

## THE POTENTIAL DEVELOPMENT OF ECONOMIC-AGRICULTURAL ZONES INFLUENCED BY SUBSIDIES AND INVESTMENTS

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### *Abstract*

*During the transition period continued deepening regional disparities in development between different parts of the country, mechanisms and market relations by claiming their advantages and disadvantages. The impact of the existence of these gaps is the deterioration mechanisms of interaction and increased economic disparities between different areas. The existence of socio-economic disproportions territorial is determined by objective and subjective reasons, natural and cyclical factors. But it is indisputable need for disposal.*

**Key words:** agricultural policy, agricultural sector, agricultural zone, economic growth, investment, land resources, stimulation.

### INTRODUCTION

Physical and geographical conditions exert a significant influence over the country's economic potential and specialization. Although the country has relatively small surface and its area is compact, there are highlighted specific territorial features caused by the differences of natural conditions, the specialization of agriculture and the processing industry and demographic features.

On the assumption of the of climate type, topography and soils, territorially Moldova is divided into several of natural territorial complexes of different levels. Each of these tends to develop on account of foreign investment and subsidies provided by the state.

### MATERIALS AND METHODS

In the results of the economic and statistical, constructive calculation and logic observation methods were used. As the informational support there served the financial reports of National Bureau of Statistics, of the Ministry of Agriculture, Ministry of Finance and Project Expert Group supported by the Soros Foundation-Moldova. The methodological base was based on multiple legal and normative acts of the Republic of

Moldova. The basic methods of the research are the analysis and synthesis, the method of comparison of the average sizes, the tabular method and the graphic data interpretation.

### RESULTS AND DISCUSSIONS

On the assumption of the natural conditions there can be identified that Republic of Moldova is divided into three agricultural regions: North Zone, South Zone and Central Zone. Each of these areas is specialized in certain crops depending on climate and soil. [2]

Table 1. Agricultural region specialization

Agricultural region	Specialization
North Zone	Sugar beet, cereals, sunflower and fruit, cattle and pigs breeding
South Zone	Viticulture, cereals, sunflower, sheep and cattle breeding
Central Zone	Vineyards, orchards and cattle, vegetable.

Source: elaborated by author.

Given that the fact that the agriculture has an central role in the economy of country districts, agricultural land is a basic element of their potential. In this context, it highlights the differences between districts regarding the availability of land resources. Thus, if the Taraclia inhabitants has on average 1.2 ha of agricultural land, in Chisinau, Balti and Ungheni there are only 0.6 ha. According to this indicator, the southern regions of the

republic are favored in a way, due to the lower population density. Respectively, the hierarchy of districts according to the agricultural production per capita correlates with the distribution as agricultural land per person. Contribution to the total agricultural production of the districts broadly correlates with the size of their territory.

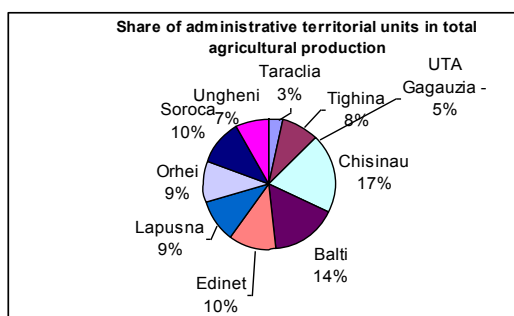


Fig. 1. Share of administrative territorial units in total agricultural production

Source: Regional Development: Republic of Moldova versus the European Union

During the transition period the regional disparities in development between different parts of the country continued deepening, mechanisms and market relations being claimed to as their advantages and disadvantages. The impact of the existence of these gaps is the deterioration of the mechanisms of interaction and increased economic disparities between different areas. The existence of the territorial socio-economic disproportions is determined by objective and subjective reasons, natural and conjunctural factors. But the necessity of their elimination is indisputable.

Subsidies received during 2006-2009 by the Balti, Donduseni, Ocnita, Cantemir, Rascani districts producers were 5 times higher per capita than those granted to farmers in Nisporeni, Calarasi, Straseni, Telenești, Ialoveni. Statistics show that during 2006-2011, Balti, Ocnita and Donduseni regions were the top-ranked for the allocation of subsidies in agriculture. In 2012, the first three regions with the largest amount of subsidies ( in absolute terms ) were Briceni (22,2 mil), Autonomous Territorial Unit of Gagauzia (20,3 mil) and Anenii Noi district (20 mil). Together, these three regions have accessed the sum of about 63 million lei. In

turn, they were followed by the Edinet (18,2 mil), Drochia (17,8 mil), Floresti (16,8 mil), Cahul(16,2 mil), Soroca ( 16,1mil) and Riscani (15,5 mil). At the last positions were placed the Nisporeni (3,88 mil), Basarabeasca (3,19 mil) and Dubasari with 2,86 million. Furthermore, in the past six years, there is a tendency of receiving the least amount of grants from the Subvention Fund by the Nisporeni, Calarasi and Hancesti. [1]

Analyzing the distribution of the Subvention Fund between the farmers in agricultural areas in the period 2006-2012, and the data presented above, we notice that the North regions have accessed by 8-10% more grants than the Central Zone and 16-17% more than the South.

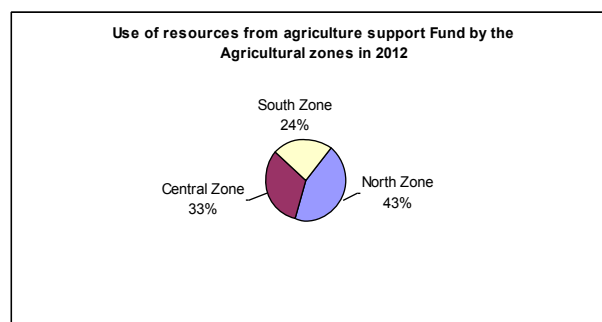


Fig. 2. Use of resources from agriculture support Fund by the Agricultural zones in 2012.

