STUDY ON THE SITUATION ABSORPTION OF EUROPEAN FUNDS FOR AGRICULTURE AND RURAL DEVELOPMENT IN OUR COUNTRY

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Abstract: *Accessing and absorbing European funds for agriculture represents the greatest challenge for Romanian public administration, business environment and non-governmental institutions. Making use of European funds is an opportunity to boost the economic growth of Romania, since it would mean an annual capital input equal with up to 5% of the gross domestic product. The paper presents details regarding disbursement of grants for Romanian agriculture and related sectors, for the main measures of the National Plan for Rural Development , since the beginning of plan implementation until now.*

Keywords: *accessing EU funds, absorption of European funds, economic development of Romania*

INTRODUCTION

In Romania, submission of requests for funding through the National Program for Rural Development [10] (PNDR), for investment projects, is made periodically at APDRP (Payment Agency for Rural Development and Fisheries), during public sessions of submission. These sessions are announced in advance via mass-media and also on the internet, on the APDRP webpage and on the webpage of the Ministry of Agriculture and Rural Development (MADR).

The first stage that has to be completed in order to have access to investment funds involves establishing exactly the field of activity where the investment is to be made. After that, one has to check whether that particular investment or field of activity will receive grants through PNDR, i.e. whether they fall in PNDR area of funding. This checking is performed only at the institutions that can supply relevant information on that issue, namely:

- County and regional offices of APDRP [8]:
- County offices for Payments for Rural Development and Fisheries (OJPDRP);
- Regional centres of Payments for Rural Development and Fisheries (CRPDRP);
- County offices of the Directorate for Agriculture and Rural Development [9].

The second stage for accessing the funds is represented by drafting the investment project in conformity with the requirements presented in the Applicant's Guide. More specifically, these requirements include submission of a Request for funding, a Feasibility study, or in other cases a Justification statement, as well as other documents. Chapter Annexes of the same Guide presents models of the important documents that have to be filled in. Besides this, the one who submits the request for funding has to supply a certain amount of money in order to start and continue the project until the costs of services and/or goods are discounted by APDRP.

RESULTS AND DISCUSSION

APDRP experts from the County Office, together with experts from the Regional Centre of Payments for Rural Development and Fisheries check and evaluate the project. In other words, they check whether the project was drafted correctly, whether it follows the specific requirements for funding, they decide which the eligible value of the project is and finally whether or not it will receive funding through the European Fund for Agriculture and Rural Development (FEADR). Then another stage comes, when the projects are selected at national level. In this stage, part of the projects submitted in the session are selected to receive grants and to be implemented.

Table 1 Situation of PNDR projects **- 14.02.2013 (Euro)**

Measure		**Applications**		**Selected projects**		**Contracts / approvals for payment**		**Payments**
		No.	**Public value**	**No.**	**Public value**	**No.**	**Public value**	**Public value**
111						23	16.512.262	12.378.787
112		22.493	629.998.066	9.760	218.128.514	9.485	210.495.035	147.580.327
121		7.664	2.937.054.358	2.333	966.733.436	2.006	762.606.079	422.428.340
123		1.708	1.726.805.134	751	758.612.236	575	545.603.192	213.597.924
Scheme XS		247	113.706.025	215	101.626.174	151	60.178.942	48.083.017
Scheme XS		177	78.896.763	157	67.450.879	87	33.638.389	26.970.140
Scheme N578/2009		453	311.099.775	232	176.523.754	206	146.138.452	30.105.101
125		1.701	1.789.032.854	465	524.330.737	462	510.972.153	84.371.965
141		88.846	666.345.000	48.512	363.840.000	46.936	353.212.427	137.620.696
142*	**PNDR**	57	10.413.555	49	8.355.635	40	6.336.003	1.017.961
	Transferred SAPARD					3	69.794	47.420
143						7	12.415.223	3.349.051
312		9.499	1.317.172.809	3.265	400.766.659	2.734	340.080.514	203.545.538
313		3.703	569.890.742	1.292	217.566.660	963	157.671.032	39.691.588
322		3.225	7.630.432.311	794	1.874.656.159	789	1.712.250.415	1.004.273.919
431.1	**stage 3**	112	4.920.162	111	4.827.533	101	4.201.985	3.205.795
	stages 1+2					8	1.704.000	1.657.317
431.2							106	50.107.075
511							78	34.882.998
Guarantee schemes						2	220.000.000	220.000.000
211								513.729.195
212								275.887.456
214	**PNDR**							956.354.501
	Transferred SAPARD					1	9.498	7.837
221	**PNDR**	51	4.283.215	36	3.597.134	26	3.085.357	-
	Transferred SAPARD					3	13.796	11.452
611								395.009.912
TOTAL		**140.171**	**17.799.991.527**	**68.157**	**5.693.338.762**	**64.976**	**5.188.489.046**	**4.780.664.499**

