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**THE IMPACT OF
EUROPEAN FUNDS
IN AGRICULTURE
AND ECONOMIC
DEVELOPMENT:
THE CASE OF
ROMANIA**

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Agriculture has always represented a concern of major importance to mankind, and at the end of the second world war, at least in Europe, the obvious necessity of the general reorganization of politics, economy and implicitly agriculture at the multinational and macroeconomic level appeared, at the level of the whole Europe.

The accelerated progress of agriculture at the European level has highlighted the major contribution of this sector to the economic growth of the states, and agriculture has become a basic pillar in the harmonization of the development of national economies correlated with the defusing of frequent social conflicts motivated in an overwhelming percentage by food safety problems.

The European economic reality of the last decades highlights the major differences, increasingly clear, in all areas, between the member states of the European Union and the poor or developing economies, which still fail to meet the accession criteria for various economic and political reasons, environmental, etc. Therefore, agriculture and its role in economic growth represent one of the key elements of economic development.

Constant economic growth is a permanent target of all categories of states and economic studies and research have focused on finding the determining factors in accelerating economic processes, especially in developing economies, because the concern is really urgent due to the major gaps that separated from the performing economies of the European Union states.

The theme of this work is related to the issue of the correlation between agriculture and economic growth, the major importance that must continue to be given to the agricultural sector within the EU, the importance of using the financial assistance instruments of the PAC in accordance with the economic, geo-political and environmental realities. The accession to the EU of the states of Central and Eastern Europe (including Romania), on the occasion of the expansion of the EU borders in 2004 and 2007, was done with the idea that they will succeed in reducing the economic gaps compared to the more developed states of the EU in a relatively short period of time. short time, to be able to participate actively and significantly in the economic growth of the EU and in achieving the desired economic well-being of all member states.

Through this work, I propose to highlight the role of agricultural development as a factor of major importance for the economic growth of the EU, but also the importance of the allocation of financial assistance instruments in agriculture according to the realities and needs of the present.

Also, referring to the budget allocated for the CAP in the future multiannual programs of the EU, I believe that the future development of EU agriculture must be conceived as a multidimensional process, which directly and concretely affects all levels of EU agriculture sectorally, a process that must aim for changes in the decision-making structures, in the national and local institutions and authorities, by reducing bureaucratic processes, in order to expedite the implementation of measures and the allocation of funds.

The finality of this process must be represented by the change in the attitude of the population towards the future problems of the environment, food safety and, last but not least, the revitalization of rural communities through massive investments in rural infrastructure, in the education of farmers, in the implementation of the most current solutions technical and digitalization of farm activities, to increase the competitiveness and profitability of farms.

In my opinion, the overall development of EU agriculture and even of the Union in general, is closely linked to the integrated development of the rural areas of each member country, through their individual financing, taking into account the geographical, environmental, political, social and economic realities . This desired can be achieved through the active involvement and accountability of national and local authorities, by understanding the real needs of farmers and rural communities and by responding promptly from a political, economic and especially financial point of view to the problems and difficulties that have arisen during the implementation of the multi-year programs of financial assistance.

I believe that the topic addressed in this paper is of great interest at the moment at the EU level and even at the global level, and through the personal opinions and conclusions from the content of this paper, I think I will facilitate the understanding of the topic chosen for my thesis.

This work is composed of four chapters, which try to highlight the importance of the agricultural sector in any national economy and the correlation between the development of the agricultural sector and the economic development of a nation. I am thus trying to show the way of understanding and acceptance of the agricultural sector through the vision of different schools of

economic theory and to arrive at the present time at the understanding and way of implementing the most current aspects and problems to which the agricultural system and the agricultural policies of the European Union, food safety and security, rural development, the "greening" of agriculture and adaptation to climate problems, but also efficiency through the adoption of the latest technological innovations, automation and adaptation to the latest European and world standards and regulations.

