlarge the vicious circle of the underdevelopment.

The optimal report between the 3 categories of financing sources: EU funds, national public sources, private sources, can not be established at the level of the whole Romanian economy, but it is similar with the rapport between the internal and external financing sources for every company. Practically, each category of resources has some costs, and their combination resulted from NDP (EU funds - 43%; national public sources - 48%; private sources -9%) is not valid automatically. Practically, in every rural community there is an individual report, which depends on the present situation and on the potential generated by the economic and social local factors. Sometimes, even simple informal relations with some personalities can bring a confidence and support climate for some investment projects.

The very low development level of the majority of the 2800 rural villages gives the most difficult problem. The solution consist in the fact that the authorities from the central level should involve intensely for support the economic development of those viable communities with potential ad to insure at least the survival of some important communities taking into consideration the Romanian rural culture and tradition.

CONCLUSIONS

The Common Agricultural Policy CAP (9) impose Romania to contribute at:

- Improving the competitiveness of agriculture and forestry by means of support for restructuring;
- Improving the quality of life in rural areas and encouraging diversification of economic activity;
- Helping to safeguard the environment.

The Financial Support is assured through the European Agriculture Fund (FEA) which utilizes:

- The European Fund for Agriculture Guarantees (FEGA) for: Market Measure, Direct Payments
- The European Agricultural Fund for Rural Development (FEADR) (8) for: Rural Development

Beneficiaries of the Common Agricultural Policy are: Farmers; Associations of farmers; Local Authorities; Private Agro-Business; Other organizations (NGOs, etc).

Finally, the aims are to establish the main directions for earmarking public funds for investments with a significant impact on the social and economic development, from internal (state budget, local budgets, etc) or external sources (structural and cohesion funds, EU funds for rural development and fisheries, etc).

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