

## ANALYSIS OF THE EUROPEAN FUNDS ABSORPTION FOR RURAL DEVELOPMENT IN ROMANIA

*PhD Mihai Dinu<sup>1</sup>*

### **Abstract**

*The paper studies the absorption of European funds and the payments made under The National Programme for Rural Development in Romania. Article begins with an introduction that refers to the importance of rural and European Common Agricultural Policy, the changes in the CAP related to rural development, it presents the differences between countries within the European Union and how these disparities can be reduced. It is a study of the four priority axes and measures included, as well as the value of public and private contributions allocated to Romania for the period 2007-2013. It is analyzed the progress in which it are payments for rural development in Romania for each axes and measures both numerical value and percentage reported to the total public contribution. Finally some conclusions on the progress results in which it is Romania regarding payments made for finance projects submitted by the end of 2010. The results of this analysis can be used to form a clear image of access to European funds for rural development in Romania.*

**Keywords:** *Common Agricultural Policy, European funding, rural area, rural development, The National Programme for Rural Development*

### **Introduction**

The purpose of this article is to perform an analysis of European funds for Romania's access to rural development and to do a study on the value of payments at the country level by the end of 2010. Throughout the article provides a dual analysis: there is a situation on axis and measures regarding payments made in 2010 reported only to the total amount of public contribution and value of total payments made up to 31.12.2010 reported in total public contribution and another analysis that includes the payments made by axes relative to the total public contribution and value of payments relative to total public contribution earmarked for measures open to submission of projects

---

<sup>1</sup> PhD. Mihai Dinu, Academy of Economic Studies, +40723337606, mihai.dinu@ymail.com

(in Romania, during the 4 axes are measures established by the National Rural Development Programme which were not yet open submission of projects which are due to be implemented after 2010). This study is done based on official documents taken from the Ministry of Agriculture and Rural Development in Romania and the Payments Agency for Rural Development and Fisheries on the situation of projects on submission session.

Rural development as component of the CAP as gained attention after the Commission's development of strategic document Agenda 2000, becoming the second pillar of CAP. There are two major reasons justifying the need for an approach in this direction: the first is given the very high proportion - 80% - which hold agricultural land area relative to the European Union. The second is the primary objective of economic and social cohesion of the European Union, whose implementation would be utopian without due attention to the harmonious development of rural areas.<sup>2</sup>

Considerable simplification has been introduced in the new programming period 2007-2013 as compared to the previous one. Rural Development is now financed by a single fund: the European Agricultural Fund for Rural Development.

As before 2007, every Member State (or region, in cases where powers are delegated to regional level) must set out a Rural Development Programme, which specifies what funding will be spent on which measures in the period 2007 to 2013.<sup>3</sup>

In Romania, for the period 2007-2013, the rural development is supported through implementation of National Rural Development Programme (NRDP). NRDP is the tool to access the European Agricultural Fund for Rural Development (EAFRD) and was developed for the period 2007 to 2013, by the Managing Authority for the National Rural Development Program of the Ministry of Agriculture and Rural Development in Romania in accordance with Article 16 of Council Regulation no. 1698/2005 and the Community Strategic Guidelines for Rural Development.<sup>4</sup>

### **The main thematic axes and the allocation of funds under National Rural Development Programme of Romania for 2007-2013**

Overall economic and social context of the implementation of the NRDP 2007-2013 is more complex than expected before its preparation. Given the increasingly competitive environment after joining the European Union, issues such as competitiveness and economies of scale will become increasingly critical for rural development and

2 Istudor, Nicolae, Rural and Regional Development of Romania in the perspective of the European Union, ASE Publishing House, Bucharest, 2006

3 Rural Development in The European Union, Statistical and Economic Information Report 2010, European Union Directorate-General for Agriculture and Rural Development, December 2010

4 Final Report Mid-NRDP, Report prepared through the services contract C/511/1/1/S/10/00/04/00-10.08.2010, The Ministry of Agriculture and Rural Development, 2011

agriculture in Romania.

Therefore, the National Rural Development Programme 2007-2013 focuses on strengthening competitiveness and the economy of scale, but also take into account the need to protect nature, environment, natural resources, soil, water in rural areas and improving quality of life for rural residents.<sup>5</sup>

Programming support operations through the National Rural Development Programme is focused on four priorities:

- Axis 1 Improving the competitiveness of agricultural and forestry sector to increase efficiency of agriculture and forestry to prepare it to meet specific competition open trading environment. Support will be directed to small and medium enterprises, considered to be more able than large companies to develop new products, to better exploit local resources through innovation and adaptation. Priorities within this axis chosen taking into account the development needs and the need to continue some of the pre-accession measures.

