

# Grants through the European Agricultural Funds for the Rural Development. Case study: The Modernization of the Community Centre of a Municipality

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## Abstract

*The case study present the project: The modernization of the community centre of Pianu de jos, municipality of Pianu, Alba County, an objective that is part of the Strategy for sustainable development for the Municipality of Pianu 2015-2020, financed through Sub-measure 7.6, Investments associated with the protection of the cultural patrimony, in the National Rural Development Programme 2014-2020, financed by the European Union and the Romanian Government, through the European Agricultural Funds for Rural Development.*

**Key words:** European grants; public investments; cost-benefit analysis; acquisitions list.

**J.E.L. classification:** H81, H43, O22

## 1. Introduction

The case study present the project: The modernization of the community centre of Pianu de jos, municipality of Pianu, Alba County, an objective that is part of the Strategy for sustainable development for the Municipality of Pianu 2015-2020, financed through Sub-measure 7.6, Investments associated with the protection of the cultural patrimony, in the National Rural Development Programme 2014-2020, financed by the European Union and the Romanian Government, through the European Agricultural Funds for Rural Development.

The case study implies the following stages:

The first stage is representing by sending the grant application to the financing authority together with the documents required by the Guide for Applicants. The Guide for Applicants contains technical information for the potential beneficiaries of the grants from the European Agricultural Funds for Rural Development (EAFRD), implemented through the National Rural Development Programme (NRDP) 2014 – 2020, and represents a complex support of information for writing projects according to the specific exigencies of NRDP. The Guide for Applicants presents the rules for the preparation, elaboration, edit and submission of the investments project, as well as the method for the selection, approval and the progress of the implementation of the project.

In the same time, the Guide for Applicants contains the indicative list of the eligible investments for non-refundable grants, the necessary documents, permits and agreements. The filling of the Application form, including its annexes, must respect the standard model provided by the Financing authority.

In our case study, the application form contains:

- The Application Form
- The Documentation for the Approval of the Interventions

- The energy expertise
- The technical expertise
- The geotechnical study
- The topographic study, the Land registry record
- The Urban planning certificate and Approvals
- The Record extract from the inventory of the public domain
- The Decision of the Local Council of the Municipality of Pianu for the implementation of the project
- The VAT registration
- The Report on the use of the non-refundable grants programs
- The Notification from the Direction for Public Health
- The Strategy record extract
- The Document issued by the village hall related to the number of activities in progress
- The copy from the Identity Card of the Legal Representative
- The Certificate from the National Agency for Fiscal Administration
- The inventory list of the capital goods and inventory objects

## 2. Theoretical background

The Application Form provides the necessary and relevant information, indicating the modality for the achievement of the project, the advantages of its implementation, and in which degree the project contributes to the achievement of the objects of the program. It also contains the Indicative Budget, the Annex A1, The financial estimate – Chapter 3, the Annex A2, The estimate on the object, the Annex A3 Estimate Chapter 2 and Estimate Chapter 5, the self-evaluation of the score of the applicants, and monitoring indices. In the presented case, the score was 50 points, resulting from:

Table no. 1. The score

	Achieved score:
S 1 projects serving localities with numerous population	=20 points, because the Municipality of Pianu has 3082 inhabitants
CS 1.4 projects in areas with high touristic potential	= 10 points, because the Municipality of Pianu is mentioned in O.U.G 142/2008 in the category of the municipalities with an important amount of natural or anthropic touristic resources
CS 2.a projects indicating the developed social-cultural activities	= 10 points, because the Municipality of Pianu develops more than 5 cultural activities
CS 2.b projects indicating the developed social-cultural activities	= 10 points, because the Municipality of Pianu develops more than 5 social activities

Source: own processing of data collected from municipality of Pianu

The elaboration stages and the framework content of the technical-economical documentations for the achievement of the new objectives/ projects in the field of constructions, of the interventions to the existent constructions and other investment works is regulated by Decision (Hotararea) 907/2016 on the elaboration stages and the framework content of the technical-economical documentations for the objectives/ projects in the field of investments from public funds.

The framework content of the documentation for the approval of the interventions, according to Decision 907/2016, includes:

### I. WRITTEN DOCUMENTATION

- General information on the investment object;
- The existent situation and the necessity of the interventions;
- The description of the existent construction [Particularities of the location; the legal regime; technical characteristics and specific parameters; the analysis of the condition of the construction, based on technical expertise and/or energy audit, as well as the

architectural-historical study for the buildings included in the protection area of the historical monuments or in constructed protected area; the technical condition, including the structural system and the diagnose analysis, related to the insurance of the legal fundamental conditions; the certificate for force majeure, if needed].

