

LENDING PROJECT IMPACT ON AGRICULTURAL INDIVIDUAL SECTOR DEVELOPMENT IN MOLDOVA

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Abstract

Economic development within rural areas of the Republic of Moldova is affected by multiple issues which cross the agricultural individual sector development. One of the main factors that would influence positively the development of agriculture is investment. Investment plays an important role on the country's economy, representing the material support of its economic and social development. It ensures the permanent capital increase, advances the technical and economic efficiency of existing ones and creates new places of employment. In this context, investment is the decisive element of economic growth, of the intensive, qualitative and effective factors promotion.

Key words: agricultural individual sector, investments, projects, rural environment

INTRODUCTION

In any economic field, investments are associated with development idea. Logically, at the level of the national economy, manufacturing device development and funding advancement of economic activities are depending directly of investment funds that the company can afford to allocate in a certain period. But the economic growth does not depend on the volume of investments. It is the result of how the available funds are distributed in specific areas of development, of the way of its management. The last decade had scored a great increase of foreign investments, so that they have become one of the main components of the global economic circuit.

Opportunities of a profitable investments making in the agricultural sector of Moldova are in a run-on growing. Bureaucratic and regulatory obligations are gradually overcome by investment's simplifying procedures and increase transparency.

Currently, the Government distinguishes the growth potential of rural agricultural sector as a solution of poverty reducing and as a live standards enhancing in rural areas.

MATERIALS AND METHODS

The reflected researches were achieved on informational materials of the National

Bureau of Statistics of the Republic, the National Bank, etc. There were used following research methods: monographs, comparison, analysis, inference.

RESULTS AND DISCUSSIONS

Investment is fundamental in economic activity, both in the production of goods and services and the scope of consumption, being the factor which simultaneously influences the supply and the demand. This statement's ratiocination is given by the processes of training and multiplying the effects which they generate any investment project, regardless of the sector in which it is implemented.

An investment projects achievement within agricultural sector has the effect of supply increasing and diversification and therefore if it is validated by the market, the income's growth of the businesses. Simultaneously, however, the increasing employment of labor will be directly influenced or by a carry effect. But employees increasing number are conducting ultimately to increased demand for goods and services. On the other hand, there will be an increase of population's economy and of the available funds of economic agencies which expect a more perform structures, according to investment options.

So we can say that within national economic circuit, investment activity plays a double role:

- First, the economical traders that implement various investment projects increase their goods or services supply by increasing their productive capacity, making additional income;
- Second, any investment project will generate additional needs or requests within connected upstream sectors (raw materials supplier, materials, utilities, etc.) or in oval way (goods and services distributors or consumers). Implicitly there will be in series increasing of all involved economic traders' income.

Investment projects and programs achievement leads primarily to increase permanent capital stock. Investment are the main instrument for achieving economic modernization by creating new, more efficient structures according to society's future strategic options.

The role of foreign investment in a country's economy is indisputable: the effects chain which they generate reflects both on the production of goods and services, as well as on consumption, grounding simultaneously the supply and the demand. Investment mobility of resources is one of the elements of the economic equation which favor and anticipate the fruition of strategic objectives of any country development. This process contributes to production increasing, to complex national economy improving, to settle issues related to enterprises upgrading, but also to a sustainable cities development, thus solving social problems.

Macroeconomic context which brings forward investment appealing, is generically called "investment climate", is a very complex title being determined by a mix of inter-dependent elements, which are including, with any limited to political stability and the long-term macroeconomic stability, the law stability and supremacy, justice independency in order to ensure the investors' rights, non-discriminatory and clear rules on economic activity (thus the investment one), business infrastructure development, including financial, legal and so on services, and other

items, including no less important being access to markets and resources, and transparency in government activity of regulatory and control functions, trust within business environment etc.

The role of foreign investment is quite important for developing countries, including Moldova, where internal resources are insufficient to reach a development and prosperity level which now days modern countries posses. FDI's influence on the domestic economy is twofold. On the one hand, there are credits, loans and investments through which, the foreign capital can fill national financial resources for implementing programs of macro stabilization. On the other hand, foreign capital plays a fundamental role in the restructuring and modernization of the national economy. Along with capital invested with the corresponding effects on economic growth, foreign investment capital stimulates the transfer of modern technology, they help the country's balance of payments which are implanted.

Table 1.3. The dynamic of foreign direct investments in R. Moldova during 2002-2011, mln USD

	Yearly					
	2002	2007	2008	2009	2010	2011
FID total	84,1	541,3	711,5	145,3	197,41	274,0
Social capital	60,1	227,4	441,7	161,6	156,98	143,9
Reinvestments	-27,4	112,8	99,7	-11,6	14,6	94,4
Another capital	51,4	201,1	171,1	-4,7	25,9	35,7
FID/GDP,%	*	12,29	11,75	2,67	3,40	3,91

Source: elaborated on the data presented by National Bank of R. Moldova

According to the table above we can mention that Moldova has been able to attract foreign investments just only after credible economic recovery. A considerable growth of FDI in Moldova's economy has been until 2007, when they amounted to 539.3 million USD. In 2009 we have a strong decrease in the country's economy FDI volume. This can be explained by the political and economic country instability. As a result, foreign investor has chosen to invest in far-off countries from geographically point of view, but constant economically and politically.

Regarding the FDI in GDP share we can mention that during the analyzed period the index was stable and in 2009 because of the global crisis, this index decreased to 2.67%. The main sources of foreign capital are from Netherlands - 18.2%. It is followed by Cyprus - 12.4%, Italy - 12.3%, Russia - 7.8%, Germany - 6.1% etc. A considerable amount of investment in the structured capital in Moldovan enterprises came from the European Union (EU).

