

EUROPEAN FUNDS – THE ENGINE OF ROMANIAN ECONOMIC DEVELOPMENT

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Abstract: *The paper aims to analyze the role of European funds in the economic development process of Romania, following its accession to the European Union in 2007. Access to these funds was an essential factor in supporting the modernization of infrastructure, improving living conditions and stimulating economic growth. The study explores how Romania has capitalized on European financial resources to implement infrastructure, education, health and innovation projects, and how these have contributed to the consolidation of the national economy. In addition, the positive impact of structural funds on job creation and the reduction of regional disparities is analyzed. The paper demonstrates that European funds have played a determining role in Romania's economic development, contributing significantly to its evolution internationally. Once again, the paper highlights the challenges encountered in the process of absorbing European funds, as well as the lessons learned, which can serve as a basis for creating future strategies for the efficient use of available resources.*

Keywords: *Economic development, Structural funds, rural, agriculture.*

JEL Classification: *Q5.*

INTRODUCTION

With the advent of the 20th century, when physical labor began to be replaced by machines and intellectual labor, there was an increased interest of people to migrate from rural to urban areas, but technology brought multiple benefits to the rural environment through the development of machinery that led to a significant increase in the production capacity of the land, as well as for the development of the natural habitat.

Over time, the labor force in the years when socialism was in power, an increasing share of the number of employees in the total employed population is noted, so in 1950 employees had 25.3% of the employed population, and in 1970 their share had doubled, reaching 52.6%. Romania's labor force was made up of engineers and specialized technicians.

The expansion brought by technological equipment created a wave of development of both spaces, both urban and rural, by improving the quality of life, developing access routes between villages and cities, modernizing villages by connecting them to electricity and drinking water networks, in return in the rural area non-agricultural activities were developed, introducing techniques and technologies beneficial to both types of environments, developing new relationships that generated a qualitative and quantitative increase in the environment. In Romania after the 1989 revolution, the rural area experienced a new stage of change, defined by economic difficulties of the environment. The economic restructuring in this stage determined at least for a period of 10 years a last refuge for part of the population affected by the precarious economy of the period in the rural area focusing on semi-subsistence agricultural activities. The changes brought about after 1989, such as deindustrialization, migration from urban to rural areas, and the practice of subsistence activities on a large scale, have led to major changes in the activities of the population.

During the period 1990-2000, Romania experienced an intense phenomenon of external migration, mainly determined by the difficult transition from a planned to a market economy. This transition led to the closure of many state-owned enterprises, generating a significant increase in unemployment and an acute shortage of jobs. In search of better living conditions, many Romanians emigrated, heading mainly to Western European countries, such as Italy, Spain and Germany. Economic migration had a considerable impact on the demographic structure, affecting in particular rural areas and small towns, from where the departures were most numerous.

Romania's accession to the European Union, on 1 January 2007, marked a crucial moment in the country's economic and social evolution. European integration opened access to structural and cohesion funds, which were used for the modernization of infrastructure, the regional development of agriculture, support for small and medium-sized enterprises, as well as for investments in education and health. Regional development is a concept that aims to boost and diversify economic activities, stimulate private sector investment, contribute to reducing unemployment and, last but not least, improve living standards and welfare. (Ancuța Simona ROTARU, 2024)

At the same time, accession has favored the growth of exports and the attraction of foreign direct investment, which has contributed to the creation of jobs and the diversification of the economy. On the social level, free movement within the European space has allowed Romanians to travel, work and study in other member states, thus contributing to the improvement of living standards and the increase of professional skills. In the long term, accession to the EU has strengthened the democratic framework and accelerated the reforms necessary to align with European standards, laying the foundations for sustainable development.

Rural development can be described as a process that has the role of bringing about changes in a community. ((Marin), 2022)

THE STAGE OF KNOWING THE PROBLEM

Romania's accession to the European Union in 2007 had a profound impact on the country's social dynamics, influencing both living conditions and social structures. The post-accession period was characterized by significant transformations in various areas, such as the labor market, education, migration and social inclusion. Access to European funds contributed to reducing regional disparities and improving social infrastructure, but the challenges related to social inequalities and the inclusion of vulnerable groups remained central themes of analysis.

