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# FARM FINANCING IN PNDR 2007-2013

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## Abstract

*In Romania we are at the conclusion of the second agricultural financing program since the country's adherence to the European Union and in the transition period towards the next financial exercise. The experience and effects of the first program, that took place between 2007 and 2013, led to a new approach. The results of the 2014-2020 program will be concluded in an ex-post analysis. The family farms have been supported through dedicated measures, in both the first and in the second program, but in what follows I will detail the experience of the 2007-2013 financial exercise in regards to the 1st Axis, with an emphasis on measure 121, named "modernising agricultural exploitations - the family farm". The materials and sources used for this analysis are part of the specialty literature. This study has at its basis Romanian and European Union specialty literature and legislation, such as: regulations, decisions, directives, The National Rural Development Program, guides related to the aforementioned measure. The data collecting, processing, analysis, interpreting and synthesizing of said data have been used as a work method. Quantifying the impact of european funds for agriculture on family farms can be achieved through the dedicated measures from the analysed period and at the end of the currently ongoing agricultural census we will have a clearer bigger picture of the status of these farms in Romania.*

**Keywords:** *financing, PNDR, guide, farm, absorption*

**JEL classification:** *R51, Q14*

## INTRODUCTION

The restitution of agricultural land in Romania began in 1991. During the SAPARD program it reached over 96% of the total area owned by farms that belonged to the Romanian state.

A brief analysis of Romanian agriculture in the post-accession period to the European Union shows us a great polarization and fragmentation of agricultural holdings. This situation has led to a very large number of subsistence and semi-subsistence farms. At the opposite pole we find a small number of large farms that have access to the market.

Within the SAPARD program, a budget of 259.07 million euros was allocated to farmers through measure 3.1, a measure called "Investments in agricultural holdings". This measure has stimulated investments such as the purchase of tractors, agricultural machinery and equipment, the modernization of technologies for obtaining agricultural products and animal husbandry.

According to the National Institute of Statistics, in 2005, subsistence holdings hold 45.24% of the utilized agricultural area, semi-subsistence holdings approximately 16.09%, and commercial holdings 38.67%.

Within the terminology of family farms in Romania we find both subsistence, semi-subsistence farms and micro-farms or micro-farms. These categories of farms face the greatest obstacles in terms of access to finance and the market. That is why we find in all programs financed with European funds measures for these types of holdings.

The family farm was defined by the O.U.G. 43/2013 as "agricultural holding belonging to natural persons as individual agricultural producers registered in the Register of agricultural holdings or registered as an authorized natural person, individual enterprise, family enterprise, established according to the legislation in force, producing for own consumption and, where appropriate, sells the surplus. The economic size of the family farm is between 2-50 ESU" (GEO 43/2013)

## MATERIALS AND WORKING METHODS

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The materials and sources of information used for this paper are part of the literature. This study is based on specialized literature and legislation from Romania and the European Union such as: regulations, decisions, directives, the National Rural Development Program, guides related to the specified measures. Data collection, processing, analysis, interpretation and synthesis were used as a working method.

The interpretation of the laws, guidelines and specialized procedures is achieved through the logical-rational operations of explaining the content in order to apply it correctly. Literary or declarative interpretation, logical interpretation, systematic interpretation is identified as methods - by correlating with other provisions within the materials used.

The logical model is a method for identifying a causal link between the internal and external elements of the National Rural Development Program. Thus, through the logical model, the PNDR elements are structured in order to highlight the program theory. The methods link all these activities to the expected results of the program, to the relevance of the program and to the intervention logic at the level of each axis.

## **RESULTS AND DISCUSSIONS**

Within the NRDP 2007-2013, 27 measures were launched, and through axis 1, the following measures were carried out for family farms:

- ✓ 112 -Installation of young farmers;
- ✓ 121 -Modernization of agricultural holdings;
- ✓ 141 -Supporting semi-subsistence farms.

The applicant's guide and related verification and control procedures included details on the technical, economic-financial and environmental criteria. The indicators for evaluating the performance of the farm were found in the applicant's guides, and the beneficiaries also had the opportunity to access the specified measures using the same business plan, all the task of avoiding double funding being in the administrative procedure of the Paying Agency for Rural Development and Fisheries.

Axis 1, increasing the competitiveness of the agricultural and forestry sectors, received a financial allocation of 43.95% of the total of the 4 axes of the program( NRDP 2007-2013), reaching the final version (version XVI, approved in November 2015 at 31%. The financial reallocation was directed to AXIS 2 to avoid budget disengagement.

Axis 1 of the National Rural Development Program addressed the need to exceed the subsistence and semi-subsistence productive levels of productivity in both the agricultural and forestry sectors, by pursuing the objective of improving the competitiveness of rural areas, through complementary measures to increase knowledge and skills of farmers (measure 111), modernization of agricultural holdings (measure 121), as well as increasing afforestation and promoting sustainable forest management (measure 122).

By measure 112, this axis emphasized the need to renew the generation of agricultural managers. This need is based on improving the management of production activities and the need to increase incomes for young farmers. The axis also aimed to increase the competitiveness of the food and forest products industry by introducing innovation and adapting businesses to European Union standards (measure 123). Competitiveness also involves the efficient use of agricultural land and forests based on the new ownership structure (measure 125), including new infrastructure and well-organized farms (measure 125) but also labor, by promoting organized producer groups (measure 142).

