

## EU FUNDS FOR THE ROMANIAN AGRICULTURE DURING 2007-2013. STUDY CASE MEASURE 121- STATISTICAL DATA AND PRACTICAL IMPLICATIONS

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### **Abstract:**

*The current paper envisages to present a section of the European funds in agriculture dedicated to Romania after 2007 (the EU accession) and its formal integration into the CAP system – with a particular accent on the Measure 121 and its impact at the end of 2014. Based upon raw data provided following an official request, it shows the main indicators of the system. It is also an analysis of the efficiency of EU funds utilization in the system. The paper focuses on the result received from the authorities with responsibilities in the area, thus bringing into the academic debate the first comprehensive data set for the time being that have become available to researcher. Following the analysis done we realise that Measure 121 had a major interest on behalf of the potential beneficiaries, as proven by the value of financing requests submitted in the analysed period that have surpassed 330% of the total allocated value. Another conclusion that surges is the great number of cancelled contracts in the last six months of the analysed period which represent 29,82% of the total of cancelled projects, a high percentage if we take into consideration that we are at the end of the implementation period of financed investments. Basing on this analyze, our study tries to draw some useful conclusion for the next financing period.*

**Key words:** absorption rate, cancelled contracts, European Agricultural funds, payments

### **INTRODUCTION**

The Common Agricultural Policy (CAP) is structured on two pillars: Pillar 1 that of the common market organizations and Pillar 2 that of rural development that presents the measures to be taken in regard with the development of rural areas. These measures are presented within the framework of the National Rural Development Programme, programme financed trough European Agricultural Fund for Rural Development (EAFRD). EAFRD was established in order to finance the Pillar 2 of CAP, in accordance with the provisions of the European Commission Regulation no 1290/2005.

The focus of the paper is going to be the impact of the program applied in Romanian after 2007 – more precisely a brief introduction of the programme and the importance of the Pillar 2- Rural Development given its percentage reflected trough the CAP allowance. Secondly I shall focus my attention on the implementation of the programme in the 2007 – 2013 financial

exercise. Thus the main topic of interest would be the Measure 121 and its impact. Measure 121 is a part of Axis 1- “Improving the competitiveness of agricultural and forestry sector“

The National Rural Development Programme 2007 – 2013 (NRDP) of Romania was approved in February 20, 2008 in Rural Development Committee meeting (Brussels) and signed by all 27 states. In March of 2008 were opened sessions submit the applications for the first three measures of the program – Measure 121 “Modernisation of agricultural holdings”, Measure 123 - Adding value to agricultural and forestry products” and Measure 322 - Village renewal and development, improvement of basic services for the economy and rural population and upgrading the rural heritage”.

A main source of information was represented by the official documents – the National Rural Development Programme 2007 – 2013, (versions 2007 – 2013), European Commission Regulations regarding CAP, Annual Progress Reports regarding the

implementation of the NRDP 2007 – 2013, other official sources.

## MATERIALS AND METHODS

The paper presents a comparative and qualitative analysis of the implementation of Measure 121 – Modernisation of agricultural holdings, related to the priority Axis 1 in Romania during 2008-2014. The first stage envisaged the analysis of the de facto situation at the end of 2014, analysis done through the consultation of the official published statistics (MARD), of progress reports regarding the implementation of NRDP 2007-2013, of selection reports regarding the financing requests, also through direct request toward Agency of Rural Investments Financing (ARIF) of the data related to the implementation of Measure 121 to the end of the year 2014. Following the gathering of the necessary information we have analysed and interpreted the data related to the implementation stage of Measure 121 at national level.

The main indicators used were: financing requests granted; national level signed contracts; payments done; cancelled contracts, number of finalized contracts, the annual average of the finalized projects during period 2011 – 2014, etc.

The main methods used in realising this analysis was the quantitative method of comparison in time (2008-2014), which can be applied by calculating the dynamic rhythm of the analysed phenomenon in the given time frame. Also we have analysed the payments effectively done each month and respectively on a yearly basis within the framework of Measure 121 in the analysed period and their interpretation on the basis of the results presented.