Note: Measure 111 "Professional training, information and dissemination of knowledge"; 112 "Setting up young farmers"; 121 "Modernization of agricultural holdings"; 123 "Adding value to agricultural and forestry products"; 125 "Improving and developing infrastructure related to development of agriculture and forestry"; 141 "Supporting semi-subsistence agricultural farms"; 142 "Setting up producer groups"; 143 "Supplying counselling and consultancy for agriculturists" 211 "Support for disadvantaged mountain areas"; 212 "Support for disadvantaged areas, other than mountain areas"; 214 "Agri-environment"; 221 "First afforestation of agricultural lands"; 312 "Support for the creation and development of micro enterprises"; 313 "Encouragement of tourism activities"; 322 "Village renewal and development" 431 "The *functioning of Local Action Groups, developing skills and animating the territory"; Sub-measure 431.1 "Building public-private partnerships" and 431.2 "The functioning of Local Action Groups (GAL), developing skills and animating the territory"; 511 "Technical assistance"; 611 "Direct complementary payments";*

Source: The Ministry of Agriculture and Rural Development;

Until 2013, €10,097,083,737 will be allocated through PNDR for agriculture and rural development. They are given to:

- *investment projects:* €6,953,014,326 through 12 measures (M112, M121, M123, M125, M312, M313, M322, M141, M142, M431, M511, M221) and three State aid scheme (XS13/2008, XS28/2008, N578/2009);
- *direct payments* €2,722,382,704 through four measures: (M211, M212, M214, M611)

From the analysis of the data on contracting grants in the period between March 2008 and February 2013, one can conclude that 140,171 valid applications were submitted at APDRP, with a total value of payments of over € 17,799 billion.

Of these, 68,175 financing requests, with total value € 5,693 billion were selected for funding.

In the same period, 64,976 funding contracts were signed with the beneficiaries, with a total non-refundable value of over €4.162 billion. The total sum of the payments made until February 14 2013 was € 4,780 billion.

After the procurement stage and the realization of a first part of the investment, the beneficiaries who signed financing contracts with APDRP submit a payment request in which they present the expenses incurred and request the settlement of a certain percentage (set in the financing contract) of the value of the payment request. The basic principle of non-refundable financing is that of settlement, of re-imbursement of the expenditures previously incurred for the beneficiary.

In Romania, non-refundable allocation through PNRD until 2013 on the main measures is the following:

Measure 112 "Setting up Young Farmers"

- Total allocation for setting up young farmers was €337,221,484 – 100%.
- Projects submitted for non-refundable financing: 22,493 projects, public value €629,998,066 – 186%.
- Selected and contracted projects 9,485 projects with public value €210,495035 - 62.4%.
- Instalment payment made by APDRP for young farmers €147,500,327 – 43.7%.

