

Şumovschi, Dan Constantin

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# ACCESSING EUROPEAN FUNDS THROUGH SUB-MEASURES 16.4 AND 16.4A UNDER NRDP 2014-2020

DAN CONSTANTIN ȘUMOVSCI<sup>1</sup>

## Abstract

*The financing of the Romanian agriculture and rural space through the SAPARD program created the technical and financial premises necessary for the process of accession to the European structures. Thus, the funds developed through the SAPARD Agency have directly contributed to the economic and social development of the rural environment, by supporting private producers, supporting agricultural associations, and financing investments made by local councils in rural areas. Subsequently, after Romania's accession to the European Union, the Paying Agency for Rural Development and Fisheries is the institution that fulfills the payment function for investment projects, financed from the European Fund for Agriculture and Rural Development. The investments made have directly contributed to economic growth and convergence of rural incomes by increasing productivity, stabilizing markets and ensuring a fair standard of living for the agricultural population. In the current budget year of the NRDP 2014-2020, according to existing analyzes, it is observed that farmers' interest in accessing grants differs from one region to another, from one sub-measure of funding to another and even from one farmer to another in the same community. Given the importance of cooperation between the actors involved in agri-food supply chains, in this paper, we conducted an analysis that seeks their interest in accessing sub-measures 16.4 and 16.4A of the NRDP 2020. In order to achieve this approach, I consulted relevant articles and specialized studies on the subject of accessing European funds for the agricultural sector and I carried out an analysis of the data provided by the Agency for the Financing of Rural Investments.*

**Key words:** rural financing, NRDP 2014-2020, sub-measures 16.4 and 16.4A, cooperation, agri-food supply chains.

**JEL classification:** O18, P25, R51

## INTRODUCTION

Despite the many debates, the importance of cooperation remains too little understood in terms of technical aspects, but especially in terms of opportunities. This scientific article aims to assess the interest of actors involved in agri-food supply chains (small farmers, non-governmental organizations, local councils, schools, health, leisure and public catering units) in establishing partnerships to contract funding, targeting the activities supported by sub-measures 16.4 and 16.4a - *Support for horizontal and vertical cooperation between actors in the supply chain in the agricultural and fruit sectors* in the financial years 2014-2020.

The use of European funds is both an opportunity and an obligation. The opportunity obviously consists of obtaining an important and essential source of financing necessary for the development, optimization and/or diversification of the activity carried out. At the same time, the signing of the financing contracts entails the obligation to respect for the entire duration of the project implementation the terms assumed at the time of signing the financing contract.

The innovative and atypical nature of these sub-measures has raised multiple issues for both applicants and experts of the Agency for Financing Rural Investments.

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<sup>1</sup>Șumovschi Dan Constantin, VatraDornei Mountain Economy Center, sumovschi.dan@gmail.com

## MATERIAL AND METHOD

Reviewing the specialized literature dedicated to the topic of accessing European funds, it is easy to see that most articles and studies contain mainly qualitative data.

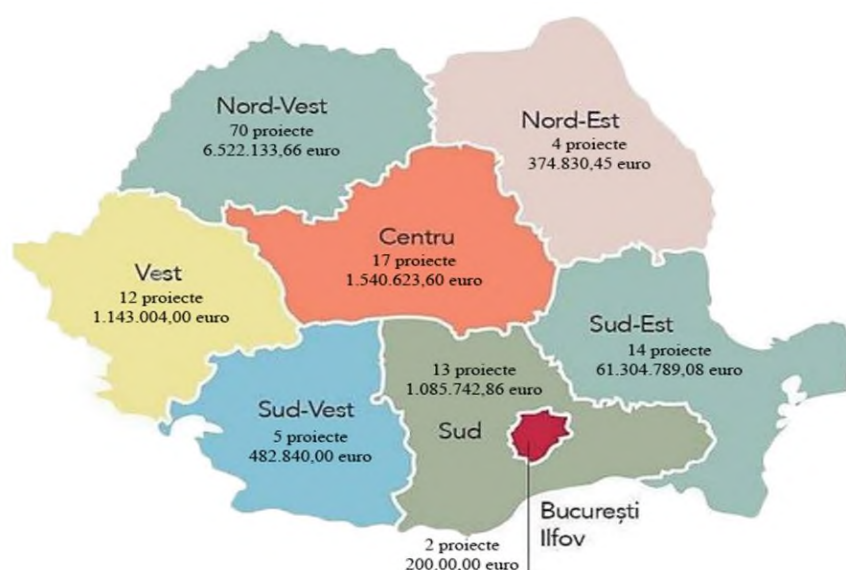
Regarding the stages of the scientific approach, they have as starting point the analysis of the literature, regarding the horizontal and vertical cooperation between the actors in the supply chain in the agricultural and fruit sectors. Subsequently, the information from the databases provided by the Ministry of Agriculture and Rural Development on the main page of the Agency for the Financing of Rural Investments and on the Open Data page of AFIR were used.

