

Policy Brief: *Enhancing the competitiveness of SMEs in the organic sector*

1. Overview of the Agri-food sector in the North-West Region of Romania

In Romania, more than half of the population is living in rural areas (54%, compared to the EU average of 19%), totalizing 11% of total rural population in the European Union. The agricultural sector has a share of 4,6% of the Gross Value Added (compared to an average share of 1,5% in EU-28) and 4,3 of the GDP, highlighting the importance of this sector in the country's economy. In the same time, the imports volume of the agricultural products exceeds the exports by 6,6% in 2016.

Romania is the country having the most agricultural holdings in Europe, totalizing 33.5% of all EU agricultural holdings, fact due to the excessive fragmentation of the individual holdings (92,2% under 5 ha, an average of 3,6 ha per holding), generating more than 6,57 million jobs, (30% of EU rural jobs and 23 % from the labour force in Romania, compared to the average of 4.3% jobs in agriculture in EU-28).

Only 2,1% of the agricultural land is organic in Romania (226.309 ha), placing the country on the 11th place in EU ranking. The number of organic operators constantly decreased in the last years, despite an accelerated increase until 2012. Currently, Romania has 10.562 organic operators, 95% being producers, placing the country in top 7 at the EU level from this perspective.

County with proper climate and proper land for agriculture, using already much less chemicals for agriculture compared to other European states.

In the North-West Region of Romania, from a population of little over 2,5 million people, 48% live in rural areas, generating 22% of the regional labour force.

In 2016 there were aprox. 19.000 ha (only 1.4% from regional agro-land), constantly diminishing from aprox. 30.000 ha in 2014. The region has the second largest number of organic operators in the country - 3261, out of which 98% are producers and only 3% are SMEs, the rest being individual holdings.



2. Policy context - Current regional support measures.

In Romania, the regions are not administrative units, but mainly operate for statistical reasons and in relation to NUTSII European classification in respect to the EU funds. The North-West Region has been established in 1998, from the voluntary association of the 6 counties in the North-West of Romania.

There is a **National Strategy for Rural Development** at national level, enforced in the territory by the ministry agencies in each county, County Offices for Agriculture. The **National Plan for Rural Development (PNDR)** is embedded in the national strategy and is the main policy instrument for the implementation of the Common Agricultural Policy in Romania. Within PNDR, **the LEADER groups** (34 Local Action Groups in the region - GALs) have the liberty to elaborate and implement own strategy and finance projects following tailor-made needs of the respective territory.

Ministry of Agriculture and Rural Development (MADR) is also launching periodically programmes to assist different areas, out of governmental funds.

Along the value chain, different sectors that can absorb organic raw materials can also address to **Regional Operational Programme (ROP)**, Axis 2 Competitiveness of the SMEs, having Regional Development Agencies as Intermediate Bodies, **Multi-annual governmental programme for Micro-industrialisation** managed by the Ministry of Economy and **Competitiveness Operational Programme (POC)** for RDI related activities.

In addition, **Local Councils** can provide financial support to associations which act in the organic sector for various events.

Key measures and instruments (EU, national, regional) that can support your regional organic sector.

Instrument*	Responsible**	Beneficiary	Financial contribution***	Production	Processing	Commercialisation & marketing	Training & advice	Education	Innovation	Value chain efficiency & governance
1. (CAP) PNDR – National Plan for Rural Development	MADR - AFIR - APIA	Farmers, Rural SMEs, NGOs	Fix amounts or grants from 50% - 90% of the budget	x	x	x	x	x	x	x
1.1. Measure 11 Organic Agriculture (11.1 and 11.2)	MADR – APIA	Organic producers/ SMEs	200 M euro compensatory fees/ha for conversion and maintenance	x						
1.2. Measure 10 Agro-Environment and Climate	MADR - APIA	Also organic producers/ SMEs	Compensatory fees/ha or /animal head	x						
1.3. Measure 4.1. Investments in agro-holdings	MADR - AFIR	Also organic producers and processors	285 M euro 50-90% grant (out of which 20% if organic)	x	x					
1.4. Measure 4.2. Support for investment in processing and marketing of agricultural products + STATE AID Scheme	MADR - AFIR	Also organic traders/wholesalers	112 M euro (+75M) 15 points for organic		x	x				
1.5. Measure 6.1. Business Start-up aid for young farmers	MADR - AFIR	Also organic producers/ SMEs	170 M euro 50 k grant/project	x						
1.6. Measure 6.2. Business start-up aid for non-agro activities in rural areas	MADR - AFIR	Also organic resorts	18,3 M euro 70 k/project			x				
1.7. Measure 6.3. Support for development of small farms	MADR - AFIR	Also organic farms	100M euro	x						
1.8. Measure 6.4. Investments in creation and development of non-agri activities	MADR - AFIR	Business also using organic raw products	200 k, 90% grant			x				

