

## Agency for Financing Rural Investments – The Agency Which Manages Funds from Pillar II of Common Agricultural Policy

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### Abstract

*The Agency for Financing Rural Investments (AFRI) is a national agency which contributes to implementing the policy of rural development of European Union, policy which aims the growth of life's quality in rural environment. Therefore, the purpose of this article is to emphasize: the AFRI's importance in developing the Romanian rural environment and an analysis of the activity which this agency conducted during the two programming periods. The Agency for Financing Rural Investments is one of the two national agencies subordinated to the Ministry of Agriculture and Rural Development, its main role being represented by implementing rural development measures. This agency was instituted based on the Government Emergency Ordinance no. 14/18.06.2014 and finances Romanian rural environment through some measures such as investments in physical assets, agricultural holdings and businesses development, basic services and village renewal in rural areas, investments in developing forest areas and ameliorating forest viability, support for setting up producer groups in the agricultural sector, support for agricultural and fruit – growing cooperation.*

**Key words:** rural development, European funds, payment agency, agricultural financing

**J.E.L. classification:** Q14

### 1. Introduction

The integration of our country in the European Union on the 1<sup>st</sup> of January 2007 led to the identification of new development opportunities for national sectors through irredeemable European Funds, funds which are meant for eliminating the inequalities which exist between the economies of the Member States. Rural development in the European and national decision factors' centre of interest both because it aims to improving life conditions of the people in the rural environment, but also due to the fact that it considers assuring the necessary products to the European citizens. Therefore, to the measurements of rural development is allotted 1/5 of the budget of the common agricultural policy. The investments made through these measures have as purpose the amelioration of production capacity, increasing competitiveness on the market and increasing the life quality for the inhabitants living in villages. From the year of 2007 until now, there have been two national programs for rural development, which allowed the applicants to make investments in own activities and in the public ones. The Ministry of Agriculture and Rural Development has the role of Management Authority for the European funds destined to rural development, and subordinated to it, there is the Agency for Financing Rural Investments which effects payments and interacts with potential beneficiaries both at the moment of submitting the projects and payment requests, as well as during the whole period of implementing the projects. Concerning the managing of the European funds there is also stated that fact that both the Member States and the European Commission take responsibility for managing and controlling the ongoing programs.

## 2. Theoretical background

Sustainable rural development – equilibrated and equitable economical development with a high level of social cohesion and bearing responsibility for using natural resources and environment protection

([https://www.researchgate.net/publication/237527540\\_DEZVOLTAREA\\_RURALA\\_IN\\_UNIUNEA\\_EUROPEANA](https://www.researchgate.net/publication/237527540_DEZVOLTAREA_RURALA_IN_UNIUNEA_EUROPEANA)).

The Agency for Financing Rural Investments is a public institution which conducts its activity in accordance to the Government's Emergency Ordinance no. 41/2014 and which assures the technical and financial implementation of the European Agricultural Fund for Rural Development (<https://www.afir.info/>).

European funds are made available for the Member States for financing national programmes. (<http://madr.ro/docs/dezvoltare-rurala/rndr/buletine-tematice/PT23.pdf> ).

The National Program for Rural Development represents that program through which the applicants have access to funds from the European Union and the Government of Romania – social development of Romania's rural space (<http://www.finantare-rurala.ro/despre/ce-este-pndr.html>).

## 3. Research methodology

Our research aims to presenting theoretical aspects concerning the financing of the Romanian rural environment through the Agency for Financing Rural Investments. The main aspects aim the presenting of the Agency for Financing Rural Investments and its activity in numbers. As research methods and techniques in our study we have used theoretical documentation, analysis and synthesis. The theoretical documentation supposed studying the specialty literature. We have used analysis in presenting the numbers concerning the activity conducted by the Agency for Financing Rural Investments starting with the year of 2007 until now. Synthesis was used in presenting the theoretical aspects, the domain of rural development being a vast study domain.

