STUDY UPON THE DEGREE OF ABSORPTION OF THE FUNDS ALLOCATED FOR RURAL DEVELOPMENT

STUDIU PRIVIND GRADUL DE ABSORBŢIE A FONDURILOR DESTINATE DEZVOLTĂRII RURALE

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Abstract: *The access and absorption of European funds represents the greatest challenge for the public administration, the business environment and the nongovernmental sector.The usage of European funds embodies an opportunity for Romania's economical development, in the context where using the funds would mean an annual capital input representing, as a weight factor, up to 5% from the gross domestic product. Exiting the economical crisis depends on the optimization and efficiency of the absorption of substantial funds destined for Romania in the period 2007-2013. In this paper the authors analyze the situation of the projects funded by NRDP from the Agriculture Fund and Rural Development (EAFRD) in Romania. Present aspects of the submitted project's situation, eligible, selected, contracted and partially paid and completed by measures implemented until april 12, 2012.*

Key words: *funds, absorption, eligible, paid*

INTRODUCTION

Started more than one year later than scheduled, the implementation of the National Program of Rural Development for 2007-2013, with non-refundable funds of over €10 billion is in full progress.

RESULTS AND DISCUSSION

Until 2013, €10,097,083,737 will be allocated through PNDR for agriculture and rural development. They are given to:

- *investment projects:* €6,953,014,326 through 12 measures (M112, M121, M123, M125, M312, M313, M322, M141, M142, M431, M511, M221) and three State aid scheme (XS13/2008, XS28/2008, N578/2009);

- *direct payments* €2,722,382,704 through four measures: (M211, M212, M214, M611)

Table 1.

Situation of NRDP projects - 12.04.2012 (Euro)

Measure		Applications		Selected projects		Contracts / approvals for payment		Payments
		No.	Public value	No.	Public value	No.	Public value	Public value
111						15	13.079.499	6.035.823
112		14.520	357.646.066	7.752	158.780.514	7.014	142.720.035	86.855.077
121		6.116	2.362.752.169	2.273	939963.224	1.969	750. 621.338	352.782.829
123		1.242	1.264.346.586	751	758.612.236	594	561.481.571	157.205.912
Scheme XS 13/123A/2008		247	113.706.025	215	101.626.174	157	67.336.441	45.847.627
Scheme XS 28/123F/2008		177	78.896.763	157	67.450.879	94	35.674.426	26.067.895
Scheme N578/2009		320	228.899.694	232	176.523.754	203	140.266.871	7.088.298
125		1.604	1.694.493.132	417	462.120.545	285	334.342.151	30.507.647
141		63.359	475.192.500	48.512	363.840.000	41.189	308.917.500	87.433.696
142	**NRDP**	40	6.351.850	40	6.351.849	26	3.861.410	598.719
	Transferred SAPARD					3	69.794	47.420
143						7	12,415,223	-
312		6.533	890.539.766	2.357	311.752.580	2.164	287.319.463	171.592.647
313		1.697	284.242.695	1.292	217.566.660	1.082	178.709.521	26.362.664
322		3.225	7.630.432.311	739	1.779.991.655	638	1.531.136.4655	720.553.116
431.1	**stage 3**	112	4.920.162	111	4.827.533	101	4.201.985	3.205.795
	stages 1+2					8	1.704.000	1.657.317
431.2							81	42.685.611
511							63	28.840.578
Guarantee schemes							2	220.000.000
211								
212								
214	**NRDP**							730.815.266
	Transferred SAPARD					1	9.498	7.837
221	**NRDP**	42	4.042.780	15	2.409.224	14	2.401.120	0
	Transferred SAPARD					3	13.796	11.452
611								394.993.468
TOTAL		**99.238**	**15.396.462.499**	**64.863**	**5.351.816.828**	**55.713**	**4.667.808.296**	**3.691.070.386**

Source: The Ministry of Agriculture and Rural Development;

After analysing the data, we found that, in Romania, the total situation of non-refundable funds on april 12th 2012 was the following:

