

The Importance of Adopting a Support for Policy for the Aquaculture Sector in Romania

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Abstract:

Within the European Union the fishing and aquaculture sector over the past years faced major challenges for its future. Given that the aquaculture activity in Romania is not encouraged, similarly, through government subsidies or through tax incentives, entrepreneurs in this sector the sole possibility is to access EU funds in order to develop the activity they carry out. We therefore propose to identify the legislative levers and programs through which funding can be supported and are allowed the exploitation of living aquatic resources and aquaculture in the context of sustainable development.

Keywords: aquaculture sector; EU funds; fiscal policy

JELL Clasification: Q22; Q28

1. Introduction

One of the most important challenges of the last years of the fishing and aquaculture sector was the diminishing fish stocks, this causing fears because some highly exploited fish stocks have reached a critical situation in terms of biological requiring emergency urgent action. Also the degradation of the marine environment is a crucial stake that should determine the operators in the fisheries sector to consider the overall impact they have on the marine ecosystem and aquaculture represent a real alternative to fishing. In the EU have been implemented a number of financing programs through which the fishing activities and aquaculture are supported in order to achieve the common fisheries policy objective, namely to provide for sustainable exploitation of living aquatic resources and aquaculture in the context of sustainable. EFF has simpler operational procedures and reflects, in fact, the needs of all Member States. This is highlighted in the figures found in Table 1.

geoltime	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EU27	1376163	1428753	1398507	1385516	1272407	1343294	1311246	1260590	1283219	1306652	1252402	1300335
BE	846	1597	1871	1830	1834	1261	739	414	128	128	126	576
BG	4252	7780	3654	2938	2308	4465	2489	3145	3257	4431	5159	7912
CZ	17231	18775	19475	20098	19210	19670	19384	20455	20431	20447	20395	20071
DK	42368	42670	43609	41573	32026	37772	42814	39012	27906	31168	37216	34131
DE	73020	79567	65891	53409	49852	74280	57233	44685	37681	44999	44008	40916
EE	260	200	225	467	257	372	252	555	703	778	481	654
IE	42375	43856	51247	60940	62568	62516	58359	60050	53122	52504	44871	47212
GR	59926	84274	95418	97512	87928	101434	97143	106268	113174	113188	114888	121971
ES	313697	318185	309035	308915	254726	268201	293319	219367	294891	284982	252286	268565
FR	267850	264857	266802	251655	251770	239620	242671	245160	237610	237451	238249	234000
IT	208625	210368	216525	218330	184285	191884	118217	181101	173578	180988	157865	162325
CY	1178	1422	1878	1883	1862	1821	2175	2387	3607	3200	3776	3356
LV	425	468	325	463	430	637	545	542	566	729	583	517
LT	1516	1650	1996	2001	1750	2356	2697	2013	2225	3378	3008	3428
LU	:	:	:	:	:	:	:	:	:	:	:	:
HU	10222	11947	12886	13056	11574	11870	12744	13661	14686	15922	15000	14171
MT	1950	2002	1746	1235	1116	887	868	736	7165	8589	6727	5189
NL	120094	108760	75231	57042	54429	66540	78598	71370	42200	53371	46621	55561
AT	2909	3067	2847	2393	2333	2233	2267	2420	2503	2539	2090	2142
PL	29791	33711	35795	35460	32709	35436	35131	37920	35867	34928	36829	36503
PT	7536	6268	7537	8209	8288	8033	6700	6696	7895	7471	6458	6727
RO	9614	8998	9727	10818	9248	9042	8137	7284	9108	10313	12496	13131
SI	909	1206	1181	1262	1289	1353	1571	1346	1367	1354	1314	1685
SK	648	872	887	999	829	881	1180	955	1262	1199	1078	823
FI	16024	15449	15400	15739	15132	12558	12821	14355	12891	13030	13439	13627
SE	5476	6004	4834	6773	5618	6334	5989	5880	7549	5365	7596	8540
UK	137421	154800	152485	170516	179036	181838	207203	172813	171849	174200	179843	196603
IS	3868	3897	3623	4371	3585	6214	9003	8325	8802	4823	5088	5165
NO	410757	475932	491329	510748	551297	584423	636802	661811	708803	830190	843730	961840
CH	1150	1135	1100	1135	1135	1100	1205	1214	1214	1217	1214	:
ME	:	:	:	:	:	:	:	:	11	11	11	:
HR	5989	6313	6876	10468	8991	8387	10367	11104	125	99	16387	:
MK	1257	1669	1626	1053	883	910	959	868	646	1096	1331	:
TR	56700	63000	79031	67244	61165	79943	94450	119567	129025	140021	152260	:

Table 1 Aquaculture production, Total Tonnes live weight
Source of Data: Eurostat

2. Current situation of investment in the aquaculture sector in Romania

According to official data, Romania has at the Black Sea an exclusive economic zone of 25,000 square kilometers and a coastline of 250 km. Romania's hydrographical network is 843,710 ha, representing about 3% of the total production capacity of the country and Romanian fisheries sector includes: 400,000 ha of natural lakes (including Delta) and 7 lakes, 84 500 ha of fish farms, 15,000 ha nurseries, 66,000 km of rivers, of which 18,200 km in the mountain area and 1075 km Danube¹.

The fisheries sector in Romania includes the activities of aquaculture, marine fisheries and inland fishing as well as processing and marketing activities. The most important activity is the aquaculture in freshwater, followed by fishing in inland waters.

¹ For details see Operational Programme for Fisheries, Romania 2007-2013, Ministry of Agriculture and Rural Development, 2010, page 7.

Fishing and aquaculture have occupied and still occupies an important place among the areas of national interest. Although the fisheries sector had a small contribution to the national economy, the importance of this sector is especially determined by social role it has for the populations in coastal areas (the result of the financial resources support a significant proportion of the population), through the potential food resources².

The essence is that, in Romania, the pressure of the economic policies and tax default does not directly encourage this area of national economy. Here for example, currently, according to data from public sources and processed, the economic agents and public research institutions from the field of aquaculture shall be charged with the following taxes:

- National Authority for Scientific Research to release the decision of accreditation regarding the capacity to carry out research and development charges 800 RON, given that this accreditation is valid for a period of 5 years;
- Regarding the costs to obtain the aquaculture license the amount to is 150 RON;
- To obtain the environmental permit for a period of five years, the Ministry of Environment through the National Environmental Protection Agency charged a fee of 5000 RON.

Where appropriate, among the taxes and duties that are paid by the economic agents and by the research institutions from the field of aquaculture are also found: building tax, land tax, use, leased or rented, the average fee, fee for conducting a business authorization, fee for the use of advertising media, corporate income tax.

3. Accessing the European funds

Given that the aquaculture activity is not encouraged through government subsidies or through tax incentives, the unique chance for the entrepreneurs operating in Romania in this sector to develop their work is accessing the European funds.

In 2007-2013 at EU level are granted funds for the fisheries sector and aquaculture through programs that describe and justify the measures that the national authorities intends to assist in the various priority areas (axes) of the European Fisheries Fund. The programs include a financing plan containing detailed budget for each year and the amounts allocated to different priorities for the whole programming period.

Financial assistance within this framework is intended to stimulate the development of fisheries sector profitable in economic point of view, which protects the environment and contributes to the welfare of populations living in it, in other words, to facilitate sustainable fishing and the aquaculture³. From this point of view, the projects financed by the EFF must contribute to establishing a balance between resources and fishing capacity, protection and enhancement the environment and the natural resources, to support the competitiveness and economic viability of the sector.

² *Ibidem*.

³ The European Fishing Fund, 2007-2013 User Guide, European Community, Luxembourg: Office for Official Publications of the European Communities, 2008, page 6.

Thus, Romanian entrepreneurs from aquaculture sector can obtain important financing through the Operational Programme for Fishing 2007-2013, Romania.

The Operational Programme for Fishing of Romania was developed by the National Agency for Fisheries and Aquaculture, in accordance with Article 17 (3) of Council Regulation (EC) no. 1198/2006 of 27 July 2006 on the European Fisheries Fund (EFF), following a consultation process of the socio-economic agents, local and central public authorities, trade unions, NGOs and professional organizations¹. In continuing the process begun with the development of National Strategic Plan (NSP), there were several meetings with stakeholders, the European Commission and other partners to achieve the Operational Programme, with the contribution of the thematic working groups established for this purpose.