- Axis 2 Improving the environment and the countryside - the general objective of Axis 2 measures is to improve the rural environment and conserve biodiversity through sustainable management of agricultural and forest land. Also by this axis measures encouraging the adoption of measures to protect soil against erosion processes (eg establishment of crops Green).

- Axis 3 Quality of life in rural areas - strategic objectives of this axis have regard to the quality of life in rural areas, diversification of rural economy, promoting knowledge and improving human potential. This axis measures aimed at the broader rural community of developing businesses in rural areas based on natural resources, tourism, village development and environmental initiatives to complement the measures in the farm and to provide alternative employment opportunities for rural population . These measures were chosen according to the weaknesses of rural areas (low income, excessive dependence on subsistence agriculture, small entrepreneurial skills, inadequate infrastructure), and identified strengths in Romania (high value natural resources, rich cultural heritage, etc.).

- Axis 4 "Leader" - aims to support rural development through improved local governance and promotion potential. Leader approach will help achieve the objectives of Axis 1, Axis 2 and Axis 3 through integrated local development strategies and innovative actions.<sup>6</sup>

5 Final Report Mid-NRDP, Report prepared through the services contract C/511/1/1/S/10/00/04/00-10.08.2010, The Ministry of Agriculture and Rural Development, 2011

6 Annual Report of Progress on Implementation of National Rural Development Programme in Romania in 2010, The Ministry of Agriculture and Rural Development, Rural Development Directorate-General for Management Authority for NRDP, 2011

**Table 1. Indicative allocation for rural development measures (in EUR total period)<sup>7</sup>**

Measure / Axis	Public Contribution (€)	Private Contribution (€)	Total (€)
111 Training, information and diffusion of knowledge	119.019.349	-	119.019.349
112 Setting up young farmers	337.221.484	-	337.221.484
113 Early retirement of farmers and farm workers *	0	0	0
114 Use of advisory services*	0	0	0
121 Modernisation of agricultural holdings	1.020.505.603	873.686.009	1.894.191.612
122 Improving the economic value of forests	135.865.578	111.162.746	247.028.324
123 Adding value to agricultural and forestry	1.092.682.409	1.668.944.023	2.761.626.432
125 Improving and developing infrastructure related to the development and adaptation of agriculture and forestry	483.246.816	120.811.704	604.058.520
141 Support for semi-subsistence farms	476.077.390	-	476.077.390
142 Setting up producer groups	138.855.905	-	138.855.905
143 Providing advisory and consultancy services for farmers.	158.692.463	-	158.692.463
<b>Total Axis 1</b>	<b>4.024.666.997</b>	<b>2.774.604.482</b>	<b>6.799.271.479</b>
211 Support for disadvantaged mountain areas	607.754.544	-	607.754.544
212 Support for disadvantaged areas - other than mountain areas	493.083.876	-	493.083.876
213 Natura 2000 payments on agricultural land *	0	0	0
214 Agri-environmental payments	996.408.184	0	996.408.184
221 First afforestation of agricultural land	229.341.338	34.269.395	263.610.733
223 First afforestation of non-agricultural land *	0	0	0
224 Natura 2000 payments on forest land *	0	0	0
<b>Total Axis 2</b>	<b>2.326.587.942</b>	<b>34.269.395</b>	<b>2.360.857.337</b>
312 Support for the creation and development of micro-enterprises	395.147.628	212.771.800	607.919.428

7 Retrieve from the National Programme for Rural Development of Romania 2007 - 2013, consolidated version July 2011, Ministry of Agriculture and Rural Development.

