

The Situation of Investment Projects for Modernization of Agricultural Holdings in Moldova Before and After Romania's Accession to the European Union

Alina-Mirela Marcu¹

Abstract: The purpose of this article is to present the situation of EU funds absorption for modernization the agricultural holdings in Moldova, geographical region considered to be among the poorest in Romania. After 1989, the essential changes in the land structures ownership on the replacement the old structures land ownership of socialist economy with private property, have profoundly marked the Romanian rural space and the food trade balance of Romania suffered a continuing deterioration. The funding based on projects implemented once the SAPARD pre-accession funds, has provided many perspectives Romanian farmers, especially by increasing the budget for investments in the field. This approach shows that the economic performance of representative agricultural holdings in Moldova has evolved positively, but differently across the region.

Keywords: rural development; European Union funding; investment projects; agricultural holdings

JEL Classification: G32; Q12; Q18

1. Introduction

Common Agricultural Policy is one of the first common policies of the European Union, it is based on the principles of the single market, of Community preference on favoring the consumption of products from European Union and financial solidarity, i.e. the common measures are financed from a common budget (Drosu-Şaguna, 2011).

In the pre-accession period, Romania has benefited from European Union support through the SAPARD fund, generically known and under the name of program. It was intended for financial support of the candidate countries or acceding countries, including Romania, in the process of alignment with European standards and harmonization of national legislation with the European Union legislation in areas which were the subject of negotiations in the pre-accession period and their preparation for accessing funds made available to Member States.

¹ PhD, Alexandru Ioan Cuza University of Iasi, Faculty of Geography and Geology, Romania, Address: 20 Carol I Boulevard, Iasi, Romania, Corresponding author: alina_marcu87@yahoo.com.

Romanian state financially supported the projects initiated with EU funds by SAPARD programme and Ministry of Agriculture promoted through an emergency ordinance the Romanian SAPARD, a program by which ensured co-financing projects declared conform by the regional offices of the Paying Agency for Rural Development and Fishing, but have not received money from the European Union (Florian, 2007). Similar with SAPARD, EAFRD funding is an opportunity for the Romanian rural area, which will provide by 2013 grants worth about 8 billion euros, of which 500 million are intended for direct payments and 300 million will provide Technical Assistance, this fund relying on the principle of co-financing private investment projects. Regarding the Romanian agriculture issues, these are mainly represented by the existence of a very large sector of agriculture of subsistence and semi-subsistence farms composed of small individual farms with equipment failure, with agricultural equipment and machinery in which are obtained relatively low yields, resulting an incomplete use of labor and the share of self-consumption is high (Feher, 2009).

However, agricultural holdings must be productive, profitable, and to conserve their resources. Also, agricultural holdings must pursue achievement certain basic objectives such as increasing agricultural production through integrated technologies, energy efficiency and clean production of agricultural products to European quality standards, optimum size and diversification of activities, and performance management practice (Rădulescu, 2007). The size of agricultural holdings varies depending on the profile and specialization, of the ownership and the degree of intensification of production. If in the small households, priority focus is on activities that demand more labor such as gardening, horticulture, livestock, the holdings with larger areas are moving towards mechanized activities respectively culture of plants, zoo-techniques, etc.

With all their level of development, they have some features that are still to be seen and as households. It is estimated, however, that in developed countries, traditional holding based on fruit, with very diverse activity, individualistic and independent and therefore escaping to some extent the economic laws of the market is disappearing, being replaced by units which practice commercial agriculture, adjusted to market needs (Nistorescu, 2007).

2. Methodology and Variables Used

To substantiate personal opinions was necessary organization of coherent statistical researches through which being obtained information that could be processed and interpreted. Thus for statistical data collection were performed indirect observations, were conducted statistical analysis which took into account the lists of beneficiaries of the two European programs SAPARD and EAFRD and

Romanian SAPARD program, statistical data being given by the *Agency for Payments Rural Development and Fisheries*.

3. Analysis and Results

The working hypothesis of the study targeting the modernization project management of agricultural holdings and rural development in Moldavia region, evidenced by the involvement of decision makers in attracting and efficient use of EU funds. Geographical area of research is represented by the historical province of Moldova, comprising historical regions Bucovina and Moldova. Of geographically is located in the northeast of modern Romania, between river basins of rivers Siret and Prut, and in terms of administrative Moldova surface is divided into 8 counties: Bacău, Botoșani, Galați, Iași, Neamț, Vaslui, and Vrancea.