This period provides a complex framework for understanding how European and national policies influenced social cohesion, migration and the integration into society of different categories of the population. Over the years, many empirical studies have been conducted on this field of activity, but the perspectives are contradictory. An eloquent example is Barro and Sala-i-Martin, who argue that the migration phenomenon in the United States and Japan has "positive effects, especially on the long-term growth rate" (European Commission, European Agenda on Migration: continued efforts to support progress, Brussels, 14 March 2018). (Ioana Manuela MÎNDRICAN, 2023)

RESEARCH METHODOLOGY

To develop the methodology of this case study, classical observation and analysis tools were used. Factual analysis-based procedures were applied and extensive documentation of the available literature in this emerging field was carried out. The methodology of the work includes direct collection of information from specialized sources and from the practice of relevant public institutions in Romania, such as MARD and INSSE, along with data from reference platforms.

ANALYSIS AND RESULTS

The social analysis determined that following Romania's accession to the EU, for the purpose of the country's economic and social development through regional development policy, the 42 counties were divided into eight development regions.

Romania in 2024 is made up of 320 cities, 2858 communes and 13,288 villages. At the territorial level, we find 42 counties, including the municipality of Bucharest.

Romania's population in 2007 was 21.5 million inhabitants, currently being over 19.06 million inhabitants, although a drastic decrease is observed compared to the first reference year, the country is in a slight increase compared to previous years.

Since accessing European funds during the 2007-2013 programming period led to Romania's economic and social development, absorption procedures continued during the 2014-2020 period, but in the analysis to be presented over a 3-year period (2021-2023), we will highlight aspects related to both the social and economic aspects.

UM: people

Tabel 1. Resident population by development regions

Resident population by development regions			
Region	2021	2022	2023
NORTHWEST	2,552,470	2,547,429	2,537,017
CENTER	2,318,459	2,314,826	2,302,833
NORTHEAST	3,202,800	3,184,215	3,163,465
SOUTHEAST	2,398,402	2,377,101	2,351,636
SOUTHWEST MUNTANIA	2,930,686	2,901,376	2,868,994
BUCHAREST-ILFOV	2,318,109	2,322,002	2,327,057
SOUTHWEST OLTENIA	1,927,215	1,910,409	1,892,078
WEST	1,777,732	1,771,480	1,758,582

Source: Own take after ins.ro

Regarding the resident population of Romania, divided by development regions, it was determined that the country's population, with the exception of the Bucharest-Ilfov region, is in continuous decline, the main causative factors being continuous migration, the mortality rate which is much higher than the live birth rate, but also the lack of jobs, especially in precarious times, when the COVID-19 pandemic has caused a global disruption of all existing activities, but the Bucharest-Ilfov region continues in this delicate period to experience a slight annual increase, the main causes being the wider opening market, as well as numerous employment opportunities, but let's not forget about much more advantageous salary possibilities. Unfortunately, at the opposite pole is Southeast Oltenia, where the population is decreasing annually, the rate of internal or external population migration is experiencing continuous increases due to the desire for a better life, as well as the aging population.

UM: people

Tabel 2. Permanent emigrations

Permanent emigrations			
Region	2021	2022	2023
NORTHWEST	2.996	2.895	1.906
CENTER	3.043	2.810	2.087
NORTHEAST	5.486	5.945	4.976
SOUTHEAST	3.639	3.564	2.713
SOUTHWEST MUNTANIA	2.816	2.664	2.080
BUCHAREST-ILFOV	4.549	4.411	3.538
SOUTHWEST OLTENIA	1.470	1.497	1.114
WEST	3.330	3.189	2.617

Source: Own take after ins.ro

From the indicators presented in the previous table, it can be deduced that over the three years, emigration at the total country level has been continuously decreasing, but reaching an analysis by development regions, we determined that massive emigration comes from the Center, Southeast and West regions.

The increasingly low emigration at the country level is primarily due to the reduction of territorial gaps and disparities in recent years, as well as the patriotism of citizens. It should be remembered, however, that in the period 2020-2021, the pandemic caused by Covid19 broke out, which made it more difficult for the population to emigrate globally due to the sanctions imposed to reduce the spread of the virus. However, it can be noted that in 2023, at the level of all regions, emigration is increasingly lower, thus leading us to think that due to national economic development, emigration has decreased.

