

# **THE IMPORTANCE OF IMPLEMENTING THE MEASURE 121- "MODERNIZATION OF AGRICULTURAL HOLDINGS" ON THE RURAL DEVELOPMENT IN ROMANIA**

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## **Abstract**

*This study aims to analyse the access level of the 121- measure "Modernization of agricultural holdings" and the impact this measure had on farmers in Romania, but also on the rural development. The measure 121 is part of the NRDP 2007-2013 and it aims to modernize agricultural holdings, both animal and vegetal. The principal target of this measure is to increase the competitiveness of agriculture through new investments but also through better management of resources in agriculture. The paper presents statistical data from the years 2013 and 2014, the final years of the National Rural Development Programme 2007-2013. Analysing the measurement data presented on Measure 121, we can say that this measure is a success of Axis 1 of the programme 2007-2013.*

## **Keywords**

*National Rural Development Programme 2007-2013, Axis 1, Measure 121, Rural development, Agriculture*

## **Introduction**

The countryside is the permanent value of a nation. In the geographical area that falls under the *rural* concept, several elements are noticed contributing to the socio-economic development. These are the population, the natural resources, the agricultural activities, the tourism potential and the spiritual values.

In defining this area, the Romanian rural area is also introduced which over the recent years has undergone significant changes. They were necessary when it was seen that "country life" differs from "city life", economically and socially. The accession to the European Union has made this transition to be highly publicized by trying to balance the ratio among rural and urban areas. This was possible by providing a higher importance to the rural development term.

The rural development is a very important topic for the European Community. The rural development is intended to achieve a balance between rural values and modernization of rural life (Borza and Talmaciu, 2011).

"Modernization of agricultural holdings" was created to help increase the economic and social welfare of members of the rural area. This is part of the National Rural Development Programme 2007-2013 and is one of the representative measures of the programme. This article aims to make a detailed analysis of the measure 121 since its implementation until the current period and the impact it had on the development of the rural area and the benefits identified after its implementation.

## **1. Literature review**

"Romanian rural area has a great potential for the development of the agricultural sector, both in terms of input and output in agriculture"(Popa and Vasilescu, 2013). During the endeavour to achieve viable rural development in the European Union at the level of each Member State, national rural development programmes were drafted for 2007-2013,

broken-down into axes and measures. There are many studies that address rural development in Romania, but also how the 2007-2013 European programme (NRDP), influenced rural development by axes and measures (Sin and Nowak, 2013; Serban and Juravle, 2012). "The general objective of the Measure 121 is to develop the competitiveness of the agricultural sector through better use of human resources and production factors" (Stafie, 2013). The use and implementation of measure 121 resulted in a significant increase of productivity in Romanian agriculture, but also to viable rural development with direct impact on rural population, economically and socially.

## **2. The importance of the National Rural Development Programme 2007-2013**

The share of rural population in the overall population shows the importance of rural development. Thus 44% of the world population lives in rural areas, and in advanced countries this percentage is clearly higher, reaching a threshold of 55%. At European level, the Commission for Agriculture considers that rural areas account for 85% of the total (Sin and Nowak, 2014). Given the high share at the level of the European Union, a National Rural Development Programme was created for each Member State, which had a period of six years, i.e. 2007-2013. In Romania, the NRDP 2007-2013 was allocated an amount of EUR 8.124.98.745, that is a percentage of 87.12% of the overall total of 9,324,804,232 of the National Rural Development Programme 2007-2013. It was divided into:

