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Conference Paper

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Provided in Cooperation with:
The Research Institute for Agriculture Economy and Rural Development (ICEADR), Bucharest

Suggested Citation: Stafie, Alina Giorgiana (2012) : Study on accessing European funds for adding value to agricultural and forestry products, In: Agrarian Economy and Rural Development - Realities and Perspectives for Romania. 3rd Edition of the International Symposium, October 2012, Bucharest, The Research Institute for Agricultural Economy and Rural Development (ICEADR), Bucharest, pp. 296-301

This Version is available at:
https://hdl.handle.net/10419/76870

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STUDY ON ACCESSING EUROPEAN FUNDS FOR ADDING VALUE TO AGRICULTURAL AND FORESTRY PRODUCTS

STAFIE ALINA GIORGIANA[1]

Summary:
The study aims to analyze the state of the accessing of European funds for rural development within the Measure 123 (adding value to agricultural and forestry products). The paper develops quantitative and qualitative analysis of specific projects that have been approved under measure 123 of rural development policy in Romania. The analysis follows the evolution in time during four years (2008-2011) of the number of projects submitted for this measure, and especially the number of projects selected and the number of projects that have received the final funding decision. We noticed that, over time, the Measure 123 became a successful solution of investments for Romanian farmers (the last session for receiving projects in 2011 had a real success with a public value of submitted projects four time greater than the approved budget for that session). The measure also met its objectives regarding the type of companies that applied for the European funds: the vast majority is represented by small and medium enterprises. Although the average numbers for accessing this measure improved in 2010 and 2011, disparities between development regions are evident.

Keywords: *rural development, European funds, measure 123, adding value to agricultural and forestry products.*

INTRODUCTION

Romania's EU accession brought to Romanian farmers an enlargement of opportunities for agricultural activities by opening the European market, but at the same time it came with an intensification of the competition. European standards of quality and food safety constrain farmers to seek solutions in order to increase the competitiveness of their products to suit the most demanding requirements of the common market.

Measure 123 of the National Rural Development Program for 2007-2013 is part of the first priority direction for the rural development: Axis 1. The principal objectives of the Axis 1 is to focus on measures aimed at promoting knowledge and improving human potential (information actions, establishment of young farmers), restructuring and developing physical potential (modernization of agricultural and forestry holdings by introduction of new technologies), improving the quality of production and products (assist farmers in adapting to the demanding rules adopted in EU legislation, encourage farmers to adopt quality food schemes).

In Romania, the measure 123 have specific objectives such as: development of new technologies and procedures in order to obtain competitive products, adaptation to EU standards, improvement of the farmers income by increasing the added value of agricultural products, improvement of the processing and the marketing of agricultural products.

Through its specific objectives very ambitious, but also through the large amounts of money that can be accessed within this measure (one of the measures that receive most sums, the maximum grant rate in the total project can be up to 50 %), measure 123 is one of high importance for rural development in Romania. Hence the importance of analyzing farmers access to European funds available under this measure and the adjustment of the mandatory requirements to be met by farmers in order to improve access to the European funds and to assure the right implementation of the measure 123 objectives.

MATERIAL AND METHODS

In order to analyze the degree of access to European funds, quantitative methods both descriptive and analytical were used. The source of data is represented by the data available on the Paying Agency for Rural Development and Fishery website, in particular the practical information for the approved projects from 2008 until the end of 2011. The correlation between the results of the

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analysis of the contracted projects within the measure 123 and the objectives of this measure (specified in the official documentation) have permitted a better understanding of the impact of current projects on rural development in Romania.

RESULTS AND DISCUSSIONS

Since the beginning of the implementation of the rural development policy in Romania for the period 2007-2013, in March 2008 (when the European Commission approved the National Rural Development Program) and until the end of 2011, the Measure 123 received a total number of 1242 projects submitted with a public value of 1.264.346.587 euro. In 10 sessions that were organized until the end of 2011, a number of 751 of the submitted projects were selected by the authorities with a public value of 495.631.968 and a number of 499 of projects received the final funding decision (which represents around 85,21% of the total value approved for Measure 123 until 2013). The payments made for the same period of time have a public value of 142.734.080 euro, therefore the usage of European funds for this measure is around 24,54% (Table 1).