## RESULTS AND DISCUSSIONS

“At EU-27 level, within axis one, the measure "121 – Modernisation of agricultural holdings" shares 30.3% of the EAFRD, being the most relevant almost in every Member States. Romanian allocation to this measure range below to this average, which is quite

opposite to Latvia, Hungary and Lithuania approach, but similar to Spain, the Netherlands, Portugal, Slovenia, Finland approach. For Romanian programme, the most valued measure within this axis, is "123 – Adding value to agricultural and forestry products", followed by "121 – Modernisation of agricultural holdings", together sharing about half of axis resources.”[2]

Measure 121 is part of Axis I “Improving the competitiveness of the agricultural and forestry sector” which comprises three strategic priorities: human resources; competitiveness of the holdings; modernization of the processing and marketing sectors of agro-food and forestry products. The main objective of Measure 121 was to increase the competitiveness of the agricultural sector through a better utilization of human resources and production factors as well as the improvement of the quality of products obtained through respecting community norms regarding the eco-conditionality demands.[6]

Operational objectives aim to promote investments in vegetal and animal husbandry agricultural holdings, for new constructions and/or modernization of existing agricultural buildings and related utilities, machinery and new equipment procurement, plantations establishment etc. [4]

In accordance with the analyze of existing data at the end of 2014, in regards with the implementation at the national level of Measure 121 – Modernization of agricultural holdings, during 2008 – 2014 within the annual sessions 8.154 request for financing were submitted that were declared to be conformed with the requirements, through a verification process undertaken at the level of County Offices for Payments for Rural development and fishing [3] (Office for financing rural county currently- OFFRC).

In Table 1 we can notice that following the evaluation and selection process of Financing Requests, process undertaken within the framework of Evaluation, Selection and Contracting Unit, based on procedure manuals in force at the time of the evaluation of documentations a number of 3,375 Financing requests were selected in order to sign the

financing contracts, which means a total of 41,39% from all the Requests submitted.

Also at the end of the analysed period (March 2008 – December 2014) we can notice that the number of concluded contracts is of 2,642, while the number of cancelled contracts is of 560. The allowances utilization degree is calculated at the Agency of Rural Investments Financing (ARIF) level taking into consideration the allocation related to Measure 121 within the framework of NRDP 2007-2013 with the European Economic Recovery Plan (EERP) supplement, supplement of Euro 910.20 million.

Table 1. Accomplishment indicators related to Measure 121 “Modernisation of agricultural holdings” within the period 2008 – 2014, based upon the data provided by the Agency of Rural Investments Financing

Accomplishment indicators	No	Value mil. Euro)	Average value (mil. Euro)	Degree of utilization of allocations
Financing requests in accordance submitted	8,154	3,008.19	0.37	330.50%
Total Financing Requests submitted	3,375	1,250.13	0.37	137.35%
Financing requests selected through the Selection report	3,288	1,209.90	0.37	132.93%
Contracts concluded amended with those cancelled + value paid for cancellation 141	2,642	826.45	0.31	90.80%
Cancelled contracts	560	314.36	0.56	n/a

The Measure 121 proved to be, if we take into consideration only the number of finalized projects the great success story of the entire process and ever since 2009 we had a great number of projects that were finalized as the data provided by the Agency of Rural Investments Financing proved to us the high interest. Also the high number of cancelled contracts despite the high number of requests – shows the need for a professionalization of those who apply in order to write realistic projects as well as the high number of demands that a request must respect (extra bureaucracy) .

In accordance with Table 2, we had a very good start in 2009 with a total of 457 finalised projects, that represent 32.5% of the total of finalized projects within the period 2009 – 2014, the year 2009 being the first year when projects were finalized. The number of

finalised projects decline in 2010 to 393, that represent 27.9 % of the total of finalized projects, in 2011 to just 160 and in 2012 to 118 projects. In 2013 we had 130 projects and in 2014 around 149 projects. We tend to notice the decline of 2010 – 2011 a period marked by the economic crisis.

