

The Influence of the Main Values Endogenous to the Management System on the Financial Values Contracted National Rural Development Program (NRDP) 2020

Florian Marin

The Bucharest University of Economic Studies, 6th Piata Romana, 1st Sector, Bucharest, Romania
e-mail: marinflorian_21@yahoo.com

Abstract

The article addresses the situation of the National Rural Development Program (NRDP) program during the implementation period 2014 - 2020, analyzing the main features of the management system. The situation and the level of absorption, the categories of absorption but also the relationships between them are elements interpreted at the article level, an analysis that provides an image on the efficiency of the management system used for NRDP implementation. To identify the relation between the endogenous variables of the management system, a multiple linear regression was used, this having as objective the identification of the relation between the value of the submitted projects, the value of the selected projects and the value of the cancelled projects. The interpretation of the equation of the multiple linear regression showed a close relationship between the mentioned variables, a direct relationship except for the variable called the value of the submitted projects. The article proves the existence of a management system that ensures a process of implementation of NRDP according to the procedural framework specific to the programming period 2014 - 2020.

Keywords: EU funds; NRDP; current absorption; effective absorption; projects.

JEL Classification: M20; M48; M49.

Introduction

European financial resources are one of the most popular and motivating tools with which the European Commission operates with the Member States to finance the adopted policies. The differences in development between East and West as well as the low financial capacity in the case of some Member States make European financial resources a source of funding of the utmost importance to the Member States. The dependence on these resources to comply with certain Member States to the specificity of European policies is an extremely high one so that the concern for attracting these resources and ensuring the synergy of the measures financed with the development specificities of the Member State is a continuous process and at the same time full of challenges for the Member States. This is including the case of Romania because since joining the European Union it has made substantial efforts to attract as many European resources as possible, which is a permanent concern for Romania. The existence of European funds must be interpreted in close relation with European policies, which cannot be dissociated.

Specifically, European funds are not a source of funding exclusively available to the Member State, so the Member State is not free to use the funds at will. The existence of European funds is conditioned by a strategic and programmatic framework, which is renewed at every European financial cycle, more precisely every 7 years. Moreover, European funds represent public financial resources, so the interest of the European taxpayer must be carefully protected. In this sense, in addition to the conditionalities of a strategic nature are added the procedural conditionalities so that the absorption of the European funds represents a challenge sprinkled with pressures from the political, economic or social environment.

Romania has benefited after Romania's accession to the European Union from the first integrated investment plan dedicated to the rural environment, this being NRDP. From a strategic point of view, NRDP is considered to be a win because it coherently integrates the specificity of the Romanian rural environment and integrates a wide range of needs of interest for the development of the Romanian agriculture and rural environment. A coherent surprise of the specificity of the rural environment does not necessarily generate absorption. Absorption is conditioned by many elements such as the macroeconomic context, the specificity of the Member State, the financial allocations available to the Member State, the characteristics of the management system or the institutional architecture. Although the identification of a unanimously accepted mechanism at European Union level to ensure a high level of absorption has been a constant concern of the stakeholders, this has not been possible so far. The need for such a mechanism is important above all for the success of European policies but also for the national and European entities involved in the implementation of the programming period, respectively the operational programs. To this is added the principle of shared management on which the entire management system of management at the NRDP level is based, the concern for ensuring a maximum level of absorption representing the responsibility of the European Commission but also of the Member State, in our case of Romania. Romania is a new member state of the European Union, so the experience and habit in working with the European institutions but also in the generation of absorption is much smaller than in other Member States. The analysis of the situation of absorption in relation to the characteristics of the management system to optimize the absorption represents an endeavor that aims to maximize and capitalize on the investment opportunities offered by the European funds offered by the Common Agricultural Policy.

The implementation of an operational program, implicitly the absorption of European funds, requires a flow of activities and operations found at the level of the management system. The influence that the variables of the management system have on the absorption represents a little-studied process. The transfer of financial resources to concrete measures for the rural environment implies that a request for financing must go through a series of stages, each of which influences absorption. The number of projects submitted implies the assumption by a beneficiary of a financing request that corresponds to the procedural rigour described in the management system and at the level of the applicant's guide. The variable does not affect the quality of the projects, but we cannot discuss absorption without addressing the problem of the number of projects submitted, the influence of the submitted projects being of the utmost importance. The number of selected projects constitutes the immediate next stage in the route of an application for financing towards absorption in the sense that out of the number of projects submitted, a part fulfils the quality criteria imposed by the managing authority. The number of projects selected is a variable that predefines the future payments to the beneficiaries, implicitly future absorption. Also, the number of cancelled projects represents another variable that influences the absorption and the management system. A large number of cancelled projects prove an inefficiency in the management system and predefine a reduced absorption. An efficient management system that generates an absorption following the strategic and programmatic framework optimizes the variables specific to the management system to ensure a coherent course of the financing request from one stage to another.

