

**THE ROLE OF CONSULTANCY IN THE PROCESS OF APPLYING  
FOR EUROPEAN FUNDS FOR RURAL DEVELOPMENT**

**NICOLAE ISTUDOR**

Bucharest Academy of Economic Studies,  
Bucharest, Romania.  
E-mail: [nistudor@eam.ase.ro](mailto:nistudor@eam.ase.ro)

**IRINA ELENA PETRESCU**

Bucharest Academy of Economic Studies,  
Bucharest, Romania.



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# THE ROLE OF CONSULTANCY IN THE PROCESS OF APPLYING FOR EUROPEAN FUNDS FOR RURAL DEVELOPMENT

## Abstract

In the context of the present world economical crisis, the pre-accession and structural funds assigned by the European Union (which have been and still are high for Romania) can represent an important financial support for ensuring the sources of sustaining the investments meant to contribute to increase the living standard in rural areas, in the case of acceding countries and for member states that joined in 2004 and 2007.

Still, for countries it is important to have a high level of acceding these funds, because history proved that few countries absorbed the whole amount of money from the pre-accession funds (Czech Republic is a positive example in this context) and the structural funds (Spain and Portugal are positive examples in this context).

An important factor in accessing European funds is represented by the structures of consultancy (public and private) that may advise the potential beneficiaries of these funds, for both elaborating the projects of investments and their implementation.

**Key words:** accessing, beneficiaries, consultancy, economical crisis, rural development, European funds, projects of investments

## Introduction

On the agricultural market the inflationary pressures are increasing based on some agricultural problems globally manifested since previous years, like droughts and population growth have added new pressure on prices. In consequence, inflationary trend is likely to continue for an indefinite period on the market agro-food market. The agro-food companies had to face in recent years increases of the cost of raw materials, and for these increases to not affect their earnings have transferred increases to consumers.

Higher costs have equated with higher final prices. The food price inflation is a constant worldwide concern because it affects all segments of the population. Consumers and producers around the world are facing higher prices for the agro food products. Now, they all pay more for the products. Moreover, the food represents the most important component of the basket of the consumer and an important part of household expenditure.

At the same time, however, inflation creates in general, a very volatile and difficult environment, but where there are opportunities for investors. A solution for an investor would be the approach “if you can not beat them ... joins them”. If food

prices have a rising trend due to the increased raw material prices, why not invest in these markets? They should invest in equipment and thus to benefit from rising food prices. Investors should invest in companies that produce agricultural goods, as the most appropriate to benefit from the food price inflation.

Moreover, the worldwide demand for food has increased for vegetables, dairy products, fruit or meat with high value. It is quite difficult for a small farm to benefit from this trend. However, taking into account the emergence of the food price inflation, and the current financial crisis, we expect an increase doubt of banks to finance such investments, which will have negative consequences for farmers and food companies, which will be difficult to access loans.

A good result can be achieved only when the entrepreneurs are faced with budgetary constraints that can limit performance. This is the area in which investors can have a pro-active involvement, however, to increase production, farmers need to renew the existing equipment, introduce new technologies, all of the above involve substantial investment in the farm. The status of technology is a result of the significant cost of trading. For this, the available technology and performance interact in many areas.

The business environment should allocate more resources to certain tasks such as obtaining information, purchasing inputs and marketing of sites and all of this requires all major financial resources. On the other hand, improved technology will improve farmers' access to raw materials and will enable them to improve productivity and quality of final products. Private investment should be made not only in agriculture but also in warehouses, processing industry and retail.

### **Accessing EU funds - solution for overcoming crisis**

A viable solution to solve the problems that Romanian agriculture is facing, widened further in the context of the current situation in financial markets can be community funds for financing agriculture and rural development.

Thus a special attention should be given to promote a program of balanced development of all rural regions of our country, under a concept of rural development that refers to the economic and social integration of the Romanian villages, while providing a favorable environment for attracting foreign capital advantageous conditions in order to support investment and development programs of agricultural production. Particular attention should be paid to implement the programs, projects conducted by the World Bank and other programs with foreign funding.

