

A MIDTERM REVIEW OF THE RESULTS OBTAINED IN THE AXIS ONE FROM THE ROMANIAN RURAL DEVELOPMENT PROGRAMME

Ionel Mugurel JITEA¹, Diana Elena DUMITRAȘ¹, Cristian Călin MERCE¹

Email: *mjitea@usamvcluj.ro*

Abstract

The paper investigates the results obtained after implementing the Rural Development Programme in Romania between January 2008 and December 2010. It is a mid-term review of four measures from axis 1 of the programme: setting up the young farmers; modernisation of the agricultural holdings; adding value to agricultural and forestry products and supporting the semi - subsistence agricultural holdings. The value of the financing projects shows that the rate of the engaged funds are still low especially for the measure that supports the young farmers to setting up in agriculture (35% from the available budget). For the other the rate oscillates between 54% and 60%. Moreover a regional funds allocation analysis was conducted, based upon the impact hierarchical indicators and evaluation questions method. It shows that the North Eastern Romanian development region attracted the lowest level of funds for all the measures as compared to its agricultural potential. On the other hand the Western and the North Western development regions attracted the most important funds as reported to their agricultural resources. A clear correlation was revealed between the development region's standard of living and the volume of attracted funds. For the future, the programme should be better correlated to the region's agricultural potential. In the same time, there should be envisaged measures to support farmers from the least developed regions to attract no refundable funds.

Key words: rural development program; midterm review; Romania

The Romanian accession to the European Union, accomplished in January the 1st 2007, represented the necessary step towards the Common Agricultural Policy implementation. That meant to apply the entire European CAP's legislative framework in the Romanian agriculture (Council Regulation 1290/2005; 1184/2006; 73/2009).

In the present form, the CAP comprises two main elements. The first one deals with: 1. the market organisation, meaning the rules of production and sale of the European agricultural products (Council Regulation 1234/2007), and on the other hand 2. with the legal basis of granting the direct financial support to the farmers (Council Regulation 73/2009). The second CAP's pillar which, in the last years, knew a reinforced importance, deals with rural development programmes (Council Regulation 1698/2005). It represents all the development actions and the initiatives taken in order to improve the living standards in rural areas (Singh K., 2009). For the period 2007 to 2013, in Europe, it is centred on three "thematic axes":

- improving the competitiveness of the agricultural and forestry sector;
- improving the environment and the countryside;

- improving the quality of life in rural areas and encouraging diversification of the rural economy.

Based upon these legislative demands, Romania designed for the period 2007-2013 its own National Program of Rural Development (NPRD). It is build around the above mentioned axis and the LEADER+ (Romanian Government, 2009). The designed measures, together with the obtained results in terms of project values and their number represent the basis of a mid-term review of the programme's number one axis. The analysis uses as methodology the impact hierarchical indicators method presented in details in the next paper section.

MATERIAL AND METHOD

A review of the National Program of Rural Development situation in Romania is not a new topic. Thus, (Brașoveanu I.V., Silvestru I.C., 2011) in a study that deals with the financial allocation of the funds for regional development policy, concludes that bureaucracy and time reimbursement period highly influence the absorption capacity. (Alboiu, Cornelia et al., 2011), based upon a mirror approach, assessed the level of absorption of rural development programmes in two New Member States - Romania and Lithuania.

¹ University of Agricultural Sciences and Veterinary Medicine Cluj Napoca

This analysis deals only with aggregate country level data without allowing a regional evaluation of the fund absorption. Moreover, (Dachin, Anca, Ailenei, D., 2010) in a regional analysis, showed with 2008/2009 aggregate data that the financial situations of the regions highly influence the fund absorption.

The paper is innovative in two ways. Firstly, the analysis will be conducted regionally and by measure level. In such a way, important conclusions can be formulated for the future of the programme. It is expected that the measures that demand important financial commitments from the beneficiary were highly influenced by the regional economical disparities as compared to those without important financing demands. Then, the research methodology proposed for assessing the impact of the programme is also innovative. It is based upon the bibliographical study of (Terluin I.J., Roza, P., 2010) that identifies five research approaches in this field (table 1). The first one

presumes to use **impact hierarchical indicators and evaluation questions**. It was developed by the European Commission covering all the geographical territories affected by a program. It permits a continuous program assessment (ex-ante; mid-term; ex-post) providing especially quantitative assessment. The second method, **program goals achievement**, was developed by the OECD and it counts the difference between the program's yearly goals and those that were accomplished. The next two types of methods (**econometric** and **simulative**) consist in developing models suitable for an ex-post simulation (the first case) or an ex-ante one. Usually, the data needed in the models' initialisation are more comprehensive than that for the first two methods. The **mixed-case-study method** is usually used for an ex-post analysis but it implies a deep analysis of the entire concerned territory.