Literature Review

The Common Agricultural Policy is one of the most complex and important European policies, and this is also one of the representative policies of the European common market. The financial resources allocated or the needs financed through the Common Agricultural Policy are two of the most important elements discussed in this policy. The situation of the Common Agricultural Policy is not a static one, this being a policy that had to integrate the challenges felt at the political or societal level. The dynamics of the Common Agricultural Policy has been grappled with significant difficulties due to the tensions between the Member States and the behavior of the Member States to attract as much of the resources as possible at the policy level. The Common Agricultural Policy is considered by some analysts as being built to meet the needs of the older states in the European Union, practically sacrificing the needs of the new Member States, disadvantaging them. (Gorton & al, 2009). These situations have generated over time a series of criticisms from stakeholders, criticisms regarding both the structure of the Common Agricultural Policy, the allocations or the role of agriculture in the processes of rural development and increasing the competitiveness of European agriculture. For example, direct payments were associated with the generation of a negative impact at the territorial level, the effect being generated by the fact that they were granted based on historical quotas. This approach favoured the regions where the agricultural sector was more developed, so the whole economic environment was considered to be developed. (Espon, 2004). There are analysts who (Kyed & al, 2012; Henrik & al, 2015) have proven that any significant reduction of agricultural activities will have a direct effect on economic growth, implicitly will generate job cuts both in the agricultural sector and in the sectors adjacent areas, such as the food sector. The transformation of the agricultural sector into a multifunctional sector has generated some criticisms from some analysts, as European farmers may be considered disadvantaged compared to their international competitors because of they, subject to direct payments, must comply with compliance conditions. environment, thus facing higher production costs (Dewbre & al., 2001). The efficiency of the Common Agricultural Policy is a longstanding issue in the Member States, with the view that the Common Agricultural Policy remains an insufficiently targeted policy to provide an effective response to the unprecedented challenges facing the EU agricultural sector (Brunner & Huyton, 2008).

The financial allocation that the Common Agricultural Policy benefits from is one of the specific and important characteristics of this policy. The role of these resources is to support the compliance of the Member States in the implementation of European policies. In a context where inequalities between the Member States or between urban and rural areas are in full swing, the problem of using the European financial resources available to the Member States is an element of utmost importance. Achieving a 100% spending level seems to be a great issue for many countries. There is a threat of "underspending" expanding throughout the Member States, according to which available and needed funds are not being fully used. This situation is commonly referred to as "deficiency of absorption capacity" (Horvat & Maier, 2004). An "absorption bottleneck" constitutes a major issue that concerns both the European officials and the National governments. It can be referred to, according to Kálmán (2002), as a situation in which any recipient region fails to achieve 100% of its target value, which means that the administrative capacity of a country or region. Literature generally shows that the states' capacity to absorb European funds depends on the following main factors (NEI, 2002; Sumpikova, Pavel, & Klazar, 2003; Constantin, Goschin, & Dragan, 2011): administrative absorption capacity (related to performance of public administrations at a central, regional and local level, program design, project evaluation, coordination assurance between main partners and financing and implementation oversight, which means the management of a large amount of administrative activities), macroeconomic absorption capacity (the capacity to generate sufficient investment opportunities to use European Funds efficiently) and financial absorption capacity (the ability to co-finance these programs by the initial guarantee with funds from the

national budget; moreover, it implies the collection of contributions from private or public partners interested in working on joint projects). The most severe issue that negatively contributes to the absorption capacity is embodied by the applicant's difficulties in providing co-financing (NEI, 2002). One of the national government's main task, co-financing, is being completely underestimated and disregarded. (Bachtler & McMaster, 2007).