Moreover, through the European Agricultural Fund for Rural Development (EAFRD), Romania has allocated 8.022 billion euros, which adds a 20% national co-financing provided by the state budget. For the period 2007-2013, through the

National Program of Rural Development (PNDR) are implemented appropriate measures grouped into 4 priorities:

- Increased competitiveness of agriculture and forestry sectors (Axis 1) – The total funds allocated for the period 2007-2013 - Euro 3,967,311,581, of which EAFRD contribution in the amount of 3,173,849,264 euros
- Improving the environment and the rural space (Axis 2) - the total allocated funds allocated for the period 2007-2013 - Euro 2,293,413,375, of which EAFRD contribution in the amount of 1,880,598,967 euros
- Quality of life in rural areas and diversify the rural economy (axis 3) - the total allocated funds for the period 2007-2013 - of which 2,473,739,880 Euro EAFRD contribution - 1,978,991,904 Euro
- LEADER axis (Axis 4) - total allocated funds allocated for the period 2007-2013 - Euro 235,074,871, of which EAFRD contribution in the amount of 188,059,896 Euros.

The program includes funds for the completion of major investment in farms, processing units and processing agricultural products, investment in non-agricultural, tourism and the establishment of micro enterprises. To be an eligible investment made with EAFRD should be located in Romania, and by respecting the legislation, activities from the following economic areas could be done: production of agricultural plant and / or zoo technical and forestry, industrial processing, agricultural products and forestry.

However, although the National Program of Rural Development is intended as a continuation of the SAPARD program a pre-accession instrument which addressed to the modernization and restructuring of agro-food sector, compared with the aforementioned PNDR a program that provides increased opportunities. Firstly, the funds allocated to rural development are higher the support forms are more diversified and there are several categories of beneficiaries. In the same direction the area of eligible investments is larger the flexibility is increased, and the procedures are simplified.

### **The stages of accessing the European Funds for Rural Development**

So far for the nationally launched measures were submitted 13,338 projects in accordance with the published value of approximately EUR 5.062 billion, representing approximately 63.10% of the total amount allocated for Rural Development of Romania, for the period 2007-2013 (i.e. 67.30% if we relate to the remaining 7.522 billion euros for rural development by allocating the amount of 500 million euros for direct payments).

Ten sessions for selection were organized, which included a number of 6235 projects with a value of approximately 5 billion Euros. Since were selected for funding 2548 projects in amount to Euro 1.627 billion, representing approximately

21.6% of the net amount allocated, from which have contracted a total of 1794 projects with a public 918 million euros which represents approximately 12.2% of the net amount allocated. and was declared completed a number of 158 projects.

For the contracted projects were paid 620 claims for payment to a public Euro 56.9 million, plus payments for the 511 - Technical assistance worth 402,317 Euros and additional payments made by APIA (measure 611), in value of Euro 185,427,914, to reach to a total amount of payments of Euro 242,738,892, representing almost 3.23% of total net amount to our country by the European Union (the data being centralized in the Table 1).

At first glance it seems that Romania is, somehow, the stalemate in terms of accessing European funds for agriculture and rural development, because more than two years after accession and starting (theoretical) the implementation of PNDR, our country has not been able to access more than 3% of the amount allocated. However we should notice the large number of projects by providing a high potential for access to about 63% up to the present, which is well above the level recorded for SAPARD Program, located at 46% at 31 March 2006 (see Table 2).

