

RURAL DEVELOPMENT FINANCING POLICIES

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Abstract: Agricultural economy is the main source of existence of the rural population that represents almost a half of the country's population, and the land is the essential on which depends the population food supply and has an important role as main mean of work, but also as an asset element. After the transition to market economy, agriculture became a fertile domain of business development, making necessary turning into account of all the resources and availabilities offered by the natural environment, by extending the activities of agrosylvicultural products processing and manufacturing hand made products. The country little farm expresses the primary dominant form of consumption production in the developing countries that assures the necessary food supply for the family, partially or totally. The main objectives of the rural policy consisted in diversifying the economic activities in the rural areas and the modernization of the infrastructures for sustaining the agricultural sector, the rural development and the environment protection.

The agricultural investments must not be mistaken for production expenses that are included the obtained production costs, these being assigned only for purchasing new fixed means For agricultural investments it must be taken into account of some features that this branch presents, like:

- agricultural requires a larger volume of fixed funds, comparing to the other branches, for making a final product and the production progress has all the time an ascending line;
- an important part of the agricultural equipments have a short time throughout the year, and the work capacity is different from one area to another;
- retrieving the investments made in agriculture can be done after a long period of time, by spread out payments throughout many years

For financing the local development policies, in which are included also the rural development politics, an important role is played by the enterprises that functioning in these areas. The enterprises also benefit of the local policies, but on the other hand they must finance the local community expenses. The financing can be done from the local taxes paid by companies, to which they can offer reductions from some taxes

The economic environment together with the financing policies of the agriculture didn't encourage the development of agricultural credit system, the financial markets didn't develop because of low performances from the private farms, as well as the imposed guaranties caused a low credit demand.

For the transition of the Romanian economy to the market economy, there was objectively necessary the privatization. Agriculture was the first branch of the national economy that started this process by implicating the Land Fund Law.

Not even now, agriculture has the importance that should be adequate in the national development strategy, for developing and modernizing the production factors for developing the competitive participation on the internal agroalimentary market.

The low agriculture investment rate is determined by the high risk level that investors associate with the agricultural sector. The demand and supply game was vitiated by the state intervention the price making process by granting some production bonuses, commercial or export. This kind of policies damages the production or investment decision by changing the relation cost- benefit in favor of some products.

Table 1
Net investment indication for the national economy activities 2000=100

Year	2001	2002	2003	2004	2005
Agriculture	87,2	200,8	115,9	117,6	89,8
National Economy	109,6	120,2	133,7	147,1	163,0

Source: Romanian Statistics Year Book, 2006, National Statistics Institute

The investments are the best mean to analyze the possibilities that lead to the agriculture progress, but then their lack maintains the agriculture at a unproductive level.

The own sources of the little farmers are neglected and those of the agriculture companies is hardly formed from the development fund. As a result, the investment share is not sufficient nor for the replacement of the annullable dues and in these conditions we can't speak of development investments but of fund assignment for the current replacement of the fixed means.

In agriculture, the promised state subventions came with delays, eroded by inflation and not done on time. The investments are conditioned by the financing sources, external and internal of the state and of the economic agents.

Table 2
Investment dynamic in agriculture and national, on property forms 1990=100

		1991	1994	1997	2000	2003
Property majority	Agriculture	32.8	10.8	4.7	2.6	1.4
	Economy					
state	national	73.0	68.7	64.7	46.9	49.5
Private Property majority	Agriculture	58.5	266.0	86.3	79.5	82.3
	National Economy	88.8	426.5	552.7	674.3	985.5
Total	Agriculture	39.2	86.5	29.0	25.9	26.1
	National Economy	74.2	100.6	108.7	101.5	135.7

Source: Economical Tribune, nr. 2/2006, "Investment analysis in agriculture"

The investments from the state sector represented, at the end of 2003, 49,5% from the national economy and 1,4 in agriculture, comparing to 1990. The accentuated tendency of state investment reduction in agriculture, comparing to the one from the national economy is the effect of creating faster a private agricultural sector, according to the Land Fund Law.

The private investments in agriculture, excepting the 1994-1996 period and 2003 were under the 1990 volume; their dynamic was caused in a small part by the new investments, this was mostly influenced by the low level of starting and the

reorganization process of the state economic unities in autonomous administration and commercial companies.

The Government ratified in 2003, Law 150 of the agricultural credit for production and in 2005, Law 231/2005 regarding the encouragement of the agriculture investments), from which facilities can benefit:

- the agricultural producers; natural or juridical persons, who work with agricultural lots or life stock for agricultural production assigned to commercialization;
- authorized natural or juridical persons who possess the necessary technical means for agriculture production services;
- those categories of integrators establishes by The Ministry of Agriculture that purchase and process the agricultural production.

The credits will be guaranteed by The Guarantee Fund of Rural Credit or by the beneficiary of the credit by:

- mortgage on the buildings and the agricultural lots, plantations or other guarantees, approved by the credit institutions;
- real life stock guarantees, vehicles and agricultural equipment;
- deposit certificates.

Table 3

The credits granted to the banking sector on activity
-million RON-

year activity field	2004	2005	2006	2007
Agriculture, silviculture, pisciculture*	1251	1592	2972	3923
	2,25%	2,13%	2,52%	2,11%
Industry	21524	22514	29842	38822
Services	18578	25226	36591	62978
Constructions	3409	4590	8028	12969
Activities of the financial and banking institutions	3272	5104	6945	7489
Public administration, education, health	3413	5306	6681	8668
Natural persons and farms	4017	10310	23526	50426
Total granted sums (100%)	55464	74642	117586	185275

Source: Monthly Report of the National Bank of Romania, December 2007

*for the agriculture sector it was calculated also the granted credit share for the same sector in total credits

The internal resource contribution at the investment process was reduces, especially in the agricultural and rural sector, and the industry was the one which benefited from the higher sustaining from the banking sector. For the area with the highest agricultural development potential, which showed, in some way, the

competitiveness on the national and international market and on which it is noticeable a productive specialization or in the areas where it is necessary the correlation with the EU standards, the goal is to create productive systems, locally integrated, with a high competitiveness and centered on the agricultural products processing.

