

# The Impact of Access to European Funds in Romania in the 2014-2022 Period

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## **Abstract**

*By stimulating the expansion of both the rural economy and the overall rural area, European funding ensures that the standard of life for people who live in rural areas increases. By concentrating on the development regions and the phases of the development of the European funds, the authors of this article emphasized the evolution through of the European funds allocated in Romania's rural development through 2014-2022.*

*The objective of this article is to present the performance indicators and their impact by analyzing the most relevant financing measures within the PNDR 2014-2020 and their impact on the quality of life in the Romanian countryside.*

*The authors believe that it is essential to keep looking for approaches, resources, and mechanisms for monitoring and evaluating the effect of European sustaining on rural development as well as the rate that European funds are utilized by Romania's rural areas. The only way to guarantee Romania's rural development is to optimize the impact of European funds.*

**Keywords:** *European funds, rural development, impact, agriculture, European integration*

**JEL classification:** M 20, O 10, E 60, F61, F62, F63, F65

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## **1. Introduction**

Rural development policy makes a substantial contribution to the agricultural economy and essential rural livelihoods in various ways. This policy supports investment, knowledge building, supply chain organization, environmental protection and climate action. The rural development programs for the period 2014-2020 start from this aspect and extend the provisions on innovation and risk management.

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The creation of the European Partnership for Innovation on Agricultural Productivity and Sustainability (EPI-AGRI) provided a boost to knowledge creation and sharing. However, significant efforts still need to be made to facilitate farmers' access to knowledge.

After Romania's accession to the EU, small changes took place at the country level, Romania had to implement the single European regulation. Part of the regulation included the accumulation of several counties of the state in development regions so that the implementation of the projects could be done faster.

Romania was divided into 8 development regions in order to benefit from the financial support offered through the EU funds.



**Figure 1. The division of development regions in Romania**

By Law no. 314 of June 28, 2004, which referred to regional development in our country, created the development regions that still operate today in our country. It should be specified that the development regions are not administrative-territorial entities, and even less units that have a legal personality, they have the role of preparing and providing the necessary resources for the development of each country.

The expansion of the Romanian rural space, and of the agri-food sector, has registered numerous advances thanks to the rural development programs financed by European and national funds. However, Romania has not yet managed to reduce the gaps, so it is desired to continue the economic-social development of the rural environment and the agricultural sector through the implementation of programs aimed at improving the quality of life.

Due to the major changes in the rural economy practiced in the last 10 years in Romania, (the most important changes being the 2 periods of financial programming), the rural area is beginning to know the importance of fulfilling the functions of supply, expansion and balance, more and more what is most desirable in society, only if it remains an attractive and original living space equipped with: a good infrastructure; a viable agriculture and forestry; local conditions favorable to non-agricultural economic activities; an intact environment with a well-kept landscape.

The submediocre economic performance of the Romanian industry, due to outdated technologies, unacceptably low productivity and, above all, the structural non-correlation of the industry with the requirements of the national and international market, the absence of capital accumulation in this branch, the losses accumulated every year and sustained from the budget, the capital injection from the state budget for restructuring and re-engineering were replaced by European coordinates through financing in key agricultural sectors.

## 2. Literature review

An important component of Romania's economic development is agriculture. Romania's European integration must be seen as a process that contributes to economic development, in such a way that it participates efficiently and competitively on the internal market of the European Union, thus recovering the years lost in a system that thought differently about the economy, freedom and development from the social and economic point of view of our country.

In the current conditions, the sustainable development of the rural environment is the buzzword when talking about development policies at the national and European level, insisting more and more often on the recognition of the multiple functions of agriculture in today's human society, as well as on the role vital part of the rural space, which ensures the existence and efficiency of agriculture. The policy of integrated sustainable development of the rural area is still little addressed, most often being interpreted contradictory.

The main goal of the structural funds is to sustain cohesion and economic convergence of the Member States, including Romania. (Territorial Distribution of EU Funds Allocation for Developments of Rural Romania during 2014–2020). Rural development in Romania is linked with the Common Agricultural Policy, which is one of the most important sectoral policies of the EU (The Impact of RDP Measures on the Rural Development: The Case of Romania).

Sustainable development, in general, and that of the rural environment, in particular, is characterized by a fairly large number of empirical researches, both at the national and international level, but, unfortunately, many of the existing researches are based, in mostly on the intellectual activity and perception of researchers and less on the observations and results of practitioners.