Within the material, an analysis was performed through which I aimed to identify the factors that influenced the contracting on sub-measures 16.4 and 16.4a of the NRDP 2014-2020 and which led to an uneven distribution of projects.

## RESULTS AND DISCUSSIONS

At the level of Romania, within the four submission sessions of the 2014-2020 program, a total number of 137 projects with a total value of 12,653,963.65 euro were contracted through Sub-Measure 16.4 and Sub-Measure 16.4a, of which 100 projects through sub-measure 16.4, with a total value of 9,162,190.08 euro and 37 projects through sub-measure 16.4a, with a value of 3,491,773.57 euro, unevenly distributed throughout the country (Figure 1). Of note is the high degree of contracting in the North-West region, with a total of 70 projects and a value of 6,522,133.66 euro. The North-West and Center regions, which form macro-region 1, have a total of 87 projects with a value of 8,062,757.26 euro, representing over 63.5% of the number of projects financed at national level. At the opposite pole are the regions Bucharest-Ilfov, with 2 projects and a value of 200,000 euro, North-East with 4 projects and a value of 374,830.45 euro and South-West with 5 projects and a value of 482,840.00 euro, together they represent only 8% of the total projects financed at national level.

**Figure 1. The situation of projects contracted through Sub-measures 16.4 and 16.4a of the NRDP 2014-2020**



Comprising Bucovina and most of Moldova, the North-East Region consists of the counties: Bacău, Botoșani, Iași, Neamț, Suceava and Vaslui. OJFIR experts subordinated to CRFIR 1 Nord-Est IAȘI evaluated a total number of 30 projects, of which 26 projects concerned sub-measure 16.4 and 4 projects sub-measure 16.4a. Regarding the distribution by counties of the submitted projects, that reached the evaluation stage, it had a relatively uniform distribution: Iași and Suceava with 7 projects each, Bacău 5 projects, Vaslui and Neamț 4 projects and Botoșani 3 projects. In Iași and Suceava, higher values of the number of projects reached in the evaluation stage were registered, a situation that can be explained by the fact that in the two counties the research centers of the Romanian Academy as well as profile universities operate.

Following the analysis of the selection reports, we identified the main eligibility criteria that were not met, which led to the rejection, in proportion of 87%, of the funding projects. These were attempts to circumvent the maximum threshold set by the measure sheet, the submission of identical projects both in terms of project budget and in terms of marketing plans, the creation of artificial conditions and the inability to provide clarification on the additional information requested.

Only a number of 4 projects with a total value of 374,830.45 euro have reached the contracting phase, three of them being implemented in Iași County and one in Suceava. In the North-East Region, the rural communities from four counties did not contract any project through the 2 sub-measures. The low number of contracted projects places the North-East Region in last place in terms of the number of contracted projects compared to the number of farmers registered in the APIA database.

Comprising Dobrogea, as well as parts of Moldova and Muntenia, the South-East Region consists of the following counties: Brăila, Buzău, Constanța, Galați, Tulcea and Vrancea. In the South-East region, a total of 40 projects were evaluated, of which 32 projects concerned sub-measure 16.4 and 8 projects under sub-measure 16.4a. Regarding the distribution by counties of the submitted projects reached the evaluation stage, this was uneven, Tulcea county had 13 projects, Constanța 9 projects, while Buzău and Vrancea had 5 projects each, and Brăila and Galați 4 projects each.

Following the analysis of the selection reports, we identified the main eligibility criteria that were not met, which led to the rejection, in proportion of 65%, of the projects from funding. The reasons for granting ineligibility were the following:

- submission of projects with many identical aspects in order to create artificial conditions.
- non-correlation of the information from the marketing plan with those from the attached documents.
- multiple inconsistencies between the information in the grant application and the Cooperation Agreement.
- lack of supporting documents.
- discrepancy between the beneficiaries of these investments and the data about the building in which the investments will be located.
- lack of concrete information on the actions carried out within the project, on the investments to be made, on the promotional activities to be carried out and the rights and obligations of the members after the completion of the project.
- marketing plans made in an incomplete manner, without clear and personalized information about the activities to be carried out in terms of the following aspects: description of specific objectives, lack of information on how to achieve the objectives, the role of each member, etc.
- the total amount of co-financing was not correlated with that of the financial plan related to the indicated budget, as well as the lack of information on the amount of partners' participation to ensure the co-financing of projects.