The specialized literature focused mainly on the macroeconomic determinants of absorption, these being considered much more important to ensure a radical level of absorption. However, a high level of absorption does not necessarily ensure qualitative absorption or developmental absorption. The references in the specialized literature concerning the management system refer to the administrative capacity but there is no reference to the beneficiaries or the managing authorities. Moreover, in the literature, the author does not find references to the structure of variables that ensure an efficient management system, which supports rural development financed from European funds. So far, the specialized literature has not illustrated an unanimously accepted point of view regarding the factors that influence the absorption or which contribute to its maximization. However, the literature mainly focuses on identifying the exogenous factors that influence the absorption neglecting the influence of the endogenous factors of the management system. This article aims to identify the mix of endogenous factors that influence the absorption and implementation of the NRDP program. A management system considered to be efficient is one that ensures efficiency at the level of each stage-specific to the management system, this issue is not addressed at all by the specialized literature. Variables such as projects contracted, submitted, selected, cancelled or payments to beneficiaries along with the absorption types are elements mentioned in the specialized literature but not discussed by it. Moreover, the influence of these endogenous variables on absorption represents elements that are hardly addressed in the literature.

Methodology

The methodology used at the article level aimed at collecting, organizing and interpreting data regarding current absorption, actual absorption as well as the relationships between them, data that concerned the period 12.04.2019 - 31.12.2019. The data were interpreted in terms of dynamics but also of the relationship between them. Also, to identify the relationship between the variables introduced in the analysis, a multiple linear regression was used in which the dependent variable is the value of the contracted projects and the independent variables are the value of the projects submitted, the value of the selected projects and the value of the selected projects, all of which are endogenous system variables. of management. The equation used for multiple linear regression is as follows:

$$\text{Value of projects contracted} = \beta_1 * \text{Value of projects submitted} + \beta_2 * \text{Value of projects selected} + \beta_3 * \text{Value of projects canceled} + c \quad (1)$$

The methodology focuses on the endogenous variables specific to the management system at the NRDP level, but it has certain limits, as follows: the structure and number of project auctions launches, financial allocations at the level of measures but also the quality levels established at the level of each project auction are elements that were not included in the presented regression, which can be considered as limits. Also, another element that represents a limit refers to the state of the NRDP implementation process. Specifically, the variables included in the regression target an advanced level of the implementation process, this one targeting a period in which the contracted amounts, the current and the actual absorption are at an advanced level. One of the biggest limitations in the equation is that it only takes into account the values of the contracted projects, the number of contracted projects being a variable neglected by the regression.

Absorption Dynamics at NRDP Level

NRDP is one of the most advanced absorption operational programs. According to the management authority (Agency for Financing Rural Investments – AFIR) the actual absorption at the operational program level was at the end of December, at 51,75% of the total value of the allocations. The dynamics of absorption increased by about 10% in 2019, which is considered a big increase compared to the dynamics of other operational programs. On 12.04.2019 the current absorption amounted to 3.581.802.025 euros and the actual absorption of 3.563.084.550 euro, and on 31.12.2019 the current absorption was 4.226.644.095 euro and the actual absorption of 4.206.411.278 euro. The table below shows the dynamics of absorption in 2019:

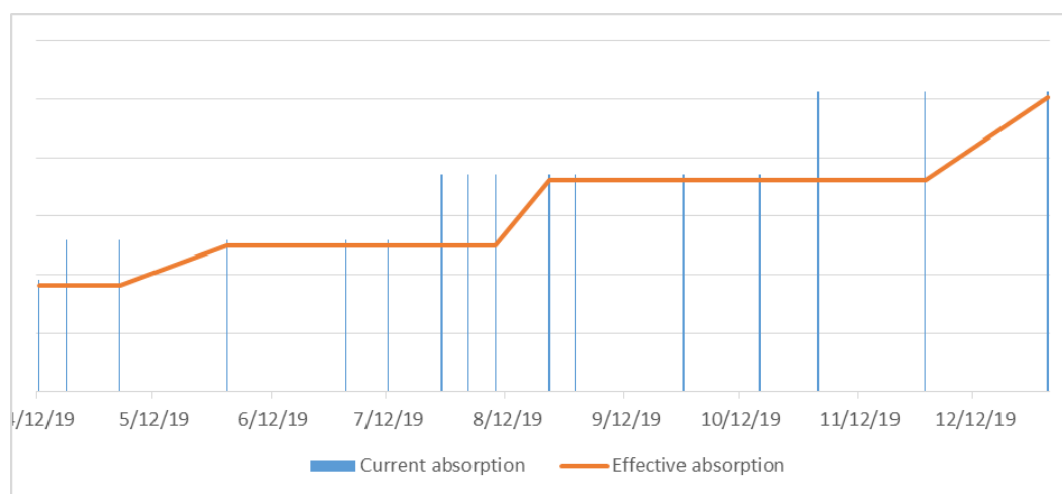


Fig. 1. Dynamic absorption – NRDP, source Agency for Financing Rural Investments, 2019