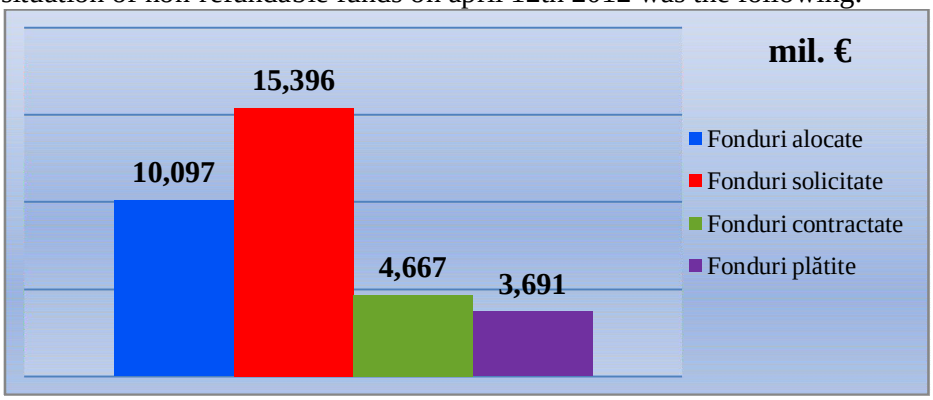


Figure 1. The situation of non-refundable funds (12.04.2012)

- Non-refundable sums allocated through NRPD until 2013: €10.097 billion – 100%.

- Non-refundable sums requested until April 12th 2012: €15.396 billion – 152,5%.

- Non-refundable funds contracted until April 12th 2012: €4.667 billion – 46,2%.

- Non-refundable funds paid until April 12th 2012: €3.691 billion – 36,5%.

From the analysis of the data on contracting grants in the period between March 2008 and April 2012, one can conclude that 99.238 valid applications were submitted at APDRP, with a total value of payments of over €15.396 billion.

Of these, 64.863 financing requests, with total value €5.351 billion were selected for funding.

In the same period, 55.713 funding contracts were signed with the beneficiaries, with a total non-refundable value of over €4.667 billion. The total sum of the payments made until April 12th 2012 was €3.691 billion.

After the procurement stage and the realization of a first part of the investment, the beneficiaries who signed financing contracts with APDRP submit a payment request in which they present the expenses incurred and request the settlement of a certain percentage (set in the financing contract) of the value of the payment request. The basic principle of non-refundable financing is that of settlement, of re-imbursement of the expenditures previously incurred for the beneficiary.

In Romania, non-refundable allocation through NRDP until 2013 on the main measures is the following:

- **Measure 112 "Setting up Young Farmers"**

- Total allocation for setting up young farmers was €337.221.484 – 100%.
- Projects submitted for non-refundable financing: 14.502 projects, public value €357.646.066 – 106%.
- Selected and contracted projects 7.014 projects with public value €142.720.035 - 42,32%.
- Instalment payment made by APDRP for young farmers €86.855.077 – 25,75%.

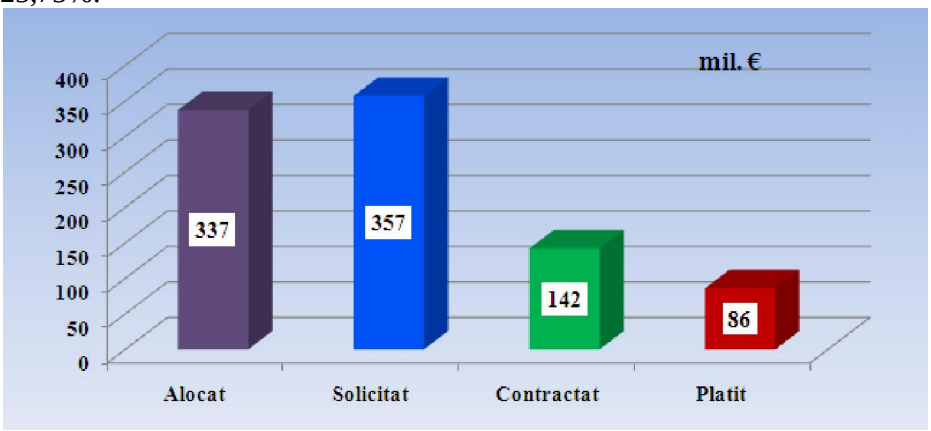


Figure 2. The situation of the funds disbursed through Measure 112 "Setting up Young Farmers" (12.04.2012)

- **Measure 121 "Modernization of Agricultural Holdings"**

- Total allocation for the modernization of agricultural holdings: €913.394.603 – 100%.
- Projects submitted for non-refundable financing 6.116 projects, public value €2.362.752.169 – 258,59%.
- Selected and contracted projects 1.969 projects with total public value of €750.621.338– 82,17%.
- Instalment payment made by APDRP for the modernization of agricultural holdings: €352.782.829 – 38,62%.

