

## STAGE OF IMPLEMENTATION OF THE NATIONAL RURAL DEVELOPMENT PROGRAMME IN ROMANIA THREE YEARS AFTER THE ADHESION

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### **ABSTRACT – Stage of implementation of the National Rural Development Programme in Romania three years after the adhesion**

The financing mechanism of CAP pillar II – Rural development has suffered, along time, significant changes, determined by the need for improvement and also by the experience achieved in this field by the European organisms and the member countries. The attaining of a rate as big as possible of the capacity of absorbing European funds represents a real „challenge”, especially for the new member states. Three years after the adhesion, unfortunately Romania has not succeeded in carrying out adequate fund absorption for rural development; at the end of 2010, the absorption degree recorded was only 17.7% and the contracting degree was only 34%.

**Keywords:** National Rural Development Programme (NRDP), pillar II, public funds, projects

### INTRODUCTION

The rural development policy fills out and accompanies the market policy and aims at the consolidation and diversification of rural economy. This policy relies on the integrated multi-sectorial approach of the rural area.

The financing mechanism of the common rural development program has suffered, during time, significant changes, culminating with the Cap reform from 2003, with references for the programming period 2007-2013.

The European Commission stipulations that reform the rural development policies for 2007-2013 include, beside several other aspects, the reorganization of financing, by dividing the **European Agricultural Guidance and Guarantee Fund (EAGGF)** into **European Agricultural Guarantee Fund (EAGF)**, for measures supporting the common market organizations, and **European Agricultural Fund for Rural Development (EAFRD)**, for rural development measures. This was an attempt to solve the essential problem of individualization of the financing resources for the two CAP pillars: **agriculture** and **rural development**. At the same time, three main objectives in the field of rural development were reformulated, namely:

- competitiveness improvement in the agricultural and forestry sectors;
- environmental protection and rural landscape improvement;
- life quality improvement, by diversifying the economic activities in the rural area.

These desiderata have become foreground axes of the rural development programs.

The new rural development policy, according to the EU commissioner for agriculture and rural development, Mariann Fischer-Boel, is „*more extended, simpler and better, because it answers the requirements of the European citizens*”.

The defining elements of the rural policy future are:

1. a single programming and financing instrument – European Agricultural Fund for Rural Development;
2. a new strategic approach for rural development, with clear concentration on the EU priorities;
3. refreshment of control, assessment and communication and a more accurate responsibility division between the member states and the Commission;
4. a stronger „bottom-up” approach. Member states, regions and the local groups of action will have the opportunity to express their opinions regarding the relationship between these programs and their local needs.

## MATERIAL AND METHOD

The analysis of the NRDP implementation in Romania relies on the analysis of the projects applied for financing until the end of 2010, of the projects declared to be eligible, of the ones selected for financing and of the projects contracted or even completed. Projects analysis was performed from the viewpoint of their value, as well. These data were provided by the Minister of Agriculture and Rural Development and processed by the authors of this work in order to draw conclusions.

To admit one project for financing, it must pass several examinations for:

- a) conformity;
- b) eligibility;
- c) selection.

**The conformity step** supposes the checking of the application for financing, if it was correctly filled in, if it includes all the correct technical and managerial annexes, in two copies and if the application is presented in electronic and printed format. The projects applied and declared to be corresponding will enter the step of eligibility assessment.

The assessment, more exactly the **checking of project eligibility**, involves the checking of applicant's eligibility, of the eligibility and selection criteria specific to the investment type, of the project budget, of the study of feasibility and of all the documents attached.

Successive to this step, the projects declared eligible will be submitted to a **selection system**, and each project will be qualified in concordance with the selection criteria presented in the Applicant's Guide, afferent to each type of investment separately. Only the projects obtaining points over the minimal stipulated limit will be admitted for financing. The next step is represented by the signing of the financing contract.

## RESULTS

In the new CAP reform stage, the improvement of the rural development policy has become a priority of maximal importance for European Union. Under the conditions provided by EU extension to 27 member states, the rural development policy as part of the regional integration policy play an important role in the strengthening of the economic and social cohesion.

The rural development policy for 2007-2013 is synthesized in three axes, plus the axe LEADER; each axe includes a set of measures conceived to provide the accomplishment of the objectives proposed.

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Once admitted the National Program for Rural Development 2007-2013 by the European Commission (February 2008), the first session of applications for projects belonging to the measures 121 „Farm modernisation”, 123 „Adding value to agricultural and forestry products”, 322 „Village renewal and development” was opened in March.