The analysis of the efficiency of the management system is performed on the one hand by the level of absorption and on the other hand by the difference between the current and the effective absorption. The graph above analyzes the dynamics of the two variables in 2019. As can be seen, there are situations in which the rate of transfer of the expenses from the managing authority to the European Commission, more precisely the current absorption level is significantly higher than the actual absorption. We can find this situation on 12.04.2019, the date on which the difference referred to is 18,717,475 euros and on 31.12.2019 it was 20,232,817 euros. At the same time, in 02.08.2019 the value of the difference referred to is 245,033,969 euros. Thus, we observe values that differ from one month to another, thus having an oscillating character. However, concerning the value of the absorption of the total allocation, the difference between the value of the current and the actual absorption is reduced. The situation illustrated by the above table illustrates an image that underpins the idea of the existence of an absorption system with a high rate of transfer of expenses from one stage to another. Also, given the high rate of return of the expenses transmitted to the European Commission for settlement, it can be seen that the level of the expenses considered to be spent accordingly is a high one so that the level of irregularities of fraud or ineligible expenses is low.

Analysis of the Contracting Process at NRDP Level - Project Values

The system of European structural and investment funds is one that is based on financial resources, which are to be distributed to various public or private entities with beneficiary status and they will proceed to reach the indicators assumed in the strategic framework. The dynamics

of the values contracted within the NRDP are presented in the graph below, covering the period 2015 - 2019.

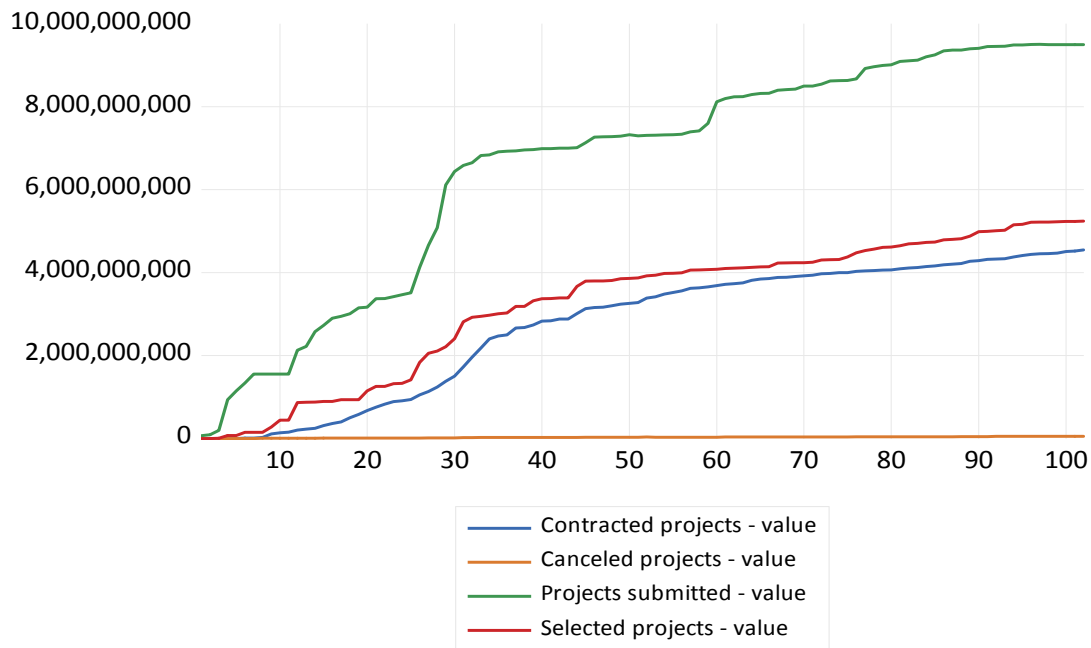


Fig. 2. Dynamics of the resources contracted from the NRDP level, source Agency for Financing Rural Investments, 2019

