

THE IMPACT OF THE EUROPEAN FUNDS ON THE DEVELOPMENT OF THE RURAL AREA. CASE STUDY

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Abstract

The paper presents a study of accessing the European funds by the companies in the private sector, aiming to the impact of their implementation on their own economic activity and on the studied locality. The content of this study was elaborated starting from and considering exclusively the information provided on the basis of a questionnaire which included 12 questions, on a sample formed of 18 private beneficiaries of the SAPARD funds and/or EARDF. The research objectives were: to identify the main sources of information on the European funds; the main sources of co-financing of the private beneficiaries; the appreciation by the beneficiaries of the manner of submitting projects and identifying the satisfaction degree regarding their mechanism of implementation; analyzing the impact that these projects had on the direct and indirect beneficiaries. The impact of using grants on the labor market is particularly favorable. This is demonstrated by the results of the survey: more than half (53.6%) of those questioned said that following the investment, more than 3 jobs were created.

Key words: companies, information, implementation European funds, rural area

INTRODUCTION

At the national, regional and county level, the process of rural development process is governed by a number of specific documents such as: the European Commission position paper on the development of a Partnership Agreement and of some programmes in Romania in the period 2014 -2020, the National Strategic Framework, The national strategic framework for sustainable development of the agri-food sector and Romanian rural area in the period 2014 -2020 -2030, the strategic concept of territorial development of Romania 2030, the Regional Development Plans 2014-2020, the socio-economic development strategies of the counties for the period 2014-2020 etc. (The European Commission, 2014); (NRDF 2007-2013) [1, 7].

The existence and application of all above mentioned documents demonstrate the high degree of awareness at the community and national level regarding the importance of the rural area and its development for ensuring an economic, political and social cohesion at the level of the European Union. (FAO, 2014) [3]

That need was recognized at the European level by laying the basis of a joint European policy in the agricultural area and the rural development. The farmers and entrepreneurs in the rural area should be supported to take full advantage of the funding opportunities under EARDF, the most suitable instrument to the development needs of the rural communities which ensures an unitary and coherent context of the local strategies of rural development (Iova R, A., Cretu, D. 2013) [5]. The present research represents a segment of a wider research of the rural area in Călărași county and implicitly of Mănăstirea commune, by SWOT analysis of the commune, on categories of activities and a case study regarding accessing and implementation of the European funds in this commune by the companies and local public institutions. A special place presents the study of accessing the European funds by the companies in the private sector, aiming the impact of their implementation on their own economic activity and on the community. The basis of this study is the analysis of a general regulation framework of the allocation of the European funds destined to the rural

development in Romania (The European Commission, 2014) [7].

MATERIALS AND METHODS

The content of this study was drawn up starting from and considering exclusively the information provided based on a questionnaire, which comprised 12 questions, among which two questions of identification by the beneficiaries of SAPARD and EARDF funds.

The objectives of the research aimed: the identification of the main sources of information regarding the European funds; the main sources of co-financing of the private beneficiaries; the appreciation of the manner in which the beneficiary submit projects and the identification of the satisfaction degree regarding the mechanism of their implementation; the analysis of the impact these projects had on the direct and indirect beneficiaries.

Survey was selected as a method of collecting and processing data and the questionnaire was used as a research instrument.

The sample was formed of 18 private beneficiaries of SAPARD and/or EARDF funds. For collecting the information and reaching the proposed objectives, the method of direct survey was selected, face to face, in the headquarters of the respondents.

RESULTS AND DISCUSSIONS

Mănăstirea commune is located on the border of South-East part of Romania in South Muntenia Development Region. The commune is situated on the left bank of the Danube, on the border with Bulgaria, on a surface of 12,354 hectares (Monograph of Mănăstirea commune, 2016) [6]. From the total surface of Mănăstirea commune, a significant percent is represented by the agricultural land (90.66%), of which: 97.23% arable land; 2.02% vineyards; 0.57% pastures and 0.18% orchards (Fiche of Mănăstirea locality, 2016) [4].

(Figure 1).

In Mănăstirea commune, a total of 52 companies and 25 family enterprises and

natural persons operate and develop activity in different areas of the market, as follows: 5211-Retail sale; 5621- food activities (catering) for events; 5630-Bars and other beverage serving activities; 0161- support activities for crop production; 6021-Other road transports of passenger; 4711-Retail sale in non-specialized stores; 4773-Retail sale of pharmaceutical products in specialized stores; 0111-Cereals; 1571- Products manufacturing for animal feed; 4941-Road transport of goods; 0141-mechanization, chemisation etc.