- omissions regarding the defining information of the activity in the marketing plans.
- lack of information on how the concept of short supply chain will be set up and developed, starting from the areas cultivated by the members of the cooperation agreement, their processing and marketing of the proposed products.

- the value of the support was not justified in correlation with the complexity of the project, the quantity of products marketed, and the added value generated by it after implementation.

- failure to respond to requests for additional information requested.

Only 14 projects with a total value of 1,304,789.08 euro reached the contracting phase, as follows: Tulcea 7 projects, Constanța 4 projects, Vrancea two projects and Buzău one project. In the South-East Region, the rural communities from Brăila and Galați counties did not contract any project through the 2 sub-measures.

Being entirely in Muntenia, the Southern Region is made up of the following counties: Argeș, Dâmbovița, Giurgiu, Prahova and Teleorman. As in the South-East Region, a total of 40 projects were evaluated in the South Region, as follows: 27 projects targeted sub-measure 16.4, and 13 projects targeted sub-measure 16.4a. The similarities with the South-East Region continued in terms of the distribution by county of the submitted projects, which have reached the evaluation stage. As can be seen, the distribution was uneven, Dâmbovița County having 27 projects, more than double the total values of all other counties of the development region: Prahova 5 projects, Arges 4 projects, Giurgiu 3 projects and Teleorman 1 project.

It can be seen that of the total number of projects that reached the evaluation stage, the percentage of those that were contracted was 32.5%. Thus, the rural communities from Prahova and Teleorman counties failed to contract even one project, while the difference between the number of contracted projects in Dâmbovița county -10 projects and the other counties Arges -2 projects and Giurgiu - one project, creates major discrepancies on development opportunities.

Following the analysis of the selection reports, we identified the main eligibility criteria that were not met, which led to the rejection, in proportion of 67.5%, of the projects from funding. These were mainly due to the non-transmission of the answers to the requested additional information, the non-compliance with the principles of short agri-food chains and the lack of information on the justification of the expenses related to the investments provided in the Marketing Plan.

Only 13 projects with a total value of 1,085,742.86 euro reached the contracting phase, distributed as follows: Dâmbovița County 10 projects, Giurgiu County 2 projects and Arges county one project. In the Southern Region, the rural communities from two counties, although they had projects under evaluation, did not contract any project through the 2 sub-measures.

Comprising the entire Oltenie and a small part of Muntenia, the South-West Region is made up of the following counties: Dolj, Gorj, Mehedinti, Olt and Valcea. In the South-East region, a total number of 20 projects were evaluated, of which 15 projects targeted sub-measure 16.4 and 5 projects sub-measure 16.4a. Regarding the distribution by counties of the submitted projects reached the evaluation stage, it was uneven, Dolj and Olt counties had 8 projects and 6 projects, Gorj county 3 projects, Valcea county 2 projects and Mehedinti county had one project.

It can be seen that of the total number of projects that reached the evaluation stage, the percentage of those that were contracted was 25%. Thus, the rural communities from Mehedinti and Olt counties did not manage to contract even one project, while at the level of the entire region, 5 projects with a total value of 482,840.00 euro were contracted.

Following the analysis of the selection reports, we identified the main eligibility criteria that were not met, which led to the rejection, in proportion of 75%, of the funding projects. These were

mainly represented by non-compliance with the presence at the confirmed date and time in order to perform field verifications, creating artificial conditions by submitting several projects during the same session, attempts to circumvent the contractual clauses by submitting the application for funding documents that do not reflect reality, the use of the deregistered companies identified by elements that no longer express reality and the presentation of information in order to mislead the assessor.

Comprising the entire Banat as well as parts of Crisana and Transylvania, the West Region has the following counties: Arad, Caras-Severin, Hunedoara and Timis. A total of 26 projects were evaluated in this region, of which 22 projects concerned sub-measure 16.4 and 4 projects under sub-measure 16.4a. Regarding the distribution by counties of the submitted projects reached in the evaluation stage in the Western region, it was relatively uneven, in Hunedoara and Timis counties they had 12 and 11 projects respectively, while Caras-Severin and Arad counties had 2, respectively 1 project.