The situation of contracted values has been on an upward trend since 2015, this situation being justified by the advance of the NRDP specific implementation process. If at the beginning of the programming period the difference between the 4 variables presented above is a small one, it widens in the following periods. The value of the submitted projects increased from 1.549.186.914 euro in 12.02.2016 to 8.422.955.521 euro in 20.12.2018 so that they would be 9.498.511.366 euro in 19.12.2019. Basically, at the end of 2019, the value of the submitted projects exceeded the NRDP allocation for the entire programming period. The value of the selected projects was 147.637.287,5 euro on 12.02.2016, 4.237.241.032 euro on 20.12.2018 and 5.240.379.888 euro on 19.12.2019. Also, the value of the contracted projects was 21.806.869 euro in 12.02.2016, 3.906.612.397 in 20.12.2018 and 4.547.246.553 euro in 19.12.2019 respectively. Another important variable for the management system concerns the cancelled projects, in our case the value of the cancelled projects. This amounted to 13,386 euros on 12.02.2016, 32.070.819,65 euro on 20.12.2018 and 50.773.641,31 euro respectively on 19.12.2019. We can see a significant increase in the value of the cancelled projects but much smaller compared to the value of the selected or contracted projects. In the context of the value analysis of the contracting process, the payments made to the beneficiaries must be integrated. This variable is an important one because the connection between the value or the number of projects contracted and the absorption is materialized in the payments to the beneficiaries. These amounted to 3.855.000 euro on 12.02.2016, 3.243.795.196 euro on 20.12.2018 and 4.385.853.656 euro respectively on 19.12.2019.

According to Agency for Financing Rural Investments, the source of this data, payments to beneficiaries represent the first link of absorption, which must be interpreted as a proportion of the contracted value. Analyzing this we can see that payments to beneficiaries represented 17,68% of the total value contracted on 12.02.2016, 83,03% on 20.12.2018 and 96,45% on 19.12.2019. The share of payments to beneficiaries in the contracted value has increased

significantly with the advancement of the programming period. The process of contracting the amounts related to NRDP was one that concentrated in the first part of the programming period, this assertion is based on the weight of the contracted values in the total of the submitted projects and those selected in the total allocation at the program level. The value of the contracted projects represented 14,77% of the value of the selected projects and 1,41% of the value of the projects submitted on 12.02.2016. On 20.12.2018 the value of the contracted projects represented 92,02% of the value of the selected projects and 46,38% of the value of the submitted projects and on 19.12.2019 the value of the contracted projects represented 86,77% of the value of the selected projects and 47,87 % of the value of the projects submitted.

The analysis of the relation between the value variables specific to the contracting process is presented below, these being approached through the prism of multiple linear regression. The dependent variable is the value of the contracted projects and the independent variables are the value of the projects submitted, the value of the selected projects and the value of the cancelled projects. The mentioned variables were analyzed based on 102 entries between 08.08.2015 - 19.12.2019. The least-squares method was used and the Eviews software was used as follows:

Table 1. Regression model for contracted projects

Dependent Variable: CONTRACTED_PROJECTS__VALUE

Method: Least Squares

Date: 01/16/20 Time: 15:44

Sample: 1 102

Included observations: 102

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROJECTS_SUBMITTED__VALUE	-0.127944	0.049155	-2.602864	0.0107
SELECTED_PROJECTS__VALUE	1.148224	0.114436	10.03380	0.0000
CANCELED_PROJECTS__VALUE	1.376128	6.070302	0.226699	0.8211
C	-1.85E+08	67212366	-2.748194	0.0071
R-squared	0.986539	Mean dependent var		2.73E+09
Adjusted R-squared	0.986127	S.D. dependent var		1.58E+09
S.E. of regression	1.86E+08	Akaike info criterion		40.96018
Sum squared resid	3.40E+18	Schwarz criterion		41.06312
Log likelihood	-2084.969	Hannan-Quinn criter.		41.00186
F-statistic	2394.109	Durbin-Watson stat		0.186188
Prob(F-statistic)	0.000000			

Source: own processing

Results and Discussion

Interpreting the figures above we can see that the variables used in the multiple linear regression explain the situation of the dependent value in the proportion of 98,65%. Also, the value of F-statistic proves the existence of a valid econometric model, which is positive. The relationship between the variables included in it is interpreted as follows:

$$\text{CONTRACTED_PROJECTS_VALUE} = -0.1279 * \text{PROJECTS_SUBMITTED_VALUE} + 1.1482 * \text{SELECTED_PROJECTS_VALUE} + 1.3761 * \text{CANCELED_PROJECTS_VALUE} - 184712643.818$$

