

EUROPEAN STRUCTURAL FUNDS IN ROMANIA: ABSORPTION AND IMPACT ON THE AGRICULTURAL SECTOR

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Abstract

The paper proposes an analysis of the effective rate of absorption of European Structural Funds in Romania, allocated to the national agricultural sector, in the period 2019-2022. The research was carried out on the basis of the official information, provided by the Romanian and European statistical systems. National Institute of Statistics and the Ministry of Agriculture and Rural Development. The results of the research show a strong correlation between the effective absorption rate of the European Structural Funds and the total net investments in the agricultural sector at the national level. Agriculture can be considered as a model for the other domestic economic sectors from the perspective of the degree of absorption of European funds. Considering the importance of the agricultural sector, it is necessary that the value of net investments increases, regardless of the source of financing used, but above all that farmers make the most of the opportunity to access non-reimbursable structural funds.

Key words: European Structural Funds, agriculture, absorption rate, investments, Romania

INTRODUCTION

Structural Funds, as a set of funds from the European Union (EU), have been accessed in Romania since 2007, after the country's accession to the EU. According to European Commission reports, Romania received approximately 19 billion euros during the period 2007-2013, and around 30 billion euros were accessed during the period 2014-2020 (European Commission EC, 2022) [3]. The absorption rate of European funds in Romania has been very low, and this situation has been done by several factors, including limited administrative capacity.

EU countries and the EC jointly manage these structural funds, including in the agricultural sector, focusing on addressing specific challenges faced by rural areas of the EU. All rural development programs aim to stimulate agriculture development and promote competitive management in the agricultural sector (Massot and Nègre, 2020) [6].

In the Romanian agricultural sector, the National Rural Development Program (PNDR) is dedicated to improve the infrastructure and economic development of rural areas. The Agency for Rural Investment

Financing (AFIR) manages, allocates funds, and is monitoring the implementation of the PNDR projects. Funds allocated are designated to increase the competitiveness of agriculture, to improve the economic performance of farms, to develop the irrigation infrastructure, as well to improve the quality and safety of agricultural products, encouraging the implementation of sustainable agricultural practices, and protecting the environment (Ministry of Agriculture and Rural Development MADR, 2022) [7].

Through programs aimed at the agricultural sector, funds have been obtained to support a multitude of projects and initiatives that have led, since the first access, to improving the competitiveness, sustainability, and modernization of the agricultural sector and sustainable rural development (Dinu et al., 2020) [2].

In Romania, the absorption of European funds in the agricultural sector is a subject of interest, both in the economic and agricultural fields. Structural funds represent an important development instrument, but there are a lot of factors that influences the degree of absorption, such as the complexity of

procedures to access it, management and implementation of the projects, as well the available human resources and their expertise (Lupu, 2020) [4].

The effective absorption rate of European funds represents the proportion between the European funds allocated for a particular program or project and the sums actually spent on them in a given period of time, and is a challenge for the Member State (Marcu et al., 2020) [5].

In Romania, the effective absorption rate for 2014-2020 period was low, a consequence of internal factors such as political instability, including in the ministries involved in managing European funds, frequent changes in legislation, and even problems in Romania's information systems (Anghelache et al., 2019) [1].

Even from earlier research, negative influencing factors in the absorption of European funds have been observed, such as the lack of communication and coordination of state institutions, low administrative capacity, and even the way funds are allocated, factors that are still relevant even after nearly a decade of accessing funds (Popescu, 2015) [11].

According to Sima (2022) [12], during the period of 2014-2020, beneficiaries of PNDR have capitalized on the progress and experience gained during previous implementations, while also being in line with the demands made by the EU, as evidenced by the high absorption rate of the program at the end of 2022.

In 2022, the Romanian agricultural sector suffered a real setback due to both the existing climatic and geopolitical and economic conditions at the global level.

For the next period, the National Strategic Plan foresees the increase in competitiveness of farmers in Romania in order to achieve food security, and this objective can only be achieved through investments using all possible and existing sources of financing (Zlatiet et al., 2023) [13].

In this context, the purpose of the paper is to analyze the effective rate of absorption of European Structural Funds in Romania,

allocated to the national agricultural sector, in the period 2019-2022.