For the programming period 2007 - 2013, the Operational Programme for Fishing of Romania was allocated a budget of Euro 307,618,942.7 out of which EFF is contributing with EUR 230 714 207 of which 140 000 000 are destined for aquaculture. These amounts are added to the national contribution provided by the state budget, amounting to nearly 80 million. The projects for the development of aquaculture can benefit from 60% co-financing from European funds and state budget. The objective of this measure is to increase fish production from aquaculture obtained up to 80% in 2013 as well as profit growth recorded through such activities by 50%. By the middle of this year, only 14 projects were submitted under the Fishing Operational Programme. (Table 2).

Public contribution	TOTAL	Year						
		2007	2008	2009	2010	2011	2012	2013
EFF contribution	230.714.207,0	15.127.527	22.157.050	30.156.234	36.391.468	39.257.052	42.262.575	45.362.301
National contribution	76.904.735,7	5.042.509	7.385.683	10.052.078	12.130.489	13.085.684	14.087.525	15.120.767
TOTAL	307.618.942,7	20.170.036	29.542.733	40.208.312	48.521.957	52.342.736	56.350.100	60.483.068

Table 2 Annual financial allocation (EUR)

Source: Progress report on implementing the Fishing Operational Programme on 11/04/2011. MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

Through these funds are the premises as the traditional system used in aquaculture Romanian, where much of the landscaped areas for aquaculture are not appropriate for this activity, to be adapted to the requirements of an efficient production process.

The Operational Programme for Fishing is structured around five priority axes each with an allocation of the public contribution (Table 3):

1. Adaptation of the Community fishing fleet
2. Aquaculture, Inland fisheries, processing and marketing
3. Measures of common interest
4. Sustainable development of fishing areas
5. Technical assistance

Priority	Total public contribution	EFF contribution	National contribution	EFF cofinancing rate
Axis 1	13.300.000,00	9.975.000,00	3.325.000,00	75%
Axis 2	140.000.000,00	105.000.000,00	35.000.000,00	75%
Axis 3	40.000.000,00	30.000.000,00	10.000.000,00	75%
Axis 4	100.000.000,00	75.000.000,00	25.000.000,00	75%
Axis 5	14.318.942,70	10.739.207,00	3.579.735,70	75%
TOTAL	307.618.942,70	230.714.207,00	76.904.735,70	

Table 3 Allocation of public financial contribution on axis (in EUR)

Source: Progress report on implementing the Fishing Operational Programme on 11/04/2011. MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

Through the Priority Axis 2 "Aquaculture, inland fishing, processing and marketing of fishery and aquaculture", the EU wishes to support a quality aquaculture, sustainable, that is profitable, that respects the environment and create jobs. Aquaculture enterprises can benefit, therefore, from public financial assistance funded through the EFF in order to invest, under certain conditions, to develop their equipment.

According to the EFF Regulation and the main objectives of Priority Axis 2 will help Romania to:

- Modernize the aquaculture to its adaptation to the market requirements
- Improving the quality of products processed and marketed in the fishing sector.

Romanian authorities' wants through this program to finance the measures to find the right balance between the productions obtained from the traditional aquaculture and the intensive one and semi-intensive⁴. The market studies show that the production of fish species with value and high quality seems to have good prospects on the market and will be considered. Priority will be providing support for diversification into new species of growth (sturgeon, trout, turbot, perch and African catfish).

High costs needed for the modernization of damaged infrastructure in aquaculture suggests that these upgrades should be concentrated in the areas where there is good market potential.

⁴ For details see The European Fishing Fund, 2007-2013 User Guide, European Community, Luxembourg: Office for Official Publications of the European Communities, 2008, page 59.