Moldova is by definition rural region of Romania, characterized by very low productivity of agriculture, influenced by the small size of individual agricultural holdings, the low level of mechanization and lack of investment in land improvement and in terms of statistical indicators, Moldova is the poorest region of the country.

In this approach, special attention is paid to measures of the pre-accession period to the European Union, respectively: Measure 3.1 of SAPARD programs and Romanian SAPARD and the one in the post-accession period, Measure 121 financed under the EAFRD.

According to the *Paying Agency for Rural Development and Fisheries* these measures are considering investment projects for the next sectors: farms of plant production (field crops, horticulture, viticulture, and greenhouses) and livestock and poultry farms (dairy farms, sheep farms, goat farms, pig farms, poultry farms, and so on).

Regarding Measure 3.1 funded by SAPARD, it had the main objectives ensuring financial support for private investment in agricultural holdings, plant and animal breeding, and improving farmers' income, attracting young people into farming by improving living conditions and work, but also by ensuring the conditions of welfare of animals.

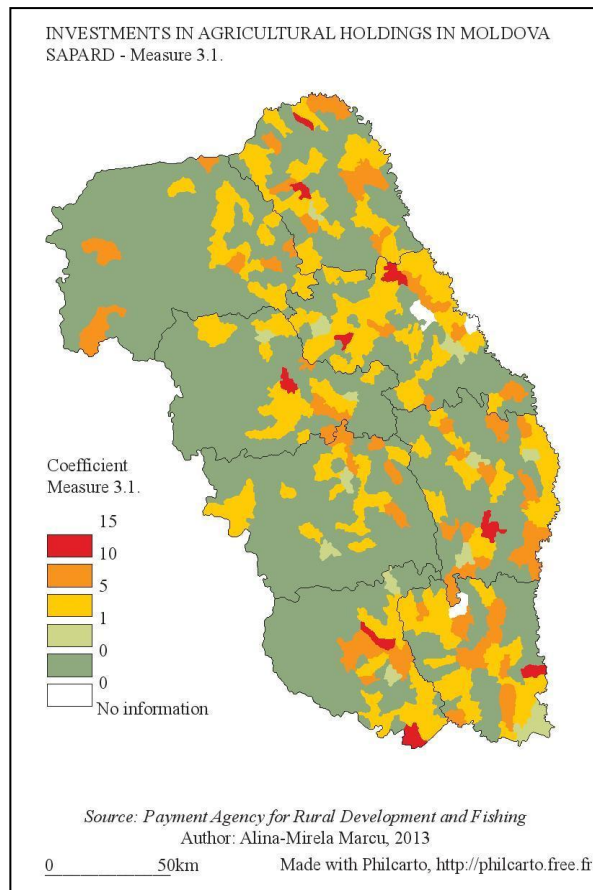


Figure 1. Spatial distribution of investment projects on modernization of agricultural holdings made by SAPARD - Measure 3.1

Source: Personal contribution

As you can see, investments for modernization of agricultural holdings in Moldova before Romania accession to the European Union, are located mainly in rural areas with functions predominantly agricultural, which covering territorial great plains and plateaus. Thus, in the Moldavian Plain there is a high percentage beneficiaries of this measure especially territory of Iași County (localities: Andrieșeni, Bivolari, Golăiești, Movileni, Plugari, Popricani, Șipote, Trifești, Vlădeni, etc.) and also in Botoșani County, in the Săvenilor Hills (localities: Albești, Avrămeni, Manoleasa, Răchiți, Roma, Todireni, Trusești, etc.) and Ibănești Coast (localities: Ibănești, Concești, Drabani, Păltiniș, Suharău, etc). The reason these investments are possible in these areas is given the large share of agricultural land and the share of small and medium forest land. Also and in mountain areas in counties: Suceava (localities: Fundu Moldovei, Iacobeni, Șaru Dornei, etc.), Neamț (village Pipirig in