## 4. Common Agricultural Policy – presentation and financing

### 4.1. General presentation

Common Agricultural Policy (CAP) represents an instrument which directly sustains the European farmers both by assuring a decent living but also by developing rural areas. CAP was set off in the year of 1962 and has as objectives (Treaty concerning the functioning of the European Union, art. 39):

- ✓ Increasing productivity in agriculture by technical progress, by a national growth of agricultural productivity as well as efficient use of labour;
- ✓ Assuring an adequate living for the agricultural population especially through increasing individual income of the agricultural worker;
- ✓ Markets' stabilization;
- ✓ Guaranteeing provision safety;
- ✓ Assuring reasonable delivery prices towards consumers.

CAP considers both supporting the farmers directly by granting aids and implementing some market measures which are to help them, as well as durable development of rural environment, given that over 77% of EU territory is classified as being rural.

From the moment of its setting off until now, CAP was reformed in three stages, therefore the first stage occurred in the year of 1992 when the focus shifted from supporting the market to supporting the farmers through granting direct aids to them detrimental to subsidizing prices, the second stage (year 2003) consisted in granting the farmers aids for incomes, with the condition of respecting some legal requirements concerning the care for agricultural lands, respecting the standards concerning the safety of food, environment, animal health and well-being, and the last reform occurred in the year of 2013 and consisted in consolidating the competitiveness of agricultural sector, promoting a lasting agriculture and supporting employment in rural environment (European Commission, 2017, p.5).

CAP is financed through two funds namely the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).

*The European Agricultural Guarantee Fund* represents one of the funds which contribute to reaching the CAP's objectives through two categories of measures financed in pillar 1 namely: support for incomes given to farmers (70% from CAP's budget) and measures for sustaining the market (10% from CAP's budget). (European Court of Auditors, 2008, pp. 89 – 90).

*The European Agricultural Fund for Rural Development* is a financing instrument situated in CAP's second pillar and which contributes to a durable rural development of the Member States. ([https://www.fi-compass.eu/sites/default/files/publications/EAFRD\\_The\\_european\\_agricultural\\_fund\\_for\\_rural\\_development\\_RO.pdf](https://www.fi-compass.eu/sites/default/files/publications/EAFRD_The_european_agricultural_fund_for_rural_development_RO.pdf)).

#### **4.2. The European Agricultural Fund for Rural Development**

The European Agricultural Fund for Rural Development (EAFRD) is a CAP financing instrument which contributes to the rural development of all Member States. The established objectives through CAP's reforming concerning EAFRD aims the sustaining of a competitive European agriculture, lasting administration of natural resources in community space, immunity to climatic changes, endowing the rural environment with public goods, preserving landscapes at European level, amelioration of economy in rural environment, creating jobs in rural environment.

European regulations concerning the financing of rural development through EAFRD have been established in programming periods as follows: Regulation CE no.1698/2005 for the programming period 2007 – 2013, and Regulation EU no.1305/2013 for the present programming period 2014 – 2020.

EAFRD finances expenses incurred by durable development of the Member States, through certain measures such as the ones of agro environment, amounts representing compensations granted to farmers being in disadvantaged areas for a good development of the agricultural activities, investments within the agricultural holdings, infrastructure development in rural areas (European Court of Auditors, 2008, p. 91).

#### **4.3. The Agency for Financing Rural Investments**

The Agency for Financing Rural Investments (AFRI) is a public institution which was set off based on GEO (OUG) no.41/2014 concerning setting up, organizing and operating the Agency for Financing Rural Investments as a result of the Payment Agency for Rural Development and Fisheries' (PARDF) reorganization approved by Law no. 43/2015 (<http://www.afir.info/>). The legal attributions of AFRI are adapted to the two types of activities conducted by the Agency, respectively the activity of technical implementation and financial activity.