The session of May opened financing for two governmental support schemes, for IMMs processing agricultural products, afferent to the measure 123 – *Governmental Support Scheme XS 13/123 A/2008*, for agricultural products processing and *XS 28/123 B/2008*, for forestry products processing.

The session of September-October opened financing for the measures 312 „Support for the creation and development of micro-enterprises” and 313 „Encouragement of tourism activities”.

Other three new measures have been implemented since 3 December 2008, with the opening of the first application session for the measures 112 „Setting up young farmers”, 141 „Supporting semi-subsistence farms undergoing restructuring” and 142 „Setting up of producer groups”.

During the session from 15 September-22 October 2009, the measure 431 „Running the local action group, skills acquisition, animation” was launched, with the submeasure 431.1 „Building of public-private partnerships”, phase 3 „Financial support for the preparation of LAGs”.

**Table 1. Measures of rural development with opened financing (31.12.2010)**

Measure	Financial participation, public funds (mil. Euro)			Beginning of implementation
	Total	EU	RO	
121 – Farm modernisation	991,8	793,4	198,4	March 2008
123 – Adding value to agricultural and forestry products	1071,1	856,9	214,2	March 2008
322 – Village renewal and development	1546,1	1236,9	309,2	March 2008
Governmental support scheme XS 13/123	118,1	94,5	23,6	May 2008
Governmental support scheme XS 28/123	110,0	88,0	22,0	May 2008
312 – Support for the creation and development of micro-enterprises	383,4	306,7	76,7	September 2008
313 – Encouragement of tourism activities	544,2	435,4	108,8	September 2008
112 – Setting up young farmers	337,2	269,8	67,4	December 2008
141 – Supporting semi-subsistence farms undergoing restructuring	476,1	380,9	95,2	December 2008
142 – Setting up of producer groups	138,8	111,0	27,8	December 2008
431.1 – Building of public-private partnerships, Phase 3	9,8	7,8	2,0	September 2009
125 – Improving and developing infrastructure related to the development and adaptation of agriculture and forestry	483,2	386,6	96,6	March 2010
Governmental support scheme N578/123	200,0	160,0	40,0	July 2010
221 – First afforestation of agricultural land	229,3	183,4	45,9	October 2010

The measure 125 „Improving and developing infrastructure related to development and adaptation of agriculture and forestry” was opened for financing beginning with the session of projects from March 2010; the implementation of the State aid scheme N578 „Stimulation of Regional Development by Investments for Agricultural and Forestry Products Processing in order to Obtain Non-Agricultural Products”, afferent to the measure 123, is supposed to be applied in July.

Another measure for rural development was implemented in Romania in February 2011, namely the measure 221 „*First afforestation of agricultural land*”.

Of the 27 measures for rural development selected by Romania from the common environment, the country implemented 14 measures until the end of 2010 (table 1).

**Table 2. Situation of projects applied within NRDP until 31.12.2010**

- Thousand euro

Measure	Projects applied		Projects selected		Financing contracts/decisions completed		Payments done	
	No.	Public value	No.	Public value	No.	Public value	Public value	
112	6572	136720	4567	95840	2799	58979	35542	
121	5545	2121051	1845	725476	1585	568567	228186	
123	913	972257	556	580960	369	362031	72173	
Scheme XS 13/M123	247	113706	215	101626	179	78404	28829	
Scheme XS 28/M123	177	78897	157	67451	134	59285	18118	
Scheme N578/M123	167	125825	-	-	-	-	-	
125	870	922897	141	165674	123	141434	-	
141	31757	238177	18413	138097	15686	117645	24476	
142	NRDP	17	2440	15	2235	14	2215	217
	Transferred from SAPARD	-	-	-	-	3	30	-
312	3980	543861	1382	204327	1338	196677	41503	
313	1401	238968	634	115517	583	102731	6809	
322	3039	7429244	610	1620540	602	1522969	155483	
431.1	Phase 3	112	4920	111	4827	104	4340	3134
	Phases 1+2					8	1704	1657
511					24	8428	5188	
Guarantee schemes					2	220000	220000	
211							146691	
212							78853	
214	NRDP						326552	
	Transferred from SAPARD					1	5	-
221	NRDP	6	1787	-	-	-	-	
	Transferred from SAPARD					3	7	-
611							395714	
<b>TOTAL</b>	<b>54803</b>	<b>12930750</b>	<b>28646</b>	<b>3822570</b>	<b>23557</b>	<b>3445451</b>	<b>1789126</b>	

Source: The Ministry of Agriculture and Rural Development

[http://www.madr.ro/pages/dezvoltare\\_rurala/situatia-proiectelor-depuse-31.12.2010.pdf](http://www.madr.ro/pages/dezvoltare_rurala/situatia-proiectelor-depuse-31.12.2010.pdf)

During the 27 project sessions organized until the end of 2010, a total number of 54,803 projects were applied in the whole country, afferent to 14 measures; of these, 28,646 projects obtained the required points and were selected for financing, and 23,557 were completed with financing contracts or decisions.