- The conclusions of the technical expertise and, if required, of the energy audit, the conclusions of the diagnose studies: the seismic risk class; the presentation of minimum two solutions for the intervention; technical solutions and measures proposed by the technical expert and, if needed, by the energy auditor, in order to be developed in the documentation for the approval of the interventions; the recommendations for the necessary interventions in order to insure the functioning according to the quality requirements and exigencies.
- The identification of the technical-economical scenarios/ options (minimum two) and their detailed analysis [The technical solution from technological, construction, technical, functional-architectural and economic; the necessary of resulted utilities, including estimations on the exceedance of initial utilities consumption, and the modality for the insurance of the supplementary consumption; the completion period and the main stages correlated with the dates from the indicative schedule for the completion of the investment, detailed for each main stage including the sustainability of the investment; the financial and economic analysis related to the implementation of the interventions (the analysis of the call for goods and services that justifies the necessity and the dimension if the investment, including medium and long term prognoses; the financial analysis, the financial sustainability; the economic analysis; the cost-benefit analysis; the risk analysis, measures for the prevention/reduction of the risks)].
- The recommended optimal technical-economic scenario/ option: the comparison of the proposed scenarios/ options, from technical, economic, financial, sustainability and risk perspectives; the selection and the motivation of the recommended optimum scenario/ option; the presentation of the insurance modality for the conformation to the legal provisions specific to the planned function from the point of view of the regulations that are to be applied to the construction, according to degree of details in the technical proposals; the nominalization of the financing sources for the public investment, as a result of the financial and economic analysis: own funds, bank credits, funds from the state/ local budget, external credits guaranteed or contracted by the state, non-refundable external funds, other legal sources; the main technical-economic indices of the investment:
  - a) maximal indices: the total value of the investment objective, expressed in RON, with VAT and without VAT, from which constructions-montage (C+M), according to the general estimate;
  - b) minimal indices, respectively the performance indices – physical elements/ physical capacities indicating the achievement of the investment objective – and, depending on the case, qualitative indices, according to the legal technical standards, norms and regulations;
  - c) financial indices, social-economic indices, impact indices, result/operation indices, established according to the aim of each investment object;
  - d) the estimated duration for the execution of the investment objective, expressed in months.
- Certificates and agreements of urbanism [Urban planning certificate for the construction authorization; topographic study, approved by Real Estate Cadastre and Advertising office, Land registry record, excepting the special cases mentioned by the law; the Administrative certificate of the competent authority for the protection of the environment, measures for the reduction of the impact, compensation measure, modalities for the integrations of the provisions of the Environmental certificate in the technical-economic documentation; Specific notifications, agreements and studies that may condition the technical solutions].

**II. DRAWING DOCUMENTATION:** depending on the category and the importance level of the investment objective, the drawing documentation will present to a relevant scale:

1. The existent construction (location plan; the exact site; architectural report and, if necessary, the structure and the installations – plans, sections, facades, cotes; specific drawings for analysis and synthesis, for the historical monuments and related protected areas).
2. The recommended optimal technical-economic scenario/ option: location plan; the exact site; general plans, facades and architectural specific sections, cotes, resistance and installations schemes in principle, volumes, functional and isometric drawings or specific plans; general plans, longitudinal and transversal profiles, cotes, and specific plans. Through the feasibility study used for the new investments or DALI for the existent constructions, the project must prove the opportunity and the social-economic necessity of the investment. This is achieved using the cost-benefit analysis.

### 3. The cost-benefit analysis

#### *1. The identification of the investment, objectives and reference period*

*2. Options analysis* (The beneficiary must prove that the choice of the recommended scenario is socio-economic optimal. At least two variants will be analysed: the zero variant (the variant without investment) and the recommended variant (the variant with investment).

*3. The financial analysis* (The financial analysis is performed from the point of view of the beneficiary. If the beneficiary and the operator are not the same entity, a consolidated financial analysis must be taken in consideration (as if they were the same entity); the recommended actualization rate is 5% for RON). The financial analysis evaluates:

- a) The financial profitability of the investment in the project, determined with VAN (net actualized value) and IRP (internal rate of profitability). The total of the investment value includes the total of the eligible and non-eligible costs from the Cost estimate. For a project to receive a non-refundable financial intervention VAN must be negative and IRP must be higher than the actualization rate.
- b) The financial durability of the project is evaluated by verifying the net flux of the cumulated cash-flow. This must be positive for each year in the reference period.
- c) The determination of the intensity of the public support for the projects related to water/residual water, generating income (based on article 61 from Regulation 1303/2013)

Stage 1: determining VAN – net actualized value. It represents the sum of the net actualized incomes (payments-costs) for 5 consecutive years after the implementation of the projects, according to the legislation.

Stage 2 – determining IV – investment value. It represents the total of eligible and non-eligible costs from the project.