AFRI offers the possibility of accessing resources within EAFRD, by approving the National Program of Rural Development (NPRD) by the Ministry of Agriculture and Rural Development, program which presents in a detailed way the conditions in which each measure may be accessed by applicants. Until now MARD has elaborated two National Programs of Rural Development which are to be presented.

*National Program for Rural Development 2007 – 2013* was a national program with a major impact on agriculture and on Romanian rural environment due to ingress of some significant funds in their development, funds which assured not only the improvement of life for the villagers, but also the modernization and development of rural areas ([https://portal.afir.info/informatii\\_generale\\_pndr\\_pndr\\_2007\\_2013?amp;lang=RO](https://portal.afir.info/informatii_generale_pndr_pndr_2007_2013?amp;lang=RO)).

NPRD 2007 – 2013 ended on 31.12.2015 and the report of submitted projects, of selected projects and of concluded contracts will be presented within table no.1.

*Table no. 1 Report on submitted projects, on selected projects and on concluded contracts*

Indicator	Number	Public Value (Euro)
Submitted projects	150.944	18.533.168.276
Selected projects	98.444	7.610.446.693
Concluded contracts	79.784	5.707.979.271

Source: (The stage of NPRD's projects on the 6<sup>th</sup> of October 2016, <https://www.afir.info/> ).

By analyzing the data in the table we can ascertain that 65,21% from the total number of submitted projects have been selected, and contracts have been concluded for only 52,85% of them, situation which we will present in table no.2.

*Table no.2 Situation of concluded contracts reported to submitted projects and selected projects*

Indicator	Number (%)	Public value (%)
(selected projects/submitted projects) x 100	65,21%	41,06%
(concluded contracts/submitted projects) x 100	52,85%	30,79%
(concluded contracts/selected projects) x 100	81,04%	75,00%

Source: (Own processing following the NPRD's project stages on the 6<sup>th</sup> of October 2016, <https://www.afir.info/>).

*National Program of Rural Development 2014 – 2020* is a program which is currently running, and its situation on 10.10.2019 will be presented in table no. 3 and table no. 4.

*Table no. 3 Report on submitted projects, on selected projects and on concluded contracts on 10.10.2019*

Indicator	Number	Public Value (Euro)
Submitted projects	64.333	9.489.111.712
Selected Projects	37.470	5.155.452.815
Concluded Contracts	35.699	4.377.439.226

Source: (The stage of submitted projects on 10.10.2019, <https://www.afir.info/> ).

Analysing the data presented above we can ascertain that 58,24% of the total amount of submitted projects have been selected and there have been signed contracts for only 55,49% among these, situation which will be presented in table no.4.

*Table no.4 Situation of concluded contracts reported to submitted projects and selected projects*

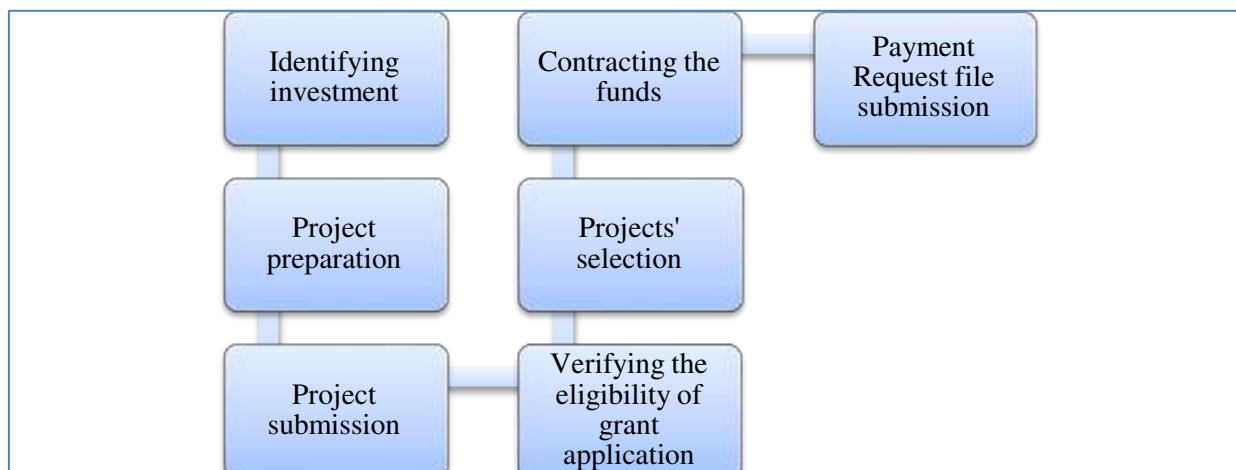
Indicator	Number (%)	Public value (%)
(selected projects/submitted projects) x 100	58,24%	54,33%
(concluded contracts/submitted projects) x 100	55,49%	46,13%
(concluded contracts/selected contracts) x 100	95,27%	84,90%