Table 2. The total number of projects and their value finalized trough Measure 121 “Modernisation of agricultural holdings” based upon the data provided by the Agency of Rural Investments Financing

Year	Number	%	Public contracted value (mil. euro)	%
2009	457	32.5	68.36	17.67
2010	393	27.9	99.50	25.72
2011	160	11.4	51.27	13.26
2012	118	8.4	58.61	15.15
2013	130	9.2	50.79	13.13
2014	149	10.6	58.27	15.07
Total	<b>1,407</b>	<b>100.0</b>	<b>386.81</b>	<b>100.00</b>

Analysing the situation of the projects finalized in the years 2011, respectively 2013 we realized that the value of finalized projects is very closed, Euro 51.27 million in the year 2011 that represent 13.26% of the total value of projects finalized within the period 2009 – 2014, and for the year 2013 a value of Euro 50.79 million respectively 13.13% of the total projects finalized in the same period.

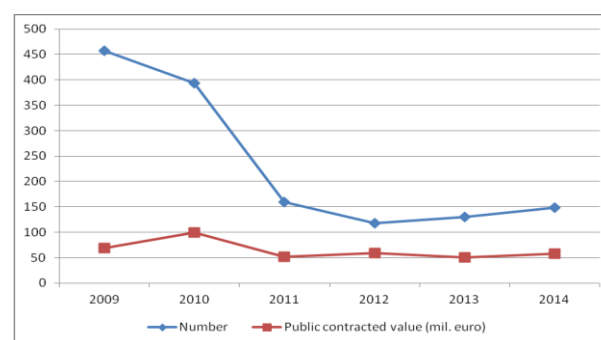


Fig. 1. The total number of projects finalized trough Measure 121 “Modernisation of agricultural holdings” based upon the data provided by the Agency of Rural Investments Financing

Also we realise that in the year 2013, 130 projects were finalized, with 30 projects less than in the year 2011 but with an average value higher than in 2011, Euro 390,692 by comparison with Euro 320,437 ( calculated as

the total value of the projects by year/number of projects finalized in that current year).

In Figure 1 there is a graphic representation of the projects finalized within the period 2009 – 2014, the year 2009 representing the year with the most finalized projects, and the year 2010 the year with the highest financial value of the 393 finalised projects, value that in the period 2011-2014 was within the limits of Euro 50.79 million (2013) and Euro 58.61 million in 2012, with an average value of Euro 54.73 million (calculated as a sum of the four years analysed divided at the number of years).

We have to mention that by the end of the

year 2014, the total of the payments done for the projects related to Measure 121 are represented by the payments related to the 1,407 projects finalized, payments with a value of Euro 386.81 million also by the payments related to the projects on the way of implementation. In table 3 are presented the payments in period 2008-2014.

Thus during November 2008 – December 2014, the payments done have a total of Euro 669.02 million. 2010 was the year with the greatest value paid by the beneficiaries of Measure 121, and 2013 the year with the smallest value.

Table 3. Payments made in EAFRD 2008-2014 (Euro million) - 121 Measure based upon the data provided by the Agency of Rural Investments Financing

Year/ Month	2008	2009	2010	2011	2012	2013	2014
Jan	n/a	2.87	8.37	4.82	8.81	6.42	2.92
Feb	n/a	11.75	9.39	8.60	6.93	4.86	3.68
Mar	n/a	15.43	8.51	7.97	6.34	7.48	3.06
Apr	n/a	10.37	115.34	8.26	6.67	2.52	2.60
May	n/a	9.51	8.73	6.14	4.17	1.59	3.57
June	n/a	9.39	3.50	6.90	4.69	5.43	5.06
July	n/a	5.41	13.23	8.60	9.25	8.32	7.50
Aug	n/a	10.78	0.00	10.33	8.98	6.13	7.81
Sept	n/a	8.47	18.35	7.94	8.28	4.77	8.52
Oct	n/a	9.11	9.21	10.92	0.00	4.65	9.81
Nov	1.40	15.07	8.06	8.59	14.36	0.00	14.59
Dec	n/a	12.76	10.30	13.44	6.84	8.93	15.70
<b>Total Euro 669.02 million</b>	<b>1.40</b>	<b>120.91</b>	<b>212.98</b>	<b>102.52</b>	<b>85.31</b>	<b>61.09</b>	<b>84.81</b>
<b>%</b>	<b>0.21</b>	<b>18.07</b>	<b>31.83</b>	<b>15.32</b>	<b>12.75</b>	<b>9.13</b>	<b>12.68</b>

Analyzing Table 3 we can notice that in December 2014 was paid the highest value of the year, also the highest value paid in December during the entire analysed period (2008-2014).