It can be seen that of the total number of projects that reached the evaluation stage, the percentage of those that were contracted was 46%. Thus, the rural communities in Arad and Caras Severin counties failed to contract even one project, while the difference between the number of projects contracted in Hunedoara county 9 projects and Timiș county 3 projects creates major discrepancies regarding the development opportunities of local communities.

Following the analysis of the selection reports, we identified the main eligibility criteria that were not met. The reasons for granting ineligibility were related to the lack of correlation between the complexity of the project, the quantity of products sold, and the added value generated by it after implementation, non-compliance with deadlines for providing additional information and non-correlation of objectives in the Marketing Plan with the Cooperation Agreement. Only 12 projects with a total value of 1,143,004.00 euro have reached the contracting phase.

Comprising Maramures and important parts of Crisana and Transylvania, the North-West Region has the following counties: Bihor, Bistrita-Nasaud, Cluj, Maramureș, Satu-Mare and Salaj. According to the analyzed statistical data, we noticed that the distribution of projects is uneven in the region. This situation is due to the fact that out of the 120 projects evaluated in the North-West region, 50 of them are related to Cluj County. Of the total number of projects evaluated, 93 projects targeted sub-measure 16.4, while 27 projects targeted sub-measure 16.4a. As we mentioned regarding the distribution by counties of the submitted projects, that reached the evaluation stage, Cluj County leads detached with 50 projects, following the counties of BistritaNasaud, Bihor, Satul Mare with 18, 17 and 16 projects, respectively, while Maramures registered only 10 projects.

At national level, the North-West Region has the best territorial distribution, being the only one in which there was not even a county in which at least one project was contracted through the 2 support sub-measures. Moreover, the North-West Region has the most projects within the 2 sub-measures, both in terms of the number of projects evaluated and contracted (70 projects, of which 50 projects on Sub-measure 16.4, respectively 20 projects on Sub-measure 16.4a), with a value total contracted of 6,522,133.66 euro.

Following the analysis of the selection reports, we identified the main eligibility criteria that were not met, which led to the rejection, in proportion of 42%, of the funding projects. The reasons for granting ineligibility were the following:

- it has not been demonstrated the creation of at least one short chain in a food chain configuration capable of marketing farmers' products from the Cooperation Agreement.
- the members of the Cooperation Agreement also hold membership in other agreements related to several projects submitted for support in order to promote the same product categories,

considering that the necessary artificial conditions have been created to benefit from multiple support and thus obtain an advantage that runs counter to the objectives of measure 16.4.

- the establishment of Cooperation Agreements between members of the same family.
- farmers do not have equipment specific to the activity, in the sense of preparing the products for marketing and do not prove compliance with the sanitary-veterinary norms.
- lack of a clear and personalized presentation of the project proposed for funding.
- non-fulfillment of the conditions of the guide by the partnership leader.
- partnerships structured identically / almost identically in several projects submitted on sub-measure 16.4, where the project leaders are the Local Councils of the territorial units, a few farmers.
- errors in budgetary calculations regarding the proportion of VAT eligibility.
- lack of farmers in the Partnership Agreement.
- lack of information on the substantiation of expenditure.
- the structure of the partnership does not involve school, health, leisure, public catering, farmers.
- submission of incomplete feasibility studies that do not present information on the technological flow, the investment opportunity, sketches showing the location of the equipment, forecasts on the evolution of the activity.
- lack of information in the Marketing Plan on how the implementation of the project brings added value for farmers and the local community, compared to the situation in which the project would not be implemented.
- multiple inconsistencies in the submitted documents.

Being in Transylvania, the Center Region consists of the following counties: Alba, Brasov, Covasna, Harghita, Mures and Sibiu. A total of 40 projects were evaluated in this region, of which 32 projects concerned sub-measure 16.4 and 8 projects under sub-measure 16.4a. Regarding the distribution by counties of the submitted projects that have reached the evaluation stage in the Center region, this was uneven. The counties of Brasov and Harghita had 16 and 13 projects, respectively Alba and Mures, 9 projects each, while Covasna had 8 projects and Sibiu only 4 projects.

It should be noted that the region is in second place in terms of both the number of projects evaluated and contracted through the two sub-measures, with a total of 17 projects contracted with a total value of 1,540,623.60 euro, of which 13 projects on Sub-Measure 16.4, respectively 4 projects on Sub-Measure 16.4a. In this regard, we cannot fail to notice that out of the total number of projects reached in the evaluation stage, only a percentage of 28.8% were contracted in relation to the North-West Region region, where the contracting percentage was 58.3%.