MATERIALS AND METHODS

The notions regarding general and descriptive data about theoretical and technical information were selected from the specialized websites of: the MADR, Ministry of European Investments and Projects and Agency for the Financing of Rural Investments. For documentation, scientific information provided by Clarivate, SCOPUS, Research Gate and Google Scholar were used. For scientific research, data provided by National Institute of Statistics NIS (Tempo Online database) and Ministry of European Investments and Projects (MIPE) have been selected, processed, and analysed.

The results will be applied in the doctoral research. The analysis could be useful to the management systems of public or private entities in the Romanian agriculture, in order to use the information on promoting, developing and maintaining the diversification of the economic activities in the rural area and to build and develop new agricultural and rural strategies.

RESULTS AND DISCUSSIONS

The effective absorption rate of the European Structural and Investment Funds (ESIF) is one of the indicators that are quantified to establish statistical data regarding the status of programs funded through these instruments.

Alongside the effective absorption rate, data on indicators such as total sums allocated to programs, actual payments to beneficiaries, pre-financing requested, and the current absorption rate (requested sums) are typically analysed. The absorption rate is calculated as the ratio between the actual funds used and the initially allocated funds. A high absorption rate indicates that the structural funds have been managed and utilized efficiently.

According to data recorded between 2019 and 2022, in the statistics of the MIPE (2023), the effective absorption rate of the entire ESIF has continuously increased from:

- 9.12% in 2019 to 42.11% in 2020, 49.05% - in 2021, and up to 63.02% in 2022. (Figure 1).

The share recorded in 2022 was more than double compared to that of 2019, and it is expected that in 2023 there will also be an increased effective absorption rate for the entire ESI Fund as well as individually for each dedicated program.

The curves of effective absorption rates at the PNDR and the overall FESI level can be observed in Figure 1. Within the PNDR, there is an increase in the percentage between 2019 and 2020, and between 2021 and 2022. However, there is also a decrease of 5.98 percentage points in 2021 (59.93%) compared to 2020 (65.91%). In correlation with the information in Table 1, it can be observed that the actual amount used is higher in 2021, but the absorption rate is lower compared to the previous year due to the fact that the actual allocated amounts were higher. The curve corresponding to the overall FESI shows no decreases in the analysed period, and the actual allocated amounts to the entire program have increased each year, reaching a total of over 35 billion euros in 2022.

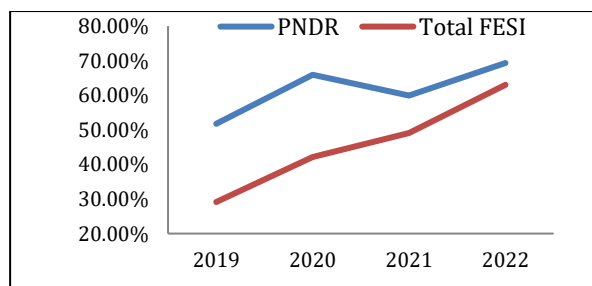


Fig. 1. Effective absorption rate of PNDR – FESI (%)

Source: Authors, by using MIPE (2023) [8].

Table 1 shows the amount of the effective absorption rate within the PNDR program can be observed (in euro and %).

Table 1. Effective absorption rate for PNDR 2019-2022

Year	Value	Amount
2019	Euro	4,206,411,278
	%	51.75 %
2020	Euro	5,357,532,471
	%	65.91%
2021	Euro	6,572,708,788
	%	59.93%
2022	Euro	7,603,862,184
	%	69.33 %

Source: Authors, by using MIPE (2023) [8].

As evidenced by the increased values recorded, it is certain that PNDR beneficiaries understood the real opportunity offered by the program and consequently accessed this funding source, propelling the effective absorption rate to the first place, compared to all other programs of the European Structural and Investment Fund (ESIF). In comparison to the effective absorption rate at the level of the entire ESIF, it can be observed that PNDR, compared to ESIF, records higher percentages as follows:

-In 2019, 51.47% compared to 29.12%

-In 2020, 65.91% compared to 42.11%

-In 2021, 59.93% compared to 49.05%

-In 2022, 69.33% compared to 63.02%.