Measure / Axis	Public Contribution (€)	Private Contribution (€)	Total (€)
313 Encouragement of tourism activities	388.280.074	209.073.886	597.353.960
322 Village renewal and development, improving basic services for rural economy and population and upgrading of rural heritage	1.726.070.331	33.621.061	1.759.691.392
341 Skills acquisition, animation and implementation of local development strategies *	0	0	0
<b>Total Axis 3</b>	<b>2.509.498.033</b>	<b>455.466.747</b>	<b>2.964.964.780</b>
41. Implementing local development strategies:	176.687.609	76.926.258	253.613.867
411. Increasing the competitiveness of agriculture and forestry	59.299.266	54.737.784	114.037.050
412. Improving the environment and the countryside	22.993.593	1.467.676	24.461.269
413. Quality of life and diversification of rural economy	94.394.750	20.720.798	115.115.548
4.21 Implementing cooperation projects	4.840.755	820.947	5.661.702
4.31 Running the Local Action Groups, acquiring skills and animating the territory	53.546.507	1.337.784	54.884.291
431-1. Building public-private partnerships	6.531.533	1.337.784	7.869.317
431-2. Operation of the Local Action Groups, acquiring skills and animating the territory	47.014.974	-	47.014.974
<b>Total Axis 4</b>	<b>235.074.871</b>	<b>79.084.989</b>	<b>314.159.860</b>
<b>Total Axes 1, 2, 3, 4</b>	<b>9.095.827.844</b>	<b>3.343.425.613</b>	<b>12.439.253.456</b>
511 Technical Assistance	376.119.793	-	376.119.793
expenses for the national Rural Development	30.089.584	-	30.089.584
- (A) running costs	7.522.396	-	7.522.396
- (B) action plan	22.567.188	-	22.567.188
611. Complementary direct payments	625.136.100	-	625.136.100
<b>Total NRDP (not 611)</b>	<b>9.471.947.637</b>	<b>3.343.425.613</b>	<b>12.815.373.249</b>
<b>TOTAL</b>	<b>10.097.083.737</b>	<b>3.343.425.613</b>	<b>13.440.509.349</b>

Source: NRDP budget 2007-2013

(\*) The measure provided to implement after 2010, the related financial allocation is included in the axis to which it belongs.

In the National Rural Development Programme 2007-2013 of Romania, the public contribution is 10.097.083.737 euros<sup>8</sup>, and for the four thematic axes amount of public contribution is EUR 9.095.827.844 and the value of private contribution is EUR 3.343.425.613. In the total for rural development in Romania are allocated funds amounting to EUR 13.440.509.349. Most funds are allocated for Axis 1 "Improving the competitiveness of agriculture and forestry" where 4.024.666.997 euros allocated as public contribution, followed by Axis 3 "Quality of life in rural areas" with the amount of 2.509.498.033 euros, Axis 2 "Improving the environment and the countryside" with a public contribution of EUR 2.326.587.942 and Axis 4 "Leader" to 235.074.871 euros.

**Table 2. Amount of funds allocated for measures for which axis could submit projects 31.12.2010.**

Measure / Axis	Public contribution (€)	Private Contribution (€)	Total (€)
Total Axis 1 – Measures (111-113-114-122-125-143)	3127842791	2542630032	5670472823
Total Axis 2 – Measures (213-221-223-224)	2097246604	0	2097246604
Total Axis 3 - Measure 341	2509498033	455466747	2964964780
Total Axes 1, 2, 3, 4 – Measures (111-113-114-122-125-143-213-221-223-224-341)	7969662299	3077181768	11046844067
Total - Measures (111-113-114-122-125-143-213-221-223-224-341)	8970918192	3077181768	12048099960

Source: *Author's calculations by NRDP budget 2007-2013*

Measures for which could not submit projects are: Axis 1 - measures 111 Training, information and diffusion of knowledge, 113 Early retirement of farmers and farm workers, 114 Use of advisory services, 122 Improving the economic value of forest 125 Improving and developing infrastructure related to the development and adaptation of agriculture and forestry, 143. Providing advisory and consultancy services for farmers, Axis 2 - measures 213 Natura 2000 payments on agricultural land, 221 First afforestation of agricultural land, 223 First afforestation of non-agricultural land, 224 Natura 2000 payments on forest land, 341 Skills acquisition, animation and implementing local development strategies, measures that were allocated the sum of EUR 1126165545. Most measures have not yet been opened can be found in submission of projects under Axis 1 Improving the competitiveness of agriculture and forestry and for Axis 2 Improving the environment and the countryside.

In Table 2 were performed calculations on the amount of funds allocated to the axes of which were deducted amounts for measures that were not open session for submission of projects and resulting that the axis 1, 2 and the overall total value funds allocated to date is less than the total amount allocated to the EAFRD and the maximum total European funds could be accessed until 12.31.2011 is EUR 8.970.918.192.

<sup>8</sup> Measures including Technical Support 511 and 611 Additional Payments

### 3. The situation in Romania on payments in the period 2007-2010

#### 3.1. Status of accessing European funds for rural development 31 May 2009

For measures launched at national level have been submitted 13 338 projects in accordance with a value of public about 5.062 billion euros, representing approximately 63.10% of the total amount allocated to Romania for rural development for 2007-2013 ( 67.30% if we refer to the 7.522 billion euros for rural development remaining after allocation of 500 million euros for direct payments).

