

AN ANALYSIS OF THE PROJECTS IMPLEMENTED THROUGH MEASURE 112 – SETTING UP YOUNG FARMERS IN TIMIS COUNTY

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Abstract: Community support to rural policy is a requirement in the conditions of reducing and eliminating intervention prices and the decoupling of direct payments from production, because in this way you can ensure the restructuring of agricultural sector and developing of relationship between rural and urban areas. In terms of the size of funds allocated from the EU budget to finance the rural development measures, Romania is positioned fourth of all European Union member countries, after Poland, Italy and Germany. The amount allocated to Romania, 8124.2 billion EUR is a significant amount, representing 8.4% of the size of rural development funds allocated to Member States of the EU budget. Allocations from the EU budget for the rural development measures reach 8124.2 million euros (80.46%), much above the financial support level of the National Rural Development Programmes in other countries; Romania's contribution is 19.54%, namely 1972.9 million euros. Axis 1 priorities relate to the better capitalisation of the rural potential, as well as improved competitiveness to add more value to agricultural and forestry products. Emphasis is laid on the modernisation and restructuring of agricultural holdings with new technology and innovations. As far as the effective implementation of the NRDP under Axis 1 is concerned, the general situation is satisfactory. The measures related to structural changes have been less effective than those related to improving productivity and setting up new companies. The low degree of measure implementation, partly caused by the low number of finalised projects, is a threat for their results, especially for those measures that involve private investments. As far as the level of absorbing European funds allocated through EAFRD in Timis County is concerned, the analysis of the data presented above reveals that the amount of 2.709 million euros paid for Timis County under Measure 112 accounts for only 0.8% of the total sum of 337.221 million euros allocated for the country and only 27.48% for the 5 West Region.

Key words: projects, measure 112, young farmers, rural policy

INTRODUCTION

Since 2007, Romania has been a member of the European Union and has taken its first steps on the EU market. The restructuring, modernisation and development of the agricultural, forestry and wood processing sector are a great challenge in improving their competitiveness. Efforts must be made to integrate the EU common agricultural policy instruments within the national policies and other structural funds in order to use all available resources and coordinate these instruments to support rural development in Romania. There are great disparities concerning the GDP per capita between the EU Member States. To eliminate such disparities, EU promotes a strong cohesion policy for 2007-2013 based on three objectives: convergence, regional competitiveness and employment, and territorial co-operation (figure 1).

These objectives will be achieved with financial support given to the member states from the following [5]: the European Regional Development Fund (ERDF); the European Social Fund (ESF); the Cohesion Fund (CF); the European Agricultural Fund for Regional Development (EAFRD).

In order to access community funds, EU Member States must draw up programme documents that indicate the fields towards which the EU financial assistance will be oriented.

The Romanian rural area is interested in the European Agricultural Fund for Regional Development, which will co-finance the rural development policy.

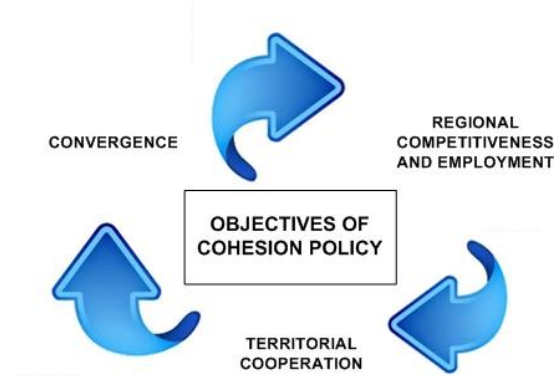


Figure 1: Cohesion policy objectives

The purpose of this policy is to increase the economic dynamism of Romanian rural areas, to maintain social dynamics, to develop sustainable agriculture and to preserve and enhance natural resources. In December 2005, the National Development Plan (NDP) for 2007-2013 was finalised. It is an instrument that prioritizes the public investments through which Romania will attempt to reduce its socio-economic disparities as soon as possible. The NDP has established the allocation of public funds to investments that have a significant impact on the economic and social development. The public funds are allocated from domestic sources (the State budget, local budgets etc.) or external sources (structural and cohesion funds, EU funds for rural development and fisheries, external credits etc.).