These records show that over the course of the 4 years, the effective absorption rate began to increase for other programs as well, with only a 6.31 percentage point difference between PNDR and ESIF in 2022, while in 2019 there was a major difference of 25.35%.

Since it is certain that sustainable and stable development is possible through an increase in investment levels in the agricultural sector, data on the total net values of investments registered in Romania in the agricultural field were taken and analysed.

In Table 2, the total net values of investments in the agricultural sector in the period 2019-2021 can be observed, along with the calculation in percentages of the sums effectively absorbed from the PNDR program, as if the sums from the program were the sole source of funding.

Table 2. Net investments in the Romanian agriculture 2019-2021

Year	RON (mill. of)	Annual average (Euro)	Euro (mill. of)	PNDR absorption rate (%)
2019	5,552	4,7452	1,170	27.82
2020	5,344	4,8371	1,104.8	20.62
2021	5,695,5	4,9204	1,157.5	17.61

Source: Author's calculations based on INSSE/BNR data (2023) [10].

It should be noted that for the total net investments in the agricultural sector, there were other sources of financing during the period analysed, such as the Operational Program for Fisheries and Maritime Affairs (POPAM) and the European Agricultural

Guarantee Fund (FEGA), national funds, or the own sources of enterprises in this sector. The information regarding the amounts recorded by INSSE was converted into euros from the national currency at the average National Bank of Romania (BNR) exchange rate to correlate with the amounts effectively absorbed by the PNDR program. If the entire level of net investments made in the agricultural sector in Romania during the period 2019-2021 were only made from the PNDR source, it can be concluded that percentages of less than 30% in the use of funds for investments are recorded, and the curve becomes descending until a percentage of 17.61% in 2021.

The amounts allocated for investments are becoming smaller, indicating that enterprises in the agricultural sector allocate more and more financial resources for current and variable expenses such as raw materials, materials, transportation, rents, utilities, human resources, or taxes and fees. The role of the amounts allocated to investments is very important because the most reliable path to economic growth is based on expanding investments, modernizing technologies, and constantly aligning with new quality standards. It is desirable for the proportion of amounts for the total net investments in the agricultural sector to be as high as possible regardless of the source of funding, and the implementation guidelines of the PNDR program support the allocation of the highest possible percentage for investments.

Figure 2 and Figure 3 show the share of PNDR funds in 2019 and 2022, from the total amounts absorbed by FESI.

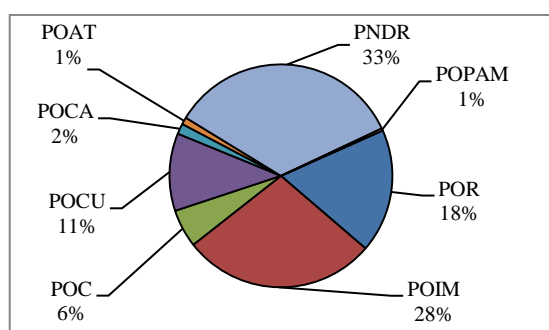


Fig. 2. Absorption rate (% of FESI, 2022)
 Source: Authors, by using MIPE (2023) [8, 9].

In 2019, the program allocated a very high percentage of 47%, and over the years until 2022, the rest of the programs follow the absorption model of the PNDR, so that the proportion reaches 33%.

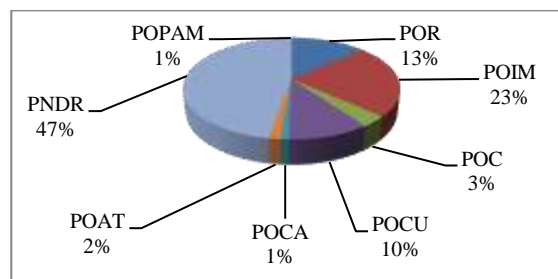


Fig. 3. Absorption rate (% of FESI, 2019)
 Source: Authors, by using MIPE (2023) [8].

Even following such behaviour, the beneficiaries of the PNDR program maintain the first place in terms of the volume of amounts effectively absorbed.