When the value of the submitted projects increases by one unit, the value of the contracted projects decreases by 0.1279 units

The relationship between the two variables is a negative one, which must be interpreted from the significant differences between the value of the projects submitted and the value of the selected projects, a value that has benefited from a gap that has increased in value in 2018 and 2019. The relation is explained by the prism of the existing allocations to the level of the operational program. Specifically, the value of the submitted projects does not face a limit set at the level of an operational program because this value concerns the market dynamics and the level of implementation capacity. As can be seen from the data presented, the interest of potential beneficiaries for the needs funded by the NRDP is significant. Given that the value of the submitted projects far exceeded the value of the existing allocations, the relationship between the two variables becomes an indirect one. The value of the contracted projects are limited to the percentage of over-contracting established at a legal level but also from the allocations from the operational program level, these elements explaining the relationship between the two variables.

When the value of the selected projects increases by one unit, the value of the contracted projects increases by 1.1482 units

The value of the selected projects is a variable that affects the value of the contracted projects. The difference between the contracted and selected projects is a major one. The selected projects represent the projects that fulfil the conditions stipulated in the applicant's guide, which have gone through the evaluation and selection process and which have entered into the contracting process but are projects that have not benefited from a financing contract. The contracted projects are the projects that have completed including the contracting process so that the difference between the two is one of the procedures carried out within the management system. The relationship between the two variables is a direct one so that an increase in the value of the selected projects determines an increase in the value of the contracted projects with 1.1482 units. The connection between the two variables proves that not all the projects that are selected complete the contracting process. The contracting process must be interpreted as a process of alignment and justification of those mentioned in the application for funding. For the speed of the evaluation process, in many situations, the potential beneficiaries of projects assume on their responsibility different elements that, in the contracting process must be proven. There are thus situations in which certain beneficiaries cannot prove the assumed ones and the application for funding stops at the selected project level. At the same time, there is the possibility that some beneficiaries give up the start of the implementation process and the contracting of the financing application. The relationship between the two variables is justified by the choice of the managing authority by which it is proceeded to select a greater number of financing applications because not all get to complete the contracting process and respectively do not enter the implementation stage.

When the value of the canceled projects increases by one unit, the value of the contracted projects increases by 1.3761 units

The cancelled projects are those projects that have completed the contracting process and have not completed the implementation process. The value of the cancelled projects requires the recovery of the amounts spent in the interest of the project, a termination process assuming the fault of a contractual part of the financing contract. Both categories of projects, both terminated and contracted, have completed the contracting process, so that the cancelled projects have the status of contracted projects, completing the entire procedural set that derives the contracting process. The relationship between the two is a direct one, given the already mentioned ones, but there may be situations in which the relationship between these two variables is an indirect one, more precisely in the case of projects whose value is considerable.

Multiple linear regression proves a clear link between the variables analyzed, a situation considered to be normal given that the variables included in the analysis are endogenous. One of the successes of the multiple linear regression achieved highlights the influence that each variable has in the contracting process. The importance of the regression results derives from the need of the managing authorities to calibrate the launching of project auctions to ensure the optimum of the contracted projects for the absorption. The managing authorities, as a rule, function based on the allocations that each measure benefits from and from the related indicators. Highlighting the impact of endogenous variables on the management system can organize the implementation process much more coherently and optimize the financial and human resources involved in the management system, which is considered a success highlighted by the respective regression. However, one of the main shortcomings of multiple linear regression is that it does not take into account the reactions of interested actors to certain stimuli at the level of the contracting process. Specifically, in the conditions of a guide of the applicant who does not stimulate the submission of projects, there is a risk that there will be no submitted projects, implicitly contracted projects. The multiple linear regression equation takes into account a framework in which the number of projects submitted is greater than the allocation, so a great interest from the beneficiaries. Also, it is assumed that the number of projects selected is greater than the number of projects contracted, so the model aims at a measure that is considered to be of interest to the beneficiaries. All the aforementioned represent constraints of the equation that is the subject of this material. One of the most important and interesting refers to the relationship between the projects submitted and those contracted because normally an increase in the number of projects submitted entails an increase in the number of projects contracted. What is highlighted in the regression refers to the fact that in the situation of a reduced allocation, the relationship between them becomes inversely proportional. In this sense, the variable of the existing allocations at the level of the measure or the level of projects auction is an important measure for the relation between the endogenous variables specific to the contracting process. The results of the multiple linear regression approached highlight that in a certain budget envelope found at the level of project or measure auction, there is a clear correlation between the variables specific to the contracting process. This can be optimized in a way in which the number of cancelled projects will not endanger the indicators of the identified measure at the program level and will ensure an optimal implementation process from the human resources involved.