Ten sessions were organized selection for measures launched, which included a number of 6235 projects worth about 5 billion euro. Of these were selected for funding 2548 projects worth 1.627 billion euros, representing about 21.6% of the net amount allocated, of which there were a total of 1794 contracted projects worth 918 million Euro public, which represents approximately 12.2% of the net amount allocated. and were declared a total of 158 completed projects.

For contracted projects, 620 were paid payment request with a public value of 56.9 million, plus payments for the measure 511 - Technical assistance worth 402,317 euros and additional payments made by APIA (Measure 611), in amount of Euro 185,427,914, thus leading to a total of 242,738,892 euros of payments, which represents 3.23% of total net amount awarded by the European Union to our country.<sup>9</sup>

#### 3.2. Status of accessing European funds for rural development on 31 December 2010

On 31.12.2010 were submitted 54.803 projects with a public value EUR 12.930.750.914 of which 28.646 were selected for projects with a value of 3.822.572.103 euros and ended 23.557 projects worth 3.445.452.174 euro.<sup>10</sup>

**Table 3. Financial implementation of the Program 31.12.2010**

Axes / measures	Annual payments – 2010 (EURO)	Cumulative payments - from 2007 until 2010 (EURO)	Payments made in 2010 relative to the total public contribution	Payments made to 31.12.2010 on the amount of total public contribution
Measure 112	29.253.003,01	35.333.615,64	8.67%	10.48%
Measure 121	212.918.562,71	335.231.552,1	20.86%	32.85%

9 Istudor, Nicolae Petrescu, Irina, The role of consultants in the process of accessing European funds for rural development conference - Multifunctional Agriculture and Rural Development (II) - Rural Development and (a) limited resources ", Belgrade, 2009

10 Information from the situation of the NRDP projects on session on 31.12.2010, the Ministry of Agriculture and Rural Development, Rural Development Directorate-General for Management Authority for NRDP

Axes / measures	Annual payments – 2010 (EURO)	Cumulative payments - from 2007 until 2010 (EURO)	Payments made in 2010 relative to the total public contribution	Payments made to 31.12.2010 on the amount of total public contribution
Measure 123	171.763.675,79	212.362.769,5	15.72%	19.43%
Measure 141	15.114.054,43	24.321.250,60	3.17%	5.11%
Measure 142	213.179,89	214.807,90	0.15%	0.15%
<b>Total Axis 1</b>	<b>429.262.475,83</b>	<b>607.463.995,6</b>	<b>10.67%</b>	<b>15.09%</b>
Measure 211	53.156.555,51	144.294.176,3	8.75%	23.74%
Measure 212	44.323.075,75	78.475.504,34	8.99%	15.92%
Measure 214	180.183.327,54	324.554.393,7	18.08%	32.57%
<b>Total Axis 2</b>	<b>277.662.958,80</b>	<b>547.324.074,4</b>	<b>11.93%</b>	<b>23.52%</b>
Measure 312	48.942.248,09	51.412.819,46	12.39%	13.01%
Measure 313	15.507.873,84	16.348.854,85	3.99%	4.21%
Measure 322	138.844.565,53	155.284.178,2	8.04%	9.00%
<b>Total Axis 3</b>	<b>203.294.687,46</b>	<b>223.045.852,5</b>	<b>8.10%</b>	<b>8.89%</b>
LEADER	4.779.015,53	4.779.015,53	2.03%	2.03%
<b>Total Axis 4</b>	<b>4.779.015,53</b>	<b>4.779.015,53</b>	<b>2.03%</b>	<b>2.03%</b>
<b>Total Axes 1,2,3,4</b>	<b>910220122.1</b>	<b>1382612938</b>	<b>10.01%</b>	<b>15.20%</b>
Technical Support	3.827.058,09	5.187.859,33	1.02%	1.38%
<b>Total Axis 5</b>	<b>3.827.058,09</b>	<b>5.187.859,33</b>	<b>1.02%</b>	<b>1.38%</b>
Measure 611	86.966.760,31	393.958.071,8	13.91%	63.02%
<b>Total Axis 6</b>	<b>86.966.760,31</b>	<b>393.958.071,8</b>	<b>13.91%</b>	<b>63.02%</b>
<b>Total NPRD (without 611)</b>	<b>914.047.180,2</b>	<b>1.387.800.797</b>	<b>9.65%</b>	<b>14.65%</b>
<b>Total Program</b>	<b>1.005.792.956</b>	<b>1.781.758.869</b>	<b>9.96%</b>	<b>17.65%</b>

Source: Author by annual progress report on implementation of National Rural Development Programme in Romania in 2010, the Ministry of Agriculture and Rural Development, Rural Development Directorate-General for Management Authority for NRDP, 2011

