

# IMPORTANCE OF INVESTMENTS IN ROMANIA BY EUROPEAN FUNDS

**DRAGOTĂ VIOLETA GIANINA**  
**BUZILĂ NICOLETA, DOGAN MIHAELA SIMONA**  
TIBISCUS UNIVERSITY, FACULTY OF ECONOMIC SCIENCES  
gianina\_dragota@yahoo.com

**Abstract:**

*In modern society, almost any real investment is an important financial aspect. From the smallest shop to large international corporations, investment activity is based on credit, stocks, bonds, etc.*

*Romania's need for investment is huge, both in terms of productive investment and in terms of those in the fields of infrastructure, education, health, environment and housing.*

**Key words:** *investments, european funds, international corporations*

**JEL classification:** F21

In economy there are several types of investments. Some of these involve financial transactions between economic agencies; others involve engaging in transactions some material goods such as buildings, industrial equipment, and means of transportation and so on. In the first case, the investor takes possession of specific assets: stocks, bonds, certificates of deposit or treasury bills. In the second case, the resulted assets are very different in nature: factories, transportation companies, hotels and shops.

In modern society, almost any real investment has an important financial aspect. From the smallest shop to large international corporations, the investment activity is based on credit, stocks, bonds, and so on.

Romania's need for investment is huge, both in terms of productive investment and in terms of those in the fields of infrastructure, education, health, environment and housing. It is known, for example, that 80% of the country's villages do not meet the requirements of European standards; they do not have water supply systems, sewage, water treatment plants, roads built.

Since Romania has a reduced saving level and the debt size has to be maintained at sustainable limits, results that, at least until the horizon of 2015, the volume of foreign direct investments and the entire absorption (use) of European funds will play an important role in supporting investment efforts.

It is known that in the financial perspective 2007-2013, the EU has set for Romania European funds worth about 32 billion Euros.

To be eligible for financing, through Structural Instruments, projects must meet the following conditions:

- to contribute to one or more of the objectives of that Operational Program;
- to be submitted by an eligible beneficiary, as defined in the Guide for Applicants;
- to quantify and provide details on clear and achievable targets;
- to contribute to the sustainable social development of the area;
- to have secure funding, identifying the recipients of funds and financing sources;

- to comply with national and Community rules on State aid and public acquisitions;
- not duplicate the already existing activity or not replace the existing or planned expenditures.

With a total area of 238.000 km<sup>2</sup> and a population of over 19 million inhabitants, Romania is as size, the second new member state of the European Union, after Poland. It represents 6% of the total surface of the European Union and 4% of its population. Investments and competitiveness in Romania are still elements that need to be improved to be able to accelerate economic growth and ensure revenues convergence with the EU ones.

Romania has evolved under conditions strongly marked by the virulent manifestation of the global financial and economic crisis. At the onset of the crisis, the Romanian economy traversed a period of several years of economic growth at a high pace, but accompanied by the accumulation of a relatively large external deficit and the increase in short-term external debt. With a small gap also occurred the deterioration repercussions of the external economic climate on the Romanian economy.

Starting with 2009, the impact of the global financial and economic crisis on the Romanian economy is manifest increasingly more pronounced on the indirect lane, namely that of external liquidity and deterioration of macroeconomic conditions.

The substantial increase from previous years in the economic activity was followed by a strong contraction in 2009 and 2010. On the background of the current crisis, the economic downturn led to disinvestments and a significant increase in unemployment, which jeopardizes the real convergence process and the financial condition of companies and households.

The general objective of the measure 1.2.1 “Modernization of agricultural holdings” aims to increase the competitiveness of the agricultural sector through a better use of human resources and factors of production. Under this measure will be supported investments aimed at equipping with advanced machinery and equipment, in relation to the current agricultural structure, as well as investments regarding the adaptation of agricultural buildings to meet EU standards and increase the competitiveness of agricultural holdings.

Correlating the measure with other FEADR measures and other funds will have a positive effect both on the modernization of the productive sector and the marketing channels of agricultural products and environmental protection.

1. The agricultural sector includes:

- field crops (cereals, oilseeds, protein crops, technical, field root crops);
- horticulture (garden vegetables, flowers, ornamental plants, mushrooms);
- viticulture (grape wine and table grapes);
- permanent crops (fruit);
- dairy farming;
- livestock farming (excluding milk);
- granivores (pigs and poultry);
- mixed (raising animals for milk and meat/ crops and livestock farming).