Next we will focus on investments in agriculture. According to the legislation in force, foreign investors can lease agricultural land for up to 30 years, which is widely used by investors from Germany, Bulgaria and others countries. Moldovan agrarian economy has four big advantages common recognized:

- First: because of its geographical position and favorable climate, can be grown forward vegetables, providing to Moldova a significant competitive advantage.
- Secondly, Moldova has rich humus land and sufficient water resources.
- Third, the population of Moldova has acquired a rich experience and knowledge in such areas as: fruit, vegetables, tobacco, grapes growing and wine production.
- Fourth, the research institutions of the R. Moldova have solid knowledge and experience to contribute to agriculture development.

In agriculture, funding opportunities are in endless growing. During 2009-2012 most funds from external assistance was granted for investment projects in agriculture, or 24% of total funding of these years. Thus, in Moldova there were more projects of economic development, especially in agricultural sector, funded by various foreign structures.

1. Agro-business Development Project of CNFA, funded by USAID;
2. The Rural Finance and Small Enterprise Development (International Fund for Agricultural Development);
3. Agriculture Recovery Project (IFAD);
4. Moldovan-Lithuanian project "Strengthening the system of veterinary and food safety control of Moldova";

5. Increasing Food Production Project of 2KR Program (Government of Japan);
6. Pollution Control Project in Agriculture (World Bank);
7. Rural Investment and Services Project (Phase II, 2006-2010);
8. Agrian lands replotting Project (August 2007 - February 2009);
9. Project of the extension of the quantity and the quality the of agricultural products for export at the level of individual enterprises (July 2007 - March 2009);
10. Project "Support to the Development of Rural Capacities by Strengthening the Extension" (October 2006 - December 2009);
11. Program-pilot for Attracting Remittances in Economics, "PARE 1+1" for 2010-2014;
12. Rural Investment and Services Project (RISP II);
13. National Program for Youth Economic Empowerment (NPYEE). This program aims to foster and to develop the entrepreneurial skills of young people (18-30 years) in rural and co-starting a business.
14. Rural Business Development Program (IFAD IV, IFAD V).

These programs and projects, mobilize resources, providing opportunities to rural entrepreneurs to start and to manage an own business. Also these projects assist in business registration, business plan and financing procure.

During 2012, from credit lines of investment projects funded by external granters, as well as from refinancing working capital cumulated from the principal amounts and repaid interests by local commercial banks have been re-credited 408.11 million MLD, \$17,390,000 and 13.61 million Euros, hence:

- (a) direct re-credited resource from foreign loans of the World Bank, the European Investment Bank and IFAD (IFAD-CPIU data) – 100. 590 mln. MLD, \$ 6.22 million and 10.13 million Euro, including:
- Agriculture Recovery Project (IFAD II, PRA) -1.61 mln MLD and \$ 0.24 mln,
 - Rural Financial Services and Marketing Program (IFAD 4) - 13.12 mln. MLD and \$ 0.86 mln;

- Rural Financial Services and Agricultural Business Development Program (IFAD 5) – 69.30 mln MLD, \$ 1.30 mln and 0.34 mln Euro;

- Rural Investments and Services Project, phase II (RISP II) – 16.56 mln MLD, \$ 3.83 mln;

- Filiere du Vin Project – 9.79 mln Euro.

(b)re-credited resource from assets acquired means - 307 530 000 MLD, \$ 11.17 mln and 3.47 mln Euro, including:

- Rural Investments and Services Project, phase I, (RISP I) – 36.25 mln MLD, \$ 1.22 mln and 0.18 mln Euro;

- Rural Financing and Development of Small Enterprises Project. (IFAD I) – 46.26 mln MLD and \$ 2.00 mln and 0.35 mln Euro,

- Agricultural Recovery Project IFAD II, (PRA) – 45.46 mln MLD and \$ 0.76 mln,

- Rural Investments and Services Project, phase II (RISP II) – 46.34 mln MLD and \$ 2.52 mln and 0.26 mln Euro;

- Rural Business Development Program (FIDA III, PDAR) – 27.53 mln MLD, \$ 1.21 mln and 0.12 mln Euro;

- Rural Financing Services and Marketing Program. (IFAD 4) – 4.90 mln MLD and \$ 0.25 mln,

- National Program for Youth Economic Empowerment (NPYEE RISP I, IFAD 1 resources) – 83.42 mln MLD,

- Competitiveness Enhancement Project (CAP) - 3.00 million, \$ 2.28 mln and 0.84 mln Euro;

Assets means constitute about 59.58% of the total re-credited amount in 2012. At December 31, 2012 balance of the principal amount of loans to the PFI (Participating Financial Institutions - local commercial eligible banks.), excluding grants balance, it consists of is 1.1016 billion MDL, \$ 38.6 mln and 23.56 mln Euro (working capital loans re-credited sources and external sources via Credit Line Directorate, Consolidated Units of Agriculture Project Implementation (CAPMU) and Consolidated Units Implementation Projects within Ministry of Agriculture (UNICE-IFAD) taken in service).

CONCLUSIONS

Agriculture is a strategic sector for the country, which has potential for development and we can contribute to get back the slow agriculture position which was lost in recent decades. In coming years, the villages of Moldova will turn into oases of prosperity, because credit projects in agriculture will be a chance to increase individual incomes in the agricultural sector and to facilitate agricultural products exports. Almost 13 billion MLD will be invested in agriculture. At least that is what strategy of agriculture and rural development in the Republic of Moldova predicts. Moldovan agriculture has a future, it has become the national economic recovery driver. The agricultural sector continues to be a significant source of potential employment for citizens of Moldova and it is an important part of both the national economy and national exports.

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