Stage 3 – using the calculation formula:

The intensity of the public support (%) =  $100 - [(VAN/ IV) \times 100]$

Example:

1. NAV = 50.000 EUR

2. IV = 800.000 EUR

$$\begin{aligned} \text{The intensity of the public support (\%)} &= 100 - ((50.000/800.000) \times 100) \\ &= 100 - (0.0625 \times 100) \\ &= 100 - 6.25 \\ &= 93.75\% \end{aligned}$$

*4. The sensitivity analysis* identifies the critical variables; the financial and economic performance of the project will be analysed in the condition of varying values, upwards or downwards.

*5. The risk analysis* - a qualitative risk analysis (the qualitative evaluation of the risk in a narrative form), for the critical variables identified in the sensitivity analysis, as well as for the other risks that may appear during the implementation of the investment (technical, environmental, financial, institutional and legal), and measures for their reduction.

#### 4. The financing contract

The financing contract is signed after the selection of the project and the acquisitions stage begins, according to the legislation. The acquisitions list is approved by the financing authority.

*For the direct acquisitions*, the beneficiary must present:

- The acquisition contract/ order/ other document legally issued
- The calculation of the estimative value of the acquisition, according to art. 9, paragraph (1) from the Law 98/2016;
- Depending on the value of the acquisition:
  - **The extract from the electronic catalogue** posted on SICAP or **the announcement published** in a dedicated section of the beneficiary's website/ ANAP or SEAP, together with the description of the products, services or works to be bought, and the probative note for the direct acquisition outside SEAP, when the case;
  - **The presentation of minimum 3 offers** - when the condition for a direct acquisition are fulfilled, without using the electronic catalogue, when the estimated value of the acquisition is under 100,000 RON for products and services, and 280,000 RON for works;
  - **The presentation of a unique offer** - when the value of the acquisition is under 70,000 RON;
  - **The legal engagement** – when the value of the acquisition is under 4,500 RON
- Certificates, certified statements, authorizations, as mentioned in the legislation, proving that the economic agent has the right to develop the activity mentioned as main object of the contract;
- The declaration of the beneficiary on the conflict of interest, using the form "Declaration on the conflict of interest";
- Other documents, if necessary.

*For the simplified procedure*, the beneficiary presents:

**Stage I: The opening of the acquisition:** the file of the acquisition transmitted by the beneficiary will include the following documents:

- a) The contracting strategy;
- b) The instructions for the bidders and the annex forms, according to the model specific to each type of investment, including the model for the contract and DUAE. The instructions can be presented as draft in the form generated by SEAP;
- c) Specifications;
- d) Other documents, if necessary.

**Stage II: The evaluation committee, the evaluation file and the contractual file:** The acquisition file transmitted by the beneficiary must contain the following documents:

- The decision/ disposition/ order for the appointment of the evaluation committee and of the experts;
- CVs of the members in the evaluation committee and of the experts, if necessary;
- DUAE of all bidders in .xml format;
- The technical proposals of all bidders;
- the financial proposals of all bidders;
- all the solicitations for clarifications issued by the evaluation committee and the responses of the bidders;
- qualifying documents of the bidders placed on the first and second place – if necessary – for the situation mentioned in art. 66, (1) and (2) from HG 395/2016;
- the report of the award procedure;
- the reports of the experts, if necessary;
- the appeals formulated in relation to the award procedure, together with the motivated decisions of the National Council for Review of Appeals, if necessary;
- the decisions of the court on the award procedure, if necessary;
- the communications on the result of the procedure and the proof for their transmission to the bidders;
- the acquisition contract;

- the proof for the performance guarantee;
- the declaration of the beneficiary on the conflict of interest, using the form "Declaration on the conflict of interest";
- other documents, if necessary.

After the end of the acquisitions, the implementation of the investment execution the payment requests and the reception of the works take place.

After the final payment, the investment enters in the monitoring period, for the compliance with the indicators provisioned in the financing contract.

## 5. The accounting registration of the investment

Table no. 2. The registration and the payment of the design services

<b>Design services</b>			
Corporal fixed assets in progress		Suppliers of fixed assets under 1 year	
231.00.00.02.A.	=	404.01.00.02.A.67020501.580402	64,864.00
<b>Design performance guarantee</b>			
Corporal fixed assets in progress		Suppliers of fixed assets under 1 year	
231.00.00.02.A.	=	404.01.00.02.A.67020501.580402	3,056.00
<b>VAT Design services</b>			
Corporal fixed assets in progress		Suppliers of fixed assets under 1 year	
231.00.00.02.A.	=	404.01.00.02.A.67020501.580401	12,904.80
Suppliers of fixed assets under 1 year		Financing from the budget	
404.01.00.02.A.67020501.580402	=	770.00.00.02.A.67020501.580402	64,864.00
Suppliers of fixed assets under 1 year		Financing from the budget	
404.01.00.02.A.67020501.580402	=	770.00.00.02.A.67020501.580402	3,056.00
Suppliers of fixed assets under 1 year		Financing from the budget	
404.01.00.02.A.67020501.580401	=	770.00.00.02.A.67020501.580402	12,904.80

