

STUDY ON AGRICULTURE FINANCING THROUGH IMPACT OF ROMANIAN FISCALITY

Nicoleta ANGHELUȚĂ (STANCIU)¹

e-mail: nico_leta_tecuci@yahoo.com

Abstract

In this paper, I have proposed to deepen the issue of the funding sources that can be accessed in the field of agriculture, a study that will only serve as a starting point for further and more in-depth research in this vast field.

In other way, the role of finance is overwhelming as they are tools used by the state for its actions in the economy; it is involved in economic and social activity, via the budget revenues, achieving distribution judicious gross national product, balance and stability state budget, local budgets, financial control.

The study aimed to highlight the funding sources and the implications they can have on doing business in agriculture, taking into account decisions on election financing sources, as well as specifics on financing agriculture.

Economic growth is an ascendant evolution of the national economy, in the medium and long term, but it does not exclude other oscillations, even temporary economic regressions. In the theoretical and practical terms, the "growth-economic development" is a relationship mediated from one side to the other: economic growth - economic development - economic progress - social progress.

Key words: financing, agriculture, optimization, financial, economic growth

Introduction. We believe that, at this stage, the main objectives of the Romanian fiscal policy must contribute, first of all, to economic development and to the consolidation of the middle class. Also, the fiscal vision must be both qualitative and active, by stimulating the initiative and by respecting the assumption of risk by private entrepreneurs.

I believe that the optimization of the financial and fiscal system is the central axis that can support the regional development, the progress of the communities and the increase of the living standards for every citizen.

MATERIAL AND METHOD,

The methodological and scientific support in this paper was based on a series of direct and indirect documentation such as: observation, analysis (qualitative, quantitative, and historical), synthesis, comparison, systemic, monographic, statistical, figures and tables in the full and complex exposure and rendering of phenomena and economic processes studied.

The theoretical support of the research focused on the study of important scientific papers in the field of economy and management, with reference to the fiscal administration and the current problems in the public finances.

RESULTS AND DISCUSSIONS,

The key to any government that wants to provide welfare for its own citizens is the budget deficit, that is, the form of public finance imbalance where the demand for public financial resources is too high compared to the funds that can be set up at the state level to cover it. (Herok C., Lotze H., 2000). The budget deficit was not accepted by classical economists, with budget balance being considered the "golden rule" of public financial management (Burcea D., Dona I., 2015).

The Romanian economy, during the period 2014-2016, manifests itself as a modestly structured institutional system, amid the perpetuation of the discretionary practice of public authorities, often subject under political interests. Also, sub financing affects the good course of the economy in the sense that the ratio between the money supply and the gross domestic product is at a level well below that required for optimal operation. (Burcea D., Dona I., 2015). Among the problems that "grind" the Romanian economy, we mention corruption and tax evasion as well as the confrontation with an agrarian crisis.

As far as direct payments are concerned, they have been carried out close to the level of the

¹ National College of Agriculture and Economics, Tecuci

distributed amounts, the differences being justified by various aspects of the beneficiaries, the functioning of the banking system and the need to carry out controls in a large number of beneficiaries. (Burcea D., Dona I., 2015).

As can be seen from the following table (table 1), even the lowest payments for the year 2007 exceeded the average budget of the Ministry of Agriculture in the years preceding Romania's accession to the EU. As such, we can say that, on the whole, the significant subsidies received have played a decisive role in increasing the competitiveness of the Romanian farmers after accession. (Ungureanu G. *et al*, 2013). On the other hand, with the participation in the European Union's single market, Romanian producers competed directly with their counterparts in the other Member States, generally performing and

competitive, who benefited from direct payments of up to 5 times and are better suited to the conditions of the European market. As a result, although the increase in subsidies received by farmers after accession (cumulated from Community and national funds) was very important, this was not enough to allow Romanian producers to cover the domestic needs of agri-food products. Under these conditions, Romania maintained its position as net importer on a range of products (pig and beef, fruit and vegetables, etc.). (Herok C., Lotze H., 2000; Frandsen S., Gersfelt B., Jensen H., 2002). Commercial policy has also contributed to this situation, with the effect of tariff dismantling contributing in the same way, so that trade deficits with agri-food products are at high annual levels.

Table 1

Situation of direct payments made by APIA between 2007 and 2014 - Euro -

Years	Payout ceiling provided	Payments made (euro)	Percentage of achievement
2007	440.635.000	427.641.945	97%
2012	529.556.000	529.197.757	98%
2013	619.883.000	610.698.990	99%
2014	700.424.000	610.118.627	87%
2015	724.938.840	623.447.402	86%
% 2015 compare with 2007	2.290.498.000	2.177.657.319	95%

Source: Processing based on APIA data

In the process of allocating payments, a major problem, especially in the first years after EU accession, mainly due to double declarations (by different beneficiaries), constituted the error rate, the high rate of control to be performed (10%, but also 25 % in the case of large errors), etc., which led to major penalties of over 128 million Euros for 2007 and 2008. (Alexandri C., 2012).