The most of the projects were applied for the measure 141 „*Support of semi-subsistence agricultural farms*”. This measure aims at the increase of the volume of the production to be sold, in order to turn the semi-subsistence farms into economically-viable ones, respectively at the diversification of production according to market requirements and to the introduction of new products. The non-reimbursable public support is of 1500 euro/year/farm, for a 5-year period, if the farmer proves that the agricultural production

obtained after three years, destined for sale, increases with 20%, and that farm's economic dimension increases with minimum 3 ESU (Economic Size Unit).

The most of the biggest, important projects were applied for the measure 121 „*Modernization of the agricultural holdings*”; this situation was expected because of the big number of projects applied for the similar measure of the SAPARD programme.

We should mention the fact the measures belonging to AXE 2, namely M 211 „*Support for the disfavoured mountain area*”, M 212 „*Support for disfavoured areas, others than the mountain area*” and M 214 „*Agri-environment payments*” are measured administrated by the Agency of Payments and Intervention in Agriculture (APIA) and do not require the application of projects because the support is offered as direct payments to farmers.

The measure 511 „*Technical assistance*” includes funds allocated for the Agency of Payments for Rural Development and Fishery (APDRP), for projects of technical assistance that should support the process of technical and financial implementation of the National Rural Development Programme.

The measure 611 „*Direct complementary payments*” represents the sums transferred from rural development to Pillar I Agriculture, to complete the national sources of financing of the direct complementary payments offered the farmers.

The public financial allocation for NRDP 2007-2013 attains the sum of 10097 million euro, of which FEADR's contribution represents about 8124 million euro and the national contribution from the state budget represents 1973 million euro. Within this programme, 54,803 projects were applied until the 31st of December 2010, in total public value of approximately 13 milliard euro. Of these, 28,646 contracts were selected, in value of 3.8 milliard euros, and only 23,557 projects were contracted, representing about 3.4 milliard euros, meaning 1/3 of the total allocated. The absorption degree of rural development funds, calculated as report between the payments performed and the sum allocated, was of 17.7% at the end of 2010.

In 2008 (the first year of implementation of NRDP), the payment rate was rather reduced, and the effective implementation of projects started in the second half of the year; the first contracts were completed at the beginning of September 2008. In this viewpoint, the absorption degree of the financial allocation in 2008 was 1.36%.

In 2009, the absorption degree of the financial allocation was 6.77%, and at the end of 2010 it was 17.7%.

After the first two years of effective implementation (in 2008, the main activity was consisted of the application of projects and their evaluation), the contracting rate is approximately 34%.

Considering that the beneficiaries of this Programme, according to measure, must participate with their private co-financing part, and some of them present difficulties in the achievement of the necessary credits, there have also been several contract cancellations (about 230 projects).

## CONCLUSIONS

The application of Common Agricultural Policy for Romania is supported by important financial resources, allocated from the common budget and from the national budget. The allocations for rural development measures from the EU budget attain the sum of 8124 million euro, much over the financial support level of the National Rural Development Programmes from other countries, and Romania's participation is 19.54%, respectively 1973 million euro. The public contribution (EU + Romania) for the support of rural development during 2007-2013 totals 10097 million euro, and if we also add the

private contribution of beneficiaries in the case of measures that require co-financing, we obtain the total sum of 13574 million euro. We should also mention that 625 million euro of this sum are designated for direct agricultural support and not for rural development, representing a fund transfer from Pillar 2 to Pillar 1, in order to complete the direct payments offered the farmers, with financing from the national budget.

The sum designated to rural area financing is a significant one; however an important problem we should insist on is related to the capacity of common fund absorption, doubled by the capacity of co-financing. The lack of transparency, reduced experience, insufficient information, bad project management, reduced possibility of providing the financial advance or the private contribution – all of these are aspects that might exert negative influence on the process of absorption of the funds destined for rural development.

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