The 2020 strategy, unlike the previous one, did not remain a vision without resonance in terms of concrete facts. A typical example of the path that was taken

towards the knowledge society is the management of the European Rural Development Fund in our country. Through FEADR, the Rural Development Program was and is managed in Romania. If we refer to the PNDR 2014-2020, through the management of this program, the aim was to make the rural development process intelligent, sustainable and inclusive, in line with the Europe 2020 Strategy.

According to These three distinct features form the thrust lines of the overall objectives of the current Strategy, which aim at: innovation, environment and mitigation (including adaptation) to climate change. They are objectives with transversal action, as they are found in the content of all rural development priorities.

Regional development presents a broad process of development of all areas of a state, able to bring a balance between the levels of economic and social development of different regions, considering the long-term management of natural resources and the protection of the natural environment (Bran et al., 2020; Faludi and Neamțu, 2020).

### **3. Research Methodology**

The National Rural Development Program 2014-2020 represents a continuation of PNDR 2007-2013 by aiming to reduce the country's gaps, as well as develop the economic and social environment. In carrying out this analysis, we have selected the most relevant measures specific to the rural environment and which have a satisfactory impact on Romania.

#### **Analysis**

The analysis of this case study was based on the identification from the database of the Agency for the Financing of Rural Investments of the most relevant information regarding the PNDR 2014-2020 allocation, the payments made, the degree of absorption, as well as the legal framework for implementing the program in Romania. The allocation from the European Agricultural Fund for Rural Development (EAFRD), granted for the implementation of the National Rural Development Program (PNDR) in the period 2014-2020 in the amount of 8.13 billion euros, was supplemented based on Regulation (EU) no. 2220/2020 which stipulates the extension of the applicability of the existing legal framework in the years 2021-2022, with 2.15 billion euros of resources from the Multiannual Financial Framework (MFF) 2021-2027 and with 0.69 billion euros of funds from the Recovery Instrument of the European Union (EURI) as a result of the crisis caused by the COVID-19 pandemic. Added to this is the national contribution, from the state budget, in the amount of 1.73 billion euros.

Thus, the EAFRD allocation for the period 2014-2022 is 10.97 billion euros, and the total public allocation is 12.70 billion euros, of which:

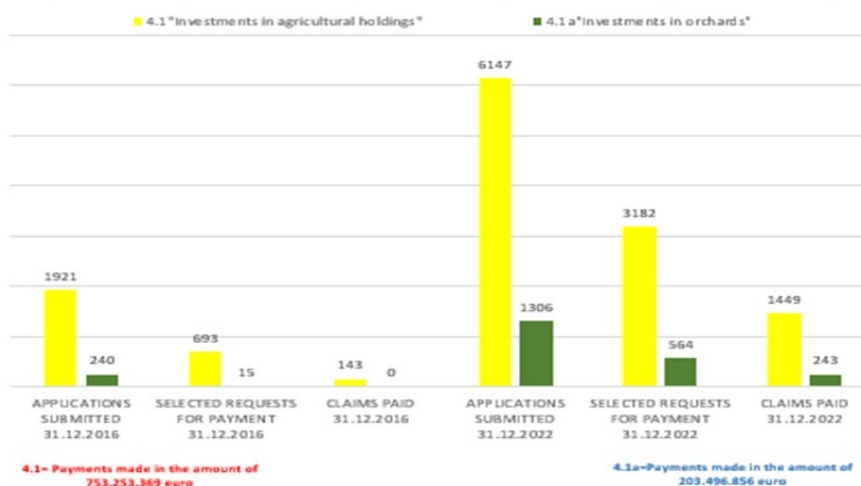
2014-2020 EAFRD allocation: 8.13 billion euros,

FEADR and EURI allocation for the period 2021-2022: 2.84 billion euros.

Total national allocation: 1.73 billion euros.

On this date, AFIR made payments to farmers, processors, rural entrepreneurs and local public authorities, beneficiaries of the National Rural Development Program, as follows:

- Degree of absorption: 77.86% relative to the total public funding (EU+BN) granted for PNDR 2014 – 2022 (EURI, Transition and PNDR – 9.88 billion);
- 89.70% in relation to the total European funds granted (only) through PNDR 2014-2020 (8.53 billion);
- Total PNDR payments 2014 – 2022: over 9.88 billion euros (€9,886,870,031.53) related to investment measures, direct payments and support measures from the National Rural Development Program 2014 – 2020 and from the Transition 2021 – 2022 (which includes the Multiannual Financial Framework 2021 – 2022 relating to EAFRD and EURI – the European Union Recovery Instrument).