Through specific instruments, the CAP also includes a number of market support mechanisms, but has only partially been used in Romania, for various reasons, particularly linked to the situation on the Romanian agricultural product market.

Thus, given the situation in the cereal sector (high prices) and the fact that the intervention is at a price of only 101.3 euro / ton, it can be concluded that the Romanian producers prefer to market the cereals (including on exports) to turn to the intervention mechanism. Although Romania is among the major European grain producers, it is one of the top five cereal exporters and the cereal supply is relatively. (Ungureanu G. *et al*, 2013).

On market measures and years, the detailed situation of payments made by APIA is presented in table 2.

Table 2

Use of European funds allocated to market measures -Million Euro-

Years	Payout ceiling provided	Payments made (euro)	Percentage of achievement
2007	248.000	6.893,68	2,7 %
2008	208.000	59.637,65	28,6%
2013	187.100	76.269,13	40,7%
2014	160.900	97.452,76	60,5%
2015	133.600	26.572,85	19,8%
Total	937.600	266.826,08	28%

Source: Processing based on APIA data

As we can see, the use of market-based instruments was initially very low, but then, as producers, economic operators and the Agency for Payments and Intervention for Agriculture managed to get acquainted with the procedures, significant progress was made. As a result, from a use of only 2.7% of the amounts earmarked from

the European budget in 2007, it managed to reach over 60% in 2014.

We also state that the ceiling is the one set in the current multiannual financial framework (2007-2013), but due mainly to the non-application of intervention measures and export refunds, the use of European funds was not at the level of the

amounts foreseen. (Ungureanu G. *et al.*, 2013; Alexandri C., 2012). Amounts allocated from the

European Union budget for market measures and unspent by Romania have been lost.

Table 3

Access to rural development funds for Axis 2-Euro -

Measure / Axis	Total allocation 2007-2013 - euro	Payments made - euro	Absorption rate (%)
M. 211 - Support for the less-favored mountain area	607754544	147131561	24
M. 212 - Support for less-favored areas, other than mountain areas	493083876	78947854	16
M. 214 - Agri-environment payments	996408184	329837834	33
PNDC1	625136100 (FEADR)	807139014 (FEADR+B)	

Source: Processing based on APIA data

For the Rural Development Funds - Pillar II of the CAP, the amount of payments made amounted to 1973 million Euros in the year 2015, representing an absorption rate of almost 19% of the allocation for the whole program. If we report payments made at the indicative amounts for 2007-2015 and EUR 5569.62 million respectively, the absorption rate is better, about 34%. From the total amount paid, the area payments related to the Axis 2 measures "Improving the environment and the rural area" and the measure 611 "Direct complementary payments" carried out by the Paying and Intervention Agency for Agriculture amounted to 948 million Euros. (Alexandri C., 2012).

If we sum up the funds paid for agri-environment measures with less favored areas

(LFA) and those for complementary direct payments (CNDP), it results that for the period 2007-2015, the expenditures made for some implemented projects are quite low. This is a serious cause for concern as it is essential to implement as many projects as possible for the development of rural areas in Romania and the reduction of the gaps towards the developed EU Member States. (Alexandri C., 2012).

The Paying and Intervention Agency for Agriculture also made payments under the National Rural Development Program for less-favored areas and agri-environment measures, respectively those for top-ups (plus the payments made from the national budget for complementary national payments).

Table 4

Estimated level of European budget allocated to Romania for agriculture and rural development in 2014-2020

EXPLANATIONS / YEARS	2014 (-80%)	2015 (-90%)	2016 (-100%)	2017	2018	2019	2020	Total 2014-2020 (mil. Euro)
Direct payment (Euro / ha)	162,2	182,5	202,8	202,8	202,8	202,8	202,8	
Annual total amount of direct payments (million euro)	1.576	1.774	1.971	1.971	1.971	1.971	1.971	13.205
Market measures (million Euros)	100	100	100	100	100	100	100	700
Rural Development (million Euros)	1.160	1.160	1.160	1.160	1.160	1.160	1.160	8.120
Total funding of the Common Agricultural Policy 2014-2020. (million Euros)	2836	3034	3231	3231	3231	3231	3231	20.025

Source: Processing based on APIA data

We can conclude that for the first pillar, € 3.28 billion allocated by the EU for the period 2007-2015 has so far been spent € 2.444 billion, so a 74.5% absorption rate. Taking into account the penalties of about 128 million euros, which must be reimbursed and borne from the national budget, the rate of absorption of direct payments in Romania for the years 2007-2014 is reduced to about 70%. However, it can be said that in comparison to other EU funding, the absorption in agriculture is a very good one.