Also at the level of the last 4 months of 2014, the last analysed year, the payments done represented a total of 57.32 % from all the payments done at the level of the year, a situation that can indicate an accelerated or even forced absorption, this being a fact that can lead to an increase of cancelled contracts within 2015 or in the finalized projects monitoring period.

In August 2010, October 2010 and November 2013 weren't done any payments for projects financed through Measure 121.

Following the analysis done at the level of payments through EAFRD, in August 2010

were done payments only for projects financed through Axis 3 – The quality of life in rural areas and the diversification of the rural economy, Measures 312 – Support for creation and development of micro-enterprises, 313 – Improving tourism activities, 322 – Village renewal and development, improving basic services for rural economy and population and upgrading of rural heritage, payments in value of Euro 7,782 million. In October 2012, respectively, November 2013, the payments who were done through EAFRD had a value of Euro 18.55 million, of which Euro 13.36 million for projects related to Axis 3 with an accent on Measure 322 and Euro 5.19 million for Measures 112 – Setting up of young farmers and 141 – Supporting semi-subsistence agricultural holdings related to Axis 1.

The fact that no payments were done in the In August 2010, October 2010 and November 2013 doesn't mean that payment requests weren't submitted by beneficiaries, a sign of either a short term blockage of the system or of lack of funds allocated for the payments of projects. As regards the payments done in September 2010, November 2012 and December 2013 we can notice an increase over the last couple months were payments were done with Euro 5.12, 6.08, respectively, 4.28 millions, but also a decrease in regard with the immediate prior months. This thing shows the values related to the payments that weren't done in the aforementioned months.

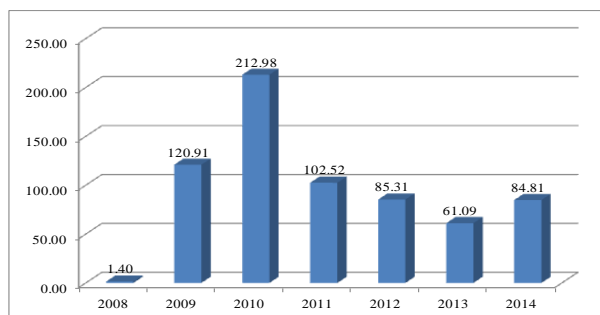


Fig. 2. Payments made in EAFRD 2008-2014 (mil. Euro) Measure 121 “Modernization of agricultural holdings” based upon the data provided by the Agency of Rural Investments Financing

In Figure 3 are graphically represented the payments done at the level of the year 2010, the year were the biggest payments wear done for the projects related to *Measure 121 “Modernization of agricultural holdings”*, payments with a value of Euro 212. 98 million.

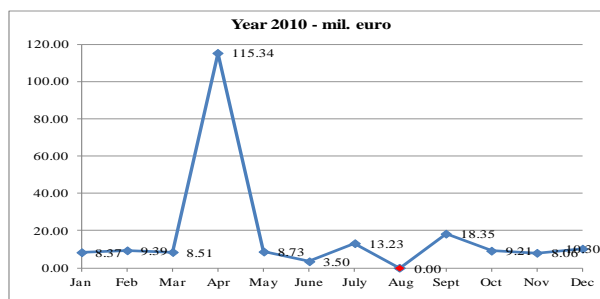


Fig. 3. Payments made in EAFRD year 2010 (mil. Euro) Measure 121 “Modernisation of agricultural holdings” based upon the data provided by the Agency of Rural Investments Financing

In April is being done payments with a value of Euro 115.34 million, a value higher than

the value paid for each year 2011, 2012, 2013, 2014, as we can notice in Figure 2. In 2010 28% of the total analyzed projects were finalized with a total of 26.7% from the final value.

The payments made in 2010, represents 32% of total payments done by the end of 2014.

In Figure 4 are represented the payments related to Measure 121 done at the level of 2014, and we can notice the intensity of their growth toward the end of the year, a situation that keeps the tendency registered at the end of each year for the analysed period.