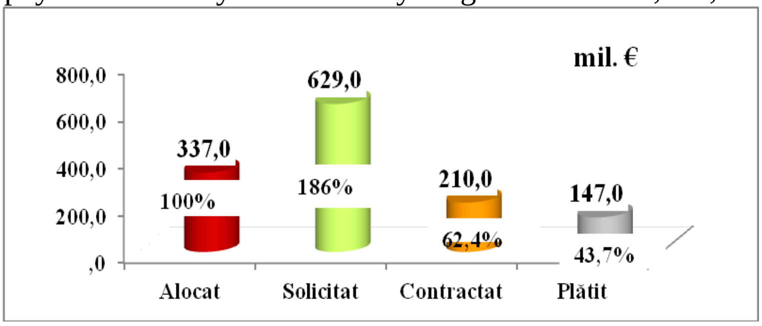

Figure 1. The situation of the funds disbursed through Measure 112 "Setting up Young Farmers" (14.02.2013)

Measure 121 "Modernization of Agricultural Holdings"

- Total allocation for the modernization of agricultural holdings: €913,394,603 – 100%.

- Projects submitted for non-refundable financing 7,664 projects, public value €2,937,054,358 – 321.5%.
- Selected and contracted projects 2,006 projects with total public value of €762,606,079 – 83.5%.
- Instalment payment made by APDRP for the modernization of agricultural holdings: €422,428,340 – 46.2%.

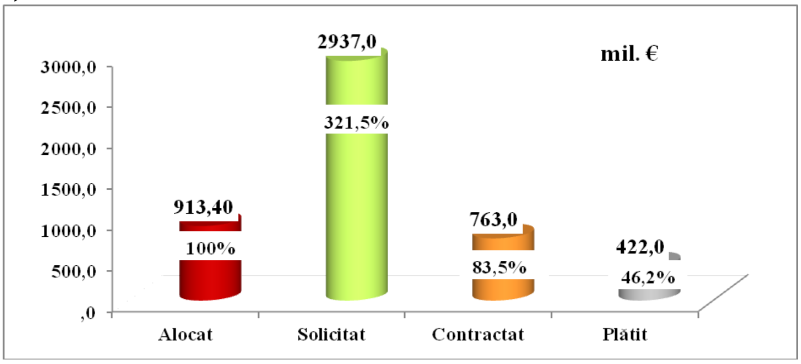

Figure 2. The situation of the funds disbursed through Measure 121 "Modernization of Agricultural Holdings" (14.02.2013)

Measure 123 "Adding value to agricultural and forestry products"

- Total allocation for adding value to agricultural and forestry products was €999,243,407 – 100%.
- Projects submitted for non-refundable financing: 1,708 projects, public value €1,726,805,134 – 172.8%.
- Selected and contracted projects 575 projects with public value €545,603,192 - 54.6%.
- Payments made by APDRP for processing the products €213,597.924 - 21.4%.

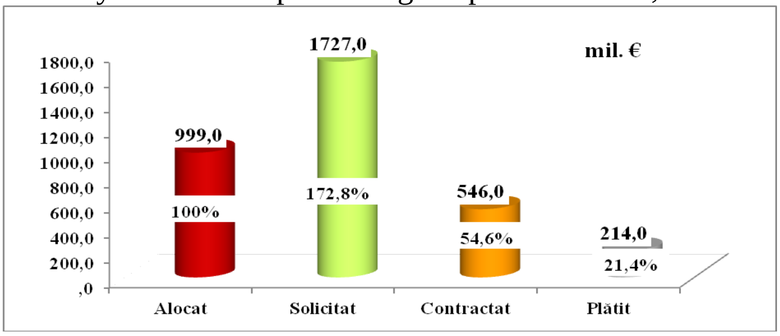

Figure 3. The situation of the funds disbursed through Measure 123 "Adding value to agricultural and forestry products" (14.02.2013)

Measure 125 "Improvement and development of the infrastructure for agriculture and forestry"

- Total allocation for the infrastructure related to agriculture and forestry was € 483,246,817 – 100%.
- Projects submitted for non-refundable financing: 1,701 projects, public value € 1,789,032,854 – 370.3%.
- Selected and contracted projects: 462 projects with public value €510,972,153 – 105.7%.
- Payments made by APDRP €84,371,965 – 17.5%.