Following the analysis of the selection reports, we identified the main eligibility criteria that were not met, which led to the rejection, in a proportion of 71%, of the funding projects. The main reasons for granting ineligibility were the following:

- the lack of correlation of the data mentioned in the Marketing Plan with the attached documents.
- providing erroneous data in the application for funding.
- the non-existence of the NACE authorized codes specific to the activity in the agricultural field for the partner-farmers in the Cooperation Agreement.
- the lack of price offers within the Financing Application and the documents attached to it.
- lack of a clear and personalized presentation on the project proposed for funding.
- submission of projects in which a mixture of information and documents taken over from other projects submitted under the same measure was made.

- providing insufficient and omitted information in the answers provided to requests for additional information aimed at clarifying the submitted project.

- lack of compliant offers required for renting the goods.

Being in Muntenia, Bucharest - Ilfov Region includes the city of Bucharest and the counties: Calarasi, Ialomita and Ilfov. A total of 15 projects were evaluated in this region, of which 10 projects covered sub-measure 16.4 and 5 projects under sub-measure 16.4a. Regarding the distribution by counties of the submitted projects reached the evaluation stage in the Bucharest - Ilfov region and in this case the distribution was uneven, as follows: Bucharest 7 projects, Ialomita 4 projects, Calarasi and Ilfov 2 projects each. Subsequently, only one project from Bucharest and one from Ialomita reached the contracting stage.

Following the analysis of the selection reports, we identified the main eligibility criteria that were not met, which led to the rejection, in proportion of 87%, of the funding projects. The high proportion of projects rejected from funding is the same as in the North-East Region, with the two regions recording the worst results in contracting projects on the two sub-measures. Regarding the Bucharest - Ilfov Region, the reasons that were the basis for granting the ineligibility of the projects were the following:

- various deficiencies regarding the submitted documents: those related to agricultural lands, the documents of the legal representative, the certifications attesting that the production is obtained in an ecological system, etc.

- marketing plans that do not present in a clear, concise, detailed and personalized way the proposed activities.

- the lack of authorized NACE codes for the activities that the partners declare to carry out within the framework of the Cooperation Agreement.

- the requirements of the applicant's guide were not taken into account in drawing up the Funding Application.

- the eligibility criteria were not met.

- the members of the Cooperation Agreement also hold membership in other agreements relating to several projects submitted for support in order to promote the same categories of products, considering that the necessary artificial conditions have been created to benefit from multiple support.

## CONCLUSIONS

The two sub-measures of financing through which support is provided for horizontal and vertical cooperation between actors in the supply chain in the agricultural and fruit sectors have attracted the interest of farmers working in the surrounding areas of large cities. Possible explanations for this situation are:

- the level of education of farmers in peri-urban areas which gave them the opportunity to develop long-term relationships with partners in various fields.

- easy access to information and the specialist consultancy market.

- reaching a certain degree of entrepreneurial maturity.

At the moment, small farmers are not yet ready to cooperate and do not understand the real advantages of joining a functional associative form. The costs of joining an associative form, in the perception of farmers, are not reflected in the advantages offered by it. In this context, the emergence of a funding competition to support cooperation between actors in the supply chain is welcome, as project results can become models of good practice for local communities.



The mountainous area of Romania includes 658 territorial units, totaling an area of 71,341 km<sup>2</sup>, respectively 30% of the country's territory (238,391 km<sup>2</sup>). As agriculture is the main economic activity in the mountainous rural area, 18.5% of the people directly involved in agriculture work here. The vulnerability of small farms in the mountain area, with limited prospects for improving economic performance, can only be counteracted by stepping up the process of cooperation in agriculture. In this way the disruptive effects can be successfully inhibited, allowing the increase of the production yield as well as the optimization of the production capitalization.

Taking into account the particularities of the rural mountain area of Romania, through sub-measures 16.4 and 16.4a real progress can be obtained in terms of consolidating the agri-food sector even in the competitive conditions of the market economy. This could reduce the gap in terms of economic and social development, creating a favorable climate in which young people no longer seek easier living conditions and higher incomes, in urban areas or in other countries.

The involvement of the Romanian Academy through the National Institute for Economic Research "Costin C. Kiritescu" and the Romanian Mountain Forum in supporting the establishment and development of cooperation between actors in the supply chain in the agricultural and fruit sectors in the mountain area is appreciated. However, it should be noted that in the context of a funding competition with clearly established and quantifiable rules, special attention must be paid to eligibility criteria, which will lead to superior results in terms of the ratio between the number of projects reached in the evaluation phase and the number of which were also contracted.

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