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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	The difficult situation the beneficiaries of EAFRD-funded projects are facing as a result of the high price increase of material/costs <i>- Information from the Romanian delegation</i>

With a view to an 'Any other business' item at the Council ('Agriculture and Fisheries') on 24 May 2022, delegations will find in the Annex a note from the Romanian delegation on the abovementioned subject.

The difficult situation of the beneficiaries implementing EAFRD-funded projects as a result of the high price increase of material/costs

Given the existing problems at EU level related to the general economic situation caused by the COVID 19 pandemic, which is still showing its effects, exacerbated firstly by the explosion of inputs' prices and then by the war in Ukraine, the construction-assembly sector has been severely affected. The cost of construction materials has increased by over 60%, and the prices of fuels, natural gas and electricity by over 40%. There have also been increases in labor costs, as well as in the prices of equipment and other machineries.

Romania is facing an extremely serious situation in the implementation of the National Rural Development Programme due to the fact that many beneficiaries can no longer continue the implementation of ongoing projects as the budget approved for 2014-2020 cannot cover the very high additional costs caused by substantial increase in prices.

In this context, many beneficiaries are in the position to abandon the execution of works or to terminate/not be able to complete the projects, leading to failure to meet the proposed objectives. This situation, along with the risks of massive de-commitment of European funds, is seriously affecting the implementation of the Programme and the development of rural areas, with catastrophic effects for the rural population.

Considering the multitude of projects under implementation which include construction-assembly works and that are affected by this difficult context, it is necessary to identify urgent solutions at EU level to support the public and private beneficiaries of the rural development programmes whose projects are affected by the crisis outside the agricultural sector, so that the completion of the projects can be ensured.

The solutions must provide for the possibility to finance from the EAFRD funds the price differences, by increasing the value of the projects and of public support accordingly, in order to ensure the completion of the investments already initiated.

In this regard, we highlight that in Romania there are 3,400 projects that are affected by the current crisis situation, with a possible financial impact over the rural economy of about 2.6 billion Euros (total public value of ongoing contracts). According to our assessment, the amounts necessary for the completion of these projects sum up to about 400 million Euros, following the application of a percentage rate on the remaining payment related to contracted projects, that include construction-assembly works.

Therefore, RO requests the COM to urgently adopt a decision that should allow to increase the value of the projects in order to compensate for the additional costs for the Rural Development National Programme's beneficiaries.