Figure 2: National Development Plan priorities

Of great importance for NRDP is the drawing up of the National Strategic Plan for

Rural Development for 2007-2013. This document establishes the priorities and the directions of rural development in close connection with the community priorities. The National Strategic Plan is the basis for the implementation of the National Rural Development Programme 2007-2013. The National Strategic Plan was based on Council Regulation (CE) No. 1698/2005 of September 20th 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

The **National Rural Development Programme** is intended to achieve a series of **objectives** such as increased competitiveness in the farm food and forestry sectors, improved environment and countryside, improved quality of life in rural areas and diversification of rural economy and local development in rural areas. These objectives are achieved through the implementation of measures for each axis [5].

The supporting operations of the National Rural Development Programme focus on four priority axes: [2]

- **Axis 1** – “Increase competitiveness in the farm food and forestry sectors”. Emphasis is laid on improving efficiency in the agricultural and forestry sectors to prepare them to cope with the specific competition of an open business climate.

Support will be oriented towards small and medium enterprises that are considered more capable than larger companies to develop new products and capitalise local resources through innovation and adaptation. The priorities of this axis take into consideration both the development needs and the necessity to continue certain measures that were started in the pre-accession stage.

- **Axis 2** – “Improving the environment and the countryside”. The general objective of Axis 2 is to improve the environment in rural areas and to preserve biodiversity through sustainable management of agricultural and forestry land.

This axis also encourages measures that protect the soil against erosion (cover crops).

- **Axis 3** – “Improved quality of life in rural areas and diversification of rural economy”. The strategic objectives of this axis are to increase quality of life in rural areas, to diversify the rural economy and to promote and improve the human potential.

The measures taken under this axis deal with rural community as a whole, they support the development of rural enterprises based on natural resources, encourage tourism, villages and environment-related initiatives and provide alternative employment opportunities for the rural population. These measures were chosen so as to correspond to the weaknesses of the rural area (low income, excessive dependence on subsistence farming, reduced entrepreneurship abilities, inadequate infrastructure) and the strengths of the country (high-value natural resources, rich cultural heritage etc.)

- **Axis 4**, “LEADER”, aims at supporting rural development through improved local governance and promoting endogenous potential. The LEADER approach will contribute to the achievement of the objectives of Axis 1, Axis 2 and Axis 3 through integrated local development strategies and innovative measures.

Each axis establishes concrete measures to be taken under the National Rural Development Programme. These measures depend on the type of investment and the fields concerned.

Axis 1 priorities relate to the better capitalisation of the rural potential, as well as improved competitiveness to add more value to agricultural and forestry products. This axis assists semi-subsistence farming in family farms as well as the modernisation of commercial agriculture in family farms and larger enterprises. Emphasis is laid on the modernisation and restructuring of agricultural holdings with new technology and innovations. This will allow the

balanced quantitative and qualitative development of the primary production sector in relation to product processing and trading sectors. Modernisation and restructuring of agricultural holdings will increase quality and biological production and will diversify production, including renewable energy production and use and cross-compliance. Competitive performance involves turning semi-subsistence farms into family farms; transferring agricultural holdings from older farmers especially to younger farmers, to invigorate the labour force employed in agriculture and to improve management; increasing agricultural holdings size and creating farm associations for common product marketing.

The support for increasing competitiveness in the agricultural and forestry sectors will be provided for small and medium enterprises that are able to capitalize local potential and increase the value of local products, especially traditional products. Improved land and forest management and increased competitiveness in agriculture and forestry require investment support for high access level, better water source management and providing utilities for agricultural holdings.

The non-refundable EAFRD aid for this axis in 80% of the public support and concerns the following measures: [5]

- 111 - Vocational training and information actions;
- 112 - Setting-up of young farmers
- 121 - Modernisation of agricultural holdings
- 122 - Improving the economic value of forests
- 123 - Adding value to agricultural and forestry products
- 125 - Improved infrastructure related to the development and adaptation of agriculture and forestry
- 141 - Supporting semi-subsistence farming
- 142 - Producer groups
- 143 - Advisory services for farmers.