Source: own processing of data collected from municipality of Pianu

Table no. 3. The registration and the payment of Works execution

<b>Works executions</b>			
Corporal fixed assets in progress		Suppliers of fixed assets under 1 year	
231.00.00.02.A.	=	404.01.00.02.A.67020501.580402	410,269.73
<b>VAT Works</b>			
Corporal fixed assets in progress		Suppliers of fixed assets under 1 year	
231.00.00.02.A.	=	404.01.00.02.A.67020501.580401	41,026.97

Suppliers of fixed assets under 1 year		Financing from the budget	
404.01.00.02.A.67020501.580402	=	770.00.00.02.A.67020501.580402	410,269.73
Suppliers of fixed assets under 1 year		Financing from the budget	
404.01.00.02.A.67020501.580401	=	770.00.00.02.A.67020501.580402	41,026.97

Source: own processing of data collected from municipality of Pianu

Table no. 4. Payment requests to the financing authority

<b>EC Payment requests to the financing authority</b>			
Sums to be received from the Certification Authority/ Management Authorities/ Payment Agencies		Post-accession external non-refundable funds	
POST-ACCESSION EXTERNAL NON-REFUNDABLE FUNDS			
458.03.02.01.A.48020401	=	775.00.00.02.A.48020401	478,189.73
<b>Payment request for BS financing authority</b>			
Sums to be received from the Certification Authority / Management Authorities/ Payment Agencies		Income from the national contribution to the programs/ projects financed external non-refundable funds	
- FUNDS FROM THE BUDGET			
458.03.02.02.A.430231	=	778.00.00.02.A.430231	53,931.77

Source: own processing of data collected from municipality of Pianu

Table no. 5. Cashing sums from the payment requests

Availability of the local budget		Sums to be received from the Certification Authorities/ Management Authorities/ Payment Agencies	
		- POST-ACCESSION EXTERNAL NON-REFUNDABLE FUNDS	
521.01.00.02.A.48020401	=	458.03.02.01.A.48020401	478,189.73
Availability of the local budget		Sums to be received from the Certification Authorities/ Management Authorities/ Payment Agencies	
		FUNDS FROM THE BUDGET	
521.01.00.02.A.430231	=	458.03.02.02.A.430231	53,931.77

Source: own processing of data collected from municipality of Pianu

The investment enters in the public domain of the municipality at the moment of the reception of the works.

Table no. 6. The introduction of the investment in the public domain of the municipality at the reception of the works

Constructions – other fixed assets assimilated to constructions		Corporal fixed assets in progress	
212.09.01	=	231.00.00.02.A.	532,121.50
Operational expenses For the amortization of the fixed assets		The fund for the goods that enter in the public domain of the municipalities	
681.01.00	=	103.00.00	532,121.50

Source: own processing of data collected from municipality of Pianu

## 6. Conclusions

The public investments have the following stages:

1. The planning process (the analysis of the status quo leading to the necessity of an investment; the identification of the financial resources; the elaboration of the technical-economical documentation; the attribution of the work and supplying contracts)
2. The implementation
3. The use of the investment by the beneficiaries

Usually, in the case of the local public administration, the planning of the investments starts with the elaboration of a multi-annual local development strategy, approved by the Local Council, which establishes the directions of the social and economic development. This strategy details the following aspects: the planning process, the situation of the local level; the evaluation of the natural capital; the structure of the economic system; the social field; the potential analysis (Physical-geographical aspects: Environment, Economy, Infrastructure, Tourism, Population, Education, Science and vocational training, Health and social assistance services, Administration); objectives and priorities; institutional structures for implementation, monitoring and evaluation; the evaluation of the administrative capacity of the public local administration; proposed projects.

## 7. References

- Guidance of the applicant for the sub-measure 7.6 - Investments Associated with the Protection of Cultural Heritage <https://online.afir.info/> (The Guide for Applicants for Sub-Measure 7.6)
- Law No. 98/2016 of 19 May 2016 on public procurement (Law 98 / 19.05.2016 on public acquisitions)
- Government Decision no. 395/2016 for the approval of the Methodological Norms for the application of the provisions regarding the award of the public procurement contract / framework agreement of Law no. 98/2016 on public procurement (The Government Decision 395/2016 on the adoption of the Methodological norms for the enforcement of the provisions of the public procurement acquis 98/2016 on public acquisitions)