In **the first chapter** of my thesis, I try to analyze the way of understanding the role of agriculture in the economy as a whole, through the prism of schools of economic thought, starting from the mercantilist school of thought to neoclassical and contemporary theorists. The role of the agricultural sector in the economy has been interpreted differently over time, in the sense that, in the view of the first currents of coherent economic thought, it represented the only economic branch that can bring wealth to a nation. Later, with the development of trade and later of manufactures, the agricultural sector was marginalized and ignored by theoreticians, but also by the governors. This attitude has brought European countries to the brink of starvation and bankruptcy, generated popular uprisings, destroyed rural areas due to farmers' incomes at the limit of subsistence, the exodus of workers to urban areas with the development of manufacturing, the fragmentation of agricultural areas and the lack of investment in machinery which will ease the work and increase the level of profitability of the sector.

It was thus understood the importance that must be given to agriculture, its place at the same level as all other sectors of any national economy, so that nowadays, in contemporary economies, the growth of the role of agriculture is evident, even if it is noted the decrease of the contribution of this sector, as a percentage in the achievement of the gross domestic product, and the share of the active population employed in agriculture is also decreasing.

With all the inconveniences and limitations from which agriculture will not be able to detach itself in the near future (differentiated fertility of the lands, permanent dependence on geographical and environmental conditions, even if it is limited by the current advances in technology or meteorology, the specific conditions and the different investments necessary for the growth of different breeds of animals, the permanently decreasing number of workers and farmers who are interested in working in the field, learning, innovating, bringing added value), the share of the agricultural sector in the GDP of a nation is and will be in the future a indicator that reflects the

role of agriculture in a national, regional, world economy and will project the efficiency of production resources in agriculture, their availability and the possibilities to ensure food security for the population of the respective nation.

Also, in this chapter, I try to detail a relatively new concept in economics, a paradox of the economic development of a nation, namely "the curse of natural resources". The contradiction to which this phenomenon refers starts from the presumption that a nation that has significant reserves of natural resources, renewable or not, is generally regarded as a wealthy nation, with a high level of economic development.

However, a series of studies that analyzed and confirmed the inversely proportional relationship between wealth in natural resources and the level of economic development of a nation, brought into discussion the phenomenon of "curse of natural resources" and my conclusion regarding this subject is that the simple existence of abundant natural resources is not a guarantee of economic development and prosperity of a nation.

The abundance of natural resources, whatever they are, must necessarily be supplemented with well-defined, strong and transparent public institutions in action, with the attraction of professional employees in these institutions, employees who make professional decisions based on economic criteria, criteria that have in view the long-term economic development of the respective nation. In other words, I believe that the healthy and balanced development of agriculture and, in fact, of the entire economy of a nation, is primarily dependent on the level of professionalism and transparency of the government and only then on the abundance of natural resources.

More precisely, nations with significant reserves of natural resources tend to delay or even be unable to adopt country strategies that generate healthy, transparent and sustainable economic growth.

The second chapter of the work includes an analysis of the current agricultural policy of the European Union and future perspectives. The role of the Common Agricultural Policy (CAP) has changed and evolved since its implementation until now.

Thus, the initial purpose of the PAC was to ensure self-sufficiency in agri-food products and stabilize the turbulence of the agricultural market after the second world war. This goal was fulfilled in the period from the beginning of the 1980s, when a suitable standard of living for

farmers was reached and the food shortage on the European continent was eliminated. The protectionist policy of the CAP, subsidizing agricultural production and protecting the internal markets of the European Union, led to an unprecedented increase in agricultural productivity, intensive production was stimulated, an aspect that created imbalances, crises of overstocks of agricultural products in the market and generated devastating consequences for the environment, animal welfare and food quality.

The CAP reform of 1992 changed the way of thinking of agricultural policies, balanced production with consumption and encouraged environmentally friendly agricultural practices, through a policy that aims to support incomes, favors rural development and environmental protection.