The usage of European funds for measure 123 is below the average of usage of European Funds for rural development (about 41%). For example, the Measure 123 has a lower usage that the Measure 121 (modernization of agricultural farms) and a higher usage than measure 125 (improving and developing infrastructure related to the development and adaptation of agriculture and forestry).

Table 1. The number and the public value of the projects within the Measure 123 and the payments made

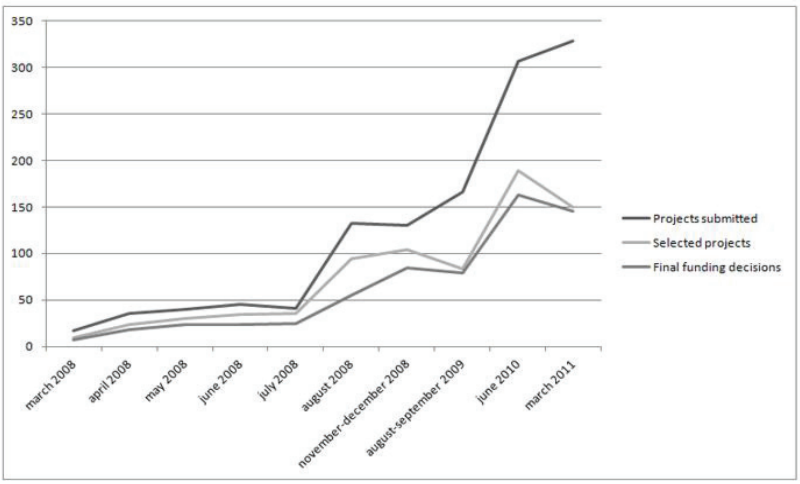
	Projects submitted		**Selected projects**		**Final funding decisions**		**Payments made**
Measure	Number	Public Value	Number	Public Value	Number	Public Value	Public Value
123	1.242	1.264.346.587	751	758.612.236	499	495.631.968	142.734.080

Source: www.apdrp.ro

The analysis of the evolution of the number of projects since the first session in March 2008 show that the number of submitted projects increased from 17 in March 2008 up to 329 in March 2011 (Graphic 1). If the average number of the projects submitted within the first 5 sessions was around 35 / session, since August 2008 the number increased significantly up to over 100 projects. The last two sessions in June 2008 and March 2011 received a greater number of submitted projects: over 300.

If for the very first session in March 2008 the total value of the submitted projects was two times less than the approved funds for that session, in March 2011, the public value of the submitted projects was four times bigger than the available amount for this session. These figures show a growing interest of farmers for investments that add value to agricultural and forestry products.

Graphic 1. Evolution of the number of projects over time



Data source: www.apdrp.ro

Except the Bucuresti-Ilfov region who has specific characteristics (being especially an urban area and where the maximum grant rate in the total project can be up to 40 %), we notice three regions that received the fewest projects: South-West, North-East and Centre. At the opposite two development regions received a number of contracted projects over the average: South and South-East (Table 2).

Table 2. The number of contracted projects by development regions

Region	Contracted projects for Measure 123
North - East	44
South - East	103
South	127
South - West	41
West	61
North -West	67
Centre	42
Bucuresti - Ilfov	11