- "111 "Vocational training, information and diffusion of knowledge"
- 112 "Setting up of young farmers",
- 121 "Modernization of agricultural holdings",
- 122 "Improving the economic value of forests",
- 123 "Increasing the value added agricultural and forestry ",
- 125" Improving and developing infrastructure related to the development and adaptation of agriculture and forestry",
- 141" Support for semi-subsistence farms ",
- 142" Setting up of producer groups ",
- 143" Providing counseling and advice for farmers ",
- 221" First afforestation of agricultural land "
- 211" Support for mountain areas,
- 212 "Support for less favored areas - other than mountain areas"
- 214 "Agri-environment"
- 215 "Animal welfare"
- 312 "Support for the creation and development of micro-enterprises",
- 313 "Encouragement of tourism activities"
- 322 "village renewal and development, conservation and upgrading of rural heritage",
- 4.1 "Implementation of local development strategies"
- 421 "Implementing cooperation projects"
- 431.1 "Building public-private partnerships,"
- 431.2 "Operation Groups local Action, acquiring skills and animating the territory
- "511" Technical Assistance "
- 611" Complements to direct payments" ” (Source: National Rural Development Programme 2007-2013).

**Table 1 Plan by axis (in EURO total period) –total amount**

Axis	Public contribution		
	Total public contribution	Contribution rate EAFRD+ EERP (%)	Sum EAFRD+ EERP
		Average for the entire period	
Axis 1	3,290,903,672	89.27	2,937,630,971
Axis 2	2,792,174,666	85.68	2,392,472,124
Axis 3	2,371,324,905	85.72	2,032,587,312
Axis 4	366,917,508	94.46	3,460,590,603
Technical assistance	110,956,105	90.93	100,895,834
Complementary direct payments	392,527,376	80.00	314,021,901
General total	9,324,804,232	87.12	8,124,198,745

Source: Ministry of Agriculture and Rural Development, National Rural Development Programme 2007-2013, consolidated version

Of the four axes above mentioned, Axis 1 has the most important and largest allocation. This was in turn divided into 10 measures. Each measure has its targets and objectives that led to the fulfilment of the overall objectives of the National Rural Development Programme. The measure 121 "Modernization of agricultural holdings" was among the most important measures of Axis 1 of the National Rural Development Programme 2007-2013. The general objective of this measure is to develop the competitiveness of the agricultural sector through better use of human resources and production factors, and the fulfilment of national standards and communication standards (Applicant's Guideline for accessing Measure 121 "Modernization of agricultural holdings").

### **3. The importance of the measure 121 "Modernization of agricultural holdings"**

The specific objectives of the measure refer to: introduction and development of new technologies and processes, production diversification, adjustment of profile, level and quality of production to market requirements, including organic production, adaptation of holdings to community standards, increasing the income of the agricultural holdings supported; supporting the members of producer groups or other associative forms in order to encourage the phenomenon of association (The Applicant's Guideline for accessing the "Measure 121 - Modernization of agricultural holdings"). In Romania, the measure 121 was allocated the amount of EUR 991,827,895 of which the contribution of the European Union was 80% and the contribution of the Romanian Government was 20%, the total cost comprising public contribution and private contribution is of EUR 1,840,962,042. Through the analyzed measure, non-refundable funds are granted to an extent of 40%-70% of the total eligible amount of the project, the funds representing public co-financing, to which the

private contribution must be added. The minimum ceiling accepted for a project financed through 121 is EUR 5,000; this amount represents the total eligible worth of the project.

The aid intensity is differentiated as follows:

I. For projects that do not include investments in renewable energy production and use, and are not associative forms:

1. for the vegetal sector:

1.a construction-mounting projects, maximum eligible amount is EURO 1.000.000, the share of non-refundable support will be 40% (representing EUR 400,000).

1.b projects for purchase of machinery and equipment, the maximum eligible value of EUR 700,000, the share of non-refundable support will be 40% (representing non-refundable 280,000).

2 For livestock sector:

2.a construction-mounting projects, maximum eligible amount is EUR 2,000,000, the share of the non-refundable support will be 40% (representing EUR 800,000).

2.b projects for the purchase of machinery and equipment is EUR 1,000,000; the share of the non-refundable support will be 40% (representing EUR 400,000).