As shown in the Table above, payments up to 31.12.2010 have a value of 1.781.758.869,24 euro representing a rate of 17.65% of the total public contribution for the period 2007-2013, which only in 2010 were made payments amounting to 1.005.792.956,02 euro, representing 9.96% of total public contribution. Of the four main axes, for Axis 2 Improving the environment and the countryside meets the highest level of execution of payments at a rate of 23.52% of the total, followed by Axis 1 Improving the competitiveness of agriculture and forestry a rate of 15.09% (but with the highest value of the four axes of payments in the amount of 607.463.995,6 euros), Axis 3 Quality of life in rural areas, with 8.89% and Axis 4 Leader with 2.03%. Given that the first session for submission of projects took place from March 3 to 28, 2008, we can consider that Romania has a relatively high level of payment for rural development.



The table below summarized the situation by reporting payments to the value of the total public contribution and the amount of public contributions allocated for open submission project measures on 31.12.2010.

**Table 4. Payments made up to 31.12.2010 on the amount of public contribution**

Axes / measures	Payments made to 31.12.2010 on the amount of total public contribution	The value of payments relative to total public contribution allocated for open submission project measures
Total Axis 1	15.09%	19.42%
Total Axis 2	23.52%	26.10%
Total Axis 3	8.89%	8.89%
Total Axes 1, 2, 3, 4	15.20%	17.35%
Total	17.65%	19.86%

Source: Author's calculations with data from Tables 2 and 3

According to data calculated in Table 4 shows that the absorption of the entire program at the end of 2010 is at a rate of about 17.65%, while an analysis on the value of payments reported on the total public contribution allocated for measures open submission project in Romania is noted that payments were made in a slightly higher percentage, almost 20%.

### Conclusions

- National Rural Development Program is a funding opportunity for Romanian rural area, the public contribution amounting to 10.097.083.736 euro, of which 8.124.198.745 euro EU funds, from 2007 until 2013.

- On 31.12.2010 54 803 projects were submitted to a public value of 12.930.750.914 euro, which means a higher value projects than the total amount of funds allocated for the entire period. Of the total projects were completed 23.557 projects worth EUR 3.445.452.174, which represents a rate of 34.12% of total funds, and considering that the total value of 8.970.918.192 euros reported as was allocated to for measures that have had access, resulting 38.41%, percentage which is considered to be quite good on the following: analysis of the situation expressed accessing funds on 31.12.2010, the first session of the project application was place since March 2008 and that there are three years until the end of the submission of projects.

- Payments made up to 31.12.2010 have a value of 1.781.758.869,24 euro representing a rate of 17.65% of the total public contribution for 2007-2013, of which only in 2010 were made payments totaling 1.005.792.956,02 euro, representing 9.96% of total public contribution, and if we take into account the absorption of funds only for measures where it could be submitted projects is observed that the percentage of the making of payments is about 20%. By comparison with the situation 31 May 2009 the total amount of payments was 242.738.892 euros, which represents only 2.45% of total public contribution, we can say that Romania has a strong tendency to increase the absorption of EU funds .

From the situation analyzed in this article I consider that Romania has a high potential for accessing European funds and can achieve that until the end of the 2007-2013 National Rural Development Programme to attract almost all the amounts from the European Agricultural Fund for Rural Development. However, accessing European funds is a good opportunity for the Romanian economy and especially for agriculture to overcome the economic crisis.

### **Bibliography**

1. Annual Report of Progress on Implementation of National Rural Development Programme in Romania in 2010, the Ministry of Agriculture and Rural Development, Rural Development Directorate-General for Management Authority for NRDP, 2011
2. Final Report of the RDP Interim Evaluation, Report Prepared through the services contract C/511/1/1/S/10/00/04/00-10.08.2010, The Ministry of Agriculture and Rural Development, 2011
3. Istudor, Nicolae, Rural and Regional Development of Romania in the perspective of the European Union, ASE Publishing House, Bucharest, 2006
4. Istudor, Nicolae Petrescu, Irina, The role of consultants in the process of accessing European funds for rural development conference - Multifunctional Agriculture and Rural Development (II) - Rural Development and (a) limited resources ", Belgrade, 2009
5. National Program for Rural Development of Romania 2007 - 2013, consolidated version July 2011, Ministry of Agriculture and Rural Development
6. Rural Development in The European Union, Statistical and Economic Information Report 2010, European Union Directorate-General for Agriculture and Rural Development, December 2010
7. The situation the NRDP projects per session, 31.12.2010, Ministry of Agriculture and Rural Development