Table 1

Comparative analysis of different rural development policy impact research methodologies

| Research methodology | Impact hierarchical indicators and evaluation questions | Program goals achievements | Econometric | Simulative | Mixed case study |
|----------------------------|---|---|---|--|--------------------------------|
| Bibliographical references | (European Commission, 2006) | (OECD, 2009) | (Pufahal A., Weiss C.R., 2008) | (Psaltopoulos D. <i>et al.</i> , 2004) | (Midmore <i>et al.</i> , 2008) |
| Moment of analysis | ex ante; mid-term; ex-post; | annually analysis | ex-post; | ex-ante; | ex-post |
| Programme coverage | European Rural Development Programme 2007 - 2013 | Rural development programme of the OECD members | Agri-environmental measures and Less Favoured Areas | CAP and EU structural policy | Rural development programme |
| Territorial coverage | all | all | all | partially | all |
| Quantitative assessment | yes | yes | yes | yes | yes |
| Qualitative assessment | no | no | no | no | yes |
| Indirect policy results | yes | no | yes | yes | yes |
| Unintended policy effects | no | no | no | no | yes |
| Ease to be applied | no necessary | yes | no necessary | no necessary | no necessary |

Source: modified after (Terluin I.J., Roza P., 2010).

The methodology retained in this study should allow a mid-term assessment of the rural development program implemented in Romania. The most appropriate one is based upon impact indicators. The data used for its implementation come from several official Romanian statistical sources. The first one is represented by the periodical reports issued by the Romanian Agency of Payments for Rural Development and Fishing about the projects submitted and retained for funding (www.apdrp.ro). Others are represented by the Romanian Minister of Agriculture and Rural Development (www.madr.ro) or the one issued by the European Commission (<http://ec.europa.eu>) about the financing and the implementation level of the rural development measures in Romania.

Firstly, they were summarized in descriptive tables which were then processed in Excel (Ms Office) using several indicators, such as: central tendency indicators (the average; the dispersion; the modal value; etc) (Levy P.S., Lemeshow S., 2008). Then, the retained hierarchical indicators were computed based on several statistical data. In order to increase the results expressiveness, they were graphically represented.

RESULTS AND DISCUSSIONS

The financial allocations between axis and measures are presented in details in table 2. Except these sums 376,119,793 euro are devoted to the

technical support and 625,136,100 euro to complementary direct payments making the total public expenditure of the program to 9.97 billions euro. 39.78% of the total budget was allocated to the first axis (being the most important financial allocation), 23% and 24.8% to the second and the

third one and only 2.35% to the forth. Moreover, it can be noticed that the most important financial allocation is for the measure 322 with 15.5% from the entire budget. 10.7% is allocated to measure 123 and around 9.95% to measure 121 - modernisation of agricultural holdings.