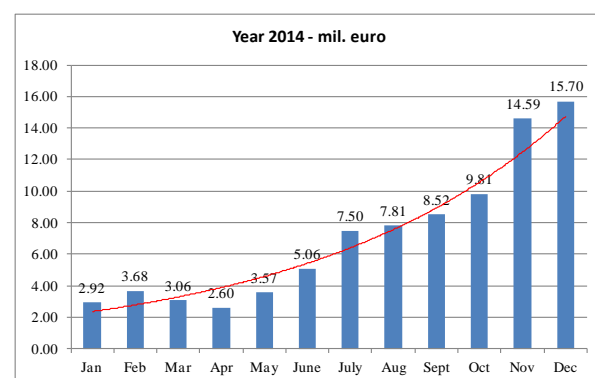


Fig. 4. Payments made in EAFRD year 2014 (Euro millions) Measure 121 “Modernisation of agricultural holdings” based upon the data provided by the Agency of Rural Investments Financing

Analyzing Table 4, where the indicators of monitoring are presented related to the implementation of Measure 121 in the analysed period, we can notice that the end of 2014 80.95% of the contracted value was paid, amended with the value of the cancelled contracts, a situation that shows that the value to be paid for the current year represents 19.05% of the total, with a total of Euro 157.43 million.

The value to be paid by the end of September 2015 is with 85% higher than that paid for the entire year 2014, but also with a lower value with 26.09% then that paid for 2010, the year with the highest values paid at the level of the entire analysed period.

The 560 contracts of financed cancelled had a total value of Euro 314.36 million, of which payments in value of Euro 121.22 million were done, value to be recovered from the beneficiaries in accordance with the procedures in force.

The value of cancelled contracts is comparative with the value of concluded contracts during the analysed period 2008-2014, representing 81.27% of their total value.

Table 4. Monitoring indicators related to Measure 121 “Modernization of agricultural holdings” within the period 2008 – 2014 , based upon the data provided by the Agency of Rural Investments Financing

Measure 121 ( 2007-2013)	Value (Euro million)	%
Allocated value for 2007-2013	910.20	100.00
Selected Financing Requests value	1,250.13	137.35
Concluded contracted amended with those canceled + value for cancellation 141	826.45	66.11
Total value paid at the end of 2014	669.02	80.95
Value paid at the end of 2014 (from total value paid) relating to contracts concluded	386.81	47.00
Canceled value at the end of 2014	314.36	25.15
Value paid out of canceled contracts at the end of 2014	121.22	38.56
Value to be paid by September 30th 2015	157.43	19.05

From the total of the cancelled projects we mention that a number of 394 projects were cancelled by the agreement of the parties, (in 2014 a number of 136 projects), a number of 161 projects being cancelled for the nonobservance of the contractual clauses (in 2014 a number of 63) and a number of 5 cancelled contracts from other causes. [5]

Within the framework of the Monitoring Committee for NRDP 2007-2013, the XIII reunion that took place in June 2014, was presented the status of the implementation of Measures NRDP until May 29 2014. [6].

In table 5, it is presented the analysis of the [5]ARIF data (based on a written request) implementation stage of Measure 121, in the last six months of the year 2014.

It was noticed that in this period a number of 88 projects were finalized that represent 6.25% of the total of finalized projects and a number of 167 cancelled projects that represent 29.82 % of the total of cancelled projects.

We also noticed that the number of cancelled projects is double in regards of the number of finalized projects.

Table 5. Evolution of the projects of Measure 121 in the period June – December 2014

Measure 121	29.May 2014	31. December 2014	29 May-31 December 2014	%
Number of finalized projects	1,319	1,407	88	6.25
Number of cancelled projects	393	560	167	29.82
Value of cancelled projects/Eur o million	216	314	98	31.16

## CONCLUSIONS

Measure 121 – “The modernization of agricultural holdings” was a measure with high interest from beneficiaries, in the financial period 2007-2013, with requests more than 330% out of the total value allocated.

The year 2010 was the successful year for the implementation of the projects related to Measure 121.

One of the main findings of this research document is the high number of cancelled contracts despite the high number of requests – it shows the need for a professionalization of those who apply in order to write realistic projects that take into account the financial and economic situation of the beneficiary.

An improvement of the evaluation, selection and contracting procedures is required in order to diminish the number of cancelled contracts.

Perhaps the most important cause of contracts cancellation is the lack of co-financing of projects by the beneficiaries, they having difficulties in obtaining the credits need for investments from the banks.

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