The subsequent reforms of the PAC, until now, aim to stimulate the active participation of farmers in the implementation of the new trends of "greening" agriculture, of using environmentally friendly agricultural practices and contribute to the direct remuneration of farmers for environmental protection services, conservation and the promotion of rural heritage, because these services will generate future additional income for farmers, generate new jobs and ultimately lead to prosperity and rural development.

The Common Agricultural Policy (CAP) represented the first common policy developed and adopted at the level of the European Union and is one of the basic pillars of the EU policy, both in terms of the allocated budget, but also in terms of the major impact on the over 500 million of inhabitants of the EU community space.

The future goal of the PAC must be represented by sustainable agriculture, by supporting the incomes of farmers and all entrepreneurs in the rural area, it must integrate everything that means technological and digital innovation, to facilitate work in this sector and increase the attractiveness of agriculture for human resources, both important in this field.

Also, the future common agricultural policies must identify solutions to reduce the bureaucracy, which still has an impermissibly high level and greatly delays the application of immediate corrections, which redirect or at least reduce the effect of possible ill-conceived or wrongly applied policies at some point, intentionally or not.

Agriculture is an economic sector totally different from other sectors, agricultural production must be correlated with other economic sectors, it is highly dependent on climatic aspects, geographical

configuration and biological production cycles specific to agriculture. All these aspects are, despite the technical progress, still difficult to anticipate and therefore generate fluctuations in production.

National economies face difficulties in equalizing and balancing agricultural production, and this, being interconnected with the constant and even increasing demand for food products, can generate worrying price fluctuations within the European Union, leading to the need to implement market regulatory measures, imposed both producers and consumers. That is why the PAC must give much greater importance to the rural areas of Europe, to attract young people with any kind of specialization in the agricultural field, it must find solutions with a real and rapid impact to make this economic sector much more attractive from the point of view from a professional, financial, social and family point of view for the next generations. The future of Europe, but of the whole world, depends existentially on sustainability, food safety and security, sustainable development, the protection and preservation of environmental conditions, in other words the future depends directly on the importance assigned to agriculture and the agri-food industry at the EU level, but also on a planetary level.

The third chapter of my work proposes the evaluation of the intervention tools used by the EU in the agricultural sector, to achieve the objectives proposed by the PAC, to maintain and improve future agricultural policies. Thus, the European Agricultural Guidance and Guarantee Fund (EAGGF) is the most important intervention tool (represents approximately 50% of the total EU budget) and its stated role is to reduce economic and social disparities and promote sustainable development.

Another tool used in the implementation of the PAC is subsidies, through a system of direct income support, a system that seeks to eliminate the farmer's dependence on a certain form of public intervention, through the full compensation of income, without being obliged to produce more for to prosper, so that the farmer will realize his income from the market, and the subsidy is only a supplement.

The third intervention tool is the operational programs by sectors, which are integrated into the strategic plan of each EU member country, through general regulations, and governments have the opportunity to develop their own sectoral interventions, depending on needs and proposed development lines, limitations geographical or political and financial possibilities of each state.

The integration of the CEE states into the EU structure has been a priority since the beginning of the 1990s. This is because for the ECE states the agricultural sector had a greater importance in the national economy of these states than in the economy of the already member states at that time. All these major differences, apparently favorable to the agriculture of the CEE states, are justified and mitigated as important by the economic, political and social aspects presented previously, so that, despite the very important and very diversified natural resources, and the very large labor force resources, Eastern European agriculture is outdated. Even if in most of these countries great efforts were made in the sector in the decade 1990-2000, the revitalization, modernization and restructuring of the agri-food sector is still very far from a finality and an alignment with community agriculture.