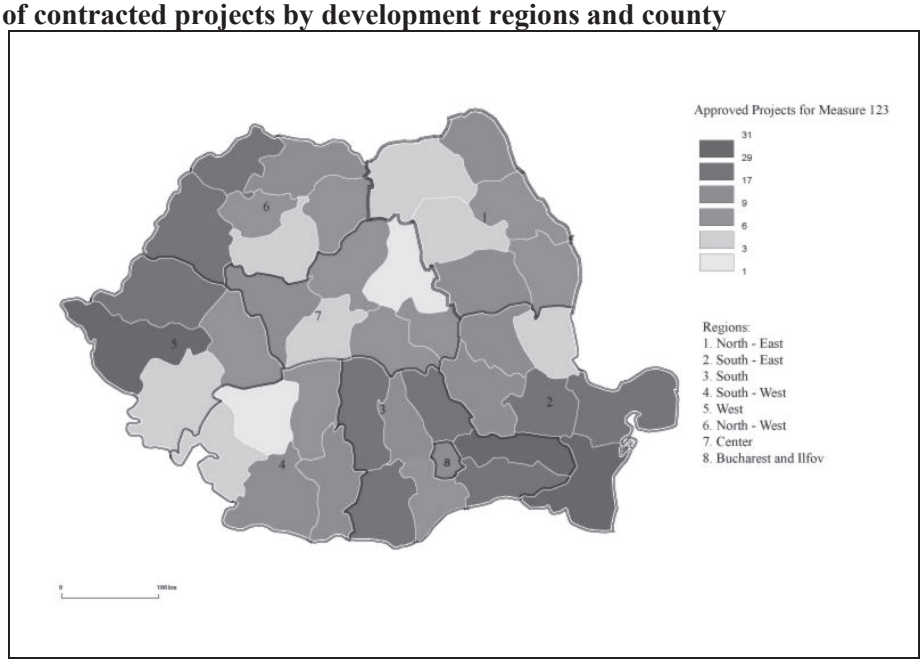
Source: www.apdrp.ro

Although North-East region is the largest region of the country and benefiting from harmonious forms of relief, it was not able to generate investment by through Measure 123. This is explained by the fact that it is the least developed region of Romania [1]. South-West region also shows a low level of development. The increasing number of people employed in agriculture, crumbled land and the use of less advanced technologies explain the low level of access to European funds [1]. Central region has a population concentrated mainly in urban area and relief forms of highlands predominate. Industry and services also are developed at the expense of agriculture [1].

The South region, although it shows a low level of development in the south counties, was able to obtain the largest number of approved projects. The explanation could reside in the fact that the majority of the population lives in rural areas and the reliefs forms stimulate farming.

The map of the contracted projects by county (Image 1) shows that the largest number of projects was obtained in the counties: Ialomiţa, Constanţa, Timiş, Teleorman, Brăila, Satu-Mare, Arad. Except Bucureşti, two counties had only one project approved: Gorj and Harghita.

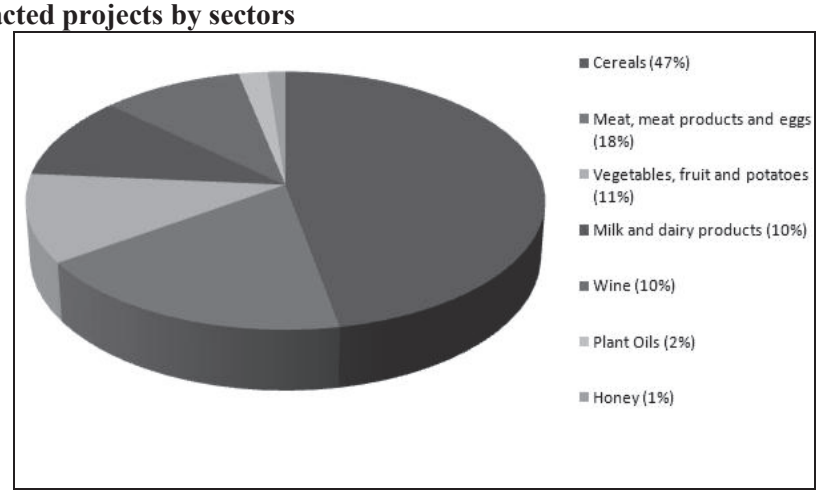
Image 1. Map of contracted projects by development regions and county



Source: www.apdrp.ro

The figures in Graphic 2 show that the main beneficiary of the measure 123 is the cereals sector with 47%, almost half of the total contracted projects. The cereals sector is followed by the meat, meat products and eggs sector with 18%. We also notice a significant percentage of the wine sector (10%).