**Figure 2. Submeasure 4.1**

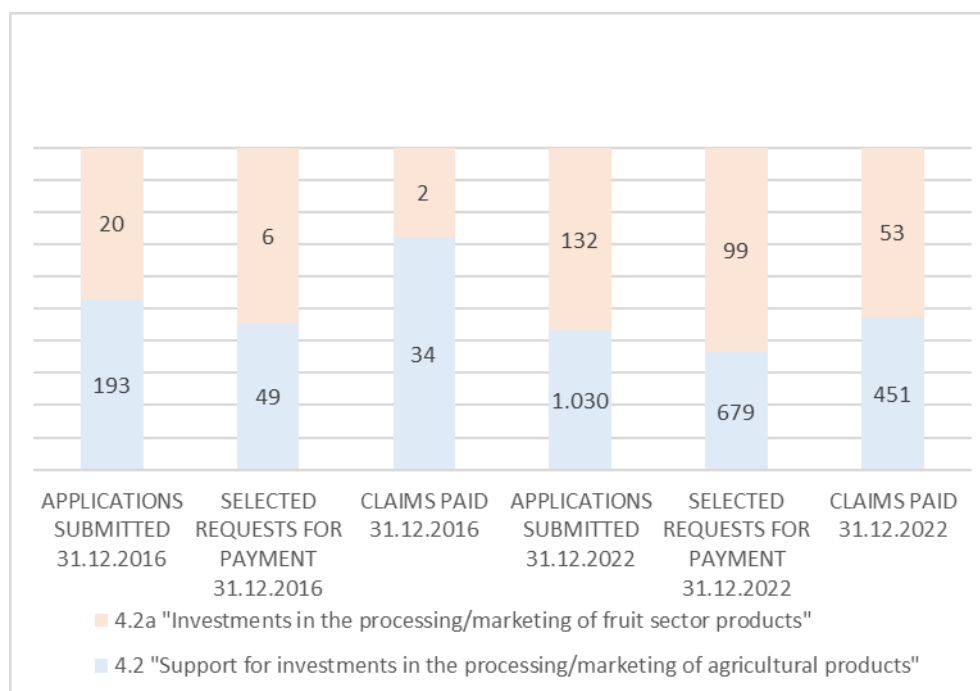
Source: AFIR.RO – Own conception

Submeasure 4.1 representing "Investments in agricultural holdings" received a PNDR 2014-2020 allocation in the amount of 1,634,904,552 euros, on 31.12.2016, two years after the start of the programming period, 1921 applications were registered, from which selected and approved for payment 693, and paid up to

that date only 143. On 31.12.2022 the situation of the number of projects submitted increased, having at the end of the year 6147 projects of which only half were selected, totaling 3182 projects, and 1449 paid, payments in the amount of 753,253,369 euros.

Also for Sm 4.1a "Investments in fruit farms" a budget of 330,435,039 euros was allocated, of which you use until 31.12.2022 in the amount of 203,496,856 euros. If at the beginning of the period only 240 projects were submitted, only 15 were selected, and by 31.12.2016 not a single project had been paid, in 2022, the situation by the end of the year was as follows: 1306 projects were submitted, 564 were selected and 243 were paid. .

The two sub-measures had a major impact on the development and rehabilitation of the Romanian agricultural sector.