In order to facilitate and speed up the accession of the Central and Eastern European states to the European Union, pre-accession instruments were created within the PAC, for the support and development of agriculture, instruments to provide the necessary assistance to the candidate countries in Central and Eastern Europe. Among these, I considered it relevant to detail in my paper the SAPARD pre-accession financial program, the FEADR program, but also the LEADER initiative, because they represented the impetus that agriculture in Romania and the states of Central and Eastern Europe needed and in order to become viable in the competitive conditions of the market economy, in order to raise productivity and competitiveness. As a result of these financial assistance programs, product quality standards, working conditions, environmental protection and animal welfare were improved and, last but not least, the standard of living in rural areas was considerably improved, through the creation of opportunities for farmers and through massive investments in rural infrastructure.

In **the fourth chapter** of the thesis, I want to make an estimate of the impact of European funds in the development of agriculture in Central and Eastern European states, in the context of the expansion of the European Union through the acceptance of new members. I believe that the permanent expansion of the community space with new states generates different and increasingly complex challenges, especially in terms of agriculture, but also requires economic, financial and political efforts and solutions that are at least as complex and innovative, in the preparation and balancing of the consolidated budget of the European Union.

European agriculture and the food chain created and constantly supplied from the results of the work of European farmers managed, shortly after the establishment of the Community agricultural market, to offer the citizens of Europe sufficient quantities of food products, at low prices, in safe conditions and of higher quality than ever before then he succeeded regardless of food price fluctuations on world markets, political scandals or food crises.

Also, the common agricultural policy generated over time satisfactory incomes for farmers, boosted the increase in the number of jobs in the agri-food sector, both in rural and urban areas and stimulated the establishment and development of related activities horizontally (of trade, banking, legal, fiscal services, the car manufacturing industry, etc.), showing the importance of the agricultural sector, as a basic element in the economy of any nation.

An essential element of the policy of the European Union has been, since its foundation, the maintenance of the economic and social cohesion of the member states, in the perspective of expanding the community space by accepting new members, especially regarding the states of Central and Eastern Europe (CEE).

The European community is becoming more and more complex, the standard of living of the citizens has constantly increased, although new countries accepted in the community space are still below the EU average and the differences still persist and may be aggravated by possible economic recessions (real and quite frequent in the last decades), problems of public finances, but also some generated by the general aging of the population.

That is why the importance of European funds is essential in the future development of the member states, especially the last accepted ones, from the ECE area, and the general purpose of the EU community must adapt to current realities, in order to overcome possible moments of stagnation or negative evolution of national economies.

In this chapter, I also propose an empirical study to estimate the impact of net subsidies (the difference between subsidies received and taxes paid) from agriculture on the evolution of this economic sector.

I certainly did not cover in my paper all the arguments regarding the future of agriculture and European agricultural policies, nor do I try to exhaust this topic.

The fundamental idea of my work is that agriculture, beyond the primary and universally recognized role of ensuring the food security of the citizens of the European Union and the whole world, represents an economic sector of capital importance in any national economy. Even if it has decreased in importance in contemporary economies, the role of agriculture is and will remain decisive for the future, especially due to the introduction of new, innovative technologies, due to common agricultural policies to attract the population to rural areas, significant investments in the expansion of utility networks , of the general infrastructure of the understanding and implementation of the concepts of rural development, ecological agriculture, environmental protection, animal welfare and health.

The agricultural sector advances and develops proportionally to the degree of economic evolution, at least in the EU member states, progress significantly correlated with specific elements of geographical location, climate, relief, population structure in terms of density, level of culture and digitization, but also of middle age (the phenomenon of population aging and significant reduction in the birth rate is increasingly evident in the developed EU states). The role of agriculture as one of the main engines of economic growth is obvious and is recognized in this sense at the EU level, and the development of this sector is a premise, but also a condition of economic growth.

Agriculture is at the same time a very dynamic economic sector in evolution, which requires a lot of technological, informational, but also intellectual resources, because the competitive European market constantly demands lower and lower prices and superior quality of agricultural products.