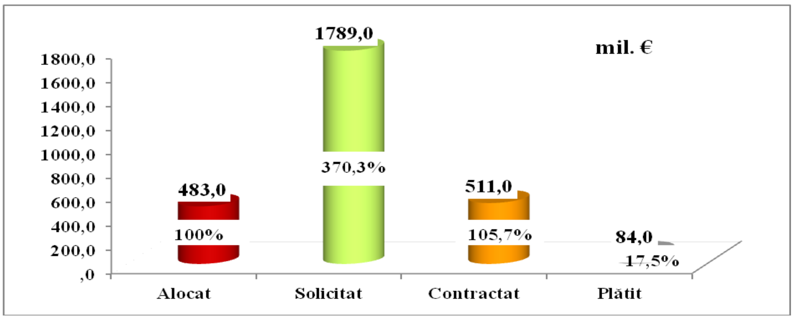

Figure 4. The situation of the funds disbursed through Measure 125 "Improvement and development of the infrastructure for agriculture and forestry"(14.02.2013)

Measure 141 "Supporting semi-subsistence agricultural farms"

- Total allocation for supporting semi-subsistence farms was €476,077,390 – 100%.

- Projects submitted for non-refundable financing: 88,846 projects, public value €666,345,000 – 140%.

- Selected and contracted projects: 46,936 projects with public value €353,212,427 – 74.1 %.

- Payments made by APDRP for supporting semi-subsistence agricultural farms € 137,620,696 – 28.9%.

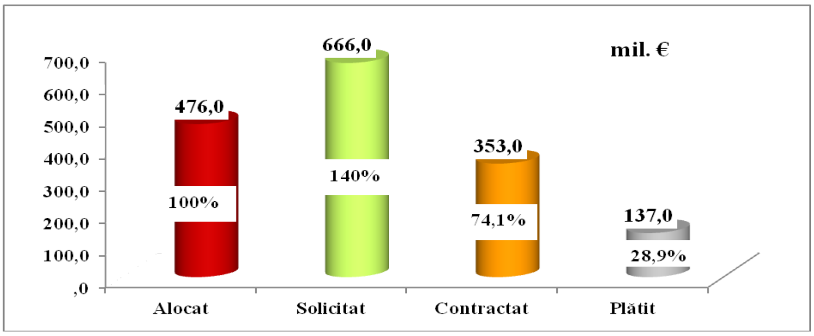

Figure 5. The situation of the funds disbursed through Measure 141 "Supporting semi-subsistence agricultural farms" (14.02.2013)

Measure 221 "First afforestation of agricultural lands"

- Total allocation for first afforestation of agricultural lands was €229,341,338 – 100%.

- Projects submitted for non-refundable financing: 51 projects, public value € 4,283,215 – 1.86%.

- Selected and contracted projects: 26 projects with public value € 3,085,357 – 1.34%.

- Payment made by APDRP for first afforestation of agricultural land €0 – 0%.

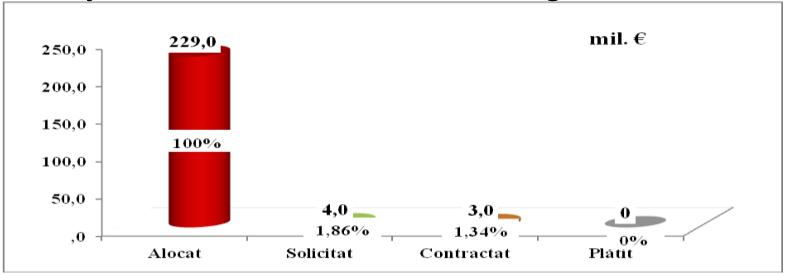

Figure 6. The situation of the funds disbursed through Measure 221 "First afforestation of agricultural lands" (14.02.2013)