**Figure 3. Submeasure 4.2 and 4.2a**

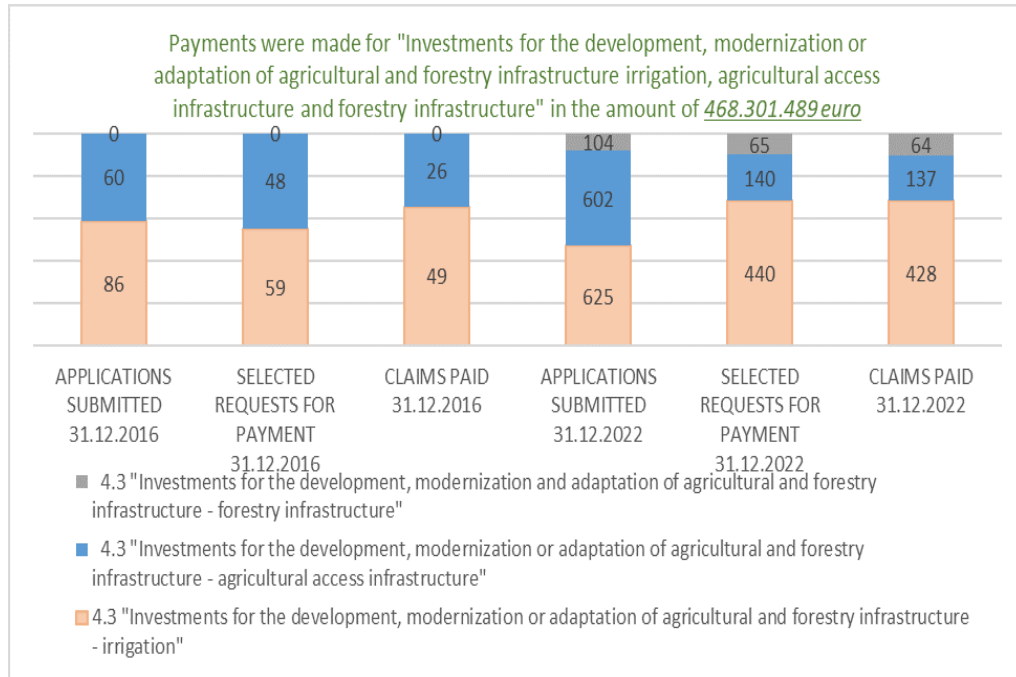
Source: AFIR.RO – Own conception

PNDR comes to the aid of small, medium and large micro-enterprises through the development of sub-measure 4.2a "Investments in the processing/marketing of products from the fruit sector. From the beginning of the period the amount allocated to it is 45,429,439 euros, at the end of 2016 having been submitted 20 of project requests, of which 6 were selected, and only 2 were paid by the end of the year. The status of the projects on 31.12.2022 was as follows: 132 requests, but of which only 99 were selected for payment, and 53

were paid projects. The total degree of access exceeding 34%, and the payments made amounting to 13,992,337 euros.

For submeasure 4.2 "Support for investments in the processing/marketing of agricultural products", PNDR allocated a ceiling in the amount of 513,541,991 euros, of which only 228,112,676 euros were distributed to the projects selected for payment. In 2016, 193 projects were submitted for this sM, 49 were selected and 34 were paid. Also on 12.31.2022, the number of submitted projects was 1030, of which 679 were sent for payment and 451 were paid.

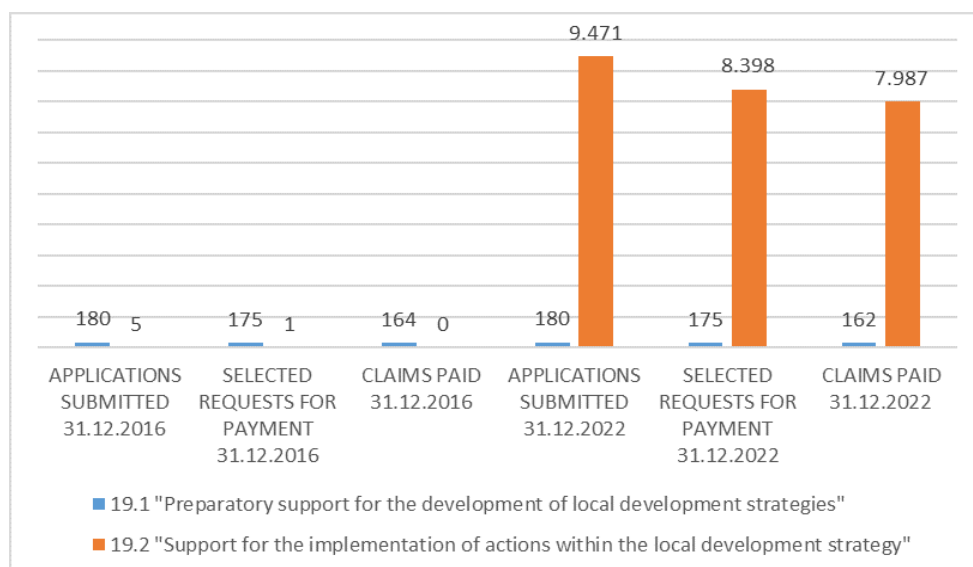
These two sub-measures prioritize the development of associative forms, integrated food chains and quality products, with high added value, thus offering support to Romanian farmers.



