

THE ROLE OF FINANCING ECONOMIC ENTITIES THROUGH EUROPEAN FUNDS IN STRENGTHENING FINANCIAL SUSTAINABILITY IN THE REPUBLIC OF MOLDOVA

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Abstract: *The importance and topicality of the research topic is determined by the recent dynamics of relations between the Republic of Moldova and the European Union, especially after obtaining candidate country status in 2022 and the start of accession negotiations in 2023.*

In this new framework, accessing European funds through programs such as EU4Moldova or Horizon Europe represents not only an economic opportunity, but also a test of the country's institutional and administrative capacity to align with European standards.

With changing priorities at European and global levels, the new strategic funding directions reflect a growing focus on sustainability, innovation, digitalization and economic inclusion. These trends offer both promising opportunities for the development of the local business environment, as well as challenges regarding the adaptation of strategies for accessing external financing. European funds are managed through various programs and financial instruments that aim to improve economic conditions, reduce regional disparities and stimulate sustainable and inclusive growth.

Especially for economic agents, the use of these funds constitutes an important lever for increasing competitiveness, innovation capacity and expansion on international markets. The strategic approach, based on rigorous planning and solid partnerships, is essential for maximizing the positive impact of European funds on the national business environment.

Keywords: *european funds, external financing, regional development, performance, project, european integration*

JEL Classification: *G10*

INTRODUCTION

The importance and necessity of researching the subject of European funds derives from the consideration that they offer economic agents in the Republic of Moldova a valuable opportunity to consolidate and expand their activities, to innovate internal processes and to become more competitive on both the national and international markets. These non-reimbursable financial resources represent an important support for the sustainable development of the private sector, but accessing and managing them also involves a series of challenges, which require an adequate level of preparation, planning and transparency on the part of the beneficiaries.

ANALYSIS OF PRIORITY ECONOMIC SECTORS FOR ACCESSING EUROPEAN FUNDS

The Republic of Moldova benefits from European financial support through special instruments for the Eastern Neighbourhood countries. In the period 2014–2020, funding was provided through the European Neighbourhood Instrument (ENI), and currently, in the period 2021–2027, Moldova is eligible for funding under the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI).

The Republic of Moldova also has the opportunity to participate in programs such as Horizon Europe, Erasmus+, the LIFE Program and other thematic initiatives managed directly by the European Commission.

In addition, the European Union implements a series of dedicated programs in the Republic of Moldova, such as EU4Moldova: Key Regions, EU4Business or EU4Environment, which aim at economic development, strengthening democracy, improving infrastructure and protecting the environment. Through

these instruments, Moldova benefits from technical assistance, non-reimbursable grants and institutional support, thus contributing to its approximation to European standards and values.

Although the Republic of Moldova does not have direct access to European structural and investment funds, the financial support received through the European Union's external instruments follows the same principles of transparency, efficiency and results-orientedness. An essential feature of these funds is their non-reimbursable nature, which means that beneficiaries are not obliged to return the amounts received, provided that all implementation requirements are met.

In the context of European integration and alignment with European Union policies, the Republic of Moldova focuses its efforts on capitalizing on the opportunities offered by European funds to stimulate economic growth and sustainable development.

These funds are directed particularly towards sectors considered priority, which have high potential for impact on the national economy, job creation and alignment with European standards [1]. The most important areas eligible for financial support are presented in Figure 1.