Measures under Axis 1 aim at increasing competitiveness in the farm food and forestry sectors in Romania.

Table 1 shows the correlation between the strategic objectives, the specific objectives and the measures to be taken under Axis 1 and co-financed via NRDP.

Table 1

Correlation between strategic objectives, specific objectives and measures suggested under Axis 1

Strategic objectives	Specific objectives	Measures – Axis 1
Improving the competences of farmers and other people working in the agri-food and forestry sectors, for a better agricultural holdings and forestry management	Supporting farmers and other people working in the agri-food and forestry sectors, in order to enhance human capital by helping them to adapt to the new context	111 Vocational training and information actions 114 Use of advisory services
Improving competitiveness of commercial and semi-subsistence farming	Accelerating structural adaptation of agriculture and encouraging semi-subsistence farms to enter the market	112 Setting-up young farmers 113 Early retirement of farmers and agricultural workers, accelerated structural adaptation of agriculture and encouraging semi-subsistence farms to enter the market 141 Supporting semi-subsistence farming, modernisation of agricultural holdings 121 Modernisation of agricultural holdings 125 Improved infrastructure related to the development and adaptation of agriculture and forestry

Restructuring and modernisation of agricultural and forestry product processing and trading sectors	Supporting the agri-food producer groups industry	142 Creating and supporting the agri-food producer groups industry
	Improving and developing forestry products	123 Increasing the value added to agricultural and forest products 122 Improving the economic value of forests

Source: ***, *NRDP 2007-2013*, 8th version, March 2012

The sum allocated to Romania, 8124.2 million euros, is an important amount accounting for 8.4% of the total rural development funds allocated to the Member States from the EU budget. Table 2 shows the overall allocation by axis in 2007-2013.

Table 2

Financial plan by axis (Romania, 2007-2013) – total amount

Axes	Public contribution		
	Total public contribution (mil. €)	FEADR + PERE (%) contribution	FEADR + PERE amount (mil. €)
Axis 1	4024,7	80,00	3219,7
Axis 2	2326,6	82,00	1907,8
Axis 3	2509,5	80,00	2007,6
Axis 4	235,1	80,00	188,0
Technical assistance	376,1	80,00	300,9
Complements to direct payments	625,1	80,00	500,1
TOTAL	10097,1	80,46	8124,2

Source: ***, *NRDP 2007-2013*, 7th version, July 2011

Allocations from the EU budget for the rural development measures reach 8124.2 million euros (80.46%), much above the financial support level of the National Rural Development Programmes in other countries; Romania's contribution is 19.54%, namely 1972.9 million euros. The public contribution (UE + Romania) for rural development in 2007-2013 is 10097.1 million euros; if the beneficiary's private contribution for measures requiring co-financing is added to this amount, the total amount will reach 1.3574.4 million euros. It should be mentioned that 625.1 million euros of this sum are intended for the direct support of agriculture, and not rural development, thus representing a **transfer of funds from pillar 2 to pillar 1** that completes the direct payments made to farmers from the national budget.

The amount intended for rural area financing is significant, but a major issue one should insist upon is the capacity to absorb community funds associated with the co-financing capacity. Lack of transparency, little experience, insufficient information, bad project management, reduced possibility to cover the financial advance or the private contribution are elements that may have a negative impact on the process of absorbing funds for rural development.

MATERIAL AND METHODS

The analysis of the capacity to absorb European funds for Measure 112 – Setting-up young farmers – is part of Axis 1, “Increasing competitiveness in the agricultural and forestry sectors”. In Timis County, this analysis involved a quantitative method – the secondary analysis of quantitative data. For the secondary analysis, data from the 5 West Regional Payment Agency for Rural Development and Fisheries, located in Timisoara, were studied. This institution was able to provide valuable information on the subject of interest. The secondary analysis of quantitative data refers to the analysis of data that another researcher or institution has collected for different purposes. It can provide instruments to be used by researchers with limited funds. The secondary analysis is a modern method of processing data

that are already collected for other purposes than those of the main research theme.