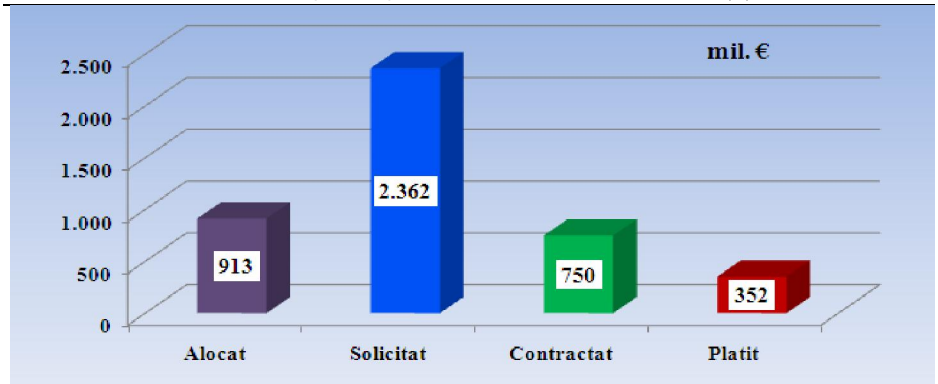


Figure 3. The situation of the funds disbursed through Measure 121 "Modernization of Agricultural Holdings"(12.04.2012)

- **Measure 123 "Adding value to agricultural and forestry products"**

- Total allocation for adding value to agricultural and forestry products was €999.243.407 – 100%.
- Projects submitted for non-refundable financing: 1.242 projects, public value €1.264.346.587 – 126,50%.
- Selected and contracted projects 591 projects with public value €561.481.571 - 56,19%.
- Payments made by APDRP for processing the products €157.205.912 – 15,73%.

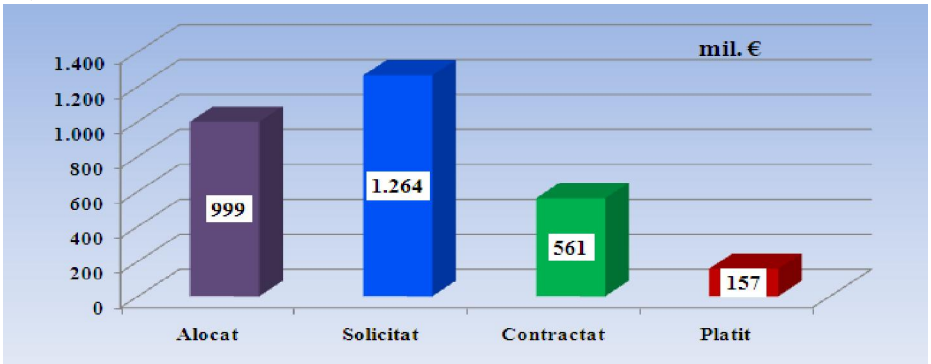


Figure 4. The situation of the funds disbursed through Measure 123 "Adding value to agricultural and forestry products" (12.04.2012)

- **Measure 141 "Supporting semi-subsistence agricultural farms"**

- Total allocation for supporting semi-subsistence farms was €476.077.390 – 100%.
- Projects submitted for non-refundable financing: 63.359 projects, public value €475.185.000 – 99.80%.
- Selected and contracted projects: 41.189 projects with public value €308.917.500 – 64,88 %.
- Payments made by APDRP for supporting semi-subsistence agricultural farms € 87.433.696 – 18,36%.

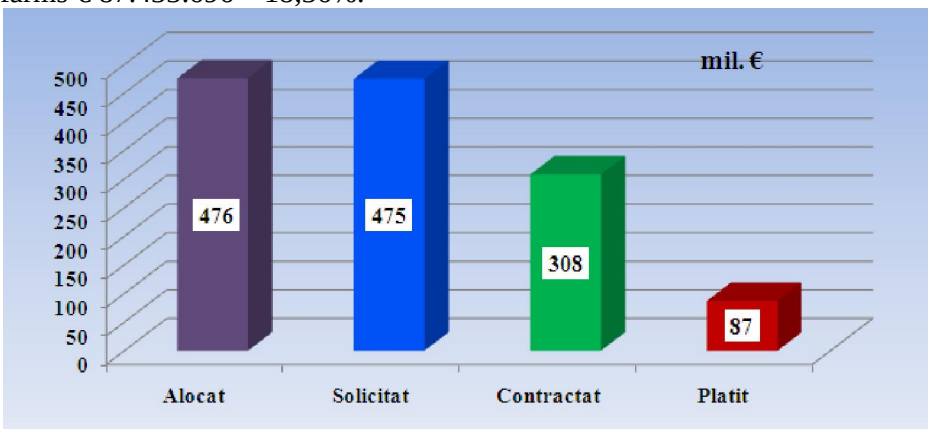


Figure 5. The situation of the funds disbursed through Measure 141 "Supporting semi-subsistence agricultural farms" (12.04.2012)