**Figure 4. Submeasure 4.3**

Source: AFIR.RO – Own conception

Sm 4.3 received a ceiling totaling the three domains in the amount of 775,907,147 euros, having a degree of absorption of the funds of 54% in the amount of 468,301,489 euros. By 31.12.2022, 625 projects for irrigation, 602 for agricultural access infrastructure and 104 for forestry infrastructure were submitted, of which 428 were paid for irrigation, 137 for agricultural infrastructure and 64 for forestry infrastructure.



**Figure 5. Submeasure 19.1 and 19.2**

Source: AFIR.RO – Own conception

Submeasure 19.1 "Preparatory support for the development of local development strategies" benefited from a ceiling in the amount of 6,990,183 euros, of which 1,975,014 euros were used until 31.12.2022. the beginning of the programming period began with 180 projects submitted, of which none had been paid until 31.12.2016. But in 2022, at the end of the year, 162 projects were paid

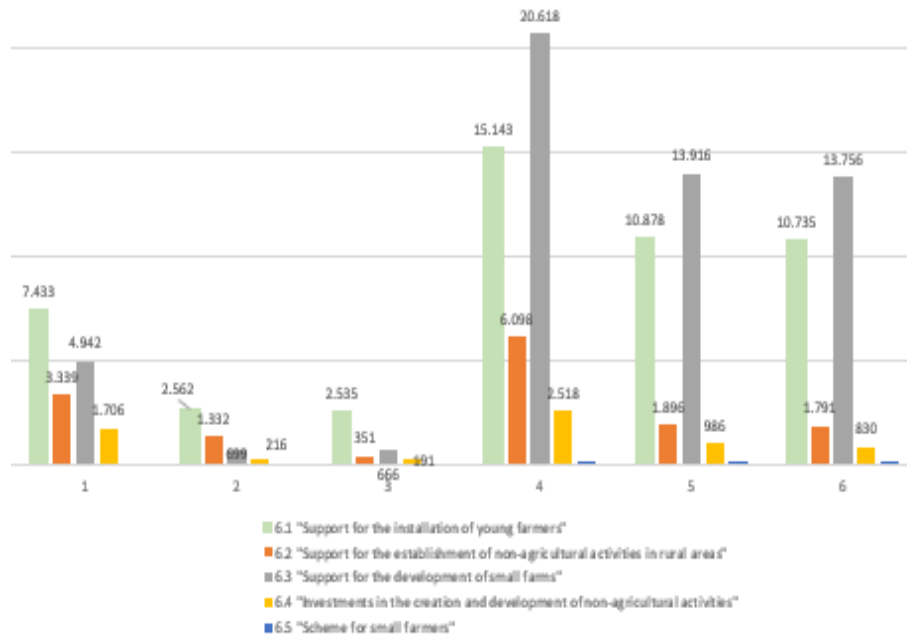
Submeasure 19.2 "Support for the implementation of actions within the local development strategy" started with a very small number of projects submitted in 2016, but by 2022, 9,471 projects were submitted, of which 8,398 were due and 7,987 were paid, totaling the value of 368,585,602 euros.

Measure 6 represents one of the most important projects developed in Romania, as the impact that the access to European funds through PNDR 2014-2020 had led to the development of the GDP and the reduction of the gaps that the farmers of the Romanian rural area had been facing for 20 years . The total ceiling allocated for Measure 6 was in the amount of 1,338,467,842 euros, of which sM 6.1 received 576,843,874 euros, sM 6.2, 161,553,378 euros, sM 6.3, 333,590,566 euros, 6.4, 266,474,403 euros and 6.5 received an allocation in the amount of 6,000.00 euros.