the Stânișoarei Mountains) and Bacău (locality Agaș on Trotuș Valley) have been implemented projects, under this measure, although tourism function is or absent or very weak developed, and the share of employment outside agriculture is very low. However fragmentation of agricultural land, to which is added an underdeveloped technical infrastructure and an aging workforce or unqualified for to practice agriculture, make this potential to be much better developed in southern Moldova, in Plain Covurluiului territory Galați County (localities: Băileni, Corni, Foltești, Rediu, Slobozia Conachi, etc.) and Lower Siret Plain, territory Vrancea County (localities: Ciorăști, Măicănești, Tătăranu, etc.), traditionally underdeveloped area of the region, with a particularly high agricultural potential. To accelerate the absorption of SAPARD funds in late 2005, was released Romanian SAPARD program, by which the Romanian state granted for applicants for funds, a financial guarantee, for it to can borrow the amount necessary for co-financing projects, the result being next: the number of submitted applications for Measure 3.1 greatly increased, exceeding the amounts allocated to Romania by the program.

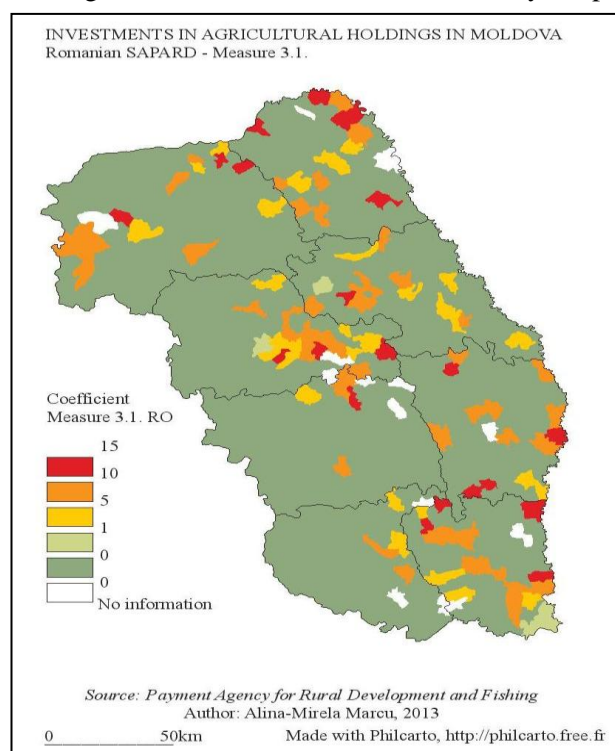


Figure 2. Spatial distribution of investment projects on modernization of agricultural holdings made by the Romanian SAPARD - Measure 3.1

Source: Personal contribution

Looking at *Figure 2*, it is found that the use module of land in Moldova is discontinuous, the agricultural lands alternating with areas occupied by forests. With regard to livestock, this is the main concern in mountain areas of is the Suceava County (localities: Câmpulung Moldovenesc, Dorna-Arini, Fundu Moldovei, Iacobeni, Sadova, etc.) because in most cases, there prevails pastures and meadows the shape of extensive grazing.

Thus, for these mountain regions are required facilities to develop agrotourism households, for animal husbandry and horticulture extension, and traditional wood processing activities, the acquisition and processing of berries, or revitalization of crafts.

Our attention is drawn to the massive concentration of investment projects in the Neamț County, in Subcarpathians area (localities: Bălățești, Dumbrava Roșie, Făurei, Girov, Roznov, Săvinești, Tibucani, etc.) and those in the Siret Corridor (localities: Horia, Sagna, Secuieni Trifești, etc.) where human resources are compatible with development of the diversified rural economy. Currently, we can say that the investments made with financial support granted in the pre-accession period for agricultural holdings in rural areas Moldovan failed only to some extent to adapt to current market needs.

Therefore for the programming period 2007-2013, farm modernization will be achieved through EAFRD measure 121, as falling within Axis I – “Improving the competitiveness of agriculture and forestry”.