**Table 1 - The implementation stage of FEADR project, 31<sup>st</sup> of May 2009, (in Euro)**

Measures	Conform filed projects		Selected for financing		Counteracted projects		Accomplished payments
	No.	Public value	No.	Public value	No.	Public value	Public value
112	661	13.778.466	-	-	-	-	-
121	3.581	983.537.829	1.287	384.230.202	786	176.909.544	51.321.418
123 <sup>(2)</sup>	864	615.109.038	650	420.567.801	591	375.838.736	5.587.242
141	6.442	48.315.000	-	-	-	-	-
142	3	91.712	3	91.712	-	-	-
312	144	22.384.315	114	18.277.420	90	13.771.517	-
313	273	49.415.762	222	43.308.595	200	37.200.245	-
322	1.370	3.329.349.932	272	760.742.189	127	313.881.634	-
<b>Total</b>	13.338	5.061.982.053	2.548 <sup>(1)</sup>	1.627.217.919	1.794	917.601.676	56.908.660
511							402.317
211 <sup>(3)</sup>							44.916.816
611 <sup>(3)</sup>							140.511.098
<b>Total payments from PNDR</b>							<b>242.738.892</b>

Source: Ministry of Agriculture, Forestry and Rural Development

(1): Results obtained by selecting a number of 6235 projects;

(2): Includes support schemes state XS13 and XS28.

(3): The 211 - Amount 40822201.546 € (corresponding to a payment of 202,041) was applied in addition to APIA and then returned to MAFRD.

Measure 611 - The amount reported for the first payment of the value contribution of the EU and from the state budget. To this is charged to pay only the EU, paid through APDRP.

It is noted that the progress in accessing European funds for agriculture and rural development is due, in part, to a pre-accession program (SAPARD), and on the other hand, to the consultancy firms experience of our country in developing and implementing projects with European funding. Not the same thing we can say about the other operational programs that have problems in accessing these funds, the levels of access being located to less than 5% of the amounts allocated.

**Table 2 – The evaluation of the absorbcency degree of SAPARD Funds in Romania by the 31<sup>st</sup> of March 2006 (million Euros)**

<b>Objectives for development</b>	<b>Allocated amounts</b>	<b>Engaged amounts</b>	<b>The engaged degree (%)</b>	<b>Payments</b>	<b>The degree of absorbcency (%)</b>
1.1. Improving the processing and marketing of agricultural and fisheries products	676,8	385,6	56,97	175,5	25,93
1.2. Improving the structures for quality, veterinary and phyto sanitary control of product quality	48,0	0	0	0	0*
2.1. Rural infrastructure development	534,3	480,8	89,98	378,3	70,8
3.1. Investments in agricultural enterprises	496,5	162,5	32,72	86,1	17,33
3.2. Forming groups of producers	12,9	0	0	0	0*
3.3. Agricultural production methods projected to protect and maintain the environment	38,7	0	0	0	0*
3.4. The development and diversification of economical activities in order to generate incomes and multiple activities	300,3	69,8	23,25	18,9	6,28
3.5. Silvi culture	247,9	0	0	0	0*
4.1. Improving the professional training	20,9	6,1	29,36	0	0
4.2. Technical assistance	7,9	2,5	31,92	1,5	18,36
<b>TOTAL</b>	<b>2384,2</b>	<b>1107,3</b>	<b>46,44</b>	<b>660,3</b>	<b>27,7</b>

Source: Data collected from the Ministry of Agriculture, Forestry and Rural Development

Given that the rate of submission the projects to potential investors and is maintained in the following period, we can say that Romania will not have problems in accessing European funds for agriculture and rural development funds that will contribute to sustainable and balanced development of the rural area.

### **Conclusions**

In conclusion, we can say that Romania is the beneficiary of a generous financial scenario for Agriculture and Rural Development (and not only), the allocated amounts being over 11 million Euro, representing approximately 35% of the total EU funds allocated to our country for the period 2007-2013 (at about 32 billion euros). It is however very important to follow the allocation and efficient use of these funds to ensure a sustainable balanced development of the Romanian rural space.

For this, we need all the efforts of the persons responsible for managing EU funds, both public authorities who coordinate the programs operational and business advisory, and recipients of funds.

In this sense, the public authorities responsible for managing European funds are designed to ensure the fair distribution of these funds to contribute to balanced development of the rural areas and to pursue their efficiency. The consulting firms need to fundament with the highest responsibility the projects for investments in order to increase the success of their projects and beneficiaries (investors in rural areas), to consider carefully the maximum opportunity to carry out investments, to help increase efficiency and to raise living standards in rural areas.

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