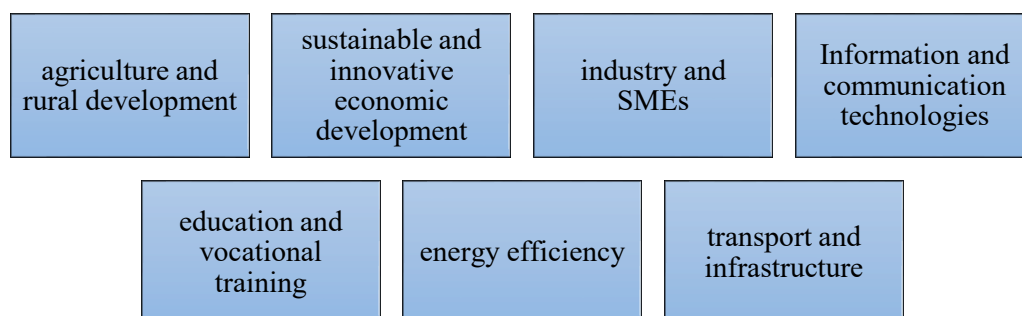


Figure 1 Priority economic sectors for accessing European funds

Source: developed by the author based on the Communication on the Growth Plan of the Republic of Moldova, Brussels, 9.10.2024 COM(2024) 470 final, www.enlargement.ec.europa.eu

EU funds are generally directed towards strategic areas capable of significantly contributing to sustainable development, reducing disparities and increasing the competitiveness of the national economy. A rigorous analysis of these sectors allows both to maximize the absorption of funds and to formulate coherent, results-oriented public policies.

PROSPECTS FOR FINANCING ECONOMIC AGENTS THROUGH EUROPEAN FUNDS IN THE REPUBLIC OF MOLDOVA

Financing the activity of economic agents by applying to the EU4Moldova program

EU4Moldova is not a single, isolated program, but rather an umbrella framework that brings together several initiatives and projects implemented by the European Union in partnership with other international entities, including: the United Nations Development Programme (UNDP), the German International Cooperation Agency (GIZ), the Organization for the Development of Entrepreneurship (ODA), Regional Development Agencies (RDAs), but also local and international NGOs specialized in economic and social development.

One of the key objectives of EU4Moldova is to strengthen competitiveness, in particular by developing the capacities of SMEs, which represent the backbone of the economy of the Republic of Moldova [2]. Thus, the program aims to:

- 1) creating new financing opportunities for businesses, especially in regions with insufficiently exploited development potential;
- 2) stimulating job creation by supporting entrepreneurial initiatives, especially in emerging sectors;
- 3) facilitating insertion in foreign markets by promoting exports and improving quality standards;
- 4) accelerating the digitalization and green transition process among companies.

By achieving these objectives, the program contributes to the economic modernization of the Republic of Moldova and to increasing the degree of integration of Moldovan enterprises into regional and international value chains.

Since its launch in 2019, EU4Moldova has supported a wide range of economic, social and institutional initiatives [3]. Regarding support to the private sector, the results for 2024 show a significant impact:

- 400 local businesses benefited from direct grants, mentoring and technical assistance;
- 23,3 million euros is the value of funds distributed to SMEs under the "Key Regions" and "EU4Business" components;
- creating and maintaining over 1200 jobs, with an emphasis on involving young people and women in entrepreneurship;
- 150 businesses were digitized, implementing IT and ecommerce solutions;
- 80 enterprises from the creative sectors, agricultural tourism and winemaking managed to expand their production capacities or access new foreign markets.

Energy efficiency	Circular economy	Digitalization of processes
• grants and co-financing for the modernization of industrial processes, installation of solar panels, waste reuse	• support for the development of economic models based on reducing resource consumption and recycling materials	• investments in IT solutions, automation, e-commerce and cybersecurity

Figure 2 The main directions of European funding for economic agents

Source: developed by the author based on the 2021-2027 long term EU budget and next generation EU, https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2021-2027_en?prefLang=ro

One of the main directions of European funding in the current multiannual framework is the transition to a green and digital economy [4]. For economic agents, the directions presented in Figure 2 are reflected in concrete opportunities:

- energy efficiency and renewable energy – grants and co-financing for the modernization of industrial processes, installation of solar panels, waste reuse, etc.;
- circular economy – support for the development of economic models based on reducing resource consumption and recycling materials;
- digitalization of production and management processes – investments in IT solutions, automation, e-commerce and cybersecurity.