Instrument*	Responsible**	Beneficiary	Financial contribution***	Production	Processing	Commercialisation & marketing	Training & advice	Education	Innovation	Value chain efficiency & governance
1.9. Measure 1.1. Support for training and new skills	MADR - AFIR	Also all kind of organic operators					x	x		
1.10. Measure 1.2. Support for demonstration activities and dissemination	MADR - AFIR	Also for organic producers and processors				x			x	
1.11. Measure 9.1. Setting up producers groups	MADR – AFIR	Also organic producers and processors (beneficiaries of M6.1, M6.3., M10)	7 M euro	x	x	x				
1.12. Measure 16.1. Support and aid for functioning of the operational groups for innovations	MADR - AFIR	SMEs, NGOs Also all kind of organic operators	12,3 M euro 500k grant/ project	x	x	x			x	x
1.13. Measure 16.4. Support granted for vertical and horizontal cooperation along the distribution chain	MADR - AFIR	SMEs, NGOs Also all kind of organic operators	3,9 M euro 100k grant/ project	x	x	x			x	x
1.14. Measure 8.1. Afforestation	MADR - AFIR	Also for forest curtains used for organic crops	50M euro	x						
1.15. Measure 19.2. Support for the implementation of local development strategies	MADR - GALs	SMEs, NGOs Also all kind of organic operators	200k /project, up to 100% grant	x	x	x	x	x	x	x
2. (CAP) POPAM – National Operational Programme for Fisheries and Sea	MADR - POPAM	Farmers, Rural SMEs, NGOs	Grants from 50% - 75% of the budget	x	x	x	x	x	x	
2.1. Measure I.1. Innovation	MADR – POPAM	Also for organic fish producers, processors	140 k euro/ project, 50-75% grant	x	x	x			x	
2.2. Measure I.2. Counselling	MADR – POPAM	Also for organic fish producers, processors	16k euro/ project, 50-75% grant				x			

Instrument*	Responsible**	Beneficiary	Financial contribution***	Production	Processing	Commercialisation & marketing	Training & advice	Education	Innovation	Value chain efficiency & governance
2.3. Measure I.6. Income diversification	MADR – POPAM	Also for organic fish producers, processors	150k euro/ project		x	x		x		
2.4. Measure II.2. Investments for fisheries SMEs	MADR – POPAM	SMEs, NGOs - also organic fish producers, processors	1 mil Euro/project, 30-50% grant	x	x	x				
2.5. Measure IV.1 Production and commercialization plans	MADR – POPAM	NGOs – also associations of organic fish producers	75% grant	x		x				
2.6. Measure IV.3. Marketing measures	MADR – POPAM	SMEs, NGOs - also organic fish producers, processors	50-75% grant			x				
2.7. Measure IV.4. Processing fishery products	MADR – POPAM	SMEs, NGOs - also organic fish producers, processors	1 mil Euro/project, 50-75% grant		x					
3. (CAP) PNAR – National Apiculture Programme	MADR - APIA	Beekeepers, SMEs								
3.1. Action B Combatting beeheives agrossors and diseases, especially varroasis	MADR - APIA			x						
3.2. Action C Rationalization of transhumance/ pastoral apiculture	MADR - APIA			x						
3.3. Action E Measures to support the restocking of hives	MADR - APIA			x						
4. (ERDF) ROP – Regional Operational Programme	MDRAP - RDAs									