Graphic 2. Contracted projects by sectors



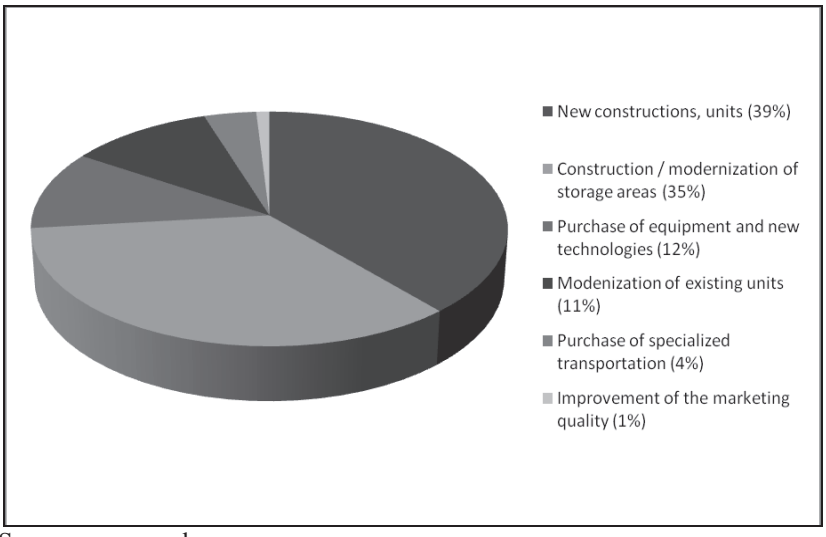
Source: www.apdrp.ro

The Measure 123 allow investments for a variety of actions:

- new constructions or modernization of buildings used for the production process, including constructions for environmental protection, internal infrastructure and utilities
- acquisition of new machinery, installations, equipment
- new constructions or modernization for the storage of products
- investment to improve the internal quality control of raw materials, supplies, products
- investments to produce and use renewable energy
- acquisition of new specialized transport means, needed for production;
- software acquisition [2].

The analysis of the types of investments shows that the majority of projects focused on new constructions or the construction / modernization of storage areas. Only a small percentage (1%) proposes investments in intangible assets, such as improving the marketing of products. But in these cases too, the investments also focused on tangible assets (such as improving the production quality).

Graphic 3. The types of investment



Source: www.apdrp.ro

Only 4% of the total contracted projects are ecological projects (producing ecological agricultural products, using wastewater treatment or using renewable energy sources). EU rural development policy attaches great importance to environmental protection and the promotion of ecological agriculture is a solution from from which the agriculture in Romania can benefit. The ecological agriculture provides a viable response to the new market requirements, constitute a guarantee for protecting the environment, a solution to sell products at a price 20-60% higher, an opportunity to revitalize rural areas [3].

The analysis of the legal status of the companies receiving approval for projects within the Measure 123, denote that the measure is successful for small and medium companies, family associations.

Table 2. Legal status of companies receiving approval for their projects

Private limited company	Public limited company	Agricultural cooperative	Family business	Individual enterprise	Authorized person
432	40	7	7	7	3

Source: www.apdrp.ro

The agricultural cooperatives have the projects with the largest amount of public value (between 2 million and 3 million euro – only agricultural cooperative can submit projects with a public value greater than 2 million). Family business and individual enterprises obtained approval for projects with a public value between 100 000 and 1 million euro.

The classification of the projects by their public value indicates that the most projects have a public value between 1 million and 2 million euro. The second category after the number of projects it is represented by projects with a public value between 100 000 and 500 000 euro.

Table 3. Classification of projects by their public value

Public value <100 000	100 000 - 500 000	500 000 - 1 000 000	1 000 000 - 2 000 000	2 000 000 - 3 000 000
29	144	110	196	18

Source: www.apdrp.ro

The largest amount are used for projects in the cereal sector; projects with a public value between 1 million and 2 million euro belong to cereal sector, fruits and vegetables sector, wine sector and meat sector; projects with a public value between 500 000 and 1 million euro belong to meat sector, fruits and vegetables sector, wine sector and milk sector; projects with a public value between 100 000 and 500 000 belong to cereal sector, milk, fruits and vegetables sector, meat sector and wine sector; projects with a public value below 100 000 belong to honey sector, cereal sector, milk sector.

CONCLUSIONS

Although initially less used by farmers, the Measure 123 has become very attractive to agricultural producers. It has a good rate of usage of the European Funds, particularly if the last two sessions are counted (except for the first sessions, not very encouraging). The types of companies that obtained the approval for projects within this measure are especially small and medium companies which are the targeted category of companies for this measure.

If the average figures for this Measure are positive, the analysis of the distribution of projects by regions shows clear disparities, especially in regions left behind in economic development. Even though the measure permits investments in intangible assets, only a very small percentage of farmers used this type of investments. We can also note that the ecological projects approved form a very small group (ecological agriculture can be a huge opportunity for the Romanian agriculture and for rural development).

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