Source: (Own processing following the stage of submitted projects 10.10.2019, <https://www.afir.info/>).

#### 4.4. The Stages of Accessing European Funds through EAFRD

Accessing of irredeemable funds allotted by EAFRD supposes the completion of seven stages according to figure 1.

Figure no.1. The stages of accessing European funds granted by EAFRD



Source: (Own processing after Payment Agency for Rural Development and Fisheries, European funds for agriculture and rural development (brochure), Bucharest, 2011, pp. 4-6)

1. Identifying investment –in this stage the beneficiary identifies the domain in which he wishes to make the investment; after the identification of the domain the specialised institutions for managing European funds are contacted for receiving informational materials referring to that project.
2. Project preparation – consists in preparing the needed documents for receiving European funds.
3. Project submission – after the project is made, it is personally or by an invested person submitted to the County Office for Financing Rural Investments (COFRI) in the county where the investment takes place.
4. Verifying the eligibility of grant application – within this stage the compliance for the mandatory conditions provided by the Applicant's Guide is verified.
5. Projects' selection – supposes the accordance of scores for each project by AFRI in accordance to the established scoring system. A list containing all the eligible projects will be made, grouped according to the date at which they have been submitted and which fit in the minimal scoring limit. If the value of eligible projects is under the value allotted to the Measure in a submission session, then all the projects will be financed and if the value of all the eligible projects is over the value allotted to the Measure in a submission session, then the financing of the projects will be made in a descending order of their scores.
6. Contracting the funds – after establishing which projects have been approved for financing and after receiving the Report, AFRI lets the beneficiary know that his project was selected and asks for his presence for signing the financing contract.
7. Payment Request file submission – the beneficiary submits the Payment Request file to COFRI, file which contains justifying documents according to payment instructions.

## 5. Conclusions

The Agency for Financing Rural Investments (AFRI) is a national agency which contributes to implementing the European Union's policy of rural development, policy which aims to improving life conditions of the inhabitants living in the rural environment. AFRI was set off based on GEO no.41/2014, and its attributions are adapted to the two main types of activities that it conducts: the activity of technical implementation and financial activity.

AFRI manages resources in the Pillar II of Common Agricultural Policy, this policy representing the instrument with the help of which the European Union directly supports the farmers in the Member States by assuring a decent living and developing the rural environment.

The activity conducted by AFRI within NPRD 2007 – 2013 supposed the conclusion of 79.784 contracts having a total value of 5.707.979.271 Euros, while for the present programming period 2014 – 2020 a number of 35.699 contracts was concluded having total value of 4.377.439.226 Euros. All these contracts are financed from EAFRD which is a CAP's financing instrument and which contributed to rural development of all the 28 Member States. The objectives established by CAP's reforming concerning EAFRD, aims the sustaining of a competitive European agriculture, durable administration in community space of natural resources, immunity to climate changes, endowing the rural environment with public assets, preserving landscapes at European level, amelioration of rural economies, creating jobs in rural environment.

## 6. Acknowledgement

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