Table 1

## Quantifying objectives for EU common indicators

Type of indicator	Indicator	Target 2007-2013
Achievement	Number of holdings receiving investment support Divided depending on: • legal status • gender women/ men • beneficiaries' age category	44.458
	Total volume of investments (Euro) Divided depending on: • type of investment (investment in land improvement, investment in buildings, machinery, and other investments) • type of agricultural sector, in accordance with Decision (EC) no. 369/2003 *)	2.190.191.612
Result	Number of holdings that make/ introduce new products and/or new technologies Divided according to production reorganization	22.982
	Growth of GVA in supported holdings (mil. Euro)	2.172
Impact	Economic growth (mil. Euros) of which the contribution of Measure 121	2.396,4 1.738
	Labor productivity growth	Annual growth by 8%

\*) Note: According to the (EC) Decision no. 369/2003 regarding the classification of main types of farms - TF8

Source: [www.adrvest.ro](http://www.adrvest.ro)

2. Type of production includes:

- ecological agricultural products;
- conventional agricultural products.

Table 2

## Additional indicators

Type of indicator	Indicator	Target 2007- 2013
Achievement	Number of semi-subsistence holdings supported	20.720
	Number of supported holdings belonging to members of associative forms	6.670
	Number of supported associative forms	670
	Number of holdings that produce and use renewable energy	445
Result	Number of holdings that meet the Community standards, as a result of support	20.000

Source: [www.adrvest.ro](http://www.adrvest.ro)

The additional financial allocation of 148.000.000 Euros (public funds) will not lead to an increase of the target indicator "Total number of supported holdings". After analyzing the implementation stage of this measure, given that currently are under employment all available funds and the initial target was not reached, for the Program to include realistic objectives, the holdings that will be supported as a result of reallocation will be part of the target initially established.

Table 3

**Related indicators to funds supplementation through the proposed reallocation of  
148.000.000 Euros (public funds)**

Type of indicator	Indicator	Target 2012-2013
Achievement	- Number of holdings receiving investment support	800
	- Total volume of investments (Euro)	296.000.000
	- Number of semi-subsistence holdings supported	414

*Source: www.adrvest.ro*

During the period March 2008 - January 2013 were submitted 7333 projects, respectively 5.25% of all projects submitted under PNDR (139747 projects). From the 7333 submitted projects only 2333 projects were selected (31.81%), and contracted 2012 (27.44%).

Table 4

**Situation of submitted and selected projects and payments made for Measure 1.2.1.  
“Modernization of agricultural holdings” (March 2008 - January 2013) – Euro**

	Submitted projects		Selected projects		Contracts/ Financing decisions concluded		Payments made
	No.	Public value	No.	Public value	No.	Public value	Public value
<b>TOTAL</b>	<b>7.333</b>	<b>2.817.337.954</b>	<b>2.333</b>	<b>966.733.436</b>	<b>2.012</b>	<b>766.555.435</b>	<b>420.325.952</b>
03-28 March 2008	712	152.201.310	306	61.545.220	284	53.750.992	46.476.034
02-25 April 2008	728	143.093.027	279	62.279.284	248	53.497.033	44.847.016
19-30 May 2008	627	138.023.950	222	58.781.790	182	45.128.358	37.874.017
03 November - 19 December 2008	1.514	551.496.094	503	212.054.493	418	152.277.787	115.782.718
07 September - 02 October 2009	948	539.621.176	281	175.381.949	239	137.136.607	94.223.282
03 - 31 May 2010	691	424.869.814	254	155.433.742	183	105.268.224	33.825.092
01 - 29 October 2010	325	171.745.576	188	100.553.798	180	95.190.505	26.680.561
01 - 29 April 2011	571	241.701.221	300	140.703.160	278	124.305.929	20.617.233
17 April - 18 June 2012	1.108	422.081.303	-	-	-	-	-
26 November 2012 - 1 February 2013	109	32.504.482	-	-	-	-	-

*Source: www.adrvest.ro*

The value of the 7333 submitted projects during this 5 year period was 2817954 Euros, they were contracted in proportion of only 27.21%, and the payments made for the contracted projects were at a rate of 54.83%.

The Romanian agricultural holdings that were beneficiaries of EU non refundable funding were those holdings that had a certain economic power, but not so much as to enable them to ensure financing some large scale projects. The precise identification of these holdings or their share in Romanian agriculture was not possible before implementing the FEADR program due to the lack of specific information at the holding level. From the data collected it is observed that certain clarifications were made regarding the number, nature and specificities of holdings from Romania and, at the same time, completed the rural area picture with certain indicators, such as those related to the economic dimension of holdings or type of activity (production orientation).

By implementing investments projects from EU funds, the following contributions were brought:

- Increase the quality and quantity of products from the fruit and vegetables sector;
- Provide raw material for the processing units in the area;
- Develop a profitable business environment in rural area and enhance competition;
- Wide range of horticultural products with controlled quality, at European standards;
- Increase companies revenues;
- Compliance with bio-security measures with positive impact on environmental conditions.

The rural population's lifestyle is closely related to a rich tangible and intangible heritage, which gives the specific identity of the village - elements that should be preserved and valued at the same time. The support granted in this sense must be supplemented by the efforts to improve the natural and social environment, services and actions taken for a better commercialization of specific traditional products.

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