Table 2

The distribution of the Rural Development Program funds by axis and by measures

| - Axis 1 = 3,967,311,581 eur | | - Axis 2 = 2,293,413,375 eur | | - Axis 3 = 2,473,739,880 eur | | - Axis 4 = 235,074,871 eur | |
|---|--------------------|--|--------------------|--|--------------------|--|--------------------|
| Measure | Public expenditure | Measure | Public expenditure | Measure | Public expenditure | Measure | Public expenditure |
| 111. Vocational training, information actions and diffusion of knowledge | 119,019,349 | 211. Support for mountain areas | 607,754,544 | 312. Support for the creation and development of micro-enterprises | 383,429,681 | 4.1 Implementation of Local development strategies: | 171,604,657 |
| 112. Setting up of young farmers | 337,221,484 | 212. Support for Less Favoured Areas – other than mountain areas | 493,083,876 | 313. Encouragement of tourism activities | 544,222,774 | 4.21. Implementing cooperation projects | 4,701,496 |
| 113. Early retirement of farmers and farm workers | 0 | 213. Natura 2000 payments, on agricultural land** | 0 | 322. Village renewal and development, improvement of basic services; | 1,546,087,425 | 4.31 Running the Local Action Groups, acquiring skills and animating the territory | 58,768,718 |
| 114. Use of advisory services | 0 | 214. Agri-environment payments | 963,233,617 | 341. Skills acquisition and animation | 0 | | |
| 121. Modernisation of agricultural holdings | 991,827,895 | 221. First afforestation of agricultural land | 229,341,338 | | | | |
| 122. Improving the economic value of forests | 198,365,579 | 223. First afforestation of non-agricultural land** | 0 | | | | |
| 123. Adding value to agricultural and forestry products | 1,071,174,126 | 224. Natura 2000 payments, on forestry land** | 0 | | | | |
| 125 - Improving and developing infrastructure related to the development and adaptation of agriculture and forestry | 476,077,390 | | | | | | |
| 141 - Supporting semi – subsistence agricultural holdings | 476,077,390 | | | | | | |
| 142 - Setting up of producer groups* | 138,855,905 | | | | | | |
| 143 - Providing farm advisory and extension services | 158,692,463 | | | | | | |

Source: (Romanian Government, 2009). ** Measure implemented starting from 2010, the financial allocation of this measure is included within the allocation of axis comprising the measure.

From the entire programme, four measures were chosen to be deeply analysed in the study. They are part of the axis one of the program being designed to support the investments in farms. They are different from the funds granting point of view. Thus, measure 112 – setting up the young farmers - is addressed to farmers being less than 40 years old who take for the first time a farm with economical

size comprised between 6 and 40 economical dimension units (UDE). To access it, a farmer is not obliged to possess co-financing sources and the project value has to be comprised between 10,000 and 25,000 euro. Another measure that does not imply co-financing sources is 141- supporting the semi-subsistence farming. It is designed to farms between 2 and 8 UDE. Compared to these

measures, the other two analysed, measure 121 and 123, need important financial commitments from

farmers. In the same time, the project value is more important than for the first two measures.

Table 3

Short descriptive information about the selected project's measures

| Measure | Main target | Co-financing demands | Sessions of project selection | Number of projects | Value of engaged projects (Euros) |
|---------|--|---|-------------------------------|--------------------|-----------------------------------|
| 112 | - young farmers less than 40 years old; - farm between 6 and 40 UDE; | - no co-finance sources; - minimum value 10,000 Euros and maximum value 25,000 Euros | 4 | 5,697 | 117,836,855 |
| 141 | - farmers less than 62 years old; - farm economical size between 2 and 8 UDE; | - no co-finance sources; - 1,500 euro/year over 5 consecutive years | 3 | 34,501 | 258,757,500 |
| 121 | - farms bigger than 2 UDE; | - 25% - 50% from the eligible costs; - minimum value 5,000 Euros; | 6 | 1,470 | 585,891,414 |
| 123 | - holdings that transform agricultural and forestry products | - 55% - 75 % from the eligible costs | 9 | 586 | 617,464,459 |

Source: (Romanian Agency of Payments and Rural Development, 2008 – 2011).

Moreover, they can be comparable because all of them became active in 2008. Over the last three years (2008 – 2010) 5,697 projects have been financed from the measure 112 (table 3). They represent only around 35% of the entire allocated budget. For the measure 141, 34,501 projects were selected to be financed. They represent 54.34% from the entire available budget. The situation for the measures that need

important financial farm's commitment is: 1,470 projects selected to be financed for the measure 121. They represent 60% from the entire allocated budget and 586 projects for the measure 123 that represents 57% from the available funds. In other words, even these approved projects are currently under implementation, the level of real absorption is even lower than these data because there is not a clear situation about the reimbursed funds.