The situation of the projects in 2016 was as follows, 2,535 projects were paid for sM1, sM 6.2 1,332, sM 6.3 666, sM 6.4 191, and sM. 6.5 no project submitted. 7 years after the start of the current programming period, on 31.12.2022, sM 6.1 saw a number of 15,143 projects submitted, 10,878 selected for payment, of which 10,735 were paid, with a degree of use and access to funds exceeding 80 %, and the amount of payments accessed is 515,970,797 euros. At Sm 6.2, 6,098 projects were submitted, of which 1,896 were selected and 1,791 paid, a degree of access exceeding 50%, at sm 6.3, 20,618 projects were submitted, of which 13,916



projects were selected for payment and 13,756 paid, a degree of access exceeding 85 %, making payments of 267,201,603 euros. 2,518 projects were submitted to SM 6.4, 830 were selected for payment, access rate of 61%.

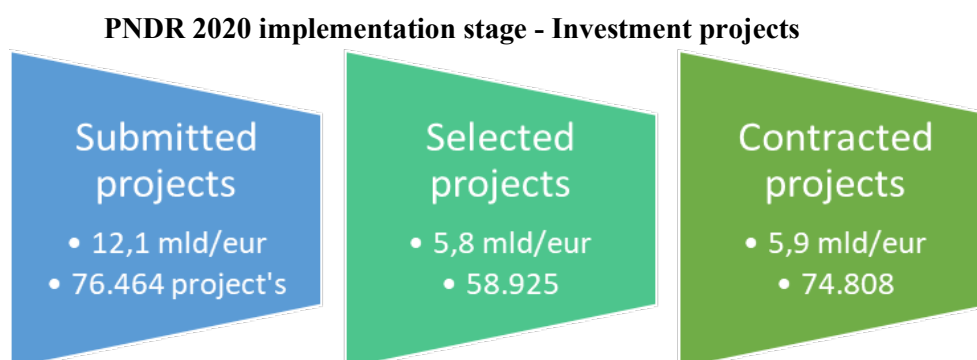


**Figure 6. Submeasure 6**

As a result of the above analysis, the authors of this paper consider that through the financial management of the 2014-2020 PNDR, an attempt was made to improve the areas where the GDP was below 70% compared to the country's average, thus more than 879 projects were financed with a total budget of 1.83 billion euros, money given to the town halls in the rural areas, through which the infrastructure was modernized as follows: 4,143 km of communal roads were rehabilitated and built, 3,028 km of food and water network and over 4,531 km of networks of sewage, therefore currently more than 3,000,000 people in rural areas now benefit from modernized services, as well as rehabilitated and renewed basic rural infrastructure. Also, PNDR supported the improvement of agricultural, forestry and irrigation infrastructure, financing over 677 projects, worth 670 million euros, of which 3,076 km of agricultural roads and 1,603 km of forest roads were created and developed. More than 44,794 ha protected from floods, as well as 312,618 ha rehabilitated through irrigation projects.

Regarding the implementation of non-agricultural investment projects, 423 new jobs were created through sub-measure 6.2, of which 255 were occupied by women (AFIR 2023). Through sub-measure 6.4, a total of 1471 new jobs were created, of which 879 were occupied by men and 592 by women. Out of the total of these projects that received funding, 408 projects were targeted as tourism

activities. Of these projects, 350 were tourist accommodation services, through which 433 jobs were created, of which 174 were occupied by men and 259 by women.



**Figure 7. The status of projects submitted through PNDR 2020**

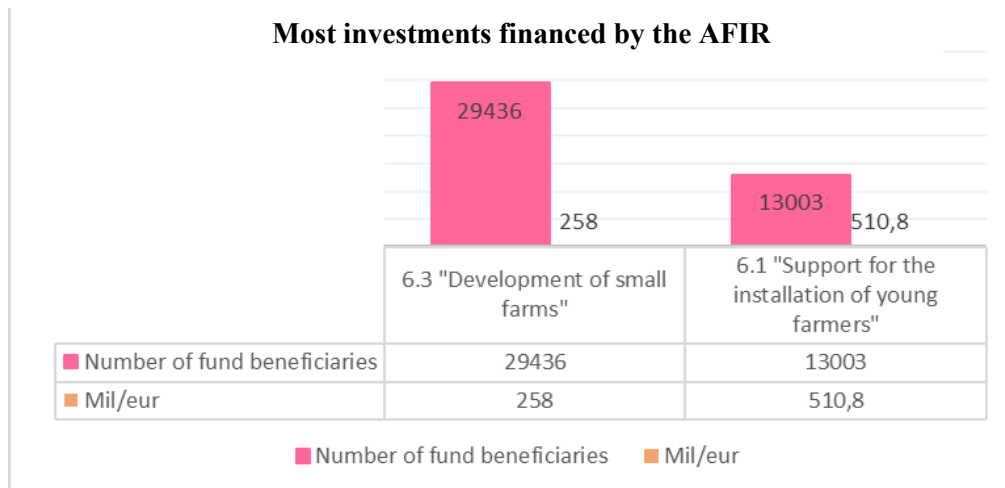
*Source:* Own collection according to AFIR.ro