- **Measure 221 "First afforestation of agricultural lands"**

- Total allocation for first afforestation of agricultural lands was €229.341.338 – 100%.
- Projects submitted for non-refundable financing: 46 projects, public value €4.042.780 – 1,76%.
- Selected and contracted projects: 14 projects with public value € 2.401.120 – 1,04%.
- Payment made by APDRP for first afforestation of agricultural land €0 – 0%.

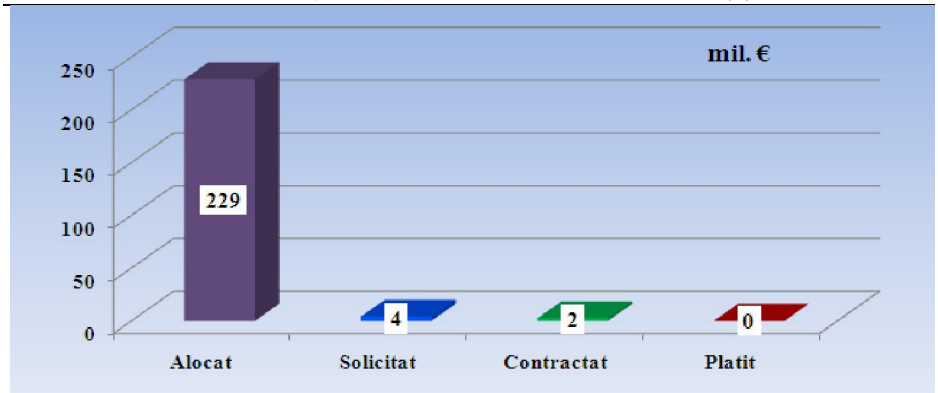


Figure 6. The situation of the funds disbursed through Measure 221 "First afforestation of agricultural lands" (12.04.2012)

- **Measure 312 "Support for the creation and development of micro enterprises"**

- Total allocation for micro enterprises was € 385.237.628 – 100%.
- Projects submitted for non-refundable financing: 6.533 projects, public value € 890.539.766 – 231,17%.
- Selected and contracted projects: 2.164 projects with public value €287.319.463 – 74,58%.
- Payments made by APDRP for developing micro enterprises €171.592.647– 44,54%.

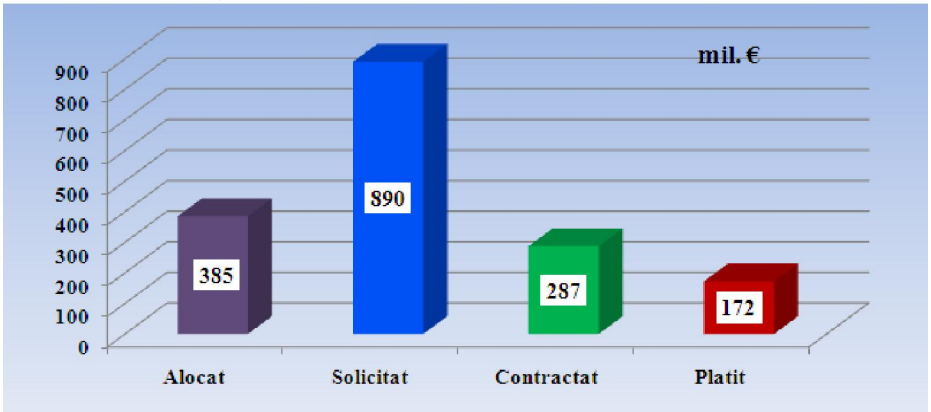


Figure 7. The situation of the funds disbursed through Measure 312 "Support for the creation and development of micro enterprises" (12.04.2012)

Measure 313 "Encouraging tourism activities"

- Total allocation for supporting tourism activities was €534.682.774 – 100%.
- Projects submitted for non-refundable financing: 1.697 projects, public value €284.242.695 – 52,81%.
- Selected and contracted projects: 1,082 projects with public value €178.709.521– 33,42%.
- Instalment payments made by APDRP for investments in tourism activities €26.363.664– 4,93%.