As regards the absorption⁵ of funds under this priority axis 2, measure 2.1. "Aquaculture" for a total allocation 95 million euros in 2007-2013, 230 applications were submitted with a total value eligible estimated to 344,461,923.80 euro. Following the review of these applications were selected for funding 98 with a total eligible value of 134,617,101.42 euros, of which 95 with a value 83,841,585.34 euro grant. The payments made were EUR 18,816,891.23 (81,129,026.52 lei), representing a 17.92% degree of absorption of the allocation.

4. Government policy of encouraging European aquaculture sector through co-financing

This small contribution of aquaculture to the national economy is determined largely by the lack of measures to encourage the state to develop this sector. If in other areas of the economy such as agriculture, have been implemented a series of subsidies to encourage these activities (currently are subsidize expenses on seed, fertilizer, fuel), the aquaculture sector in Romania has not made since the accession to EU the subject of incentives, of development and adaptation to the EU market by providing government subsidies or by applying a more relaxed fiscal policy in this area (tax amnesty, reduced VAT, subsidizing the fee paid to the state budget for concessioned water shine according to the popular fish carried out by the concession companies, etc.). This led to significant reductions in exploited water surface.

Despite this lack of fiscal policy of the Romanian state, aquaculture must have known a significant development together with Romania's EU accession, provided that the entrepreneurs of this sector with access in 2007 to European funds granted through The Operational Programme for Fishing of Romania in the amount of 230,714,207 euros, of which Euro 307,618,942.7 is The European Fishing Fund contribution.

According to the report of progress on implementing the The Operational Programme for Fishing on 11.4.2011 of the Ministry of Agriculture and Rural Development in the measure 2.1. "Aquaculture" for a total allocation of 95 million euros in 2007-2013 there was an absorption rate of only 17.92% of the allocation. This low absorption is motivated by the inability of entrepreneurs gain funds needed for co-financing.

Although at national level have taken steps to prevent this situation, it was created the Rural Credit Guarantee Fund (RCGF) which sought to guarantee investment loans granted to the beneficiaries of different European funds, including the EFF, taking into regard the figures reported on 11.4.2011 by the Ministry of Agriculture and Rural Development regarding the absorption the measure 2.1. "Aquaculture" that the purpose was not achieved.

5. Conclusions

Within the EU there is a clear policy to encourage the community branches present within the economy by implementing financing projects. Since the way Europeans eat animal protein is

⁵ For details see Report of progress on the implementation of The Operational Programme for Fishing on 11/04/2011, Ministry of Agriculture and Rural Development, Directorate General for Fishing Management Authority for POPs, page 3.

going to change fundamentally, which will involve deep economic and social change in this sector of aquaculture.

In recent years, according to previous exposure in EU the funding policy in this area was a priority in the community. More than 60% of the consumption of fish and shellfish is imported from countries outside the EU. Thus, aquaculture becomes increasingly important globally and at EU level, which should lead the authorities of Romania, including those from regional and local level to explore the opportunity to encourage this sector by providing government subsidies, tax incentives, which at present does not happen also due to the period of financial and economic crisis facing the Government from Bucharest.

Romanian entrepreneurs in aquaculture, should focus given the lack of support from the state, on the submission of projects to receive funding through Operational Programme for Fishing, given that until 11/04/2011 the absorption of these funds is extremely low, only 17.92%% of allocation.

The augmentation of the absorption rate of funds given under this operational program is a necessity given that since July 1, 2010 the Regulation on organic production of aquatic animals (fish, molluscs, crustaceans) and seaweed came into force.

Thus, if until now the certification made in Member States concerned the private standards or national specifications, the regulation requires a minimum set of criteria common to all EU countries.

The new production standard for fish provides a real wealth. Densities established by the European text are in accordance with those applied in general by the existing environmental certifications and more stringent than so called conventional production. For example, the largest aquaculture production "green" European, salmon, the salmon density in "green" aquaculture "farm" may not exceed 10 kg/m³ in seawater, while in conventional production could reach 70 kg/m³.

Despite the fact that the regulation does not impose a sudden change in aquaculture farms, investments that entrepreneurs need to do in this area will be significant. In this context the major investments in aquaculture which the entrepreneurs will need to do to meet the conditions specified in this regulation can be obtained, in our opinion, only by submitting projects under The Operational Programme for Fishing 2007-2013.

References

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