3 For projects involving investments for introducing raw milk standard, the maximum eligible amount is EUR 2,000,000. The share of the non-refundable support will be 40% (representing EUR 800,000). (Applicant's Guide v11, 2014)

The measure 121 was effective and efficient in comparison with other measures of Axis 1. If Axis 1 was one of the measures that have achieved a satisfactory overall balance, as 121 was one of the measures which had an upward trend in this axis. This has helped improve production and transformation processes. These conclusions are supported also by high financial share in the budget but also a medium-low level of repercussion. (Final Report of Interim Evaluation of the "National Rural Development Programme 2007-2013", 2010).

The upward trend of the measure continued during all 6 years of implementation. Thus, in 2014 a number of 8,154 projects was registered submitted with a public value of EUR 3,008,189,083 of which 3,375 projects were selected with a public value of EUR 1,250,133,509. From these 2,781 projects were contracted projects with a value of EUR 907,559,635. Of these projects, the amounts paid until now amount to EUR 497,863,724 (APDRP).

Thus, we observe a high degree of absorption of about 92% of the public value, more precisely 91.50%. The measure progress is shown by the number of farms receiving investment support, namely 2,781 of the total target of 44,458 which represents a level of 6.25% of the total National Rural Development Programme. The financial execution rate is 54.85%, EUR 497,863,724 were used until July 2014 from the allocation of 907,559,635.

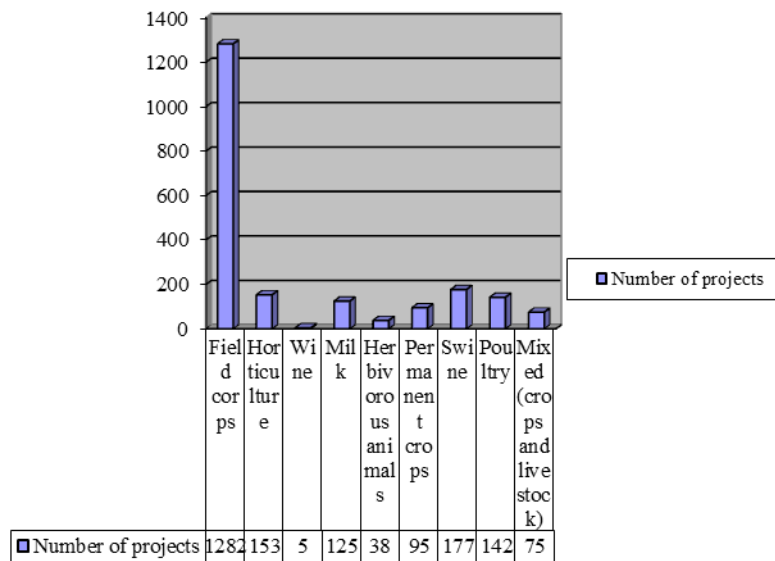
At the end of 2013, about 61,28% of submitted project addresses field crop investments, targeting the purchases of machinery and equipment. The remaining 38,72% address the other types of agricultural branches. The difference of 38.72% from the investments addressing other types of agricultural sectors, as follows:

- 7.31% "Horticulture" (153 projects accepted) with a total amount of expenditure 162,865.824 thousand Euro and public value of 68964.841 thousand Euro;
- 0.24% "Wine" (5 projects accepted) with a total investment volume of 6737.201 thousand Euro and public value of 2402.813 thousand Euro;
- 4.54% "Permanent crops" (95 projects accepted) with a total amount of expenditure 67944.613 thousand Euro and public value of 28117.541 thousand Euro;

- 5.98% "Milk and milk products" (125 projects accepted) with a total amount of expenditure of 164,792.041 thousand Euro and public value of 65598.755 thousand Euro;
- 1.82% "herbivorous animals" (38 projects accepted) with a total amount of expenditure 52529.311 thousand Euro and public value of 21505.947 thousand Euro;
- 8.46% "Pigs" (177 projects accepted) with a total investment volume of 329,042.410 thousand Euro and public value of 134,159.219 thousand Euro;
- 6.79% "poultry" (142 projects accepted) with a total amount of expenditure 289,556.091 thousand Euro and public value of 104,504.240 thousand Euro;
- 3.59% "Mixed (crops and animals)" (75 projects accepted) with a total amount of expenditure of 58773.245 thousand Euro and public value of 23888.297 thousand Euro (MARD, Annual Progress Report on the implementation of the National Rural Development Programme in Romania in 2007-2013,2013)