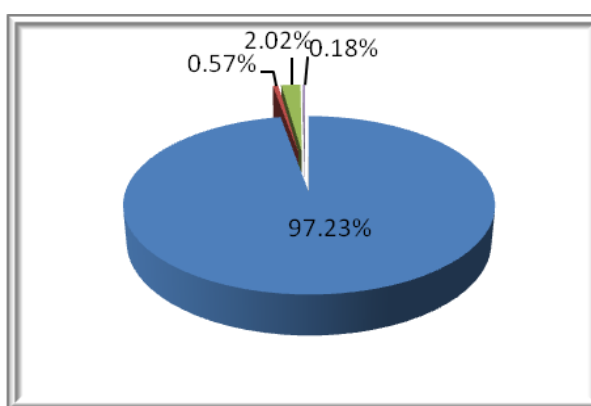


Fig. 1. The agricultural surface of Mănăstirea commune, on use categories

The higher percent is represented by the companies (64%), followed by the family associations (20%) and authorized natural persons (13.33%), the lowest rate having the cooperatives (2.66%).

The education level of the respondents, respectively company managers has a percent of 72.2% with higher education.

One of the questions in the questionnaire aimed **the identification of the main sources of information regarding the European funds**. The main sources of information regarding the European funds, identified following some surveys, are: other beneficiaries 38.8%; newspapers, radio, TV 11.1%; commune local council 11.1%; friends, neighbours, relatives 16.76%; Agricultural department 5.5%; consultants 11.11% (Table 1).

Thus, there is a discrepancy between the unofficial sources of information 55.6% (other beneficiaries, relatives, friends, neighbours) and the official sources 44.44%

(mass media, local council, Agricultural Department, consultants etc.).

Table 1. The sources the companies found about the European funds

No.	Sources of information	Number of respondents	Frequency
1	From other beneficiaries	7	38.8
2	From mass media	2	11.11
3	From the local council	2	11.11
4	From the agricultural department	1	5.55
5	From the consultants	2	11.11
6	Other sources	3	16.76
7	No response	1	5.55
	TOTAL	18	100.00

It is noted that the previous experience of the European Funds beneficiaries is the most beneficial, but the official sources of information have relatively reduced efficiency.

Another question aimed the **modality of ensuring the co-financing**. One of the major problems mentioned by the grants beneficiaries is ensuring the co-financing, mandatory for the private beneficiaries. As it is noted in the information presented in the following table, about two thirds of the respondents contracted bank loans or investment funds for ensuring the projects co-financing (Table 2).

Table 2. The main source of project co-financing

Source of co-financing	Number of respondents	Frequency (%)	Cumulated Percent (%)
Bank loan	10	56.1	56.1
Investment funds	2	9.8	65.9
Own sources	6	34.1	100.0
TOTAL	18	100	

This aspect would be normal in the case of a functioning market economy and in the case of existence of a competitive banking system. Under the current conditions, the interest rates and the fees charged by the banks, the foreign exchange, do not stimulate the entrepreneurs to develop businesses based on credit and can constitute obstacles to the absorption of the European funds. Higher interest rates, the exchange rate made that the beneficiaries/potential credit beneficiaries to be unable to cover the cost of credits. Many investors

expect the market regulation, respectively banking system easing.

Despite these difficulties, most of the beneficiaries (72.22%) said they would not have made the investment without support (Table 3).

Table 3. Answers to the question: 3., "Would you have made the investment without SAPARD/ERDF support?"

No.crt	Answers	Number of respondents	Frequency (%)
1	Yes	4	22.23
2	No	13	72.22
3	I do not know/No answer	1	5.55
	TOTAL	18	100

Another question of the questionnaire aimed **the impact of the European funds on the labor market in Mânăstirea commune**.

According to the survey, about 70% of the respondents said that the investment achieved contributed to job creation (Table 3.7.). In order to show which are the most important direct benefits on the beneficiaries of SAPARD/EARDF, the respondents expressed the satisfaction degree o several possible effects of the investment achieved (Table 4).

Table 4. Beneficiaries' perception on the effects of the investment achieved

Effects following the investment achieved	To a great extent (%)	Not too much (%)	Not at all (%)	I do not know/No answer (%)
Profit increase	43.9	31.7	9.8	14.6
Job creation	29.3	39	29.3	2.4
Professional reconversion	39	31.7	22	7.3
Job reduction	14.7	0	78	7.3
Products, services quality increase	41.5	5.8	41.1	5.6
Work productivity increase	60.9	9.1	60.8	9.2
Production capacity increase	75.6	6.2	75.3	6.9
Environment conditions improvement	41.5	5.7	41.5	5.3
Working conditions improvement	46.3	3.7	46.2	3.8
Living conditions improvement	43.9	43.9	12.2	0

In the respondents' opinion, the investments, achieved have marked most strongly, positively, the production capacities, the labor productivity and the working conditions.