RESULTS AND DISCUSSIONS

Measure 112, “Setting-up young farmers” is part of **Axis I – “Increasing competitiveness in the agricultural and forestry sectors”** and has the following **general objectives** [1]:

- enhancing the competitiveness of the agricultural sector by promoting the setting-up of young farmers and supporting the modernisation process in compliance with the requirements of environment protection, animal welfare and work safety;
- improving agricultural holdings management by renewing it, without increasing the employed active population in agriculture;
- increasing the income of agricultural holdings managed by young farmers;
- increasing the number of young farmers who start working as managers for the first time and encouraging young farmers to invest;

The **specific objective** of Measure 112 is to increase the income of agricultural holdings managed by young farmers.

The **operational objectives** concern the increase in the number of young farmers who start working as managers for the first time and encouraging young farmers to invest.

The support provided under this measure aims at developing agricultural holdings that produce mainly vegetal and animal products (raw material) for human and animal consumption.

The **total amount allocated** for the measure is **337.2 million euro**, of which public expenditure is 337.2 million euro (80% EU contribution UE 20% Romanian government contribution); the private expenditure is 0. [3]

Public contribution under Measure 112 is **337,221,484 euros**, of which 20% is the Romanian Government’s contribution and 80% is the EU contribution.

The **337,221,484 euros** financial support provided under this measure is non-refundable. [3]

The **beneficiaries** of the financial support are natural persons who meet the following requirements at the time they apply for it:

- are under 40 and settle as managers of an agricultural holding for the first time;
- have or will acquire professional competences and qualifications concerning the activity they are to perform;
- submit a Business Plan for developing agricultural activities within the holding;
- have been family agricultural workers for at least 12 months before applying for support.

The financial support is **10,000 euros** for an agricultural holding of at least 6 UDE. Larger units may receive 2,000 euros more per 1 UDE, but **no more than 25,000 euro/holding**.

Table 3 shows the number of projects (funding requests) submitted under Measure 112 – Setting-up young farmers – for 2008-2011, as well as the public value of the non-refundable aid in lei both in the Region and in its counties.

Table 3

Number of submitted funding requests and the value of public aid (in lei)
in the West Region, under Measure 112, "Setting-up New Farmers"

Measure 112	Number of submitted funding requests	Value of non-refundable public aid (lei)
AR	542	49.155.374,91
CS	141	12.855.030,30
HD	144	14.725.542,30
TM	260	25.963.306,68
TOTAL CR5	1.087	102.699.254,19

Source: APDRP Timis, June 30, 2011

Table 4 shows the number of submitted admissible projects and the declared eligible public value, the number of signed contracts and the total value of the contract (in euros), and the total paid value of the contracts signed in the West Region under Measure 112. Arad and Timis counties have the highest weight. Of the total number of 1,087 projects submitted in the West Region, only 260 were submitted for Timis County. Of these, 231 were concluded and their paid value was 2,709,645.67 euros - 11,489,560.70 lei.

Table 4

Situation of projects and value of contracts submitted and signed in the West Region under Measure 112 - "Setting up new farmers"

Region/ County	Submitted		Concluded contracts				
	Number	Value of non-refundable public aid - lei	Number	Total contract value euros	Public value of contract - lei	Total paid value of contracts - euros	Paid public value of contracts - lei
Region	1.087	-102.699.254,19	890	19.105.000,0	81.761.815,70	9.857.716,93	41.792.281,46
Arad	542	149.155.374,91	405	8.321.000,00	35.611.817,00	4.284.274,78	18.169.551,26
Caraş-Severin	141	112.855.030,30	129	2.793.000,00	11.932.861,10	1.346.797,37	5.716.402,44
Hunedoara	144	114.725.542,30	125	2.611.000,00	11.179.400,00	1.516.999,11	6.416.767,06
Timiș	260	25.963.306,68	231	5.380.000,00	23.037.737,60	2.709.645,67	11.489.560,70

Source: APDRP Centralising Report, Timis County, June 30, 2011

Figure 3 shows the public value of the submitted funding requests, the contracted value of the funding requests and the paid value (lei) of the contracts signed in Timis County under Measure 112 on June 30, 2011.