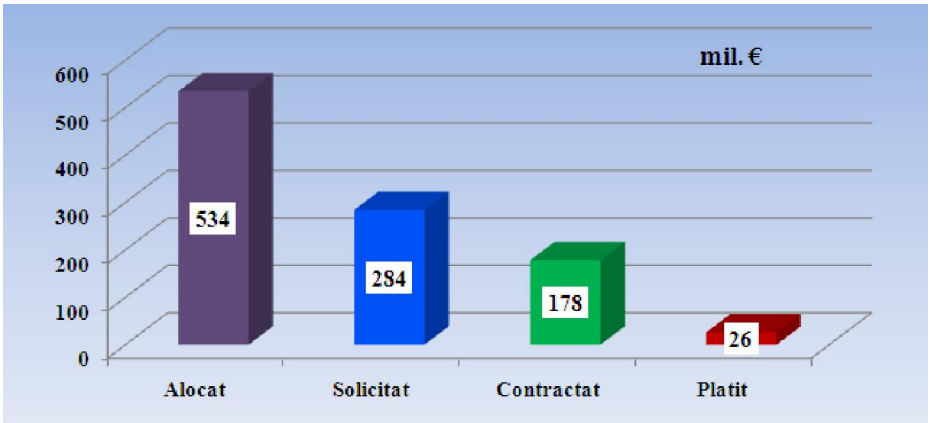


Figure 8. The situation of the funds disbursed through Measure 313 "Encouraging tourism activities" (12.04.2012)

Measure 322 "Village renewal and development"

- Total allocation for renovating and developing villages was €1.570.127.631 – 100%.
- Projects submitted for non-refundable financing: 3.225 projects, public value €7.630.432.311 – 485,98%.
- Selected and contracted projects: 638 projects with public value €1.531.136.465 – 97,51%.

- Payments made by APDRP for investments in the development of the rural area €720.553.116 – 45,85%.

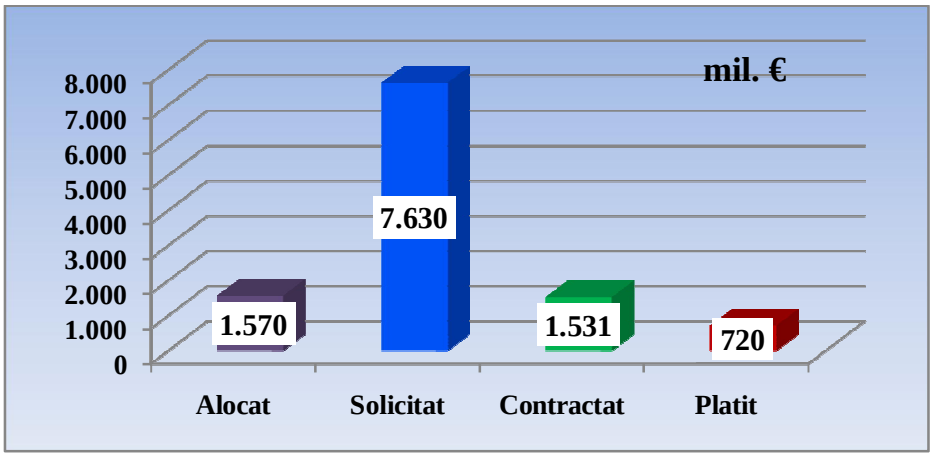


Figure 9. The situation of the funds disbursed through Measure 322 "Renewal and development of villages"(12.04.2012)

After the first four years of active implementation of the National Program for Rural Development 2007-2013, unfortunately Romania has not succeeded in absorbing properly the funds for rural development, as, at the end of 2011, only 46,2% of the funds were contracted and only 36,5% of the sums were absorbed. Nevertheless, this absorption degree puts the National Plan for Rural Development of Romania on the first place in the hierarchy of European Funds, as the average absorption of structural and cohesion funds is of only 15,08% in Romania.