Measure 312 "Support for the creation and development of micro enterprises"

- Total allocation for micro enterprises was € 385,237,628 – 100%.
- Projects submitted for non-refundable financing: 9,499 projects, public value € 1,317,172 – 341.9%.
- Selected and contracted projects: 2,734 projects with public value €340,080,514 – 88.3%.
- Payments made by APDRP for developing micro enterprises €203,545,538 – 52.8%.

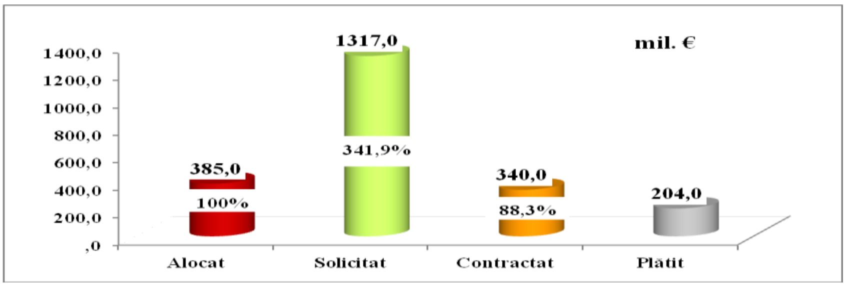

Figure 7. The situation of the funds disbursed through Measure 312 "Support for the creation and development of micro enterprises" (14.02.2013)

Measure 313 "Encouraging tourism activities"

- Total allocation for supporting tourism activities was €534,682,774 – 100%.
- Projects submitted for non-refundable financing: 3,703 projects, public value €569,890,742 – 106.6%.
- Selected and contracted projects: 963 projects with public value €157,671,032 – 29.5%.
- Instalment payments made by APDRP for investments in tourism activities €39,691,588 – 7.4%.

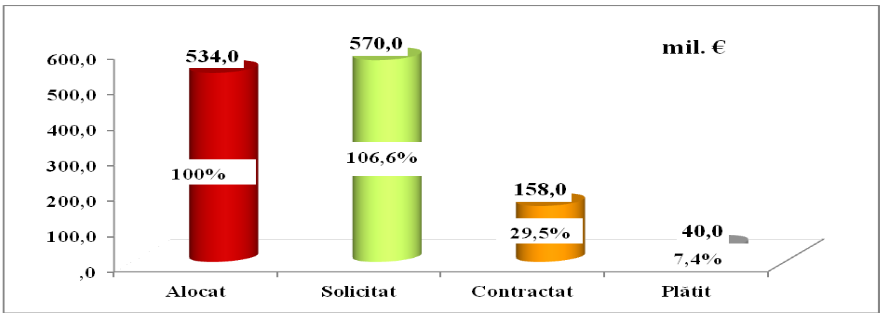

Figure 8. The situation of the funds disbursed through Measure 313 "Encouraging tourism activities" (14.02.2013)

Measure 322 "Village renewal and development"

- Total allocation for renovating and developing villages was €1,570,127,631 – 100%.
- Projects submitted for non-refundable financing: 3,225 projects, public value €7,630,432,311 – 485.98%.
- Selected and contracted projects: 789 projects with public value €1,712,250,415 – 109%.
- Payments made by APDRP for investments in the development of the rural area €1,004,273,919 – 64%.