Instrument*	Responsible**	Beneficiary	Financial contribution***	Production	Processing	Commercialisation & marketing	Training & advice	Education	Innovation	Value chain efficiency & governance
4.1. Axis 2 Improving competitiveness of the SMEs – Measure 2.1A – Microenterprises	MDRAP – NW RDA	Urban non-agro Microenterprises	214,12 mil euro– Ro 33,55 mil euro - NW Min 25k - Max 200k / project, 90% grant		x					
4.2. Axis 2 Improving competitiveness of the SMEs – Measure 2.2 – Supporting productive investment and services	MDRAP – NW RDA	Non-agro SMEs	172,94 mil euro - Ro 24,78 mil NV Min 200 k – Max 1 mil euro, 60-70% grant		x	x				
5. (ERDF) POC – Competitiveness Operational Programme, Axis 1	MFE - ANCSI	Non-agro SMEs (Bioeconomy)							x	
5.1. OS 1.3. Enhancing private investments in RDI, Action 1.2.1.	MFE - ANCSI	Non-agro SMEs + RDI units							x	
5.2. OS 1.4. , Action 1.2.3. Knowledge Transfer Partnerships	MFE - ANCSI	Non-agro SMEs + RDI units							x	
6. PNIII – National R&D Plan	MEd - ANCSI	Non-agro SMEs (Bioeconomy)							x	
6.1. Sub-programme 2.1. Competitiveness through RDI	MEd - ANCSI	Non-agro SMEs							x	
6.2. Bridge Grant	MEd – ANCSI	Knowledge transfer to Non-agro SMEs							x	
6.3. Demonstrative experimental project	Med – ANCSI	Non-agro SMEs							x	
6.4. Transfer to the economic operator – Innovation circles	MEd - ANCSI	Knowledge transfer to Non-agro SMEs							x	

Instrument*	Responsible**	Beneficiary	Financial contribution***	Production	Processing	Commercialisation & marketing	Training & advice	Education	Innovation	Value chain efficiency & governance
7. Multi-annual programmes	MEc - AIPPIMM	SMEs (non-agro)								
7.1. Commercialization	MEc - AIPPIMM	SMEs			x	x	x			
7.2. Microindustrialization	MEc - AIPPIMM	SMEs (non-agro)			x	x	x			
7.3. Start-up Nation	MEc - AIPPIMM	SMEs			x	x				

*Refers to relevant European Investment or Structural Funds e.g. ERDF, EAFRD or national fund if applicable

** Refers to relevant managing authorities e.g. EU, national, regional if applicable

*** Refers to relevant EU, national, regional co-financing

List of Acronyms:

CAP – Common Agricultural Policy
PNDR – Rural National Development Plan – out of CAP
MADR – Ministry of Agriculture and Rural Development
MMACA – Ministry for Business, Commerce and Entrepreneurship
MF – Ministry of Finance
OTIMMC – Territorial Offices for SMEs
APIA – Agency for Payment and Investment in Agriculture
AFIR – Agency for Financing Rural Investments
DADJ – County Offices for Agriculture and Rural Development
GAL – LEADER Rural formal Groups
CJ – County Councils
POR – Regional Operational Programme
POC – Competitiveness Operational Programme
POCU – Human Capital Operational Programme
POPAM – Operational Programme for Fisheries and Sea

PNAR – National Programme for Apiculture
ERDF – European Regional Development Fund
MDRAP – Ministry of Regional Development and European Funds
RDAs – Regional Development Agencies

3. Relevance of the regional policy support for the development and implementation of your action plan

The programmes/ funds available cover half of the measures proposed in the Regional OAP. It is the will of the local and regional stakeholders to go for it, to propose initiatives, projects and to implement those actions. For the other half for which there is currently no associated support, the OAP and the Policy recommendation are actually synthesizing the further needs of the stakeholders acting in the field. There will be a further need of lobbying for the support of the proposed actions, translated currently into a lack of financial and institutional support from the Romanian authorities.

4. Recommendations for regional policymakers to improve the current policy environment

Specific support is strongly needed in order to develop the organic sector in Romania, a country with huge potential from the climate and territory/land point of view.

Apart from the support provided from EARDF (CAP) via MADR as Managing Authority and rural agencies in the territories as Implementing Bodies, the support from national and county authorities is further needed in these directions:

- AWARENESS CAMPAIGNS – better informing the population on the organic products and rules, in order to increase the demand and consumption
- STATE/ PUBLIC INSTITUTIONS to become organic consumer – include public procurement rules of organic, introduced in canteens/ providers for schools and hospitals
- PROCESSING INFRASTRUCTURE – support individual and joint infrastructures for obtaining processed organic products
- PROMOTION OF THE ROMANIAN ORGANIC PRODUCTS – support exhibitions, export, markets, distribution channels, organic stores, events
- SUPPORT THE ORGANIC ASSOCIATIVE STRUCTURES – for management, activities, joint offers for procurements, networking
- BIO AGENCY – establish a dedicated public structure providing synergies in the territory with existing public and private structures, act as National/ Regional Organic Observatory
- REDUCE BUREAUCRACY of the certification and export procedures

This document has been produced in the framework of the SME Organics Project, by the North-West Regional Development Agency.

<https://www.interregeurope.eu/smeorganics/>