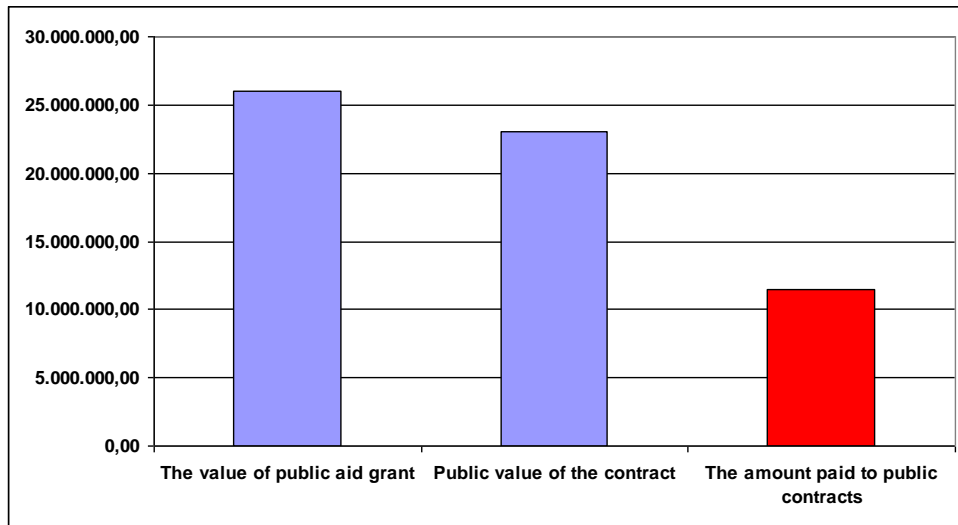


Figure 3: Public value of the submitted funding requests, value of the contracted and paid funding requests under Measure 112, “Setting up new farmers”

Figure 4 shows the level of fund absorption from the amount allocated to Romania under Measure 112, the amount paid for the West Region and Timis County until June 10, 2001. The analysis of the data reveals that the amount of 2.709 million euros paid for Timis County under Measure 112 accounts for only 0.8% of the total sum of 337.221 million euros allocated for the country and only 27.45% for the 5 West Region.

Figure 5 presents the value of the contract concluded for the West Region, 19.105 million euros, compared to the total amount allocated to Romania under Measure 112. The values of the contracted signed for the West Region is only 5.66% of the total sum allocated for this measure. In Timis County, the fund absorption level is 5.38 million euros, accounting for 1.59% of the sum allocated for the whole region. Arad County accounts for 8.32 million euros – 2.46%.

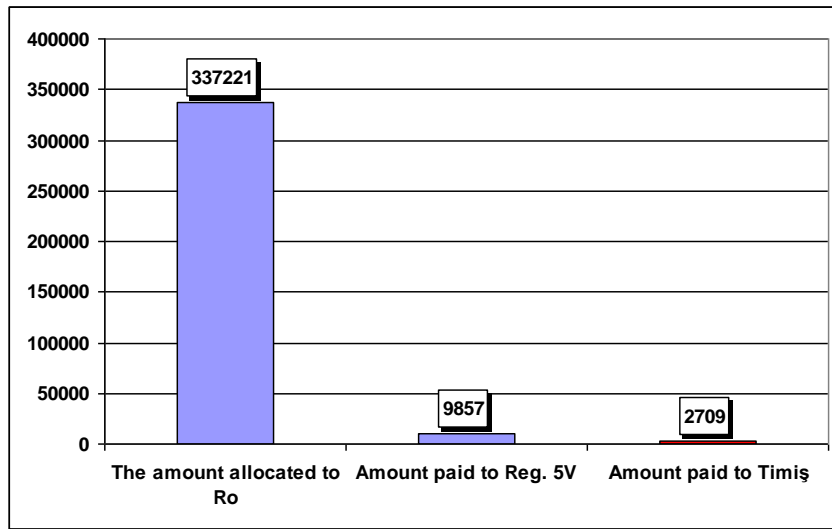


Figure 4: Level of fund absorption in the West Region and Timis County under Measure 112, “Setting up new farmers” – million euros