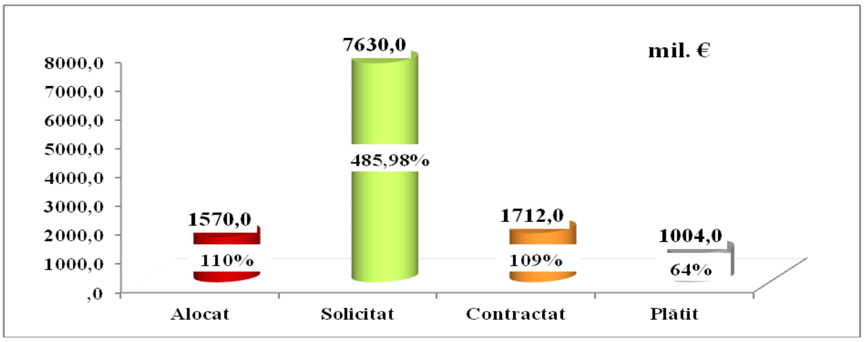

Figure 9. The situation of the funds disbursed through Measure 322 "Renewal and development of villages"(14.02.2013)

After analysing the data, we found that, in Romania, the total situation of non-refundable funds on February 2013 was the following:

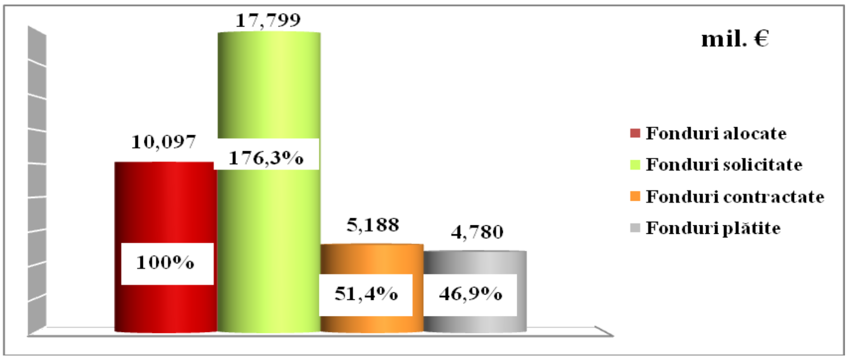

Figure 10. The situation of non-refundable funds (14.02.2013)

- Non-refundable sums allocated through PNDR until 2013: €10.097 billion – 100%.
- Non-refundable sums requested until February 2013: €17,796 billion – 176.3%.
- Non-refundable funds contracted until February 2013: €5,188 billion – 51.4%.
- Non-refundable funds paid february 2013: €4,780 billion – 46.9%.

After the first five years of active implementation of the National Program for Rural Development 2007-2013, unfortunately Romania has not succeeded in absorbing properly the funds for rural development, as, at the end of 2012, only 51.4% of the funds were contracted and only 46.9% of the sums were absorbed. Nevertheless, this absorption degree puts the National Plan for Rural Development of Romania on the first place in the hierarchy of European Funds at the end of 2012, as the average absorption of structural and cohesion funds is of only 20% in Romania.

After processing and interpreting the data, the authors of this paper have identified the main difficulties Romania faces when it comes to accessing non-refundable funds. These difficulties are presented below.

The fact that 2007 to 2013 only 46.9% of the sums allocated for investments through PNDR were actually paid, proves **low absorption of funds** for investment measures. It also indicates low degree of implementation of such investment projects. One of the main problems is **bureaucracy**, which is strongly manifested in all EU structures.

Another issue is the **lack of transparency of the clerks** who manage the process of granting structural funds, and periodic delay of the deadlines for submitting projects.

Although the Romanian business environment and the local authorities could have benefitted from non-refundable sums starting from January 1st 2007, these funds could not be accessed before January 2008, in the best cases. During all this time, it was the European Community, and not Romania, that benefitted from the money allocated for these projects and the related interests.

Still, the major problems started when the programs were launched, because of: Applicant's Guides issued in haste; unclear selection criteria that left room for various interpretations by representatives of intermediary organizations; rules changed during the submission sessions (thus some projects became non-eligible overnight or they got lower scores); delays in announcing the selected projects; delays in signing contracts with the beneficiaries who had been selected for financing.