The awarding of the most investment funds went to:

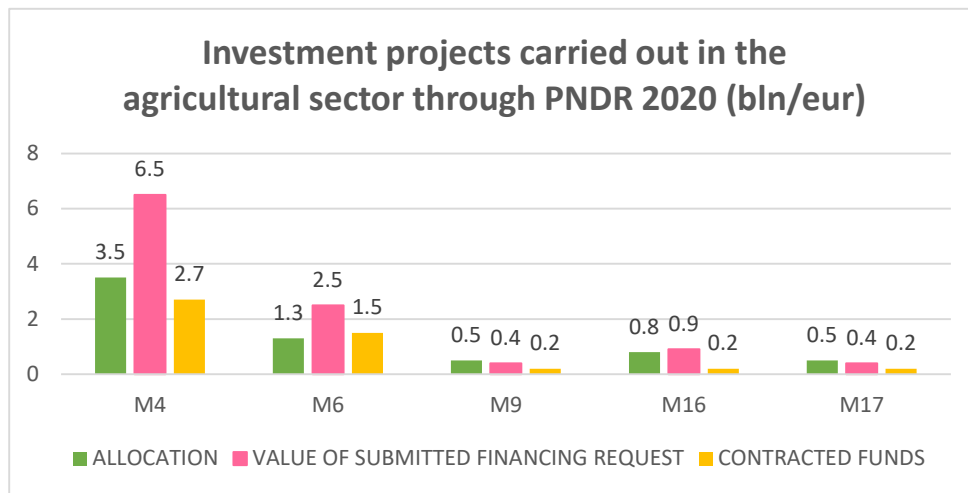
**Table 1. Investment funds**

Field	Value (mld eur)	No. INVESTMENT	Measure
Public utility	1,43	2.121	Measure 7
Agricultural holdings and orchards	1,3 mld/eur	2.482	sM 4.1, 4.1 a
Modernization of agricultural, forestry and irrigation infrastructure	705	869	sM 4.3
Processing of agricultural and fruit products	470	690	sM 4.2 și sM 4.2a
Non-agricultural activities	275	3077	sM 6.2 și sM 6.4

Investment projects in the agricultural sector:



**Figure 8 Submeasure 6.1 and 6.3**  
 Source: AFIR.RO – Own conception



**Figure 9. Investment projects in the agricultural sector through PNDR 2020**  
 Source: Own collection according to AFIR.ro

Thus, in total, 6.4 billion/eur were allocated for the sub-measures related to the chart, 10.5 billion/eur represents the value of the submitted financing request, and the contracted funds are worth 4.1 billion/eur.

Achievement indicators through PNDR 2020 for investments:

AFIR made payments over 2.6 billion/eur PNDR for the beneficiaries of the financing granted through the agricultural measures as follows:



446, 008Ha, surface area of agricultural holdings financed by PNDR 2020,



29.307 farmers financially supported through PNDR 2020 + 6.1 TRANSITION,



529 of processing units for fruit and vegetable products.

Through PNDR 2020, 17,833 farmers received non-refundable financial support, of which 3,411 were in the mountain area as follows:

**Table 2. Access to PNDR 2020 funds by sub-measures**

Submeasure	Number of hits farmers	Total mil/euro
sM 6.1 – for installation as farm heads	13.000	510,8 mil/euro
sM 6.3 – for the development of small farms	3,479	52,2 mil/euro
sM 4.1 – for the development of agricultural holdings	671	215,9 mil/euro
sM 4.1a – for the development of fruit farms	69	29,6 mil/euro