Another important pillar of European funding is supporting local and regional economic development, by integrating the Republic of Moldova into European value chains. Within the EU4Moldova: Key Regions programme, as well as in other regional initiatives, the emphasis has been on strengthening economic capacities at local level – especially in less developed districts.

This type of intervention will continue, including by expanding support under the Team Europe initiative, which includes funds and expertise from several EU Member States. Economic agents operating in strategic sectors (wine, tourism, creative industries, etc.) and in less developed regions are encouraged to participate in calls for projects aimed at increasing local competitiveness, innovation and integration into the European market.

An emerging direction in European funding for the economic environment is related to supporting innovation, research and technology transfer. The Horizon Europe program, the EU's largest research and innovation program, offers significant opportunities for entrepreneurs from the Republic of Moldova, especially in international consortia.

Table 1 Financing programs available for economic agents in the Republic of Moldova

Program	Objective	Maximum funding	Own contribution	Implementation period
Digital Transformation Program	Digitization of SMEs	500.000 lei	30%	Until 2026
Women's Entrepreneurship Support Program	Supporting women entrepreneurs	165.000 lei	10%	Until 2026
Energy Efficiency and Modernization Program	Energy efficiency and the use of alternative sources	2.000.000 lei (modernization), 1.500.000 lei (alternative sources)	50%	Until 2026
Tourism Development Program	Development of the tourism sector	500.000 lei	-	Until 2026
Horizon Europe	Research and innovation	Variable	Variable	2021–2027
Digital Europe	Digitalization of the economy	Variable	95% contribution reduction	2021–2027

Source: developed by the author based on the list of Funding Opportunities, <https://www.adrnord.md> [5]

It is clearly observed that the prospects for financing economic agents in the Republic of Moldova through European funds are promising, especially in the context of the current progressive integration into European structures. The priority directions – sustainability, digitalization, innovation and inclusion – open up new development opportunities for local companies that want to align with European standards and values.

At the same time, these opportunities come with challenges related to the capacity of enterprises to develop eligible projects, attract relevant partners and implement the internal reforms necessary to effectively access available funds. Thus, strengthening skills in attracting external financing is essential, especially for SMEs and entrepreneurs in less developed regions.

Accessing European funds by economic agents in the Republic of Moldova is marked by an important transition in terms of European Union policies and instruments. Along with changing priorities at the European and global levels, new strategic funding directions reflect a growing focus on sustainability, innovation, digitalization and economic inclusion. These trends offer both promising opportunities for the development of the domestic business environment, as well as challenges regarding the adaptation of strategies for accessing external financing.

RESEARCH RESULTS

The research results presented in this article emphasize the importance and necessity of accessing European funds by local economic agents in order to develop activities under conditions of financial sustainability. Thus, the financing modalities mentioned in this paper and the efficiency in capitalizing on the funds depend on overcoming persistent obstacles, such as limited administrative capacity, lack of co-financing and information deficit among potential beneficiaries. Under these conditions, there is a need for a relevant reform of the fund management system and a professionalization of the actors involved in order to reduce the risk of underutilization of these

financial resources with major potential for capitalization at the level of economic agents in the Republic of Moldova.

In the context of European integration, the future of local companies will depend essentially on their capacity for strategic adaptation and mobilization of financial resources to meet the demands of a constantly changing competitive environment.

CONCLUSIONS

European funds can become a real engine of sustainable economic and social development only if they are approached with a clear strategy, efficient administration and a firm commitment from all actors – public and private. Seizing the opportunities offered by the EU is not just a chance, but a major responsibility for the future of the Republic of Moldova.

The challenges elucidated regarding the full use of European funds highlight the need to consolidate the support infrastructure, improve the counseling system and strengthen collaboration between authorities, the business environment and international partners.

The strategic development of local economic agents increasingly depends on their ability to adapt to European funding mechanisms, but also on national institutional support to effectively capitalize on these resources. The capitalization of European funds is thus becoming an essential pillar for the sustainable development of the national economy under conditions of financial sustainability.

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