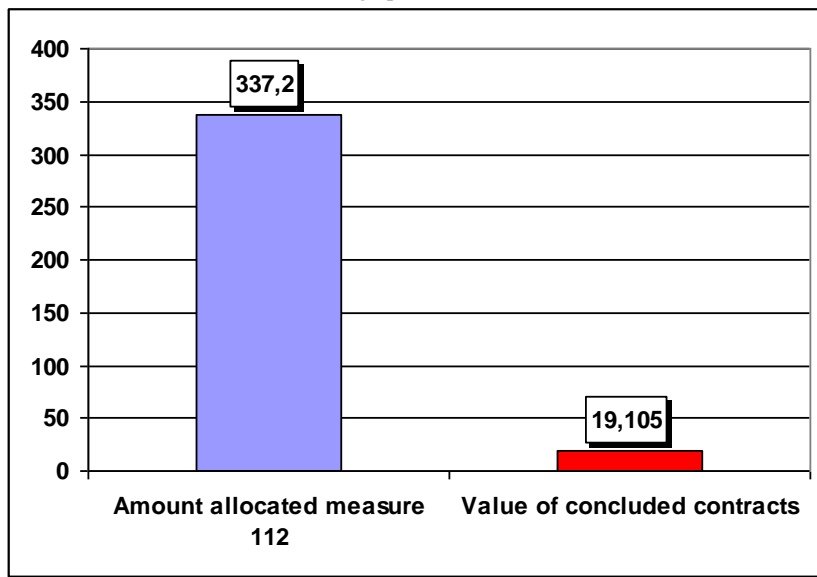


Figure 5: Value of contracts concluded for the West Region under Measure 112, “Setting up new farmers”

Figure 6 shows that Arad is the best represented county, having 542 submitted admissible projects, of which 405 were concluded. The next county is Timis, with 260 admissible projects, of which 231 were concluded. At the other end is Hunedoara County, with 144 admissible projects, of which 125 were concluded and reached a total value of 2.611 million euro.

The following graphic presentation (figure 7) shows that in Arad County the paid funds reached 4,248,275.0 euros, almost twice the amount paid in Timis (only 2,709,646.0

euros), almost three times the amount paid in Hunedoara County (1,516,999.0 euros), and over three times the sum paid in Caras-Severin County (only 1,346,797.0 euro).

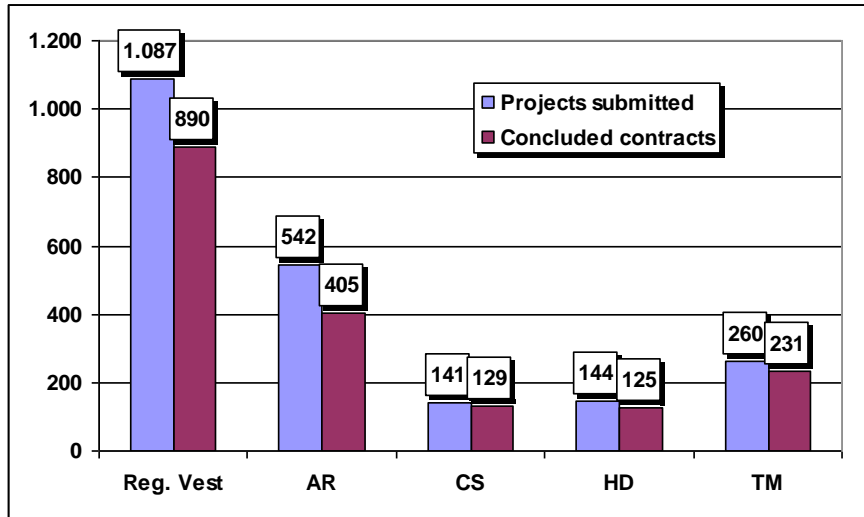


Figure 6: Number of projects submitted and number of contracts concluded under Measure 112, “Setting up new farmers”