Conclusions

NRDP is one of the most performing operational programs from the 2014-2020 programming period, a situation highlighted by the level of absorption. It can be appreciated that this is a significant performance if the complexity of the program is taken into account. NRDP is a concrete expression of pillar 2 of the Common Agricultural Policy. The character and approach of NRDP is an integrated one, this one targeting the entire set of needs for the development existing in the Romanian rural environment. However, NRDP is a program that delivered an effective absorption of over 50% (51.75%) at the end of 2019. An absorption level of over 50% at the end of 2019 proves the existence of a management system capable of transferring to the beneficiaries the resources related to the program but also to ensure an implementation process following the Partnership Agreement 2014 - 2020 and with the operational program. The assertion is proved by the analysis performed at the level of this material regarding the difference between the current absorption and the actual absorption. The difference between the two, at the level of 2019, is an extremely small one, reaching 12.04.2019 at 18.717.475 euro and 31.12.2019 at 20.232.817 euro. Although there is an oscillatory character from one period to another, the oscillations can be determined by the procedures that the managing authority performs for the transmission of the expenses to the European Commission for settlement. The expenses incurred by the beneficiaries are not sent in the same form to the European

Commission, as it is necessary to implement several steps, which aim to organize, monitor and verify them. However, by comparing the difference between current and actual absorption to the allocated value or the absorption value regardless of its type, we can see that the difference is a small one. We mention that the specific management system NRDP is one adapted to the economic and social realities of the rural environment and, last but not least, the programmatic provisions are observed.

The NRDP situation is likely to eliminate the risk of automatic disengagement or loss of financial resources due to their non-use. This is proven by the level of the existing contract, more precisely by the contracted amounts. The coherence and efficiency of the NRDP management system are also revealed by the dynamics between the endogenous variables specific to the NRDP management system. The value of the submitted projects has been on a continuous upward trend so that the difference between the value of the submitted projects and the selected ones has increased continuously. In 19.12.2019 the value of the submitted projects was 9.498.511.366 euro, the value of the selected projects of 5.240.379.888 euro and the value of the contracted projects of 4.547.246.553 euro. We appreciate the existence of an implementation process that shows a dynamic correlated with the one found at the operational program level. At the same time, the size and specificity of the Romanian rural environment is a catalytic factor for this situation, so that the interest from the potential beneficiaries for the financing targeted by the program is a big one. It can be appreciated that the program has a coherent implementation capacity integrated and used by the management system in the implementation of NRDP.

The variables of the management system approached at the level of the multiple linear regression approached prove a strong connection. The value of the contracted projects is influenced by the value of the submitted projects, the value of the selected and the cancelled projects. Each variable mentioned above influences in different weights the value of the contracted projects. An increase in the value of projects submitted with one unit implies a decrease in the value of the projects contracted by 0,1279 units. At the same time, an increase in the value of the projects selected with one unit implies an increase in the value of the projects contracted with 1,1482 units and an increase in the value of the projects cancelled with a unit implies an increase in the value of the projects contracted with 1,3761 units. Given that the variables included in the linear regression are endogenous, the strong link between them is considered to be normal. The relationship between the analyzed variables is a direct one with one exception, namely the influence on which the value of the submitted projects affects the value of the contracted projects the relation between them being negative. The explanation derives from the stage of NRDP implementation, this being at a level where most of the measures benefit from reduced allocations so that the number of contracted projects is decreasing due to the existence of increasingly reduced financial allocations. The interest of the potential beneficiaries is increasing after they understand the strategic and programmatic framework so that the number of projects submitted increases while the financial limits at the level of each measure are narrowed as the interest of the beneficiaries increases. NRDP is an operational program that internalizes and efficiently uses the characteristics of the Romanian rural environment, this being the NRDP implementation area. The relation between the endogenous variables of the respective management system of the contracting process is one that proves the existence of a synergistic management system with the characteristics of the Common Agricultural Policy and the programming period 2014 - 2020.