CONCLUSIONS

Romania experienced economic growth in the post-accession period (2007-2014) compared to the pre-accession period, with a slight decrease in 2013 amid global recessionary trends. In 2015, Gross Domestic Product (GDP), expressed in nominal terms, increased by 67.9% compared to 2006. Regarding the role of agriculture in the formation of gross domestic product, there is a clear downward trend, from 7.8% to 6.5% (1.3 percentage points).

Gross agricultural added value increased by 35.8% between 2006 and 2015, accompanied by an increase in production value of 51.1%, the positive evolutions of these indicators materializing on the background of a slight decline in the employed population in agriculture through an increase in labor productivity. (Burcea D., Dona I., 2015).

Uncultivated land holdings increased by 61.5% (around 12% of total holdings in 2014) in the period 2005-2014, and the uncultivated area by 52.7% (approximately 7.2% of the total area in 2014). Thus, during the five years of analysis, the share of holdings with uncultivated area increased by 5.3 percentage points and the share of uncultivated areas in the total area by 2.7 percentage points. As can be seen, the granting of SAPS has not led to the landing of uncultivated land in the agricultural circuit.

In 2014, 25.3% of the agricultural holdings specialized in the growth of granivores (pigs and poultry), 16.4% were mixed (farms specializing in the cultivation of various crops and animal breeding) and 14.5% were specialization in field crops (mixed). Concerning the agricultural outputs obtained during 2007-2015, Romania recorded increases in most of the vegetable products except for potato, vegetable and grape crops where the production decreased mainly due to the decrease in the area. In the animal sector, the focus on meat production is obvious if we consider that although sheep, goat and poultry flocks have increased, milk production has been declining compared to the pre-accession period. Concerning honey production, there is a decrease in production, even if the flocks have increased by more than 40%, which shows that not all production is entering the commercialization process.

The highest increases were recorded for vegetable products, especially wheat and sunflower, against the backdrop of international price fluctuations. In order to establish the budget and the mechanisms of the new CAP, the European Commission has proposed to conduct debates with all stakeholders in the new Common Agricultural Policy in order to clearly define the orientations of this policy. The European Commission has considered three options: a) improved status quo - Assuming focus on the functional aspects of current policy and applying limited improvements

in specific areas (e.g. greater equity in direct payments). The Commission considers that this option equals, however, a loss of opportunity to reform the CAP in terms of efficiency and legitimacy to address future challenges. b) Developing a better targeted, balanced and more sustainable CAP - means using the opportunity to reform the CAP with the introduction of major changes to increase the sustainability of agriculture and a better balance between the different policy objectives.

REFERENCES

- Alexandri C., 2012**, "A food security analysis in a european context. Faculty of Agricultural Management - Scientific papers Series I, Vol. XIV (2), Timisoara,
- Burcea D., Dona I., 2015**, "Study regarding the evolution of food consumption of Romania during 2007- 2013, from the perspective of food security insurance and export availability growth", Scientific Papers Series Management, Economic Engineering in Agriculture and Rural Development, Vol. 15, Issue 2, 2015, Bucharest, pg. 45-52
- Frandsen S., Gersfelt B., Jensen H., 2002** - *Decoupling Support in Agriculture – Impacts of Redesigning European Agricultural Support*, the Fifth Annual Conference on Global Economic Analysis, June 5-7, 2002, Taipei, Taiwan.
- Herok C., Lotze H., 2000** - *Implications of an EU Eastern Enlargement Under a New Common Agricultural Policy*, Journal of Policy Modelling 22(6): 661-690.
- Kuhn A., Wehrheim P., 2002** - *Agricultural Trade Diversion due to EU Eastern Enlargement – A Quantitative Analysis based on a Partial Equilibrium World Trade Model (WATSIM)*, GeWiSoLa 2002 in Halle/Saale, University of Halle-Wittenberg.
- Maliszewska M., 2002** - *Eastern EU Expansion: Implications of the Enlarged Single Market for Current and New Member States*, Sussex European Institute, University of Sussex.
- Ungureanu G., Chiran A., Brezuleanu S., Moraru R., Boghita E., 2013** - *The optimization of agricultural exploitation size thought effect to adapt the agro-alimentary supply to the demand of trade*, ISITES.2013 1st International Symposium on Innovative Technologies in Engineering and Science. <http://www.isites.info/PastConferences/ISITES2013/ISITES2013/papers/C8-ISITES13183.pdf>.