The sector specializations will depend, mainly, on the nature and the capacity of agricultural lots, more precisely on the location (plain, hills or mountains). There will be consolidation activities focused on the areas where the fragmentation of the rural exploitations is high, and the quantity and the quality of the products is below standard. The infrastructure investments in the draining system will be made based on an analyzing each case and will be implemented taking into account their consequences on the environment with the priority of the projects done in collaboration with more economic agents with a common strategy.

The most important credits and the most demanded by the farmers are the long term credits. Their advantages consist in:

- creating new capacities and technologies of the agricultural production, industrial and commercial;
- modernizing the existent capacities and the technologies for the production growth.
- purchasing machines, equipments and the necessary transportation means
- creating and modernizing vineyards and orchards:
- buying some lots for building farm annex

In a close relation with the crediting there is the agriculture assurance issue which takes place at a small lever and doesn't cover all the risk factors that may appear. The greatest risk factor is agriculture is the drought, and its features are hardly accepted by the insurance companies, the phenomenon was taken over by sustaining through the state budget.

The Ministry of Agriculture assigned in 2006 for the subvention of the first agricultural insurances 53, 7 billion, lei, representing 20% of the total insurance bonuses.

With the help of The Farmer's Programme, the access of the farmers to the credits was permissive and they could achieve programmes that were until now only on paper. This Programme addresses to everyone who wants to invest in agriculture but they don't have the necessary capital. The main idea of this programme is crediting the business in the agricultural field on long term and with advantageous interest, so the SAPARD funds can be absorbed. There are other advantages, first of all the credit is granted on a long term- 10 years and second of all there is a grace period between one and five years depending on the filed in which the investment is made: after this period, then the business becomes productive, it begins the payment for the remained half.

It is necessary to prepare the local structures, including the necessary partnerships for the implementation of the Community Initiative for Rural Development Leader +, which represents one of the best instruments for involving the local communities into their own development process. The rural population will be stimulated financially and informational to associate and the resulted associations will have access to the European and national micro financing funds.

The agricultural, producers haven't had until now the chance to participating at the adopting and promoting coherent policies and programmes meant to stop the decline and to straighten the agricultural work.

One of the institutions through which a part of money from the World Bank was rolling is the **Romanian Social Development Fund** which supports the poor community development, by financing some projects initiated at a local level. Beside the contribution for reducing poverty RSDF wants to increase the confidence and the cooperation between community members contributing to a durable social development.

For these projects there was assigned 53 billion dollars. The projects are implemented by nongovernmental organizations, in partnership with local authorities and is it addressed to poor communities.

Another projects implemented in Romania in collaboration with The Resources Center CREST, in partnership with The Community Facilitators from Hungary called "Together for rural development, financed by EU, through the PHARE programme, CBC 2000. The project started in 2003 has as main objectives:

- developing the institutional capacity to 20 active nonprofit organizations in the community development sector in Hungary and Romania as capable to implement and organize a economic and social development in the border area;
- the reciprocally knowledge about each other of the civil organization implicated in the project of the nongovernmental functioning sector the neighbor country, from the legislative point of view and collaboration with state institutions, during the project;
- Creating a project portfolio on the economic, social and cultural field, eligible to the PHARE programmes CBC 2001 and 2002, promoting inter religious and out border collaboration.

Because the agricultural activity is considers high risk activity, The National Programme for Rural Development includes some measures that facilitate the farmers' access to credits, like the possibility to guarantee with the purchased equipment. Comparing with the SAPARD projects the beneficiary doesn't have to prove the existence of co-financing but only to declare on his own responsibility that he will assure the necessary funds for the project implementation. The farmers could receive up to 20% of the non-reimbursement fund, immediately after the financing contract.

The projects for accessing the EU rural development funds must be deposited until March, 3rd, 2008, at the district centers of the Payment Agency for rural development and fishing.

Through the National Programme for Rural Development there will be rolled until 2013 European funds consisting in over 8 billion EURO, funds assigned by The European Agricultural and Fishing Guarantee Fund and The European Agricultural Fund for Rural Development.

The integrated rural development offers growth possibilities of the time occupation level of the farmers by developing agricultural services as well as by organizing activities referring to the obtaining the production factors and processing agricultural products, encouraging the integration of agriculture with the activities from upstream and downstream.

"Often it is discussed the durable rural development and it focuses on the local economic development by:

- stimulating the local initiative
- creating new enterprises
- diversifying the economic activities
- creating new partnership form between the public and the private sector
- putting into value available human and natural resources

- involving the state into a new financing policy for sustaining the underprivileged areas.” [Popescu Angela, 2002].

Between the necessary measures for launching the agriculture there are:

- consolidating of the private property in agriculture and punishing the property law violations;
- organizing the territory according to the new structural conditions of the land property;
- efficient utilization of the human resources and technical endowments;
- putting into function in stages of the whole drain system by adapting to the new property structures and agricultural work;
- protecting the agricultural producers by the state by adopting an import-export policy (tolls) for limiting the invasion of the products that can be made inside the country.
- Agricultural work productivity growth it is an important condition for the efficiency development of these activities for reducing the lag between the agricultural productivity and the non agricultural branches of the national economy, as well as the lag comparing to EU.

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