Source: Prepared by author based on data from the Expert-Grup project

Zone-specific analysis of medium subsidiary amount in areas shows that in 2012 North Zone producers have received subsidies 211,21 lei/ha, that is 46,76 lei/ha more than the farmers of the Central Zone and 35,41 lei/ha than those in the South.

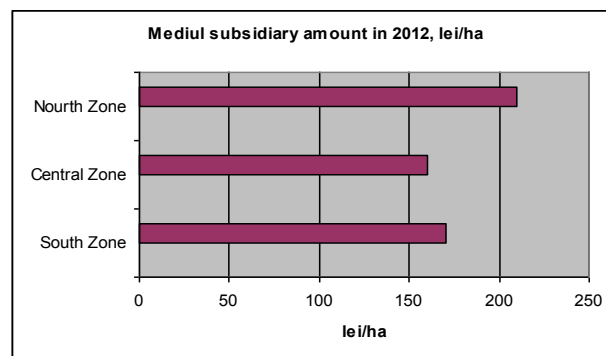


Fig. 3. Medium subsidiary amount in 2012

Source: Prepared by author based on data from the Expert-Grup project

The agricultural producers from Soroca received subsidies in amount of 469,9 lei/ha, those in Briceni – 359,3 lei/ha, while those in Calarasi only 64,8 €/ha. [1]

Regarding the directions for use of the Fund for the agricultural sector, each agricultural area develops its particular sectors. Analyzing the activities in the period 2006-2009, The North Zone targeted the subsidies primarily for growing sugar beet, hedging and purchase of agricultural machinery and irrigation. The Centre has supported the development of orchards, nuts and livestock growth and the Southern – fruit and livestock.

Along with grants provided by the state budget, each district or rural area tends to develop agriculture through investment. In an important role in realizing the investment projects have economic agents. Farmers' own resources for investments in fixed capital, fixed assets renewal and expansion of the technical production is insufficient and partially filled by borrowing resources from commercial banks. Under these conditions, foreign investments that are virtually limitless can become source of investment increase. In 2010 the Compact Agreement which provides a grant of U.S. \$ 262 million to the Republic of Moldova by the U.S. Government through the Millennium Challenge Corporation (MCC) entered into force.

This project is available exclusively for agricultural producers and producer groups, cooperatives, associations, exporters and other actors in the agricultural value chain from Criuleni, Orhei, Anenii Noi, Dubasari, Nisporeni, Ungheni, Leova and Cahul. In 2015, 11 irrigation systems with the ability will be put into operation to serve 15000 ha of agricultural land in these districts ( 3000 farms ). [3 ]

Reform of Irrigation Sector and Transition to High Value Agriculture Project ( PTAP ) includes since the November 2012 the loan program for investment in post-harvest infrastructure . Investments can be accessed by farmers in the districts mentioned above, but also in other districts of Moldova, which plan to invest in the mentioned districts. Purpose of the loans offered by Compact

remains unchanged: the purchase or construction of cold storage ( including refrigeration equipment) and related land acquisition, purchase of equipment for the processing and sorting of fruit, vegetables and grapes, purchase of laboratory equipment for quality control, etc. The loans are granted by Moldova Agroindbank, Social and Comertbank, Moldindconbank, Mobiasbank, Victoribank, Energbank. So far they have been disbursed 21 loans totaling \$ 4,3 mil, including 16 loans totaling approximately \$3,2 mil (about 75%) invested in the construction or cold storage for fruits, vegetables, grapes with a total capacity of about 16500 tons. [3 ]

In order to improve conditions for the development of agricultural enterprises and increase income generation and economic investment in rural areas, IFAD project offers the economic groups, grants in amount of max \$ 200 on a competitive basis for development of rural public infrastructure with economic character. The IFAD-5 project is intended to cover the financial demand to provide financial services for agricultural producers in sum of \$ 19,5 million. So far, with this Fund were planted 1994 ha of fruit trees and 1518 ha of vineyards . At the same time there were built 70 refrigerators with a capacity of over 30000 tons and were acquired 327 agricultural machines, including tractors and combines. Among the beneficiaries of these investments can be enumerated "Gospodarul Rediu" LLC from Falesti ,, SoroAgro" LLC in Edineti "Vindex -Agro" LLC from Orhei and "Podgoreni" LLC from Cantemir. [ 5 ]

PNAET Program is a program for young people who want to develop their entrepreneurial skills to launch or expand a business in agriculture or manufacturing. Thanks PNAET were procured 395 tractors, 312 - agricultural equipment, other machinery, computers for consulting services in agriculture. From the geographical perspective the most active region in funds withdrawal is the North Region of the country with 421 sub-projects or 59,84% of the total number of sub-projects awarded, followed by the Central region with 149 sub-projects or

20,57% and the South with 144 sub-projects or 19,59%, taking in consideration the participation of all localities.[6]

## CONCLUSIONS

The socio-economic development of the administrative territorial units in the Republic of Moldova is influenced by many factors, the most important being physical-geographical potential, speed and scale of economic and social reforms, the level of development of market mechanisms and the ability of local elites to adapt and act in new realities.

These factors conditionate appearance of disparities in socio-economic development of the territory. But it is necessary to provide equitable financial support from the state to develop the farmland of Moldova proportionally. This refers also to the orientation of investment in agriculture. Currently, the Central Zone and South Zone receive fewer state subsidies, one of the reasons being influence of governing parties over the allocation of funds. Such influences inevitably lead to a greater differentiation in economic development of the administrative territorial units of the Republic of Moldova

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