Although organic farming is a relatively young domestic and a high degree of risk higher for farmers who choose to use organic production methods, a number of 326 farmers have turned to this type of production, the remaining 1,766 opting for the type of Conventional production

The chart below presents the projects accepted so far 121, for each type of agricultural industry:



Source: Ministry of Agriculture and Rural Development, Annual Progress Report on the implementation of the National Rural Development Programme in Romania in 2007-2013,2013

**Fig. 1 Measure 121- number of agricultural projects accepted by branch**

Regarding the types of beneficiaries, the largest share is held by legal entities (72.61% of all projects accepted under this measure) with 1,519 accepted projects, while that individuals (in this category were monitored freelancers, individual enterprises and family structures unincorporated) hold a share of 27.39% of the total projects accepted this

measure, with 573 projects accepted in the 452 farms run by men and 121 farms run by women

Regarding the guarantee scheme in 2013 were given 28 guarantees worth 11846.036 thousand euros, corresponding to a total of 18 projects. Level guarantees granted in 2013 decreased significantly compared with the results obtained the previous year. Thus, there is a decrease of approx. 71% of the number of securities issued or approximately 59% of their value. Also, the number of projects held up by the guarantee schemes fell by about 70%.

Thus, from April 2010 until now, has been granted a total of 429 guarantees worth 138,207.088 thousand Euro (the Euro denominated date source is 4.0715 lei / euro). RDP beneficiaries who have obtained guarantees were able to run projects contributing mechanism to ensure their implementation by facilitating the fund manager has granted an amount of credit in the amount of 201,328.197 thousand Euro. The situation guarantees granted in April 2010 - December 2013, classified by type agricultural branch falling project is as follows:

- Horticulture - 38;
- Permanent crops - 21;
- Wine - 2;
- Milk and milk products - 47;
- Pigs - 110;
- Poultry 7 - 84, 33
- Animals grazing (except dairy) - 9;
- Mixed (crops and livestock) - 19.
- Field crops – 99 (MARD, Annual Progress Report on the implementation of the “National Rural Development Programme in Romania in 2007-2013”,2013)

At the end of 2013, at the level of the entire country, projects were accepted in all the 8 regions of the country.

**Table 2 Number of projects accepted broken down by regions at the end of 2013**

Region	Number of projects accepted M121	Public value-euro thousands
North-East	229	78,347.199
South-East	501	155,796.122
South Muntenia	510	161,424.738
South-West	129	44,459.789
West	218	84,571.058
North-West	252	101,934.999
Centre	241	108,635.820
Bucharest-Ilfov	12	3,890.116
Total	2092	739,059.841

Source: Ministry of Agriculture and Rural Development, Annual Progress Report on the implementation of the “National Rural Development Programme in Romania in 2007-2013”,2013

The table above shows the absorption of the measure121 differs from one development region to another. Most projects accepted at the end of 2013 were in the South Muntenia region with 24,38% while the region with the fewest projects accepted was Bucharest-Ilfov with 0,57%.

## Conclusions

The measure 121 has played an important role in “The National Rural Development Programme 2007-2013”. The high absorption level of 92% indicates that the measure targets were met, and that the beneficiaries considered this measure is beneficial. Therefore, by accessing this measure, the beneficiaries could adapt their holdings to community standards. The income of the holdings increased through the investments made by means of the measure 121. Modern equipment was introduced and purchased to increase and diversify production.

In terms of paying the tranches of money to the beneficiaries, a threshold of more than 50 was reached, the remaining money is to be paid until the end of the projects in progress. The absorption rate was increased due to the direct involvement of both the beneficiaries and the State in the problems faced at the beginning of the co-financing.

The measure 121 resulted in a homogeneous rural development, relying more on a number of projects with a small value than projects with very high values, but with a significant impact in the regions that could benefit from the contribution of the projects started on the measure 121.

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