General Objective	Strategic Objectives	Share estimated of objective in total funding public / axis	Estimated share of each axis in total allocation EAFRD for the four axes
Axis 1 Increasing the competitiveness of the agri-food and forestry sectors	Improving the skills / competences of farmers and other persons involved in the agri-food and forestry sectors, as a means of stimulating a better management of agricultural holdings, forests and processing units.	5-10% (PNS) 91.67 million euro according to PNDR	43,95%
	Improving the competitiveness of commercial and semi-subsistence farms and their associations in compliance with the principles of sustainable development.	55-60% (PNS) 2,048.86 billion euro according to PNDR	
	Restructuring and modernization of the product processing and marketing / marketing sectors agricultural and forestry, in parallel with observance of development principles durable.	35-40% (PNS) 744.75 million euro according to PNDR	

Source: PNS 2007-2013, PNDR 2007-2013

Under the measures set out above, farmers were able to obtain non-reimbursable funds provided that the holding had an economic size of more than 2 ESUs. The unit of economic size of a farm was calculated at that time according to a European coefficient that multiplied by the cultivated area or the number of animals. The value of a unit of economic size was 1200 euro.

In the financial year 2007-2013, Axis 1 had three main strategic directions for rural development, which aimed at rejuvenating, developing and professionalizing the workforce or human resources, supporting farms and associations to the market through investments in modernization, for both agri-food and forestry products.

A large proportion of the financial allocation was aimed at the competitiveness, modernization and restructuring of the agricultural sector and farms.

All these priorities have taken into account the principles of sustainable development. In order to achieve this objective, the aim was to stimulate investments by reorganizing, restructuring, reuniting farms, changing generations in farm management, modernizing farms to become competitive in the market.

Farm consolidation has focused on supporting members of associations, young farmers and farms in view of their impact on the economy, the environment and society as a whole.

TOTAL GENERAL							EURO
Measure	Submitted projects		Selected Projects		Signed contracts		Payment done
	Nr.	Public Value	Nr.	Public Value	Nr.	Public Value	Public Value
<b>111</b>					<b>36</b>	<b>21.033.279</b>	<b>19.347.351</b>
112	22.494	630.074.066	13.450	339.262.514	12.635	318.285.035	305.303.458
121	8.738	3.115.680.605	3.849	1.334.129.323	2.789	755.355.121	662.274.906
122	20	3.011.934	18	2.513.937	16	2.015.271	1.877.966
123	1.762	1.771.015.955	961	939.567.923	518	433.686.052	365.874.869
Schema XS 13/123A/2008	247	113.706.025	215	101.626.174	145	55.813.709	48.291.462

TOTAL GENERAL							EURO
Measure	Submitted projects		Selected Projects		Signed contracts		Payment done
	Nr.	Public Value	Nr.	Public Value	Nr.	Public Value	Public Value
Schema XS 28/123F/2008	177	78.896.763	157	67.450.879	85	32.829.779	27.056.505
Schema N578/2009	453	311.099.775	292	216.093.918	175	87.304.654	76.990.962
125	1.701	1.789.032.854	699	739.895.314	677	669.493.488	527.948.491
<b>141</b>	<b>88.846</b>	<b>666.345.000</b>	<b>63.544</b>	<b>476.580.000</b>	<b>50.486</b>	<b>372.535.184</b>	<b>333.595.687</b>

<https://madr.ro/pndr-2007-2013/situatia-proiectelor-depuse.html>

Measure 121 was among the measures that brought added value, contributing to the development of farm production capacities, storage capacities, conservation, modernization of farms, etc.

As we can see in the table above, the situation of the projects under measure 121, in 2016, shows us the decision to finance 2,789 projects worth 755,355,121 euro. Less than half of the projects were selected and less than a third of the total number of projects initially submitted under this measure received funding. The data show that by measure 121 approximately 66% of the projects selected for contracting have been completed. It is noted that this measure remained at the top in terms of funding size. In order to support potential beneficiaries interested in accessing the measure for the modernization of agricultural holdings, the Paying Agency for Rural Development and Fisheries has provided a number of model projects and the necessary technical information.

The ex-post analysis of PNDR 2007-2013 highlights a cost of a beneficiary, of measure 121, ten times higher than the one provided. This did not affect the effectiveness of the measure, as it was accessed by a different type of beneficiary or other type of investment than originally envisaged.

## CONCLUSIONS

In conclusion, regarding the subsistence and semi-subsistence farms in Romania, it must be taken into account first of all that the current situation of Romanian agriculture is the direct result of a way of life specific to the traditional rural environment, which requires interventions not only through the Common Agricultural Policy. concentration of measures such as economic, fiscal, social policy, etc.

As we have previously pointed out, the developments in the sector from 2005 to 2010 have been insignificant, especially if we take into account all the support measures provided in the last twenty years for the creation of a modern commercial agriculture. Given that the support measures from PNDR for increasing competitiveness or diversification of activity were primarily directed to farms with 2-8 ESUs, the big problem of Romanian agriculture is that over 3.6 million farms that had less than 2 ESUs, and among only about 1 million received support through the SAPS (single flat area scheme) or PNDC (complementary direct payments) system. However, in order to truly quantify the impact of CAP support on subsistence agriculture and the implications for sector restructuring, research in this paper needs to be revised on the basis of the next agricultural census. It will allow us to observe the general situation, even if not directly the impact of agricultural policy measures in the period 2007-2013. Only in this way, through a post-accession analysis, we can observe the real mutations of the agricultural sector in Romania.

However, I believe that agricultural policy measures, together with access to funds for farms, must be supported by continuing to provide advice, advice and information to small producers in the sector on the opportunities offered, but also on the benefits they can gain through association,

organizing groups producers or the orientation towards the production of quality traditional products to be distributed in traditional markets, through farm tourism networks or any short supply chain.

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