These cumulated effects have not resulted in the increased profits and hence the increase of the living standards only about 40% of those questioned. It is expected that on long-term positive effects will amplify the amortization of the investments achieved. One of the targets of the study was that related to the presentation of the grants beneficiaries evolution compared to their initial status before contracting funds.

The results allow revealing some interesting findings with useful practical consequences in the implementation of such programmes.

More than 70% of those questioned said that **the situation of the company before contracting SAPARD/EARDF funds** was prosperous, in a very good situation or stagnating, and only a quarter consider that their company was in difficulty and did not carry out activity. Moreover, according to the applicants guidelines for all types of measures, only the companies which had profit in the last fiscal year or which had not activity may benefit from the European funds. This limits the possibility of the companies in difficulty to recover and develop profitable businesses in the rural area.

The utility of European grants from the beneficiaries perspective results from the important percentages obtained by the response had improved to question 6.

“Immediately after the project implementation under SAPARD/EARDF, which was the situation of your company?”

It is very important to note that the representatives of 61.1% of the funds beneficiaries say that their situation has improved, suggesting the impact that the European funds have on the local economic development by supporting the private initiative in the rural areas, considered to be the engine of the economy, creating revenues to the local budgets and creating new jobs.

At the question 7. **“Which difficulties did you face when accessing the European funds?”**, the main difficulties identified in accessing grants were, in this order: procedures for issuing permits, authorizations, certificates needed for the investments achievement, fulfilling the requirements of the payment

files, finding the funds needed to co-financing, the requirements related to the documents to be drawn up, the duration of the selection procedures.

At the question 8. **“In future do you think you will access grants?”** The favorable experience determined 56.1% of the respondents to declare that they intend or it is possible to apply for grant programmes in various sectors: livestock, tree growing, greenhouse creating, wood processing, tourism etc. It is stressed, however, that a significant proportion (43.9%) do not intend or do not know whether they will apply for such projects, probably because of difficulties occurred.

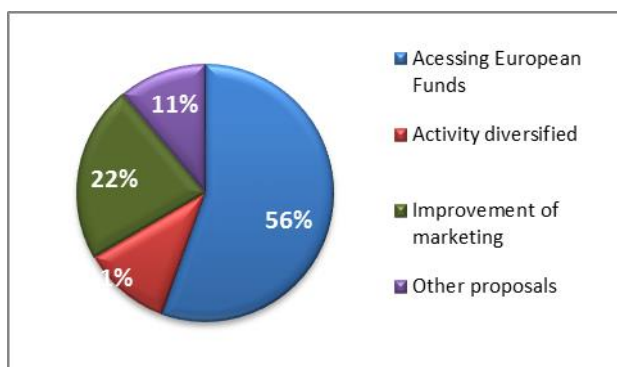


Fig. 2. Proposals for company development

At the question „9. **Was the project implemented by a consultancy firm or by an internal team?”**, the results were about 90% , YES and 10% NO.

In the category **“other proposals”** for the company development, are: extension of the company by grown land surface; purchase of new equipment and extension of car number; implementation of a project for a cattle farm for meat; implementation of a project for purchasing agricultural equipment.

Further on several of these comments and proposals “collected” on site were grouped (Table 5).

From the 77 companies, which develop activity in Mănăstirea commune, only 18 accessed European funds, respectively, 23.4%. In their structure, we find 3 agricultural companies (16.7%), 9 commercial companies (50%), 3 authorized natural persons (16.7%), 2 individual enterprises (11. 1%) and a family enterprise

(5.5). (Table 6).

Table 5. Comments, proposals and recommendations of SAPARD/EARDF funds beneficiaries

Related aspect	Beneficiaries' comments
Cofinancing	-I received from the bank a comfort letter, and after the file approval I did not receive the credit with the guarantee fund; -The most difficult is to obtain co-financing -the interests are very high, the state does not pay the subsidy in time
Bureaucracy	It would be well to support those who are working the land, without so many files, without much money for bureaucracy; The bureaucracy is the main cause for which the farmers give up on accessing grants Too many documents, approvals are required
Analysis duration of the files	It lasted one year since we submitted the file until we started the project Much time and money is lost with the files
Lack of information in the rural area	If the rural population would be informed, more funds were accessed.
High costs	Many costs to submit the file and no guarantee to succeed
Difficult collaboration with entrepreneurs, designers	More responsibility from the designers, performers We had numerous problems because of the designers

Regarding the category of projects accessed after 2007, all were funded by the European Agricultural Rural Development Fund.

Among the 9 companies in the agriculture sector, 5 accessed European funds also under SAPARD programme.