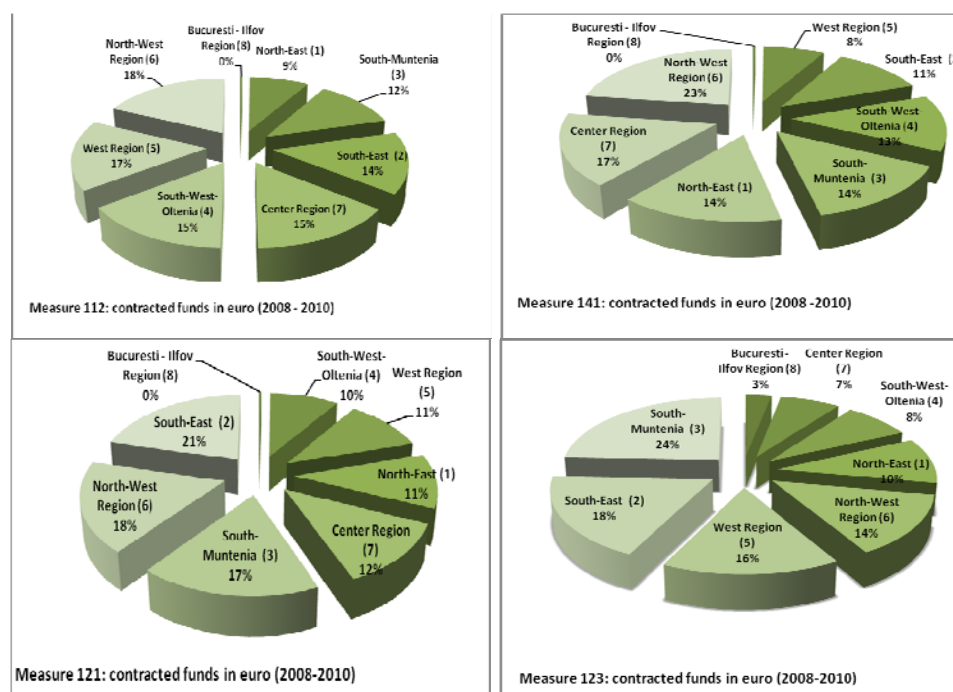


Figure 1 The comparative situation of funds absorption: a regional perspective

(Source: processed data after the reports issued by the Romanian Agency of Payments and Rural Development)

In nominal terms, the distribution of the funds over development regions can be accessed from figure 1. As can be notice, several conclusions can be pointed out:

- the proportion of funds engaged according to the development region varies depending on the measure. Thus, for the measures that do not imply important financial commitments (112; 141) the

North-Western development region drew the most important funds proportion. They represent 18% for 112 and around 23% for 141 measure funds;

- the programs that imply important financial commitments from farmers (121;123) were well developed in the South-Eastern and Southern-Muntenia Regions.

- based upon nominal data, the region Bucuresti-Ilfov attracted the lowest funds proportion. But as it has more urban population, it does not imply automatically a negative situation;

To make these data comparable, the impact hierarchical methodology was applied. That means to choose comparable indicators for all the regions. As it can be seen from table 4, the most important agricultural resources are concentrated in four development regions (3;2;5;1 for land and 1;3;6;2 for the rural human factor), thus is expected that they should engage more financial resources for a

better resource capitalisation. Based upon this data two indicators were computed. The first one counts the agricultural potential capitalized by the programme after the formula:

$$Agri_{potential_i} = \frac{funds/ha_i - funds/ha_{national}}{funds/ha_{national}} 100 \quad (1)$$

Where: - funds/ha_i is the funds engaged per hectare of agricultural surface in the “i” region;

- funds/ha_{national} represents the average engaged funds per hectare at the national level.

If the results are negative that means that the region is lagging behind as compared with the national data. On the same rules, a second indicator was computed based upon rural population potential capitalisation.

Table 4

The region's agricultural potential: descriptive statistics

| Region | Agricultural surface (in ha) | Rural population (in persons) |
|------------------------------|------------------------------|-------------------------------|
| North-Eastern (1) | 2,127,518 | 2,110,822 |
| South-Eastern (2) | 2,331,610 | 1,266,450 |
| Southern-Muntenia (3) | 2,444,158 | 1,925,334 |
| South-Western Oltenia (4) | 1,803,084 | 1,186,849 |
| Western Region (5) | 1,886,429 | 709,955 |
| North-Western Region (6) | 2,087,522 | 1,271,081 |
| Central Region (7) | 1,911,927 | 1,023,425 |
| Bucuresti - Ilfov Region (8) | 110,031 | 175,198 |
| TOTAL | 14,702,279 | 9,669,114 |

Source: (Romanian National Institute of Statistics, 2009)

The results, graphically presented in figure 2 show that:

- the North-Eastern region constantly falls behind the national averages to all analysed measures. It is the development region that attracted the least important amount of funds as reported to its agricultural potential;

- on the other hand, regions such as Western and North-Western ones constantly present a good agricultural potential capitalization assessed on the engaged funds;

- the other presents different situations from a program to another.