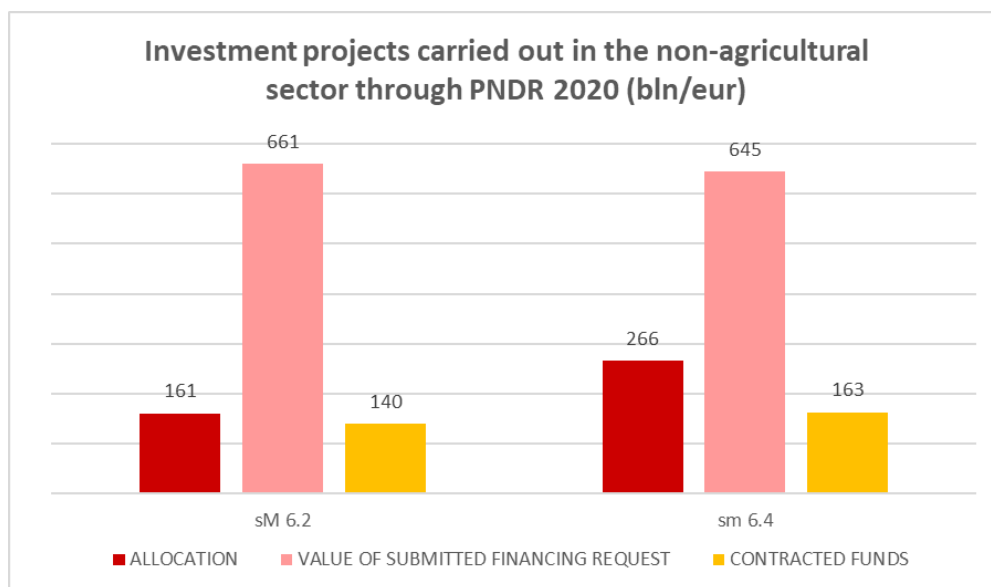
*Source:* Own download according to AFIR.ro

Thus, there were allocations of funds in the amount of 428 million euros for the non-agricultural sector, of which 235 million euros were payments made for the non-agricultural sector up to the present moment, but the value of the applications submitted at the total level was in the amount of 1.3 billion/euro.

Beneficiaries financially supported through PNDR 2020 with non-reimbursable funds were 738 young people, with a value of 65 million/euro, of which they are divided as follows:

- sM 6.2 (for the establishment of non-agricultural activities): with an allocation of 33.3 million/euro, 558 YOUNG entrepreneurs benefited;
- sM 6.4 (for the development of non-agricultural activities): 180 young entrepreneurs benefited in total of 31.6 million/euro.

Performance indicators for investment projects in the non-agricultural sector:



**Figure 10. Investment projects carried out in the non-agricultural sector through PNDR 2020**

AFIR also made payments worth over 235 million euros through PNDR for the beneficiaries of non-agricultural measures:

- 2.794 of SMEs (with non-agricultural investments in rural areas);
- 893 farm pensions (established or modernized);
- 135 (investments for craft activities)
- 1.436 (activities related to the provision of services)

Achievement indicators through PNDR 2020 jobs established with PNDR support:

- In new jobs created by the investments financed by PNDR, benefited about 11,128 employees;
- In the non-agricultural sector 3,706 new jobs;
- 1,558 new jobs were created for women.

#### 4. Conclusions

The country's economic and social improvement has so far seen two programming periods, 2007-2013 and 2014-2020. The main indicators from the first programming period show the efficiency of project implementation through the absorption of European funds, so that a positive impact was determined on the areas where gaps knew a high weight. From an economic point of view, more than

35,000 jobs were created and more than 13,000 SMEs were developed. Also from a social point of view, Romania benefited from the development and modernization of over 3,400 km of roads, as well as the development of over 145 wastewater treatment facilities, the educational sector received help to modernize the infrastructure of educational units.

By presenting the main indicators, we can state that the Romanian rural area is in continuous development and modernization, and access to structural funds from the EU plays an important role in the socio-economic modernization of Romania today.

In this vein, they formulated a series of recommendations related to the effectiveness of European funds related to rural development, respectively:

1. Consolidation of the capacities and responsibilities of the actors involved in the implementation, monitoring and evaluation of European funds, in order to further strengthen the absorption capacity of the funds intended for rural areas;
2. Correlation of agricultural, food and rural policies to the standards achieved in other more developed European countries;
3. Ensuring a permanent connection between the rural and urban sectors, taking into account the fact that they complement each other;
4. The analysis and selection of appropriate measures to pursue strategic priorities should be adopted by the program managing authority and not upstream in European Union guidelines or general regulations.

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