The **impossibility of beneficiaries to finance or co-finance the projects** is another problem. It is a known fact that a major problem of Romanian small and medium enterprises is that they lack the money they need for having their own input in financing their investments. This is a serious setback, since an important principle of financing programs is that first, the beneficiaries invest their own money, and after that, their eligible expenses are settled by non-refundable sums.

In Romania, the **low expertise of beneficiaries in drafting projects** is considered a major hindrance for managing structural funds, while poor information regarding the financing possibilities from structural funds represents another serious problem. In order to eliminate these deficiencies, most beneficiaries tend to use a specialized firm for drafting the project. This firm works in the domain permanently, and sometimes changes appear that only somebody who works in the system will know of in time to draft a project with higher chances of being accepted. The investment necessary in order to work with such a firm is not extremely big either. The commission for a project ranges within the limits of 3% to 5% of the project value, depending on the complexity of the project. Moreover, this commission is partly covered by the eligible expenses.

Creating a virtual space where people can check at any time the stage of the evaluation for their submitted projects would give submitters access to see their scores, and they would be able to see the weak points of their documentations. In this way, a greater transparency of the project evaluation process would be promoted, and at the same time people could assimilate the "good practices" resulted from correcting the imperfections that led to some projects being rejected.

CONCLUSIONS

Started more than one year later than scheduled, the implementation of the National Program of Rural Development for 2007-2013, with non-refundable funds of over €10 billion is in full progress. Until February 2013, approximately 46.9% of the funds were spent.

The main hindrances and factors that slow down the level of absorption of European funds in Romania, as identified by the authors of the present paper are the following:

- excessive bureaucracy;
- lack of transparency of the clerks who are responsible for managing the funds;
- periodical delay of the deadlines for submitting the projects;
- eligible beneficiaries' lack of ability to co-finance their projects;
- low expertise of beneficiaries in drafting projects;

- poor information of the potential beneficiaries regarding financing possibilities.

In order to increase the absorption degree of European funds in Romania, the authors of the present paper propose the following solutions:

- Ensuring the quality of human resources by accrediting consultancy firms. In the accrediting process, consultancy firms should have to comply with certain criteria in regards to the training of their staff, the level of experience and the number of selected projects.
- Human resources in the organizations involved in implementing PNDR proved to be insufficient in relation to the extremely large amount of work required for launching and implementing the measures established in PNDR from the first year of implementation. That is why we think the number of clerks in the institutions that are responsible for the implementation of financing programs should be supplemented. People should be hired who are experienced in assessing European-financed projects, and who are specialized in these domains.
- Taking into consideration the major impact of Program FARMER, running in Romania, on the number of projects submitted for SAPARD program, we consider that this Program should be kept running. For this, certain sums of money should be allocated with subsidized interest and guarantees from the Romanian authorities through Guarantee Funds for ensuring private co-financing.
- Commercial banks should consider lending investments in agriculture more seriously. In the analysis of requests for credits for agricultural purposes, they should take certain particularities of agriculture into consideration. Thus, when setting the rates, they should ensure a grace period, i.e. a period in which some profit can be made from the investment (for instance, a beneficiary who sets up an orchard will need at least three years before he makes profit from this investment).
- Another facility that can help the potential beneficiaries of FEADR measures is the possibility to request an advance, which at present is of 20% of the non-refundable contract value. The advance is given in conformity with the Council Regulation (CE) 1698/2005 regarding support for rural development allocated from the European Agricultural Fund for Rural Development, amended by Council Regulation (CE) 1974/2006 which states the norms of application of Council Regulation (CE) 1698/2005, and respectively in conformity with the national legislation. We propose that the advance given be increased from 20% to 50% of the non-refundable project value, and that the guarantee for it be done with the help of the credit guarantee funds. In this way, the beneficiaries could have faster access to the money necessary for the investment.

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