The investments in the rural public infrastructure (M 322 and M 125), with allocated funds of over 2 billion euro, were the most requested, due to the fact that they are fully financed from public resources. In the case of measure 322, "Renovation, village development, conservation and the enhancement of the rural legacy", the requirements for the submitted projects exceeded, with over 4.85 times, the available funds of approximately 1.57 billion euro. Even if the project selection for this measure was practically exhausted, their accomplishment on the field is still in an incipient form, due to the deficiencies that appeared in the layout of

public attainments that delayed the beginning of the proceedings. Thus, even if APDRP discounted the beneficiaries of this measure a sum of approximately 720 billion euro, the performed payments predominantly represent sums offered in advance for the start of proceedings. Also, in the case of measure 125, "Enhancement and development of infrastructure related to the development and adapting of agriculture and forestry", funds worth 0.48 billion, offered at an auction for financing investment projects, were over-subscribed almost twice. This measure's late start affected the selection procedure, which was canceled, causing the delay of project implementation until the end of June.

Investments destined for private beneficiaries of the measures of Axis 1 (M 121 and M 123), with irredeemable funds of over 1.9 billion euro allocated for project co-financing, enjoyed a great interest from solicitants. However, they were selected and contracted in a proportion of 55-60%, due to the fragmentation of allocations per project submitting sessions. Imposing a project submitting session calendar by the Authority of Management within the Ministry of Agriculture and Rural Development led to the exclusion, from financing, of an important number of eligible projects, due to exceeding the debt ceiling of auctioned funds. This generated a series of complaints from the solicitants, as well as an over-solicitation of the evaluation compartments within APDRP. Although the first financing requirements for measure 121, "Modernization of agricultural exploitations", were submitted in March 2008, until April 2010 only 0.352 billion euro (39%) were actually paid from the 0.913 billion allocated though the program, even if the submission volume of requests was over 2.362 billion euro.

In this period, for the financing requests submitted in the area of measure 123 "Growth of added value for agricultural and forestry products", the beneficiaries were paid a sum of 0.157 billion euro (cca.16%) from the almost 1 billion euro allocated and 0.561 billion euro contracted, indicating serious delays into the project's function and working mechanism. The main shortage indicated by the beneficiaries, which led to delaying the investments, was the lack of project co-financing ability in difficult conditions of bank crediting, due to the economical crisis, even if, through the program, guarantee funds of credits with 0.220 billion euro were

capitalized and the possibility of offering advances for financing the beginning of proceedings was introduced.

CONCLUSIONS

After processing and interpreting the data, the authors of this paper have identified the main difficulties Romania faces when it comes to accessing non-refundable funds. These difficulties are presented below:

- The fact that 2007 to 2013 only 36,5% of the sums allocated for investments through NRPD were actually paid, proves **low absorption of funds** for investment measures. It also indicates low degree of implementation of such investment projects. One of the main problems is **bureaucracy**, which is strongly manifested in all EU structures.
- Another issue is the **lack of transparency of the clerks** who manage the process of granting structural funds, and periodic delay of the deadlines for submitting projects.
- Although the Romanian business environment and the local authorities could have benefitted from non-refundable sums starting from January 1st 2001, these funds could not be accessed before January 2008, in the best cases. During all this time, it was the European Community, and not Romania, that benefitted from the money allocated for these projects and the related interests.
- Still, the major problems started when the programs were launched, because of: Applicant's Guides issued in haste; unclear selection criteria that left room for various interpretations by representatives of intermediary organizations; rules changed during the submission sessions (thus some projects became non-eligible overnight or they got lower scores); delays in announcing the selected projects; delays in signing contracts with the beneficiaries who had been selected for financing.
- The **impossibility of beneficiaries to finance or co-finance the projects** is another problem. It is a known fact that a major problem of Romanian small and medium enterprises is that they lack the money they need for having their own input in financing their investments. This is a serious setback, since an important principle of financing programs is that first, the beneficiaries invest their own money, and after that, their eligible expenses are settled by non-refundable sums.

- In Romania, the **low expertise of beneficiaries in drafting projects** is considered a major hindrance for managing structural funds, while poor information regarding the financing possibilities from structural funds represents another serious problem. In order to eliminate these deficiencies, most beneficiaries tend to use a specialized firm for drafting the project. This firm works in the domain permanently, and sometimes changes appear that only somebody who works in the system will know of in time to draft a project with higher chances of being accepted. The investment necessary in order to work with such a firm is not extremely big either. The commission for a project ranges within the limits of 3% to 5% of the project value, depending on the complexity of the project. Moreover, this commission is partly covered by the eligible expenses.
- Creating a virtual space where people can check at any time the stage of the evaluation for their submitted projects would give submitters access to see their scores, and they would be able to see the weak points of their documentations. In this way, a greater transparency of the project evaluation process would be promoted, and at the same time people could assimilate the "good practices" resulted from correcting the imperfections that led to some projects being rejected.

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