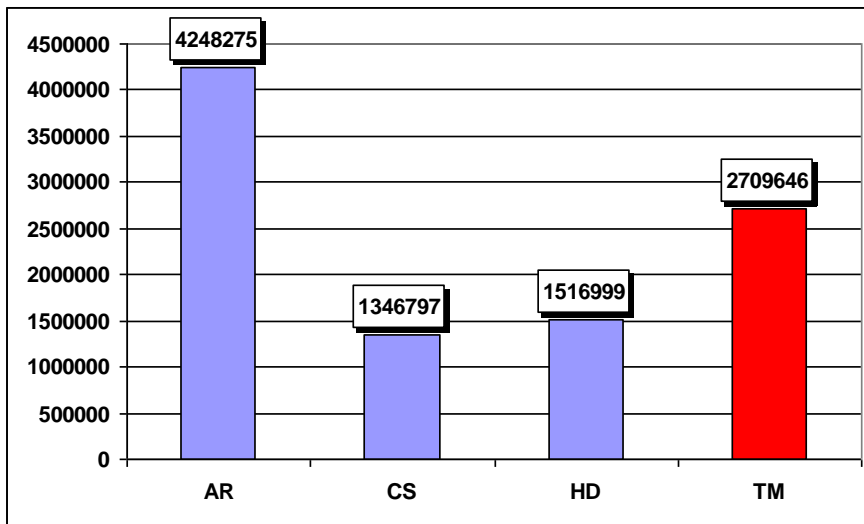


Figure 7: Total public value (in euros) of contracts paid under Measure 112, “Setting up new farmers

CONCLUSIONS

The financing opportunity made available via European programmes is a topical issue. At the same time, it is a novelty within the Romanian system of localities, an additional argument for the importance of towns, which are considered the main engines of development, true plants of matter and energy that ensure the optimal functioning of the system. The objective awareness of the place each locality occupies within the system helps identifying the

problems and finding solutions through realistic strategies and functional partnerships.

The low efficiency level is partly caused by the lack of experience among the beneficiaries of the CAP implementation plan. Some of them start from agricultural units that are not suitable for CAP implementation or a disadvantaged agri-food industry seen in comparison with other European countries. This is a clear disadvantage that hinders the effective implementation of CAP.

As far as the effective implementation of the NRDP under **Axis 1** is concerned, the general situation is satisfactory. The measures related to structural changes have been less effective than those related to improving productivity and setting up new companies. The low degree of measure implementation, partly caused by the low number of finalised projects, is a threat for their results, especially for those measures that involve private investments. To find solutions to the issues concerning the small number of finalised projects, the authorities in charge with the programme management have taken measures to improve implementation. Most of these measures concern the capital the beneficiaries of the private investment measures need in order to carry out their investment before expenditures must be reimbursed. Increasing the advance sum paid for the contracts concluded in 2009 and 2010 with 50% of the public aid value has had a positive impact on starting and performing projects. This facility was completed in 2010, when presenting a private co-financing source became compulsory first after project selection and later at submission date. [4]

The low degree of measure implementation hinders the achievement of the objectives of the plan. The objectives were established based on the available statistical data, which are insufficient or not up-to-date for such a large-scale programme.

As far as the level of absorbing European funds allocated through EAFRD in Timis County is concerned, the analysis of the data presented above reveals that the amount of 2.709 million euros paid for Timis County under Measure 112 accounts for only 0.8% of the total sum of 337.221 million euros allocated for the country and only 27.45% for the 5 West Region.

In Timis County, the rural development programmes should be based on the local specific features. They should also involve a multiple-sector type of development in which agriculture will no longer be the single income source of the inhabitants. Local traditions and customs should be preserved, but modern and decent living conditions are a necessity in rural areas. In order to absorb funds available through the National Rural Development Programme, projects should be developed and request funds should be submitted under various EU Measures that support rural area development.

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