Analysing the regions in terms of living standards (Pop, L. et al. 2004) it can be noticed that region 1 and region 4 which are less developed present important minuses in the funds absorption especially for those measures that imply important co-financing resources. The results sustain the hypothesis presented at the beginning of the paper.

CONCLUSIONS

The midterm review of the axis one of the Romanian Rural Development Programme shows that between 2008 and 2010 the funds absorption in four important rural development measures is:

- measure 112 financed 5,697 programs and engaged only 35% of the entire budget;

- measure 141 financed 34,501 projects which represents 54,34% of the allocated budget;

- measure 121 and 123 already engaged 60% and respectively 57% of the entire budget.

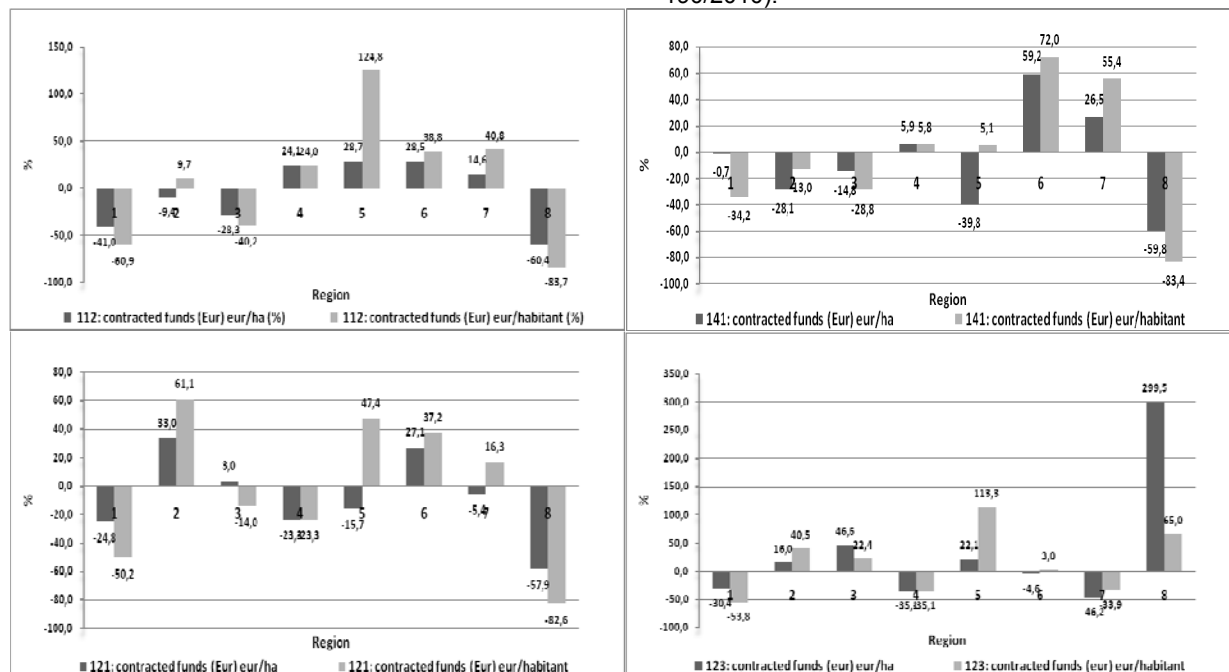
So, for the period 2011-2013 important efforts should be realised in order to fully spend all the available funds. In order to propose different action possibilities the regional analysis shows that especially regions with low living standards present important minuses in funds absorption. Two types of measures can be envisaged for the future of the programme. A first set of measures do not imply important budgetary costs being permissive even in a financial crisis period like: a better farm information (measure 112 and 141 that

do not imply farm financial sources); simplifying the bureaucratic requirements in order to obtain the necessary documents for project proposal frame. In the other group the measures are related to other economical sectors such as: credit recovery and credit guarantee by different types of financial instruments; supporting the underdeveloped

regions in attracting foreign investments in agriculture.

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Source: processed data after the reports issued by the Romanian Agency of Payments and Rural Development
Figure 2 Agricultural capitalisation potential: a regional perspective

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