In second place in terms of absorption proportion from the total FESI, both in 2019 and 2022, is the Large Infrastructure Operational Program (POIM), with a growth of 5 percentage points from 23% in 2019 to 28% in 2022. According to the MIPE (2022), the overall objective of the POIM is the development of transport, energy, environment, and risk prevention infrastructure to European standards. The POIM program indirectly supports the agricultural sector by offering compatible and high-standard infrastructure for most of the activities in the entire agricultural sector in Romania. In third place in the ranking of amounts absorbed from the total FESI is the Regional Operational Program (POR), and in fourth place is the Human Capital Operational Program (POCU), which has specific objectives in the field of human resources. Through POCU, actions related to the agricultural sector are also undertaken, as there are numerous projects in implementation through which the human resource, from technicians and specialists in agriculture to tractor drivers, agricultural mechanics and plant and animal growers, is qualified. The rest of the programs recorded absorption rates of under 10% of the total structural funds throughout the years 2019-2022.

The Operational Program for Fisheries and Maritime Affairs (POPAM) records the lowest effective absorption rates, but it is also the program that has considerably lower allocated funds compared to the rest, and in a general calculation, it can be attributed to programs targeting the agricultural sector and quantified alongside PNDR. Table 3 shows the amounts of the effective absorption rate recorded by each program and transformed into percentages of the total ESF. Such a comparative calculation with the effective rate of programs from the total allocated shows us the evolution in percentages reported to the final amount effectively absorbed. ESF, of a total percentage of 100%, is mainly redistributed towards PNDR, this program being a true example to follow for beneficiaries of other programs.

Table 3. Effective absorption rate on FESI (2022)

Operational Programme	2019	2020	2021	2022
POR	13%	17%	18%	18%
POIM	23%	23%	25%	28%
POC	3%	3%	5%	6%
POCU	10%	13%	19%	11%
POCA	1%	1%	1%	2%
POAT	1%	1%	1%	1%
PNDR	46%	40%	38%	33%
POPAM	1%	1%	1%	1%

Source: Authors, by using MIPE (2023) [8].

It is also noticeable that one of the lowest percentages is attributed to the Competitiveness Operational Program (POC), which in 2021 managed to absorb only 6% of the total ESF. Finally, with a constant percentage of 1% over the analysed period, the Administrative Capacity Operational Program (POCA) and the Technical Assistance Operational Program (POAT) are ranked.

CONCLUSIONS

The study conducted shows the importance of absorption indicators for structural and investment funds, and from it, a series of practical and theoretical conclusions can be drawn that can be applied in any field, but especially the information obtained can be used in the agricultural sector.

At the national level, according to data from the analysed period, the rate of effective absorption of structural funds has steadily increased, indicating a more efficient use of these funds, and only in 2022 has the percentage become notable and impactful in Romania.

PNDR program has been able to use structural funds more efficiently during the analysed period, and the increase in the rate of effective absorption shows that the program's beneficiaries have understood the opportunities it offers. A careful analysis of performance indicators can help identify problems and improve the management of structural funds in other programs funded through the FESI.

While all these figures show a significant improvement in the rate of effective absorption, some of the challenges and problems associated with funding programs from the FESI, and even from the PNDR, must also be taken into account. For example, in some cases, the procedures for applying, obtaining, and implementing funding can be complex and cumbersome, which can discourage some organizations from applying. Additionally, it may be difficult for some organizations to identify suitable projects for funding or to successfully implement funded projects if there is not a high level of information and communication within each organizational structure. Although PNDR has brought significant benefits in terms of rural development, there are still many challenges to be overcome to ensure sustainable development of these areas. These include reducing the gap between urban and rural areas, improving road and public transport infrastructure, increasing the level of education and professional training of rural populations, as well as promoting a culture of entrepreneurship and innovation in rural areas. In this regard, it is important for PNDR to be continuously updated and adapted to the current needs and priorities of rural areas in Romania, so that it can continue to support their development and contribute to reducing socio-economic disparities.

As a final conclusion, the increase in effective absorption rates of European Structural and

Investment Funds represents an important achievement for Romania and shows that beneficiaries and authorities have understood and appreciated the opportunities offered. However, collective efforts must continue to ensure sustained progress.

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