The securing of the absorption process is achieved with the optimization of the contracting process, this being a defining and of the utmost important stage. The approach of the interested actors but also the managing authority so far has been one that protects the interests of the program. A study of the variables of the contracting process generates premeditation of the reaction of the interested actors in a given budget tire. More specifically, the potential beneficiaries can observe based on the highlighted results the impact of the value of the selected

projects in the value of the submitted projects. Also, the managing authorities can identify the impact of the value of the cancelled projects in the value of the contracted projects and this approach ensures an implementation process that aims to use all the existing financial resources. We can see that the observed regression generates important results for the NRDP stakeholders. The relationship between the variables of the contracting process shows that they are not always positive. In certain situations, for example, when the implementation process is advanced, the beneficiaries' interest is much higher than the assigned value or there is an allocation not correlated with the interest of the potential beneficiaries, the relationship between the variables of the contracting process can be negative under the conditions in which the premises of positive relationships. Moreover, the interest of the beneficiaries expressed in our case by the value of the submitted projects is an endogenous variable and it is influenced by many exogenous factors. The market situation and the structure of the potential beneficiaries in terms of their financial or administrative capacity are some of the exogenous elements that can influence the value of the submitted projects. Thus, it is recommended that the launching of project auctions be carried out following a process of analysis, consultation and deep knowledge of the potential beneficiaries to limit future inaccuracies or an inefficient approach at the level of the contracting process or the level of the management system.

References

1. Bachtler, J.F. and McMaster, I., 2007. EU cohesion policy and the role of the regions: investigating the influence of structural funds in the new member states. *Government and Policy*, 26(2), 398-427.
2. Brunner, A. and Huyton, H., 2008. *The Environmental Impact of European Union green box subsidies*, ICTSD Working Papers.
3. Constantin, D.L., Goschin, Z. and Drăgan, G., 2011. Implications of EU Structural Assistance to New Member States on Regional Disparities: The Question of Absorption Capacity. In R. Stimson, R.R. Stough, and P. Nijkamp (Eds.), *Endogenous Regional Growth* (pp. 182-203). Cheltenham, UK, Northampton, MA, USA: Edward Elgar Publishing Ltd., Cheltenham, UK, Northampton, MA, USA.
4. Dewbre, J., Antón, J. and Thompson, W., 2001. The Transfer Efficiency and Trade Effects of Direct Payments. *Journal of Agricultural Economics*, 83(5), 1204 – 1214.
5. Espon., 2004. Espon Project 2.1.3 *The Territorial Impact of CAP and Rural Development Policy. Final Report*.
6. Gorton, M., Hubbard, C. and Hubbard, L., 2009. The folly of the European Union Policy Transfer: Why the Common Agricultural Policy (CAP) Does Not Fit Central and Eastern Europe?, *Regional Studies*, 43(10), 1305–1317.
7. Horvath, A. and Maier, G., 2004. *Regional development, Absorption problems and the EU Structural Funds. Some aspects regarding administrative absorption capacity in the Czech Republic, Estonia, Hungary, Slovakia and Slovenia*. Vienna University of Economics and Business Administration.
8. Kálmán, J., 2010. *Possible Structural Funds Absorption Problems. The Political Economy View with Application to the Hungarian Regional Development Institutions and Financial System*. OSI/Local Government and Public Service Reform Initiative, Budapest.
9. Kyed, K., Kaergard, N. and Zobbe, H., 2012. *Multifunctionality and the European Common Agricultural Policy: A Theoretical Problem*, Zaragoza, Spain, European Association of Agricultural Economists.
10. NEI Regional and Urban Development, 2002. *Key indicators for Candidate Countries to Effectively manage the Structural Funds*. Final Report to European Commission DG Regio/ DG Enlargement.
11. Selin, H., Pardee Frederick, S. and VanDeveer, S.D., 2015. *EU Environmental Policy Making and Implementation: Changing Processes and Mixed Outcomes*. Paper presented at the 14th Biennial Conference of the European Union Studies Association, Boston, Massachusetts.
12. Sumpikova, M., Pavel, J. and Klazar, S., 2003. *EU Funds: Absorption Capacity and Effectiveness of Their Use, with Focus on Regional Level in the Czech Republic*.

Copyright of Economic Insights - Trends & Challenges is the property of Petroleum - Gas University of Ploiesti and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.