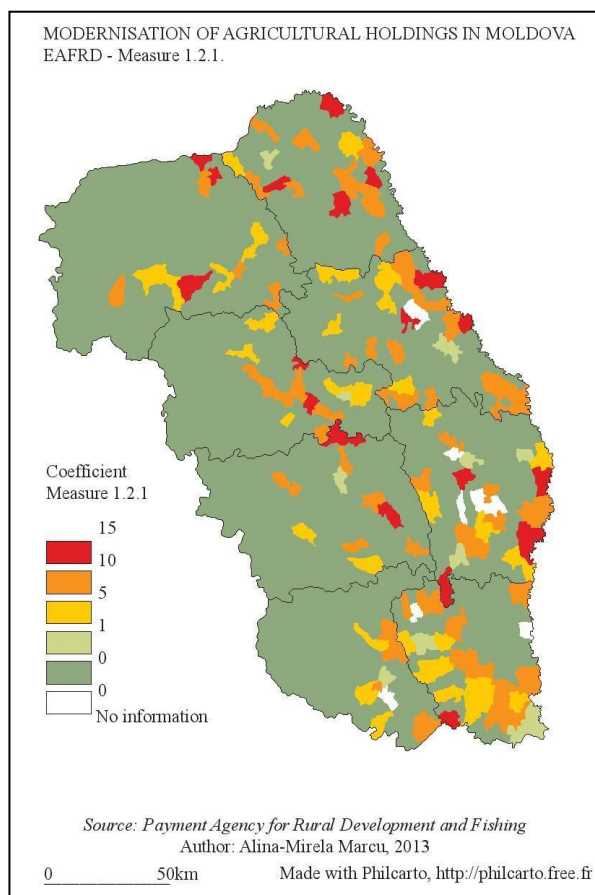


Figure 3. Spatial distribution of investment projects on modernization of agricultural holdings made by EAFRD - Measure 121

Source: Personal contribution

Observed an improvement in competitiveness of agricultural holdings, especially those of subsistence which by the fixed capital investments and by introducing new and advanced technologies lead to transform a large number of such farms in viable agricultural holdings.

However the agricultural units in Plain Moldovan within counties Botoșani (localities: Dumăști, Hlipiceni, Gorbănești, Critinești, Havin, etc.) and Iași (localities: Focuri, Ceplenița, Românești, Aroneanu, Popești, Brăiești, Movileni, etc.) and agricultural units in Bârlad Plateau, hold small areas of land with elongated perimeters conditioned of the orientation of slopes, of hydrographical network and the network of communication paths.

Also, investment projects implemented in the sub-mountainous hills of Central Moldavian Plateau and Oriental Subcarpathians on the territories of counties: Bacău (localities: Ardeoani, Birtănești, Solonț, etc.) and Neamț (localities: Răucești, Bălțătești, Girov, Tupilați, Zănești, etc.) they have as the agricultural specific the system of culture corresponding slope groups and existing climatic conditions. There is a reduced absorption of European funds in rural areas with mixed functions, because they are characterized by a tourist function, little or medium developed and a low proportion of employment outside agriculture, most of the territory is characterized by an average state of development.

4. Conclusions

The conclusion that emerges after analyzing the situation of investment projects for modernization of farms in Moldova is that rural agriculture of this space should be helped and supported both financially and through the adoption of sustainable agricultural policy decisions to ensure increased performance. Also it is an evident need to accelerate the formation of agricultural sectors so that, farmers in this region to become competitive in the market both in Romania and the European Union.

5. References

- Drosu Șaguna, D. & Găinușă, Nicolae R. (2011). *EU structural funds*. Bucharest: Universul Juridic
- Feher, A. (2009). *Financing Agriculture and Rural Development: Community policies*. Timisoara: Orizonturi Universitare.
- Florian, V.; Dobrescu, E.M. & Ghonoiu, I. (2007). *Rural development - multidisciplinary approach*. Iasi: Terra Nostra.
- Nistorescu, T.; Macabiau, J. & Russeau, J.C. (2007). *Overall management of the farm*. Craiova: Universitaria.
- Rădulescu, C.V. & Ildiko, I. (2007). *Sustainable farm organization*. Bucharest: ASE.
- A guide to accessing European funds for rural development. *Modernization of agricultural holdings*. (2010). Final Report on SAPARD Programme Implementation in Romania.
- Guide for Applicants for accessing Measure 121. *Modernization of agricultural holdings*. Version 05 of April 2010.
- National Strategic Plan of Rural Development 2007-2013*.
- www.apdrp.ro (Payment Agency for Rural Development and Fishing - *statistical data*).