Also, the awareness of climate change, pollution and the limits of natural resources are no longer just "conspiracy theories", they are very real and we are facing them.

European agriculture, through the PAC, started the fight with these problems, through various financial assistance programs, by promoting and stimulating the implementation of the concepts of "food security", "rural development", "greening of agriculture", "sustainable development".

I consider it important to mention, just as it results from the empirical study presented above, that the financial incentives and aid schemes currently promoted really help the development of agriculture and the technological advance in this sector, but only in the short term.

At the same time, following the history of the PAC up to now, it is evident the reluctance of the EU authorities to adopt and implement new agricultural policies and drastic changes of vision from

one multi-annual financial program to the next and even more difficult to accept drastic changes within a financial program , even if many times the inability of financial assistance measures to solve specific problems was evident.

The agricultural sector, at least at the EU level, is one of the main beneficiaries of the financial resources from the general community budget and is starting to realize this and to evolve constantly, in the sense that the farmer allows himself to think about methods of digitizing the farm, to methods of preventing and reducing the effects of extreme weather phenomena, to benefit from the latest technological discoveries in the field of crops, animal welfare, responsible use of resources, all of which are currently being promoted through assistance programs contained in the latest versions of the CAP.

Also, the cooperation between farmers is stimulated, by co-opting them into cooperative societies, with the aim of making more efficient use of each farmer's resources, obtaining better financing conditions, better prices for finished products, raw materials or know-how.

I believe that the promotion of cooperation and the establishment of cooperative agricultural societies is a sensitive aspect for the future of agriculture at the EU level, in the sense that for the moment I think that it is really necessary to boost this business model (especially at the level of our country and the countries from the former communist bloc, where after the 1990s most businesses of this kind were destroyed). But, in the long term, I believe that the decision-makers of the EU will have to follow closely the development of cooperative businesses through subsidies and aid schemes promoted through the PAC, because they will become big players in the local, European and even global agricultural market (precisely thanks to the measures of financial assistance, which participants in agricultural trade from outside the EU do not benefit from) and will have the possibility and the power to manipulate the prices of products and services in their own interest or in the interest of political factors, in order to eliminate competitors or products from the market and even to promote in the market products or collaborators that would not be competitive under real competition conditions.

The main beneficiary of the EU's agricultural policies and the funds allocated to the development of European agriculture must be the family farm and the concept of sustainable rural development, because the stated purpose of these policies is the repopulation of rural areas (especially by attracting young families, especially those with studies in the agricultural field), the attraction of

businesses in this field, the development of rural infrastructure and the development of rural areas based on healthy economic principles.

A still major limitation of the development of agriculture today is the stimulation of innovation and the adoption of revolutionary technologies, elements that are currently only accessible to the big players on the common agricultural market, due to the still prohibitive prices for the family farm, the farm that must represent the basis of European agriculture future Agriculture does not yet have the opportunity and financial resources to access the latest technologies from space exploration and astronomy, even if they are already used by many industries. The costs of use and the amortization of these costs in agriculture are still too high, especially due to the specificity of the agricultural sector and increased sensitivity to environmental factors, soil, practices used, elements that make it difficult to combine data and evaluate the effects, to obtain elements and results relevant in research.

The future world is getting smaller and smaller, thanks to digitalization, the development of communication and information transmission technologies, thanks to the permanent development of the world's infrastructure and faster and more efficient means of transport. That is why European agriculture and the decision-makers in this field must be aware that new and unexpected problems and situations will appear all the time, and the answers and solutions to the problems must appear much faster, be clear, decisive and efficient, in order to preserve the local competitiveness, but also on the world market of the European economy in general and of agriculture in particular.

The future means globalization, and the agricultural sector of the EU must be reformed in order to survive in real competitiveness, without subsidies and financial assistance, in a competitive global market.

The future policies of the PAC must be oriented more towards the farmer, in order to stimulate him to be competitive in a real way, only relying on his business and on his own resources.