It is worth mentioning that all companies that have accessed European funds are operating in the agriculture sector.

The researches undertaken reveals that there is a need of the rural population for sustainable financial services and products, completed by information services, vocational training and counselling, taking into account that the poor population has the capacity to develop dynamic economic activities, but the lack of funds is a barrier difficult to overcome for the achievement of their project, their technical and financial knowledge is insufficient financial, the banks and other institutions are often far from the rural population both geographically and technically, they do not have the culture and interest in working with the poor rural population.

Table 6. Projects developed by the private companies

No. crt.	Project title	Applicant	Programme	Measure	Value (Euro)
1	Modernization of farm Investments in farms	SA CORNATEL Mănăstirea	EARDF SAPARD	1.2.1 3.1.	700,000
2	Services providing	SA MOSTIȘTEA Mănăstirea	EARDF	3.1.2	258,000
3	Irrigations	SA VITISEM Coconi	E EARDF	1.2.3	994,000
4	Modernization of farm Investments in farms	SC BIOTERA SRL	EARDF SAPARD	1.2.1 3.1.	1,200,000
5	Modernization of farm Investments in farms	SC STEFAN&CO PROD COM SRL Bucharest	EARDF SAPARD	1.2.1 3.1.	1,150,000
6	Modernization of animals farm (pigs)	SC NUTRICOM SA Oltenita	EARDF	1.2.1	950,000
7	Construction of bread factory	SC VLAD PROMTEH SRL Bucharest	EARDF	3.1.2	1,200,000
8	Construction of bread factory	SC Agroluc Mănăstirea	EARDF	3.1.2	870,000
9	Services i	SC DAMIRIN SRL Mănăstirea	EARDF	3.1.2.	300,000
10	Modernization of farm Investments in farms	SC SAMA SRL Mănăstirea	EARDF SAPARD	1.2.1 3.1.	768,000
11	Modernization of farm Investments in farms	SC MARIA TRADING SRL	EARDF SAPARD	1.2.1 3.1.	1,150,000
12	Modernization of farm	SC AGRO LUK IMPEX SRL Mănăstirea	NRDP	1.2.1	897,000
13	Modernization of farm	II VELICU IONUT DAN	NRDP	1.2.1	120,000
14	Modernization of farm	PF VELICU CORNEL	NRDP	1.2.1	200,000
15	Modernization of farm	PFA NICOLAE MARIN	NRDP	1.2.1	200 000
16	Modernization of farm	PFA CAPRARU NICULAE	NRDP	1.2.1	200 000
17	Services providing	IF PASTAERU PETRE	NRDP	3.1.2	189,000
18	Modernization of farm	II ZLATE IONUT SORIN	NRDP	1.2.1	200,000

CONCLUSIONS

In terms of accessing funds with European funding, following the survey applied, it appears a image of a commune with a low degree of accessing European funds, with poor communication of the companies with the specialists in accessing these funds, but with hopes for development given by the organization managers' wish to attend training courses for acquiring skills in the European projects sector and the desire to access in the future also other European projects.

"List of wishes" given by the companies following which the commune development might achieve leads, to the mental level, to the image of a locality, where the improvement of the basic infrastructure (roads, water supply sewerage, gas, etc.) would lead to an increase in the number of jobs, would decrease the rate of migration of young people, in a word, it would provide the chances of an increase in the quality of life for its inhabitants.

The local authorities should be involved in the modernization of the agriculture, the establishment of consultancy office at the commune level because it is an activity prevailing in the area that can help people to increase their incomes and thus to decrease the number of unemployed and people without a job.

The presence of the agricultural consultancy office in the commune would help small producers to edit some projects for funding, would provide solutions to the problems they face and would be at their disposal with suggestions in situations of uncertainty.

The local authorities consider that the agriculture development depends on the private sector and existing legislation.

The researches made have allowed the detachment of some trends and some conclusions in order to access and efficiently use the European funds for the rural development and for the successful development of other types of interventions in the rural area: credits, organizing some training courses for the farmers, internships and experience exchanges etc.

Given the complexity for obtaining the European funds on the one hand and the

situation of the Romanian rural area (poor economic and social infrastructure; fragmented property; the predominance of semi-subsistence households; the structural fragility of crops; poor quality of entrepreneurship and lack of investment sources; poor quality of services and low level of education and training of the labor force; resistance to change) it results that the role of „engine” in the rural development and the use of the opportunities offered by the European context must belong to the local and regional decision makers. (Crețu D., Iova A.R., 2013) [2].

It is recommended to achieve some campaigns to popularize the successful investments, by the fact that 39.0% of the respondents said that the project they made constituted a benchmark for other grant applicants in the locality or in the neighboring localities.

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