UM: people

Tabel 3. Permanent emigrations

Permanent emigrations			
Region	2021	2022	2023
NORTHWEST	5.094.288	5.209.493	5.364.938
CENTER	700.660	716.923	736.594
NORTHEAST	645.250	663.288	679.909
SOUTHEAST	577.197	591.148	615.034
SOUTHWEST MUNTANIA	546.376	557.912	570.290
BUCHAREST-ILFOV	581.037	591.515	603.647
SOUTHWEST OLTENIA	1.128.127	1.155.190	1.205.583
WEST	402.506	409.183	418.842

Source: Own take after ins.ro

In the last three years, the Romanian labor market has experienced a remarkable positive evolution, reflected in the considerable increase in the number of employees. This upward trend is largely due to economic development and strategic investments financed by European structural funds.

Projects implemented in the fields of infrastructure, education, health and regional development have created new employment opportunities, contributing to the revitalization of key economic sectors. For example, programs dedicated to supporting entrepreneurship and developing professional skills have allowed the integration of a significant number of people into the labor market, reducing the unemployment rate and stimulating labor mobility.

At the same time, the efficient use of structural funds in supporting SMEs and the modernization of industry has led to the creation of well-paid jobs, contributing to the stabilization and increase of the purchasing power of the population. These investments have had a lasting impact on the Romanian economy, consolidating the foundations of a dynamic and competitive labor market.

The increase in the number of employees in Romania is not just a positive statistic, but an indicator of the efficiency of using European funds to create a sustainable and prosperous economic environment.

Thus, from the data presented in the table, an annual increase in the number of employees was determined in all eight development regions.

UM: ha

Tabel 4. Area cultivated with main crops

Area cultivated with main crops			
Region	2021	2022	2023
NORTHWEST	5.094.288	5.209.493	5.364.938
CENTER	700.660	716.923	736.594
NORTHEAST	645.250	663.288	679.909
SOUTHEAST	577.197	591.148	615.034
SOUTHWEST MUNTANIA	546.376	557.912	570.290
BUCHAREST-ILFOV	581.037	591.515	603.647
SOUTHWEST OLTENIA	1.128.127	1.155.190	1.205.583
WEST	402.506	409.183	418.842
TOTAL	513.135	524.334	535.039

Source: Own take after ins.ro

Romanian agriculture has made significant progress in recent years, marked by a steady increase in the areas cultivated with the main agricultural crops in all development regions. This trend reflects not only the country's high agricultural potential, but also the sustained efforts to modernize and optimize the sector.

The increase in cultivated areas is determined by several factors, including the adoption of modern agricultural technologies, the financial support provided through European and national subsidies, as well as improved access to agricultural resources. Basic crops, such as wheat, corn, sunflower and rapeseed, have benefited from favorable conditions for the expansion of areas due to high demand on domestic and international markets.

Recent agricultural policies have also encouraged farmer associations, more efficient resource management and the implementation of sustainable practices, which has led to a more intensive and efficient use of available land. In parallel, better access to high-performance agricultural equipment and modern irrigation has allowed the expansion of cultivated areas in areas previously considered less productive.

The highest productivity in agriculture is found in the North-West region with 5,364,938 ha worked, but at the opposite pole is the BUCURESTI-ILFOV region with only 603,647 ha. The discrepancy between the two regions is given by the fact that in the Bucharest-Ilfov region, activities related more to office work are carried out, compared to the North-West region where the activity is given by agricultural work.

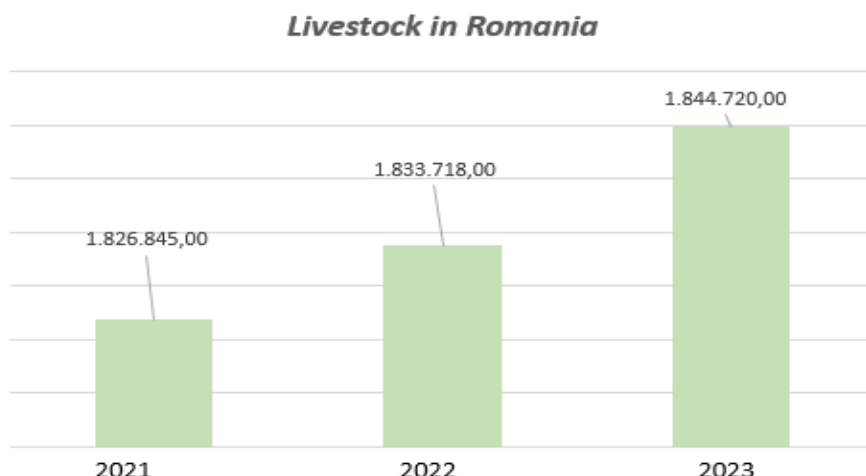


Figure 1. Livestock in Romania

Source: Own take after ins.ro

In recent years, the livestock population in Romania has registered a steady increase, reflecting the sustainable development of the livestock sector. This positive trend is the result of strategic measures and sustained investments in the modernization of farms and the improvement of animal husbandry conditions.

This evolution is supported by European subsidy and funding programs, which encourage the expansion of farms and the adoption of modern animal husbandry practices. In addition, farmers have started to use advanced nutrition and management technologies, which contribute to animal health and welfare.

This continuous increase in livestock populations not only supports the rural economy, but also contributes to consolidating Romania's position as a major producer in the European agro-zootechnical field. Romania is thus becoming a success story in capitalizing on its agricultural and zootechnical potential, while also guaranteeing the long-term sustainability of the sector.

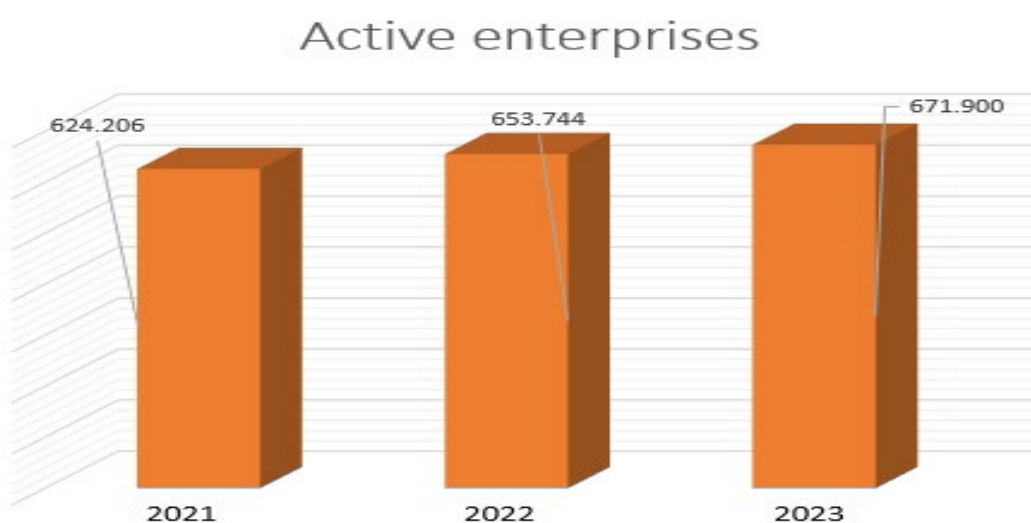


Figure 1. Active enterprises

Source: Own take after ins.ro

The number of active enterprises in Romania is on an upward trend, reflecting a revitalization of the business environment and increased confidence in the economic opportunities offered by the local market. This growth highlights not only the increased interest of Romanian entrepreneurs, but also the attraction that Romania exerts for foreign investors. Also, the support of entrepreneurship through government and European programs, such as Start-Up Nation and other non-reimbursable financing schemes, have encouraged the launch of new businesses, especially in emerging and technological sectors. This growth not only supports economic development, but also contributes to the creation of new jobs, the reduction of unemployment and economic diversification. Romania is thus becoming an increasingly competitive environment for business initiatives, strengthening its economic base and encouraging a more sustainable economy.

CONCLUSIONS

Since 2007, when Romania became a member state of the European Union, the country has entered a period of continuous development, marked by economic growth and the implementation of significant reforms. Access to structural funds has played an essential role in this process, supporting the modernization of infrastructure in rural and urban areas, the development of the private sector and the improvement of public services. In addition, integration into the European Union has brought a series of opportunities, from access to European markets to the consolidation of institutions and the rule of law. Thus, both accession to the European Union and the use of European funds have had a positive impact on Romania's economy and social development, consolidating its position as a state on the rise internationally.

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